LCP
LIFECYCLE PHARMA

Annual Report 2010

Content

MANAGEMENT REVIEW

To our shareholders

DEAR SHAREHOLDER,

2010 was an eventful and exciting year for LCP. We focused the Company's organization and the development pipeline with a primary emphasis on the ongoing development of LCP's lead product candidate, LCP-Tacro, for immunosuppression. LCP's financial position was strengthened through a successful share offering in November, in which LCP experienced solid backing from existing and new shareholders. The completion of the capital increase, which provided net proceeds of approximately DKK 445 million, is expected to enable LCP to fund the full development of LCP-Tacro until NDA/MAA submission in the U.S. and EU, respectively.

The development of LCP-Tacro has progressed successfully throughout 2010. In July, LCP announced positive top-line results from a Phase 2 clinical trial in *de novo* kidney patients and in December results for *de novo* liver transplant patients. In August, LCP received a Special Protocol Assessment (SPA) from the FDA for LCP-Tacro regarding the pivotal Phase 3 study, Study 3002, in *de novo* kidney transplant patients. This allowed for a confident initiation of Study 3002 for LCP-Tacro. LCP is running a Phase 3 study, Study 3001, in stable kidney transplant patients. LCP expects clinical results from Study 3001 and Study 3002, respectively, by mid-2011 and end-2012. The positive ongoing development of LCP-Tacro strengthens our belief in its best-in-class market potential as well as the efficacy of our proprietary MeltDose technology.

Our pipeline activites are focused on the creation of future high-value products that deploy the strengths of our proprietary MeltDose and Liquid-Loaded Tablets, LLT, technology platforms. The Company sees future growth potential in a wide array of therapeutic possibilities and will selectively focus on the most promising and most commercially important of these opportunities.

In August, Shionogi Pharma terminated the North American commercialization agreement with LCP regarding Fenoglide, the cardiovascular product originally developed by LCP. We assisted in the resumption of U.S. manufacturing and commercialization and have assumed an expanded responsibility in the ongoing patent enforcement of Fenoglide.

In January 2010, LCP reduced its organization by 26 employees as part of the re-focusing strategy. During 2010, we prioritized an additional strengthening of our organization with the addition of several new senior management team members. These organizational changes were important elements in reducing LCP's cost base while ensuring the skills needed to deliver on LCP's corporate objectives. At year-end 2010, LCP's net cash position was DKK 532 million, which is in line with expectations. We feel confident that our current financial and organizational position will enable optimal value creation in regard to further development and commercialization of LCP-Tacro as well as new product generation through our early pipeline activities and hereby serve the best interests of our shareholders.

LCP wishes to thank our shareholders and employees for their support during 2010. We are also deeply grateful for the trust and support we received from both existing and new shareholders in connection with our important capital increase in 2010.

Yours sincerely,

Paul R. Edick
Chairman

William J. Polvino
President and Chief Executive Officer

2010 Highlights

18 JANUARY
LifeCycle Pharma announces senior management hires and refocus of the organization.

5 JULY
LifeCycle Pharma announces positive results of phase 2 clinical trial for LCP-Tacro in *de novo* kidney transplant patients.

12 AUGUST
LifeCycle Pharma receives Special Protocol Assessment (SPA) from FDA for LCP-Tacro pivotal phase 3 study in *de novo* kidney transplant patients.

27 AUGUST
LifeCycle Pharma announces Shionogi Pharma terminates Fenoglide North American commercialization agreement.

18 OCTOBER
LifeCycle Pharma announces first patient dosed in LCP-Tacro pivotal phase 3 study in *de novo* kidney transplant patients.

25 NOVEMBER
LifeCycle Pharma announces that LCP's fully subscribed offering of 395,974,670 new shares of DKK 1 nominal value each subscribed at DKK 1.20 per share has been completed.

22 DECEMBER
LifeCycle Pharma announces positive one-year top-line results of phase 2 clinical trial for LCP-Tacro in *de novo* liver transplant patients.

Outlook 2011

LCP is expecting an operating loss of DKK 250 – 280 million compared to the realized operating loss of DKK 272.0 million in 2010. The net loss is likewise expected to be in the range of DKK 250 – 280 million compared to the net loss of DKK 274.2 million in 2010. As of 31 December 2010, the Company's cash position equaled DKK 531.5 million and the Company's 31 December 2011 cash position is expected to be in the range of DKK 250 - 300 million.

The above estimates are subject to possible changes primarily due to the timing and variation of clinical activities, related costs, royalty and other partner income, and fluctuating exchange rates.

Important events

FOLLOWING THE BALANCE SHEET DATE
Following the balance sheet date no material events have occurred, and consequently no material stock exchange announcements have been issued.

LCP's business strategy

The primary goal of LCP is to build a clinical and market-stage pharmaceutical business around LCP's key, late stage transplant immunosuppression product candidate LCP-Tacro and its other pipeline product candidates as well as to continue to look for and evaluate opportunities to apply LCP's proprietary MeltDose technology in other major therapeutic areas with established commercial potential. The key elements of LCP's business strategy are as follows:

- **Advance LCP-Tacro through clinical studies within the organ transplantation area.**
  LCP-Tacro (once-daily dosage) has received positive Phase 2 clinical data in kidney transplant patients demonstrating a potential best-in-class profile when compared head-to-head with Prograf (twice-daily dosage), the only branded tacrolimus product currently available on the U.S. market. In addition, LCP has received positive Phase 2 data for LCP-Tacro in liver transplant patients indicating a potential best-in-class profile when compared head-to-head with Prograf (twice-daily dosage). LCP has elected to focus its development efforts on pursuing LCP-Tacro for treatment of kidney transplant patients, given the larger potential patient population and demand.

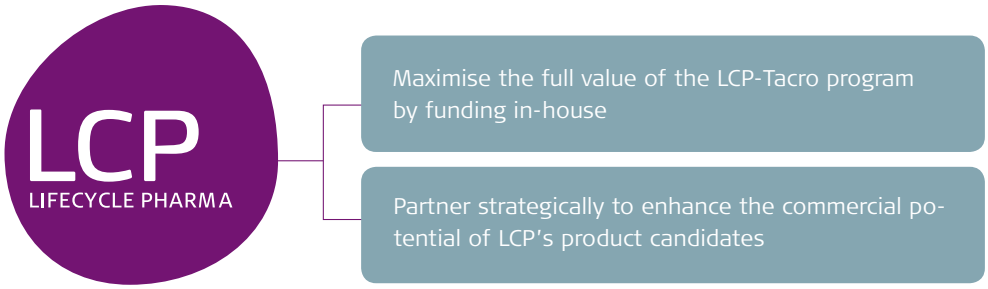
- **Maximise the full value of the LCP-Tacro programme by funding in-house through the completion of Phase 3 and to NDA/MAA submission.**
  LCP initiated Phase 3 clinical studies for LCP-Tacro in the second half of 2008 in stable kidney transplant patients and in *de novo* kidney transplant patients in the fourth quarter of 2010. The *de novo* transplant study protocol received a SPA from the FDA, which defined the parameters of this Phase 3 clinical study protocol.

  LCP is positioned to fund the full research and development programme through NDA/MAA submission, enabling LCP to maximise the full value of the programme and either facilitate high-value partnering through suitable global or regional partners or establish its own sales and marketing capabilities in selected markets where LCP believes, through such a strategy, it can maximise its commercial potential. Given the special characteristics of the organ transplant market, the field force required to market successfully in the transplant space is relatively small and, for example, the U.S. market can be covered effectively with 20-30 sales representatives. Consequently, LCP will retain the flexibility to establish its own sales force if so desired and depending on the strength of the Phase 3 data.

- **Continue to leverage LCP's proprietary MeltDose technology in additional therapeutic areas with established commercial potential.**
  LCP believes that its proprietary MeltDose technology has broad applicability across multiple existing drugs and disease areas. LCP intends to further maximise the commercial value of the MeltDose technology by applying it to products across a broad range of therapeutic indications where LCP believes it can retain significant commercial rights to its products and maximise their commercial potential.

- **Partner strategically to enhance the commercial potential of LCP's product candidates.**
  For products that serve very large markets or those that may be widely distributed geographically, such as LCP's cardiovascular product candidates, LCP seeks to enter into commercialisation and marketing licences with pharmaceutical companies. It intends to continue this partnering strategy for such product candidates in major therapeutic markets in which the expanded marketing capabilities of potential partners may significantly increase the market penetration of its products.

LCP'S BUSINESS STRATEGY



LCP-Tacro and immunosuppression

Market overview

MARKET SIZE

In 2009, the immunosuppression market for transplant patients in the U.S., Japan, the United Kingdom, France, Germany, Italy and Spain totalled USD 4.4 billion (source: Business Insights August 2010; IMS Health; all rights reserved). CNIs, the leading class to which LCP-Tacro belongs, had a 55% share of global sales at USD 2.4 billion, followed by anti-metabolites (USD 1.4 billion, 31% market share) and mTOR inhibitors (USD 321 million, 7% market share) (source: Business Insights). The top-selling product was Astellas' Prograf (tacrolimus), which sold just over USD 1.5 billion, which represented approximately one-third (1/3) of the total sales of immunosuppression drugs for transplantation, followed by Roche Holding AG's ("Roche") CellCept (mycophenolate mofetil, USD 1.1 billion) and Novartis's Neoral (cyclosporine, USD 585 million) (source: Business Insights August 2010). These three products, which represent the cornerstones of modern immunosuppressant regimens, accounted for 76% of sales in the transplantation market in 2009 and underline the current dominance of the transplantation market by three multinational drug companies – Astellas, Novartis and Roche.

In 2009, worldwide sales of Prograf were approximately USD 2 billion (Astellas Annual Report FY 2009).

MARKET STRUCTURE

The transplant marketplace in the U.S. is ideally suited for a very small and well-focused selling effort. The clinical practice of transplant medicine leads to a unique commercialisation opportunity. Transplants are generally performed at a small number of highly specialised centres. For example, in the entire U.S., only about 250-300 centres perform transplants. Patients waiting for a transplant will often travel considerable distances for transplant at one of these few centres. As such, a limited number of sales representatives can cover the majority of the centres. With a field force of 20-30 sales representatives, centres can be triaged into "high priority" high volume centres performing the majority of transplants. These centres are covered with a higher calling frequency than are the lower priority centres. During a call, a representative can effectively call upon the professionals involved in the transplant process including surgeons, nephrologists, infectious diseases specialists and pharmacists. On a targeted basis, community nephrologists with large numbers of transplant patients would also be included.

The practice patterns in the European market are comparable to those seen in the U.S.

DISEASE AND TREATMENTS

Organ transplant is generally considered for all patients with end-stage organ failure. Such a condition typically follows severe disease progressions like those indicated in Table 1 below.

In 2009, over 50,000 organ transplants were conducted in the U.S., Japan, the United Kingdom, France, Germany, Italy and Spain.

Over the past 15 years, a variety of new immunosuppression medications have been approved, substantially increasing the number of options available and facilitating a noticeable evolution in therapeutic protocols. While CNIs continue to be used for maintenance immunosuppression in most patients, there has been a change in the preference of CNI used, from cyclosporine to Astellas' tacrolimus (Prograf).

Immunosuppression can be achieved with many different drugs, including steroids, targeted antibodies and CNIs like tacrolimus. Of these immunosuppressants, tacrolimus is one of the most potent in terms of suppression of the

TABLE 1 CONDITIONS LEADING TO END-STAGE ORGAN FAILURE

KIDNEY	LIVER	HEART
Diabetic nephropathy	Chronic viral hepatitis	Ischemic cardiomyopathy
Hypertensive nephroangiosclerosis	Biliary cirrhosis	Congestive heart failure
Glomerulonephritis	Biliary atresia	
Polycystic kidney disease (PKD)	Autoimmune hepatitis	

TABLE 2 OVERVIEW OF MAJOR IMMUNOSUPPRESSANTS IN THE U.S., JAPAN, THE UNITED KINGDOM, FRANCE, GERMANY, ITALY AND SPAIN

BRAND NAME	PROGRAF/ADVAGRAF	NEORAL	CELLCEPT	RAPAMUNE	MYFORTIC
Generic name	Tacrolimus	Cyclosporine	mycophenolate mofetil	Sirolimus	mycophenolic acid
Market share	37%	13%	25%	6%	5%
Maker	Astellas	Novartis / Generic	Roche	Wyeth (now Pfizer)	Novartis
Mechanism	calcineurin inhibitor	calcineurin inhibitor	anti-proliferative	mTOR inhibitor	anti-proliferative
Approved Indications	kidney, liver, heart	kidney, liver, heart	kidney, liver, heart	kidney	kidney
Immunosuppression	Primary	Primary	Secondary	Secondary	Secondary

Source: Business Insights August 2010

immune system. Tacrolimus for systemic use is currently available worldwide as a twice-daily dosage formulation, Prograf (Astellas), and in Europe, since June 2007, it has also been available as a once-daily dosage formulation, Advagraf (Astellas). Advagraf attained EUR 90 million in sales in the first three quarters of 2010 (Astellas 3Q/2010 Financial Results).

A second change is seen in the choice of anti-metabolite, from azathioprine to Roche's mycophenolate mofetil (MMF, brand name CellCept), which is currently the most commonly administered adjunctive maintenance immunosuppressive agent in solid organ transplantation (source: Business Insights, August 2010). The launches of Wyeth's (now Pfizer) Rapamune (sirolimus/rapamycin) and Novartis's Certican (everolimus), which inhibit growth factor signal transduction by blocking the serine-threonine kinase mammalian TOR (mTOR), have enabled the development of regimens designed to limit or eliminate CNIs in order to enhance long-term graft survival without compromising immunologic protection.

The most prescribed immunosuppressants are currently Prograf, CellCept, Rapamune, Neoral and Myfortic. Table 2 summarises the pharmacological characteristics of each of these drugs.

The current product of choice appears to be Prograf, but since single-agent use of immunosuppressants is generally unable to prevent rejection without unacceptable toxicities, immunosuppressants are usually used in combination. For instance, CNIs like Prograf are usually used in combination with azathioprine, CellCept or corticosteroids, with Prograf in combination with CellCept and/or corticosteroids being the most commonly prescribed combination regimen. In addition, induction therapy with a monoclonal antibody like basiliximab is used (source: Business Insights, August 2010).

LCP believes that both Prograf and cyclosporine, despite being among the most frequently prescribed immunosuppressants, show a high inter- and intra-individual variability, and both drugs have a narrow therapeutic index. These factors require drug level monitoring to optimise treatment. Furthermore, LCP believes that the twice-daily dosing is often a compliance nuisance for patients.

LCP-Tacro is being developed to prevent rejection in people receiving organ transplants.

Product programs

LCP-Tacro is being developed as a once-daily dosage version of tacrolimus for the treatment of kidney and liver transplant patients. Compared with Astellas' Prograf, a twice-daily dosage version of tacrolimus, and Advagraf, a once-daily dosage version of tacrolimus for organ transplants which was approved by the EMA in mid-2007, LCP believes that LCP-Tacro would have the following potential benefits:

- improved systemic absorption and reduced variability;
- improved bioavailability and thus a lower dose of tacrolimus;
- improved side effect profile;
- limited variability in the concentration of tacrolimus in the blood ("peak-to-trough" fluctuation);
- once-daily dosing.

Thus, LCP believes that branded LCP-Tacro may result in better patient outcomes. LCP furthermore believes that physicians will have a preference for LCP-Tacro's once-daily dosing given the ease of compliance for patients and physicians' preference for branded products, especially for products with a narrow therapeutic index.

LCP has carried out a significant number of clinical studies with LCP-Tacro for various indications. The Phase 2 programme included in total six Phase 2 clinical studies, with a total of 300 patients. For transplantation, LCP has successfully completed Phase 2 clinical studies in stable and *de novo* kidney and liver transplant patients. In addition to the Phase 2 studies, LCP has conducted nine Phase I clinical studies with LCP-Tacro including a head-to-head clinical study in healthy volunteers. Clinical data confirmed that LCP-Tacro, when compared with Advagraf, demonstrated approximately 50% higher bioavailability.

LCP-Tacro also showed a flatter pharmacokinetic profile/decreased variability and a potential for administration at lower daily doses when compared with Advagraf. Astellas received, with respect to Advagraf, approvable letters from the FDA in January 2007 for the prevention of organ rejection in kidney and liver transplants, in March 2008 (for the prevention of organ rejection in kidney transplants) and May 2008 (for the prevention of organ rejection in liver transplants), although at the date of this Annual Report, the product has not yet been approved for sale in the U.S.

In total, more than 600 patients and volunteers have been tested with LCP-Tacro, and LCP believes that a satisfactory safety profile has been demonstrated in the studies so far.

Transplant patients need to maintain a minimum level of tacrolimus in the blood in order to prevent organ rejection. On the other hand, if too much tacrolimus is administered, there is an increased risk of serious side effects such as kidney damage. Since tacrolimus is a "narrow therapeutic index" drug, its concentration and dosing must be carefully managed, typically requiring transplant patients to visit the hospital for monitoring and dose adjustments for several months after receiving a new organ. The ability to manage the tacrolimus levels is complicated by the relatively low and unpredictable bioavailability of Astellas' two products Prograf and Advagraf. In Phase I and 2 clinical studies, LCP-Tacro has demonstrated improved and higher bioavailability when compared with Prograf, results which are expected to be confirmed in the Phase 3 clinical studies. LCP-Tacro uses LCP's MeltDose technology and through this technology, LCP has optimised the delivery kinetics of LCP-Tacro to provide "flat" pharmacokinetics, avoiding the peaks and valleys associated with traditional immediate-release tacrolimus. This improved pharmacokinetic profile enables

LCP-TACRO FOR KIDNEY AND LIVER TRANSPLANTATION

PRODUCT	DISEASE INDICATIONS	STATUS	MARKETING RIGHTS
1. LCP-Tacro	Organ transplant–Kidney	Phase 3 clinical studies ongoing: - Stable kidney transplant patients - *De novo* kidney transplant patients	Worldwide – LCP
2. LCP-Tacro	Organ transplant–Liver	Phase 2 clinical studies ongoing: - *De novo* liver transplant patients	Worldwide – LCP

once-daily dosing and the potential to avoid unwanted side effects associated with high peak concentrations in a branded product offering such as Astellas' Prograf or Advagraf. LCP believes that LCP-Tacro will offer transplant physicians the desired consistent pharmacokinetic profile and efficacy and reliability of performance from one prescription refill to the next.

Development strategy and status

LCP-Tacro is in ongoing Phase 3 clinical studies for patients who have undergone a kidney transplant and has completed Phase 2 clinical studies for patients who have undergone a liver transplant.

KIDNEY – PHASE 3 CLINICAL STUDIES

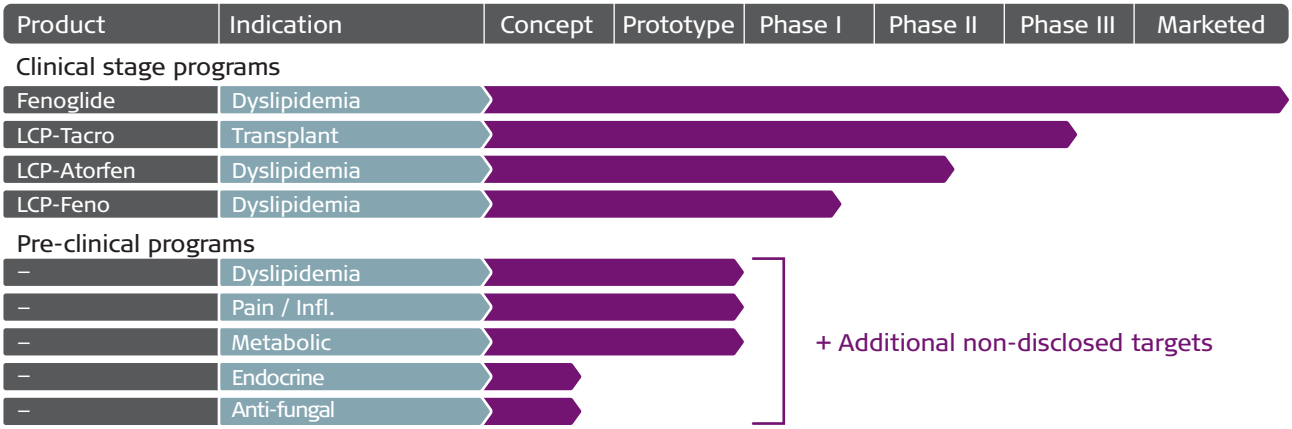
A Phase 3 programme in kidney transplant patients was initiated in the second half of 2008. The programme consists of one conversion (switch) study in stable kidney transplant patients with Prograf as comparator, as well as one *de novo* kidney transplant study versus Prograf. Ultimately, these combined Phase 3 clinical studies are expected to have a total of nearly 900 patients.

As of the year end 2010, the Phase 3 open label conversion study has fully enrolled 326 stable kidney transplant patients, with patients being switched from Prograf (twice-daily dosage) to LCP-Tacro (once-daily dosage, representing a 30% lower dose than Prograf) at least three months after transplantation once their transplant is considered stable. Top-line results from this study are expected in mid-2011. The primary endpoint for the study will be a comparison of the traditional non-inferiority composite endpoint of: biopsy-proven acute rejection ("BPAR"), graft loss, death and/or loss to follow-up. Secondary endpoints will include assessments of pharmacokinetics and safety/tolerability measures such as new onset diabetes, renal function and tremors. Patients will be evaluated on treatment every few months over a 12-month treatment duration plus a safety follow-up visit at month 13.

The Phase 3 clinical study in *de novo* kidney transplant patients will include approximately 540 patients being treated with LCP-Tacro (once-daily dosage) versus Prograf (twice-daily dosage) immediately after they receive their kidney transplant. Enrolment in the study was recently commenced and LCP expects that recruitment of all 540 patients will take approximately one year to complete, i.e., by the fourth quarter of 2011. This study has been elaborated with comments from the FDA as part of the SPA approval process. LCP and the FDA have agreed that this Phase 3 study will be a multicenter, randomised, double-blind, double-dummy study comparing Prograf to LCP-Tacro. The primary endpoint will be the traditional, non-inferiority comparative endpoint of: BPAR, graft loss, death and/or loss to follow-up. The study duration will be 12 months with a 12-month extension to follow. Secondary endpoints will include assessments of pharmacokinetics and safety/tolerability measures such as new onset diabetes, renal function and tremors. Patients will be evaluated on treatment every few months. Approximately 100 centres will be activated throughout the U.S., Europe, and selected countries in the rest of the world. Top-line results from the study are expected by the end of 2012. Following completion of the 12-month primary endpoint study, LCP estimates that it will require approximately three to four months to consolidate and analyse the study results for submission of an NDA and a MAA to regulatory agencies in the U.S. and the European Union, respectively, currently anticipated for the first quarter of 2013.

Within the cardiovascular area, one product, LCP-FenoChol, has received approval from the FDA for commercial sale in the U.S. for the treatment of dyslipidemia and is marketed as Fenoglide.

LCP's product pipeline



Cardiovascular

– LCP-FenoChol, LCP-AtorFen, and LCP-Feno

Within the cardiovascular area, one product, LCP-FenoChol (marketed as Fenoglide), developed using LCP's proprietary MeltDose technology has received approval from the FDA for commercial sale in the U.S. for the treatment of dyslipidemia (which includes hypertriglyceridemia, mixed dyslipidemia and hypercholesterolemia). In addition, LCP has two product candidates: LCP-AtorFen, a fixed dose combination tablet of fenofibrate and atorvastatin, as well as LCP-Feno, a generic 145 mg fenofibrate tablet. While these two product candidates are not in the active stage of development, LCP continues to pursue possible partnership opportunities.

LCP-FENOCHOL (FENOGLIDE)

On 10 August 2007, the FDA approved LCP-FenoChol for the treatment of dyslipidemia in the U.S. LCP outlicensed the marketing of LCP-FenoChol for the U.S., Canada and Mexico to Shionogi (formerly Sciele) which launched the product under the brand name Fenoglide in the U.S. in February 2008. In August 2008, LCP sold to Cowen under a purchase agreement, the future royalty and milestone payments for sales of Fenoglide in North America due to it from Shionogi. As part of its agreement with Cowen, LCP also granted to Cowen an exclusive, royalty-free license, with right to sub-license, to develop, manufacture and sell LCP-FenoChol in the U.S., Canada, and Mexico, subject to the prior rights granted by LCP to Shionogi. Shionogi recently gave notice to LCP of termination of the licence agreement with LCP, effective no later than from February 2011 and Shionogi's responsibilities have now been transferred to Shore Therapeutics, Inc.

LCP-ATORFEN

LCP-AtorFen, which has completed Phase 2 clinical studies for the treatment of dyslipidemia, is a combination therapy based on a fixed-dose combination of atorvastatin (the active ingredient in Lipitor) and a low dose of fenofibrate without food effect. Thus, the product candidate is designed to combine in a small tablet a proven statin and a fenofibrate in a treatment that addresses all three atherosclerosis risk parameters: Elevated LDL-C, elevated triglycerides and low HDL-C.

LCP-AtorFen has completed Phase 2 clinical studies. While not in the active stage of development, LCP continues to pursue potential partnership opportunities for LCP-AtorFen, which would include Phase 3 studies.

LCP-FENO

LCP-Feno is designed to be an AB-rated, substitutable version of Tricor 145 mg currently marketed in the U.S. by Abbott and in Europe by Solvay Pharmaceuticals S.A. ("Solvay") under the name Lipanthyl, for the treatment of dyslipidemia.

LCP had previously sought to develop, manufacture and commercialise LCP-Feno in the U.S. through an agreement with Sandoz Inc., which has now been terminated. Under the terms of the now terminated agreement, if LCP commercialises LCP-Feno in the U.S., it shall be obligated to pay Sandoz certain royalties on its net sales until Sandoz has recovered certain expenses and milestones paid to LCP. LCP has an exclusive licence agreement with respect to LCP-Feno with Mylan in Europe.

MeltDose technology

Overview

MeltDose, LCP's proprietary technology for enhancing the bioavailability of compounds with low water solubility, allows LCP to create improved versions of marketed drugs, and has been validated in clinical studies and received regulatory acceptance through the FDA approval of Fenoglide for sale in the U.S.

LCP believes that application of LCP's proprietary MeltDose technology to low water-soluble drugs may offer several meaningful clinical benefits, including but not limited to:

- **Decreased inter- and intra-individual variability**
  LCP believes that by enhancing bioavailability, variability can be reduced leading to improved efficacy/side-effect profiles of compounds with a narrow therapeutic index. In some cases, the therapeutic window is very narrow and minimal variability is mandatory. LCP believes that reduction in the intra-subject variability will improve the efficacy and reduce the number of adverse events. Furthermore, a decrease in the inter-subject variability may improve the dosing schedule and reduce the need for individual titration and/or for control visits by the patient to the physician.

- **Reduction of food effect**
  The efficacy of many therapeutic products is decreased by food interaction. By reducing the fed/fasted effect, patient convenience is likely to improve, as patients will no longer have to take their drug together with meals.

  Through the development of Fenoglide and LCP's product candidates, LCP's proprietary MeltDose technology has shown the ability to create new product candidates without any significant food effect.

- **Reduction in peak-to-trough ratio**
  Drugs often exhibit high peak (Cmax) and low trough (Cmin) plasma levels that may severely affect the clinical profile of the drug. This is particularly problematic since severe side effects may be induced at high Cmax values, and lack of clinical effect may occur at low trough levels. A solution to this pharmacokinetic profile problem may be the development of a controlled-release formulation such as LCP's MeltDose technology allowing a beneficial combination of an increase in bioavailability and a controlled or modified release plasma profile.

  Through LCP-Tacro, LCP's proprietary MeltDose technology has shown the ability to create a product candidate with reduction of Cmax and increased bioavailability.

- **Reduction of administration frequency**
  In order to improve compliance, it may be beneficial to reduce daily dosing frequency, for example, from three times a day to once daily. This may be achieved by a controlled-release formulation, and as described above, LCP believes that LCP's proprietary MeltDose technology may solve this problem as it combines an increase in bioavailability with a controlled- or modified-release profile.

  Through the development of LCP-Tacro, LCP's proprietary MeltDose technology has shown the ability to create a product candidate with a once daily administration schedule compared with the twice daily administration schedule of the currently marketed drug, Prograf.

LCP is currently performing research using its MeltDose and porous tablet technologies in order to advance suitable projects into clinical development and increase the commercial potential of its technologies.

This research includes five compounds in early stage preclinical development targeting areas such as dyslipidemia, pain/inflammation, metabolic, endocrine and antifungal.

LCP's MeltDose technology offers the potential to allow LCP-Tacro to provide a best-in-class clinical profile for transplant patients.

Financial review

REVENUE

During 2010, LCP recognized DKK 1.5 million in revenue compared to DKK 2.5 million in 2009. Revenue consists of payments under LCP's collaboration agreements.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are in line with 2009 with DKK 210.1 million in 2009 and DKK 210.4 million in 2010. Although total research and development costs increased only slightly between the periods, the increase in costs due to the increased research and development costs related to the Phase 3 clinical study for LCP-Tacro in stable kidney transplant patients, was almost completely offset by the decrease in costs due to the reduction in the number of employees that took place in August 2009 and in January 2010.

On an overall basis, research and development costs account for 80.1% of total cost of operations. The comparable figure for 2009 was 77.1%.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by DKK 10.2 million or by 16.4%, from DKK 62.4 million in 2009 to DKK 52.2 million in 2010. The reduction in cost is attributable to the continued focus of reducing overall cost, combined with the effect of the reduction in the number of employees that took place in August 2009 and January 2010.

ONE-OFF RESTRUCTURING COST

One-off restructuring cost mainly includes salary payments to former employees in connection with the reduction in the number of employees in August 2009 and in January 2010.

SHARE-BASED COMPENSATION COSTS

During 2010, a total of DKK 9.8 million was recognized as share-based compensation. The comparable number for 2009 was DKK 13.9 million.

OPERATING LOSS

During 2010, LCP recognized DKK 272.0 million in operating loss compared to DKK 279.5 million in 2009.

FINANCIAL INCOME

Net financial items decreased by DKK 9.3 million, from an income of DKK 8.5 million in 2009 to an expense of DKK 0.8 million in 2010. This decrease was primarily related to a significantly lower cash position and lower interest rate earned on the cash position.

NET LOSS

During 2010, LCP recognized DKK 274.2 million in net loss compared to DKK 271.0 million in 2009.

The net loss is in line with management's expectations for 2010, which projected a net loss of DKK 260-290 million.

CASH FLOW

As per 31 December 2010, the balance sheet reflects cash and cash equivalents of DKK 531.5 million compared to DKK 333.4 million as per 31 December 2009. The increase in cash position reflects the total net proceeds from the Offering of approximately DKK 445 million, partially offset by expenditures associated with LCP's business activities.

The company has assessed the current capital structure and finds that it is sufficient to fund operations, including costs related to the progression of current and planned clinical studies for LCP's product candidates.

BALANCE SHEET

As per 31 December 2010, total assets were DKK 562.9 million compared to DKK 379.3 million at the end of 2009.

Shareholders' equity equaled DKK 498.2 million as of 31 December 2010, compared to DKK 317.3 million at the end of 2009.

FINANCIAL HIGHLIGHTS	2010	2009	2008	2007	2006
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Income Statement					
Revenue	1,496	2,476	170,122	64,705	9,740
Research and development costs	(210,426)	(210,140)	(270,875)	(183,608)	(129,403)
Administrative expenses	(52,198)	(62,381)	(73,311)	(54,033)	(29,395)
One-off restructuring cost	(10,894)	(9,489)	-	-	-
Operating loss	(272,022)	(279,534)	(174,064)	(172,936)	(149,058)
Net financial income / (expenses)	(759)	8,540	24,285	12,697	1,345
Loss before tax	(272,781)	(270,994)	(149,779)	(160,239)	(147,713)
Tax for the period	(1,425)	-	-	-	-
Net loss for the period	(274,206)	(270,994)	(149,779)	(160,239)	(147,713)
Balance Sheet					
Cash and cash equivalents	531,519	333,429	600,130	331,740	464,658
Total assets	562,906	379,269	646,293	381,912	507,057
Share capital	452,543	56,568	56,288	31,771	30,370
Total equity	498,238	317,281	572,323	325,689	458,083
Investment in property, plant and equipment	2,583	11,043	6,571	5,900	7,222
Cash Flow Statement					
Cash flow from operating activities	(238,148)	(251,158)	(102,560)	(129,291)	(125,813)
Cash flow from investing activities	(2,658)	(11,011)	(6,628)	(7,298)	(7,222)
Cash flow from financing activities	440,014	729	373,637	3,769	510,469
Cash and cash equivalents at period end	531,519	333,429	600,130	331,740	464,658
Financial Ratios					
Basic and diluted EPS (DKK)	(2.84)	(4.80)	(3.06)	(5.19)	(7.65)
Weighted average number of shares	96,707,708	56,443,701	49,006,500	30,875,434	19,313,737
Average number of employees (FTEs)	59	93	102	64	44
Assets/equity	1.13	1.20	1.13	1.17	1.11

FINANCIAL HIGHLIGHTS	2010	2009	2008	2007	2006
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Income Statement					
Revenue	201	332	22,817	8,685	1,306
Research and development costs	(28,255)	(28,220)	(36,330)	(24,644)	(17,348)
Administrative expenses	(7,009)	(8,377)	(9,832)	(7,252)	(3,941)
One-off restructuring cost	(1,463)	(1,275)	-	-	-
Operating loss	(36,526)	(37,540)	(23,345)	(23,211)	(19,983)
Net financial income / (expenses)	(102)	1,147	3,257	1,704	180
Loss before tax	(36,628)	(36,393)	(20,088)	(21,507)	(19,803)
Tax for the period	(191)	-	-	-	-
Net loss for the period	(36,819)	(36,393)	(20,088)	(21,507)	(19,803)
Balance Sheet					
Cash and cash equivalents	71,303	44,807	80,548	44,489	62,320
Total assets	75,513	50,967	86,744	51,218	68,007
Share capital	60,708	7,602	7,555	4,261	4,073
Total equity	66,838	42,637	76,816	43,678	61,438
Investment in property, plant and equipment	347	1,484	882	791	969
Cash Flow Statement					
Cash flow from operating activities	(31,977)	(33,729)	(13,755)	(17,353)	(16,867)
Cash flow from investing activities	(357)	(1,479)	(889)	(980)	(968)
Cash flow from financing activities	59,083	98	50,112	506	68,436
Cash and cash equivalents at period end	71,303	44,807	80,548	44,489	62,320
Financial Ratios					
Basic and diluted EPS (EUR)	(0.38)	(0.64)	(0.41)	(0.70)	(1.03)
Weighted average number of shares	96,707,708	56,443,701	49,006,500	30,875,434	19,313,737
Average number of employees (FTEs)	59	93	102	64	44
Assets/equity	1.13	1.20	1.13	1.17	1.11

Numbers are translated into EUR as supplementary information. The translation of income statement and cash flow statement items is based on average exchange rate that year, and the translation of balance sheet items is based on the exchange rate at the end of that year.

Average DKK/EUR exchange rate	7.447366	7.446251	7.455974	7.450551	7.459100
Ending DKK/EUR exchange rate	7.454400	7.441500	7.450600	7.456600	7.456000

Source: www.nationalbanken.dk

A lean and focused organization

Early 2010 LCP announced a strategic re-focusing of the organization. The focused organization is built to support our strategy, and at year-end 2010 we employ 52 persons in LCP´s locations in Hørsholm, Denmark and New Jersey, U.S.A.

Attracting and retaining the best talent, not least in our pharmaceutical development, clinical and technology development/research areas is crucial to our success and continues to be a company-wide focus.

Year-end 2009 LCP had 65 employees, while the number of employees at year-end 2010 was reduced to 52.

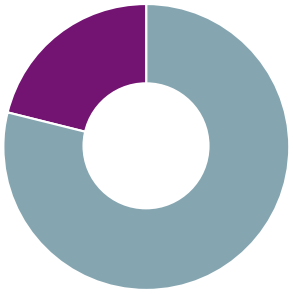
Of the employees, 79% are employed in research and development (R&D) and 21% in general and administration (G&A) by year-end 2010.

EDUCATIONAL BACKGROUND

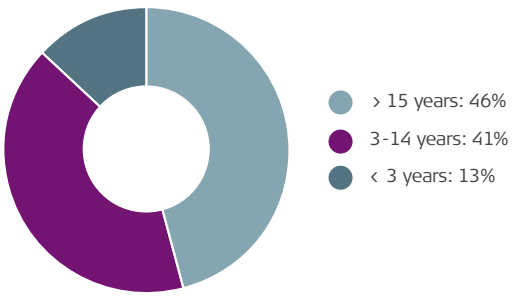
It is a prerequisite for LCP's activities that our employees are both highly motivated and well-educated.

56% of LCP's employees have a university degree at a master's level or above. Our team is also highly experienced in that 46% of our employees have been employed in the biotech or pharmaceutical industry for more than 15 years.

EMPLOYEES IN R&D AND G&A



EMPLOYEES´ EXPERIENCE IN THE BIOTECH OR PHARMA INDUSTRY



Corporate governance & risk management

As a company listed on NASDAQ OMX Copenhagen, LifeCycle Pharma A/S (LCP) is in compliance with Danish securities law and it is LCP's intent to be guided by Corporate Governance Recommendations designated by NASDAQ OMX Copenhagen. NASDAQ OMX Copenhagen has on a comply or explain basis designated the Danish Recommendations on Corporate Governance (revised 2010) prepared by the Danish Committee on Corporate Governance. LCP's position and our compliance with these recommendations are summaried below and a more detailed explanation can be found on our webpage www.lcpharma.com.

PRACTICES OF THE BOARD OF DIRECTORS

The Articles of Association stipulate that the Board of Directors is elected by the Company's shareholders at the annual general meeting and members are elected for one-year terms. Members may stand for re-election for successive terms. The Board of Directors shall consist of not less than three and no more than nine members elected by the Company's shareholders at the general meeting. The Board of Directors has established a compensation committee and an audit committee.

In 2010, the Board met physically five times. Three meetings were attended by all board members; three of the members had to be excused from attending meetings during the year. In addition the Board had nine meetings held as conference calls; seven meetings were attended by all board members; two of the members had to be excused from attending meetings during the year. Further the Audit Committee met physically four times during 2010, and the Compensation Committee had two meetings held as conference calls during the year.

Danish recommendations on corporate governance

1. The role of the shareholders and their interaction with the management of the company.
LCP complies with these recommendations.

2. The role of stakeholders and their importance to the company and the company's corporate social responsibility.
LCP complies with these recommendations.

3. Openness and transparency.
LCP complies with these recommendations.

4. The tasks and responsibilities of the supreme and the central governing bodies (Board of Directors).
LCP complies with these recommendations.

5. Composition and organisation of the supreme governing body (Board of Directors).
LCP complies with these recommendations, with the following exceptions:

5.10 Use of supervisory board committees.
LCP complies with this recommendation except the Board has decided not to establish a nominating committee given that these tasks have so far been managed successfully by the entire Board.

5.11 Evaluation of the performance of the supreme governing body (Board of Directors) and the executive board.
LCP complies with this recommendation except: (i) the Board does not conduct a formal self-assessment procedure. Given the size of LCP, the Board currently does not believe there is a need to formalize this.

6. Remuneration of members of the governing bodies.

6.1 Content and form of the remuneration policy.
LCP complies with this recommendation, except: (i) LCP provides the opportunity for granting warrants to board members. LCP believes that the ability to offer warrants as well as other forms of shares as incentive compensation is necessary to attract key people from within the industry (whether as board members, managers or employees); and (ii) no contractual mechanism is explicitly provided for LCP to be able to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be manifestly misstated. However, LCP reserves the right to pursue all remedies available to the Company should such situations occur.

6.2 Disclosure of remuneration policy.
LCP complies with these recommendations.

7. Financial reporting.
LCP complies with these recommendations.

8. Risk management and internal control.
LCP complies with these recommendations.

9. Audit.
LCP complies with these recommendations.

Guidelines for incentive pay

BOARD MEMBERS

Members of the Board of Directors receive a fixed annual fee. The Chairman of the Board of Directors and the Chairman of the Audit Committee receive a supplement to the fixed annual fee. In addition to the fixed annual fee, the members of the Board of Directors are annually granted a fixed number of warrants.

The estimated present value of warrants granted in a given financial year may be up to 100% of the fixed annual fee to the individual member of the Board of Directors. The estimated present value is calculated in accordance with the International Financial Reporting Standards (IFRS). The general terms and conditions applying to the grant, vesting, exercise, etc. of the warrants must be within the general terms and conditions applying if warrants are to be granted to members of the Executive Management (cf. below), and which also apply to other employees in LCP who have been granted warrants.

Upon election, each member of the Board of Directors may decide to exchange the annual fee for an additional number of warrants. Likewise, the fixed number of warrants may be exchanged for an additional annual fee.

EXECUTIVES

The remuneration paid to members of the Executive Management consists of a fixed and a variable part. The fixed pay consists of cash salary, pension contribution and other benefits. As an element of the variable pay, members of the Executive Management may receive an annual bonus, subject to achievement of certain benchmarks. The bonus proportion varies among the members of the Executive Management, but is subject to target on 45% of the fixed annual cash salary. The actual bonus paid to the members of the Executive Management is disclosed on page 33.

Another element of the variable pay is made up of new warrants and is intended to ensure that the Executive Management's incentive correlates with creation of shareholder value. The estimated aggregated present value of new warrants granted in a given financial year to the members of the Executive Management may be up to 100% of the aggregated fixed annual cash salary to the member of the Executive Management. The estimated present value is calculated in accordance with International Financial Reporting Standards (IFRS). The grant of new warrants may or may not be subject to achievement of defined benchmarks. The exercise price of the new warrants cannot be less than the market price of LCP's shares at the date of grant. The new warrants may have a maximum term of up to seven years and the exercise of the new warrants may be subject to a vesting period of up to four years. New warrants may be granted on such terms that the gain is taxed as share income while the costs of the grant are not tax deductible for LCP. The number of new warrants granted to each member of the Executive Management is disclosed on page 34.

The Compensation Committee performs an annual review of the remuneration package paid to members of the Executive Management.

Corporate social responsibility

LCP's policies regarding corporate social responsibility comprise partly our working environment and partly business partners and suppliers. We do not expect to make material capital investments as a result of the planned initiatives within corporate social responsibility. Moreover, we do not expect that the activities will require significantly increased administrative resources compared with previously.

ENVIRONMENT

LCP is an emerging speciality pharmaceutical company without significant production facilities, and hence the Group's consumption of energy and other natural resources and its discharges of substances into the air and water are limited. LCP routinely works with chemical substances which place stringent demands for comprehensive environmental and safety efforts to minimize adverse effects on the environment and human health. The Group complies with applicable legal requirements, directives and international agreements in the area.

WORKING ENVIRONMENT

The objective of our working environment policy is to create continuous improvements in relation to the safety,

health and workplace satisfaction of our employees. In order to continuously improve and ensure that LCP remains a safe workplace, we have implemented policies which we adhere to:

- Statistics of the employees who are absent due to the working environment.
- Statistics of incidents and nearby incidents related to working environment.
- Established a WESO (work environment safety organization) group which meet five times a year.
- Internal audit performed annually to ensure that all safety policies are adhered to.

In 2010 the Danish Working Environment Authority performed an inspection of our facility, and we received the highest possible rating.

Further in 2010 we passed an inspection of our Danish facility, performed by the Danish Medicinal Agency with satisfactory result.

Further we have established policies and procedures to ensure that we continue to meet both internal and external requirements in the future from both regulatory and other authorities.

BUSINESS PARTNERS AND SUPPLIERS

LCP's policy for business partners and suppliers is to work to promote good business conduct and reasonable environmental and social standards with those with whom we do business.

Our policy for business partners and suppliers is incorporated into our quality assurance system. When entering into agreements with external business partners and suppliers we ensure that we have a right to make control visits to our external business partners and suppliers to ensure that our requirements are met.

On a continues basis we perform an audit of all of our major external business partners and suppliers, to ensure that all of our quality requirements are adhered to.

This information forms the statutory report on corporate social responsibility according to the Danish Financial Statements Act, Section 99a.

Risk management

LCP is exposed to certain risks. Some of these may significantly affect our ability to execute our strategy. We categorize these as critical risks – and we have a program in place to ensure that we proactively identify, manage and mitigate them.

Contrary to the majority of biotechnology and pharma companies, LCP is less susceptible to development risks. LCP is currently working solely with drug substances already approved and being marketed by originator companies. This substantially decreases typical development risks such as lack of efficacy or unacceptable toxicological findings that normally account for more than 90% of the attrition rates in the pharmaceutical industry.

LCP is exposed to critical risks within such areas as research and development, commercialization, financial management, currency exposure, legal affairs and in relation to the financial reporting process. As required under the Danish Financial Statements Act, Section 107b, we have on our webpage www.lcpharma.com described our risk management processes in greater details and how we manage with these risks.

Shareholder information

LCP strives to maintain an open and continuous dialogue with existing and potential shareholders, stakeholders and the general public. The Company aims for a high degree of openness and effective communication, respecting the principle of equal treatment of all market players. LCP will publish quarterly reports on the Company's development, including relevant financial information. In addition, LCP will publish details about the Company where such information is considered important to the pricing of its shares.

LCP has during 2010 had several meetings with existing and potential shareholders, which includes meetings in several places in Denmark, Sweden, England, Germany, Switzerland, and the Netherlands as well as on both the East and West Coast in the U.S.

ABOUT OUR SHARES

LCP's shares were admitted to trading and official listing on the NASDAQ OMX Copenhagen on 13 November 2006 after our IPO of 12.65 million new shares. The symbol is "LCP" and the securities identification code (ISIN) is DK0060048148. LCP is included in the SmallCap segment of the Danish companies on the NASDAQ OMX Copenhagen.

SHARE CAPITAL

As of 31 December 2010 LCP had a registered share capital of DKK 452,542,480 with a nominal value of DKK 1 per share. This represents an increase of 395,974,670 shares during 2010 and is subscription of new shares due to the completed rights issue in November 2010. Please see note 10 on page 37 for a more detailed description. LCP has only one share class and all shares have equal -voting rights.

The Board of Directors is in the period up until October 2015 authorized, at one or more times, to increase the Company's share capital with up to nominal DKK 79,025,330. Further, the Board of Directors is authorized, until the annual general meeting in 2011 to arrange for the Company to acquire its own shares up to a nominal value of 10% of the nominal share capital. The purchase price of such shares may not differ by more than 10% from the price quoted on the NASDAQ OMX Copenhagen at the time of purchase.

OWNERSHIP STRUCTURE

As of 31 December 2010, a total of 4,481 of LCP's shareholders were registered in the shareholder register, an increase from 3,935 shareholders as per 31 December 2009. LCP invites all shareholders to register in the Company's shareholder register.

The following shareholders have reported ownership of 5% or more of the Company's shares:

- LFI A/S (100% owned by the Lundbeck Foundation), Denmark, municipality of Gentofte
- Novo A/S (100% owned by the Novo Nordisk Foundation), Denmark, municipality of Gentofte
- Alta Partners (Alta BioPharma Partners III, L.P., Alta -Bio-Pharma III GmbH & Co. Beteiligungs KG and Alta –Embarcadero BioPharma Partners III, LLC), U.S.

COMPANY ANNOUNCEMENTS DURING 2010

During 2010 the company issued 35 company announcements. These can be found on LCP's website: www.lcpharma.com.

FINANCIAL CALENDAR 2011

1 March, 2011	Annual report 2010
12 April, 2011 (1 PM)	Annual General Meeting Venue: Søhuset, Venlighedsvej 10, 2970 Hørsholm, Denmark
10 May, 2011	Interim report for the first three months of 2011
17 August, 2011	Interim report for the first six months of 2011
9 November, 2011	Interim report for the first nine months of 2011

IR CONTACT

Johnny Stilou, CFO
Phone: +45 20 55 38 52
Email: jst@lcpharma.com

John Weinberg, SVP, Commercial Development & Strategic Planning
Phone: +1 732 321 3208
Email: jdw@lcpharma.com

Board of Directors and Management

Board of Directors

Paul R. Edick
Chairman
Member, Compensation Committee
Board member since 2008
Born 1955
Dependent board member
Competences: International Pharmaceutical experience
CEO, Durata Therapeutics Inc

Thomas Dyrberg
Deputy Chairman
Chairman, Compensation Committee
Board member since 2003
Born 1954
Independent board member
Competences: International Pharmaceutical experience
Senior Partner, Novo A/S
Directorships:
Lux Biosciences Inc
Ophthotech Corp
Allocure Inc

Jean Deleage
Member, Compensation Committee
Board member since 2005
Born 1940
Independent board member
Competences: International Pharmaceutical experience
Managing Partner, Alta Partners
Directorships:
7TM A/S
Adocia SAS
Gendata AG
Innate Pharma SA
Nereus Pharmaceuticals Inc
Plexxikon Inc
Rigel Pharmaceutical Inc

Gerard Soula
Board member since 2005
Born 1945
Dependent board member
Competences: International Pharmaceutical experience
CEO, Adocia SAS

Kurt Anker Nielsen
Chairman, Audit Committee
Board member since 2006
Born 1945
Independent board member
Competences: Financial expert
Directorships:
Novo Nordisk A/S
Novozymes A/S
Novo Nordisk Foundation
Vestas Wind Systems A/S
Reliance A/S
Collstrup's Mindelegat

Anders Götzsche
Member, Audit Committee
Board member since 2008
Born 1967
Independent board member
Competences: Financial expert
EVP & CFO, H. Lundbeck A/S

Mette Kirstine Agger
Member, Compensation Committee
Board member since 2010
Born 1964
Independent board member
Competences: International Pharmaceutical experience
Executive Director, LFI A/S
Directorships:
Harboes Bryggeri A/S
Statens Serum Institute
Epitherapeutics ApS

Executive Management

William J. Polvino
President & CEO
Employed since 2009
Born 1960

Peter G. Nielsen
Executive Vice President
Employed since 2007
Born 1954

Senior Management

Edward E. Koval
SVP, Business Development & Strategic Corporate Development
Employed since 2010
Born 1962

Anja Leschly
VP, HR & Communication
Employed since 2008
Born 1972

Timothy C. Melkus
SVP, Development Operations
Employed since 2010
Born 1959

Johnny Stilou
SVP & CFO
Employed since 2008
Born 1967

John D. Weinberg
SVP, Commercial Development & Strategic Planning
Employed since 2010
Born 1967

Executive Management's and Board of Directors' statement on the Annual Report

The Executive Management and the Board of Directors have considered and adopted the Annual Report of LifeCycle Pharma A/S for the financial year 2010.

The Annual Report is prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed companies.

We consider the applied accounting policies to be appropriate and, in our opinion, the Annual Report presents fairly, in all material aspects, the assets and liabilities, financial position, results of the operation and cash flow of the Group and the Parent Company. Furthermore, in our opinion the management review includes a fair review of the development and performance of the business and the financial position of the Group and the Parent company, together with a description of the material risks and uncertainties the Group and the Parent company faces.

The Annual Report will be submitted to the annual general meeting for approval.

Hørsholm, 1 March, 2011

EXECUTIVE MANAGEMENT

William J. Polvino
President and CEO

Peter G. Nielsen
Executive Vice President

BOARD OF DIRECTORS

Paul R. Edick
Chairman

Thomas Dyrberg
Deputy Chairman

Jean Deleage

Kurt Anker Nielsen

Gérard Soula

Anders Götzsche

Mette Kirstine Agger

Independent auditor's report

TO THE SHAREHOLDERS OF LIFECYCLE PHARMA A/S

We have audited the Annual Report of LifeCycle Pharma A/S for the financial year 1 January - 31 December 2010, which comprises the Consolidated Financial Statements, the Parent Company Financial Statements ("the Financial Statements") and Management's Review. The Financial Statements comprise Income Statement, Statement of Comprehensive Income, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and Notes for both the Group and the Parent Company. The Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for listed companies. Management's Review is also prepared in accordance with Danish disclosure requirements for listed companies.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the above-mentioned legislation and disclosure requirements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error. The responsibility also includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Furthermore, Management is responsible for preparing a Management's Review that provides a fair review in accordance with Danish disclosure requirements for listed companies.

AUDITOR'S RESPONSIBILITY AND BASIS OF OPINION

Our responsibility is to express an opinion on the Annual Report based on our audit. We conducted our audit in accordance with International and Danish Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Report are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of Financial Statements and to the preparation of a Management's Review that provides a fair review in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Annual Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

OPINION

In our opinion, the Financial Statements present fairly, in all material respects, the financial position at 31 December 2010 of the Group and the Parent Company and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2010 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for listed companies. Further, in our opinion Management's Review provides a fair review in accordance with Danish disclosure requirements for listed companies.

Copenhagen, 1 March, 2011
PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Torben Jensen
State Authorized Public Accountant

Content

FINANCIAL STATEMENTS

Statements of comprehensive income

For the period 1 January – 31 December

Income Statement		Consolidated		Parent	
DKK'000)	Note	2010	2009	2010	2009
Revenue		1,496	2,476	1,496	2,476
Research and development costs	3.4	(210,426)	(210,140)	(208,607)	(210,427)
Administrative expenses	3.4	(52,198)	(62,381)	(54,454)	(61,744)
One-off restructuring cost	4	(10,894)	(9,489)	(10,894)	(9,489)
Operating loss		**(272,022)**	**(279,534)**	**(272,459)**	**(279,184)**
Financial income	5	3,635	21,391	3,770	21,426
Financial expenses	6	(4,394)	(12,851)	(4,394)	(12,850)
Loss before tax		**(272,781)**	**(270,994)**	**(273,083)**	**(270,608)**
Tax for the year	7	(1,425)	-	-	-
Net loss for the year		**(274,206)**	**(270,994)**	**(273,083)**	**(270,608)**
Basic and diluted EPS		(2.84)	(4.80)	(2.82)	(4.79)
Weighted average number of shares		96,707,708	56,443,701	96,707,708	56,443,701

The Board of Directors proposes the net loss for the year to be carried forward to next year

Statement of comprehensive income	Consolidated		Parent	
(DKK'000)	2010	2009	2010	2009
Net loss for the period	**(274,206)**	**(270,994)**	**(273,083)**	**(270,608)**
Other comprehensive income:				
Currency translation differences	136	215	-	-
Other comprehensive income for the period	**136**	**215**	**-**	**-**
Total comprehensive income for the period	**(274,070)**	**(270,779)**	**(273,083)**	**(270,608)**

Balance sheet

Assets at 31 December

		Consolidated		Parent	
(DKK'000)	Note	2010	2009	2010	2009
Patent rights and software	8	1,938	860	1,938	860
Intangible assets		**1,938**	**860**	**1,938**	**860**
Property, plant and equipment	8	11,950	18,753	11,902	18,681
Leasehold improvements	8	5,858	7,506	5,636	7,424
Tangible fixed assets		**17,808**	**26,259**	**17,538**	**26,105**
Equity interest in subsidiary	9	-	-	2,592	2,592
Financial fixed assets		**-**	**-**	**2,592**	**2,592**
Non-current assets		**19,746**	**27,119**	**22,068**	**29,557**
Trade receivables		-	302	-	302
Other receivables		8,590	4,390	8,034	4,403
Prepayments		3,051	14,029	2,710	13,715
Receivables		**11,641**	**18,721**	**10,744**	**18,420**
Cash and cash equivalents		**531,519**	**333,429**	**528,705**	**331,915**
Current assets		**543,160**	**352,150**	**539,449**	**350,335**
Assets		**562,906**	**379,269**	**561,517**	**379,892**

Balance sheet

Equity and liabilities at 31 December

		Consolidated		Parent	
(DKK'000)	Note	2010	2009	2010	2009
Share capital	10	452,543	56,568	452,543	56,568
Share premium		43,601	258,755	47,513	261,544
Translation reserves		2,094	1,958	-	-
Equity		**498,238**	**317,281**	**500,056**	**318,112**
Finance leases	13	8,532	14,091	8,532	14,091
Non-current liabilities		**8,532**	**14,091**	**8,532**	**14,091**
Finance leases	13	5,742	5,387	5,742	5,387
Trade payables		23,528	19,794	23,163	19,773
Deferred revenue		-	120	-	120
Debt to subsidiary		-	-	1,961	2,898
Other payables		26,866	22,596	22,063	19,511
Current liabilities		**56,136**	**47,897**	**52,929**	**47,689**
Liabilities		**64,668**	**61,988**	**61,461**	**61,780**
Equity and liabilities		**562,906**	**379,269**	**561,517**	**379,892**
Financial risks	11				
Warrants	12				
Other Commitments	14				
Related parties	15				
Fees to auditors	17				

Cash flow statements

For the period 1 January – 31 December

		Consolidated		Parent	
(DKK'000)	Note	2010	2009	2010	2009
Operating loss		**(272,022)**	**(279,534)**	**(272,459)**	**(279,184)**
Share-based payment	4	9,810	13,934	9,810	13,934
Depreciation and amortization	3	9,957	10,455	9,769	10,269
Changes in working capital	16	14,835	(3,188)	13,452	(3,093)
Cash flow from operating activities before interest		**(237,420)**	**(258,333)**	**(239,428)**	**(258,074)**
Interest received		1,689	8,366	1,824	8,401
Interest paid		(992)	(1,191)	(992)	(1,190)
Corporate tax paid	7	(1,425)	-	-	-
Cash flow from operating activities		**(238,148)**	**(251,158)**	**(238,596)**	**(250,863)**
Purchase of property, plant and equipment		(2,583)	(11,043)	(2,292)	(11,043)
Cash transfer to restricted security deposit		(75)	32	-	-
Payable to / receivable from subsidiary		-	-	(937)	682
Cash flow from investing activities		**(2,658)**	**(11,011)**	**(3,229)**	**(10,361)**
Installments on bank borrowings and finance lease		(5,203)	(1,055)	(5,203)	(1,055)
Proceeds from issuance of shares, net		445,217	1,784	445,217	1,784
Cash flow from financing activities		**440,014**	**729**	**440,014**	**729**
Increase/(decrease) in cash and cash equivalents		**199,208**	**(261,440)**	**198,189**	**(260,495)**
Cash and cash equivalents at beginning of period		332,066	598,735	331,915	597,591
Exchange gains/(losses) on cash and cash equivalent		(1,193)	(5,229)	(1,399)	(5,181)
Cash and cash equivalents at end of period		**530,081**	**332,066**	**528,705**	**331,915**
Cash and cash equivalents at end of period comprise:					
Restricted bank deposit		1,438	1,363	-	-
Deposit on demand and cash		530,081	332,066	528,705	331,915
		531,519	**333,429**	**528,705**	**331,915**

Statement of changes in equity

Consolidated

	Number of Shares	Share capital DKK'000	Share premium DKK'000	Translation reserves DKK'000	Retained earnings DKK'000	Total DKK'000
Equity as of 1 January 2009	**56,287,507**	**56,288**	**1,078,740**	**1,743**	**(564,448)**	**572,323**
Total comprehensive income				215	(270,994)	(270,779)
Warrant exercises	280,303	280	1,523			1,803
Share-based payment					13,934	13,934
Transfer of retained earnings			(821,508)		821,508	-
Equity as of 31 December 2009	**56,567,810**	**56,568**	**258,755**	**1,958**	**-**	**317,281**
Total comprehensive income				136	(274,206)	(274,070)
Issuance of shares	395,974,670	395,975	79,195			475,170
Share-based payment					9,810	9,810
Costs related to capital increases			(29,953)			(29,953)
Transfer of retained earnings			(264,396)		264,396	-
Equity as of 31 December 2010	**452,542,480**	**452,543**	**43,601**	**2,094**	**-**	**498,238**

Parent Company

	Number of shares	Share capital DKK'000	Share premium DKK'000	Translation reserves DKK'000	Retained earnings DKK'000	Total DKK'000
Equity as of 1 January 2009	**56,287,507**	**56,288**	**1,078,740**	**-**	**(562,045)**	**572,983**
Total comprehensive income					(270,608)	(270,608)
Warrant exercises	280,303	280	1,523			1,803
Share-based payment					13,934	13,934
Transfer of retained earnings			(818,719)		818,719	-
Equity as of December 31, 2009	**56,567,810**	**56,568**	**261,544**	**-**	**-**	**318,112**
Total comprehensive income					(273,083)	(273,083)
Issuance of shares	395,974,670	395,975	79,195			475,170
Share-based payment					9,810	9,810
Costs related to capital increases			(29,953)			(29,953)
Transfer of retained earnings			(263,273)		263,273	-
Equity as of 31 December 2010	**452,542,480**	**452,543**	**47,513**	**-**	**-**	**500,056**

Notes

NOTE 1 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and adopted by the EU, and additional Danish disclosure requirements for annual reports of listed companies. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The financial statements are presented in Danish Kroner (DKK), which is the functional and presentation currency of the Parent Company.

New accounting standards and interpretations
In its Annual Report for 2010 LCP has applied all new and amended standards and interpretations, which have become effective and are approved by the EU with effect for this financial period.

The standards and interpretations concerned are the following:
IFRS 2 "Share-based Payment"
Specifies that a parent company's payment of cash based on the price of its own shares, the shares of the subsidiary itself or a third group entity is classified as share based payment in the entity in which the employee is employed. Adopted by IASB in June 2009. Effective 1 January 2010.

Annual improvements
Minor amendments to IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRS 2, IFRS 5, IFRS 8, IFRIC 9 and IFRIC 16. Adopted by IASB in April 2009. Effective at the earliest at 1 January 2010.

In addition, amendments to the following standards IFRS 1, IFRS 3, IAS 27, IAS 39 and the interpretations IFRIC 17 and IFRIC 18 have all been implemented in the Annual Report for 2010. Implementation of these standards and interpretations has had no effect on the Annual Report.

Standards and interpretations approved by the EU but not yet effective:
Amendments to IAS 24, IAS 32, IFRIC 14 and new IFRIC 19 are considered irrelevant for LCP in future reporting periods.

Standards not approved by the EU at the balance sheet date:
Annual improvements 2010
Minor amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 34. Adopted by IASB in May 2010. Effective at the earliest at 1 July 2010.

IFRS 9 Measurement and Classification of Financial Assets
The number of categories of financial assets is reduced to two; amortized cost or fair value. The classification is determined based on the nature of the business model and the characteristics of the instrument, respectively. Adopted by IASB in November 2009. Effective 1 January 2013.

Amendment to IFRS 7 is considered irrelevant for LCP in future reporting period.

Consolidated financial statements
The consolidated financial statements include LifeCycle Pharma A/S (the Parent Company) and subsidiaries in which the Parent Company directly or indirectly exercises a controlling interest through shareholding or otherwise. Accordingly, the consolidated financial statements include LifeCycle Pharma A/S and LifeCycle Pharma, Inc. (collectively referred to as the LifeCycle Pharma group).

The group's consolidated financial statements have been prepared on the basis of the financial statements of the Parent Company and the subsidiary – prepared under the group's accounting policies – by combining similar accounting items on a line-by-line basis. On consolidation, intercompany income and expenses, intercompany receivables and payables, and unrealized gains and losses on transactions between the consolidated companies are eliminated.

The recorded value of the equity interests in the consolidated subsidiary is eliminated with the proportionate share of the subsidiary's equity. The subsidiary is consolidated from the date when control is transferred to the group.

The income statement for the foreign subsidiary is translated into the group's reporting currency at the year's weighted average exchange rate and the balance sheet is translated at the exchange rate in effect at the balance sheet date. Exchange rate differences arising from the translation of the foreign subsidiary's shareholders' equity at the beginning of the year, and exchange rate differences arising as a result of the foreign subsidiary's income statement being translated at average exchange rates, are recorded in translation reserves in shareholders' equity.

Foreign currency
Transactions in foreign currencies are translated at the exchange rates in effect at the date of the transaction.

Exchange rate gains and losses arising between the transaction date and the settlement date are recognized in the income statement as financial items.

Unsettled monetary assets and liabilities in foreign currencies are translated at the exchange rates in effect at the balance sheet date. Exchange rate gains and losses arising between the transaction date and the balance sheet date are recognized in the income statement as financial items.

Income statement

Revenues
Revenues comprise milestone payments, royalties and services rendered from research and development and commercialization agreements. Revenue is recognized when it is probable that future economic benefits will flow to the Company and these benefits can be measured reliably. Further, revenue recognition requires that all significant risks and rewards of ownership of the goods or services included in the transaction have been transferred to the buyer, and that LCP retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods or services sold.

Revenues are stated less of VAT, charges and discounts.

Research and development costs
Research and development costs comprise license costs, manufacturing costs, pre-clinical and clinical trial costs, salaries and other staff costs including pensions, and other costs including cost of premises, depreciation and amortization related to research and development activities.

Research costs are recognized in the income statement in the period to which they relate. Development costs are recognized in the income statement when incurred if the criteria for capitalization have not been met.

A development project involves a single product candidate undergoing a high number of tests to illustrate its safety profile and effect on human beings prior to obtaining the necessary approval from the appropriate authorities. Considering the general risk related to the development of pharmaceutical products, management has concluded that the future economic benefits associated with the individual development projects cannot be estimated with sufficient certainty until the project has been finalized and the necessary market approval of the final product has been obtained. As a consequence all development costs are recognized in the income statement in the period to which they relate.

General and administrative expenses
General and administrative expenses comprise salaries and other staff costs including pensions, office supplies, cost of premises, and depreciation and amortization related to administrative activities.

General and administrative expenses are recognized in the income statement in the period to which they relate.

One-off restructuring cost
The line "One-off restructuring cost" includes major restructuring costs, mainly salary to former employees and is shown separately to facilitate the comparability of income statement and to provide a better picture of the operational result.

Share-based payment
LCP has established equity-settled share-based payment plans (warrants). The employee services received in exchange for the grant of the warrants or shares are recognized as an expense and allocated over the vesting period. The amount is determined as the fair value of the equity instruments granted. The total amount recognized over the vesting period corresponds to the fair value of the warrants or shares that actually vest. The fair value is determined at the grant date and is not adjusted subsequently.

On each balance sheet date, LCP reassesses its estimates of the number of warrants expected to be exercised. LCP recognizes any impact of such reassessment of the original estimates in the income statement (catch up) with a corresponding adjustement in equity over the remaining vesting period. Prior-year adjustments are recognized in the income statement in the adjustment year.

Financial income and expenses
Financial income and expenses comprise interest income and expenses, the interest portion related to finance lease contracts and realized and unrealized exchange rate gains and losses on transactions denominated in foreign currencies.

Corporate tax
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the income for the year, and recognized directly in equity by the portion attributable to transactions recognized directly in equity. Current tax payable or receivable is recognized in the balance sheet as tax calculated on the taxable income for the year adjusted for prepaid tax.

Deferred tax is recognized and measured under the liability method on all temporary differences between the carrying amount and tax value of assets and liabilities. The tax value of the assets is calculated based on the planned use of each asset.
Deferred tax is calculated in accordance with the tax regulations and tax rates that are expected to be in effect, considering the laws in force at the balance sheet date, when the deferred tax is estimated to crystallize as current tax. Changes in deferred tax resulting from changed tax rates are recognized in the income statement.

Notes

Deferred tax assets, including the tax value of tax losses carried forward, are recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities, if such set-off is permitted for tax purpose, or as net tax assets. Deferred tax assets which are not recognized in the balance sheet are disclosed in a note to the financial statements.

Balance sheet

Non-current assets

Intangible assets
Intangible assets comprise acquired patent rights and software.

Patent rights and software are measured at cost less accumulated amortization and impairment losses. The amortization period is determined based on the expected economic and technical useful life, and amortization is recognized on a straight-line basis over the expected useful life as follows:
Patent rights: 20 years
Software: 3-5 years

Tangible fixed assets
Tangible fixed assets comprise process plant and machinery, other fixtures and fittings, tools and equipment and leasehold improvements. Tangible fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets. Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the assets will flow to the Company and the costs of the items can be measured reliably. All repair and maintenance costs are charged to the income statement during the financial periods in which they are incurred.

Depreciation of tangible fixed assets is calculated using the straight-line method to allocate the cost to the residual value of the assets over the expected useful life as follows:
Process plant and machinery: 7 years
Other fixtures and fittings, tools and equipment: 3-5 years
Leasehold improvements: 3-9 years

Depreciation, impairment losses and gains or losses on disposal of tangible fixed assets is recognized in the income statement as other (losses)/gains - net.

Impairment of long-lived assets
The carrying amount of long-lived assets is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there are such indications, an impairment test is performed. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is determined as the higher of an asset's net selling price and its value in use. Value in use is calculated as the net present value of future cash inflow generated from the asset. For the purposes of assessing impairment, assets are grouped at the lower levels for which there are separately identifiable cash flows (cash-generating units). For corporate assets the assessment is carried out at an entity level. Impairment losses are recognized in the income statement under the same line items as the related depreciation or amortization.

Current assets
Trade receivables
Trade receivables are measured in the balance sheet at the lower of amortized cost and net realizable value, which corresponds to the nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Other receivables
Other receivables are measured at fair value on initial recognition and subsequently measured at amortized cost according to the effective interest method less provision for impairment. Impairment losses are based on an individual evaluation of each amount collectible.

Prepayments
Prepayments comprise incurred costs related to a future financial period. Prepayments are measured at nominal value.

Cash and cash equivalents
Cash and cash equivalents comprise cash and deposits with financial institutions. Cash and cash equivalents are measured at amortized cost.

Shareholders' equity
The share capital comprises the nominal amount of the Company's ordinary shares, each at a nominal value of DKK 1. All shares are fully paid.

The share premium reserve includes amounts paid as premium compared to the nominal value of the shares in connection with the Company's capital increases less external expenses which are directly attributable to the increases.

Translation reserves include exchange rate adjustments of equity investments in subsidiaries.

Non-current liabilities

Provisions
Provisions are recognized when the Company has an existing legal or constructive obligation as a result of events occurring prior to or on the balance sheet date, and it is probable that the utilization of economic resources will be required to settle the obligation. Provisions are measured at the amount expected to be paid.

Finance leases
Leases of property, plant and equipment where the Company substantially bears all the risks and rewards of ownership are classified as finance leases. Assets under finance leases are recognized in the balance sheet at the inception of the lease term at the lower of the fair value of the asset or the net present value of the future minimum lease payments. A liability equaling the asset is recognized in the balance sheet, allocated between non-current and current liabilities. Each lease payment is separated between an interest element, recognized as a financial expense, and a reduction of the lease liability.

Assets held under finance lease are depreciated over the shorter of the asset's useful life and the lease term.

Operating lease commitments
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged on a straight-line basis to the income statement as research and development costs or as general and administrative expenses, depending on the use of the asset.

The total commitment under operating leases is disclosed in the notes to the financial statements.

Current liabilities

Trade payables
Trade payables are measured at amortized cost, which is considered to be equal to the fair value due to the short-term nature of the liabilities.

Deferred revenue
Deferred revenue reflects the part of revenue which has not been recognized as income immediately on receipt of payment and which concerns agreements with multiple components which cannot be separated. Deferred revenue is measured at the amount received.

Other liabilities
Other liabilities are measured in the balance sheet at amortized cost, which is considered to be equal to the fair value due to the short-term nature of the liabilities.

Derivative financial instruments
LCP does not have derivative financial instruments.

Equity interests in subsidiaries
In the separate financial statements of the Parent Company, equity interests in subsidiaries are recognized and measured at cost. Equity interests in foreign currencies are translated to the reporting currency by use of historical exchange rates prevailing at the time of investment.

Cash flow statement
The cash flow statement is presented using the indirect method with basis in operating loss and shows cash flow from operating, investing and financing activities as well as the cash and cash equivalents at the beginning and end of each financial year. Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items such as share-based payment, depreciation, amortization and impairment losses, working capital changes and financial income and expenses received or paid.

Cash flows from investing activities comprise cash flows from purchase and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise cash flows from issuance of shares net of costs, raising and repayment of non-current loans including installments on finance lease liabilities.

Cash and cash equivalents comprise cash at hand and deposits with financial institutions.

The cash flow statement cannot be derived solely from the financial statements.

Segment reporting
The group is managed and operated as one business unit. No separate business areas or separate business units have been identified in relation to product candidates or geographical markets. Accordingly, LCP's management has concluded that it is not relevant to disclose segment information on business segments or geographical markets.

Notes

Financial ratios

Financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts.

Basic EPS
Basic Earnings per share (EPS) is calculated as the net income/loss from continuing operations for the period divided by the weighted average number of ordinary shares outstanding.

Diluted EPS
Diluted earnings per share is calculated as the net income/ loss from continuing operations for the period divided by the weighted average number of ordinary shares outstanding adjusted for the dilutive effect of share equivalents.

As the income statement shows a net loss, no adjustment has been made for the dilutive effect.

$$\text{Assets/Equity} = \frac{\text{Total assets}}{\text{Equity}}$$

NOTE 2 | CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing financial statements under IFRS, certain provisions in the standards require management's judgments. Such judgments are considered important to understand the accounting policies and LCP's compliance with the standards. The following summarizes the areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

Revenue recognition
IAS 18, "Revenues" prescribes the criteria to be fulfilled for revenue being recognizable. Evaluating the criteria for revenue recognition with respect to LCP's research and development and commercialization agreements requires management's judgment to ensure that all criteria have been fulfilled prior to recognizing any amount of revenue. All the Company's revenue generating transactions are analyzed by management to ensure recognition in accordance with IFRS.

Internally generated intangible assets
IAS 38, "Intangible Assets" prescribes that intangible assets arising from development projects must be recognized in the balance sheet if the criteria for capitalization are met. That means (1) that the development project is clearly defined and identifiable; (2) that technological feasibility, adequate resources to complete and a market for the product or an internal use of the project can be documented; and (3) that the Company's management has the intent to produce and market the product or use it internally.

Such an intangible asset shall be recognized if it can be documented that the future income from the development project will exceed the aggregate cost of development, production, sale and administration of the product.

Management believes that future income from the development projects cannot be determined with sufficient certainty until the development activities have been completed and the necessary approvals have been obtained. Accordingly, management has decided not to recognize such internally generated intangible assets at this time.

Joint ventures / collaboration agreements
Collaboration agreements within the Company's industry are often structured so that each party contributes its respective skills in the various phases of a development project. No joint control exists for such collaborations and the parties do not have any financial obligations on behalf of each other. Accordingly, the collaborations are not considered to be joint ventures as defined in IAS 31, "Financial Reporting of Interests in Joint ventures".

Except for the above areas, assumptions and estimates are not considered to be critical to the financial statements. No estimates or judgments have been made involving a material risk of significant adjustments of the assets or liabilities at the balance sheet date.

NOTE 3 | DEPRECIATION AND AMORTIZATION

	Consolidated		Parent	
(DKK'000)	**2010**	**2009**	**2010**	**2009**
Patent rights and software	97	54	97	54
Property, plant and equipment	7,734	8,713	7,654	8,628
Leasehold improvements	2,126	1,688	2,018	1,587
Total	**9,957**	**10,455**	**9,769**	**10,269**
Allocated by function:				
Research and development costs	7,655	7,952	7,607	7,702
General and administrative expenses	2,302	2,503	2,162	2,567
Total	**9,957**	**10,455**	**9,769**	**10,269**

NOTE 4 | STAFF COSTS

	Consolidated		Parent	
(DKK'000)	**2010**	**2009**	**2010**	**2009**
Wages and salaries	63,495	77,764	54,425	67,416
Pension contributions	3,516	4,445	3,350	4,814
Other social security costs	1,068	2,003	30	460
Share-based payment	9,810	13,934	9,810	13,934
Total	**77,889**	**98,146**	**67,615**	**86,624**
Allocated by function:				
Research and development costs	45,306	65,376	37,612	56,547
General and administrative expenses	21,689	25,829	19,109	23,136
One-off restructuring cost	10,894	6,941	10,894	6,941
Total	**77,889**	**98,146**	**67,615**	**86,624**
Average number of employees (FTEs)	59	93	52	82
Remuneration of board of directors, and executive management:				
Board of directors				
Cash remuneration	900	675	900	675
Share-based payment	359	784	359	784
	1,259	**1,459**	**1,259**	**1,459**
Executive management				
Gross salary	4,182	8,073	4,182	7,883
Bonus	2,815	100	2,815	218
Pension contributions	250	691	250	684
Share-based payment	2,217	2,870	2,217	2,870
	9,464	**11,734**	**9,464**	**11,655**

Notes

The current Executive Management consists of William J. Polvino and Peter G. Nielsen, who both have been with LCP throughout 2010.

Members of the Board of Directors receive a fixed annual fee of DKK 100,000. The Chairman of the Board of Directors receives a supplement of DKK 50,000 to the fixed fee and the Chairman of the Audit Committee receives a supplement of DKK 25,000 to the fixed annual fee.

In addition to the fixed annual fee, the members of the Board of Directors are annually granted a fixed number of 10,000 warrants.

Upon election, each member of the Board of Directors may decide to exchange the annual fee for an additional number of 5,000 warrants. Likewise, the fixed number of warrants may be exchanged for an additional annual fee of DKK 25,000.

The severance/notice period for the Executive Management, varies from 6 to 12 months. Change of control clauses can add an additional 6 months of severance.

LCP's and the group's pension schemes are defined contribution schemes and LCP has no additional payment obligations.

LCP has implemented a company-wide (including management) remuneration policy with a bonus element including both a cash element and a warrant based element. Hence a certain percentage of each employee's remuneration is dependent on the employee and the company specified goals and objectives agreed upon at the beginning of each year. Further LCP has established a long term incentive plan for specific employees which includes up to three installments of warrants grant which equal up to a total of 12 month base salary for the employees involved based on Black Scholes values provided that certain milestones related to LCP-Tacro are meet before the end of 2013. The warrants will be granted in accordance with LCP's articles of association and the exercise price will be equal to market price at the time of the grant.

LCP has implemented Incentive Guidelines, which has been adopted by the General Assembly and are in further detailed described on page 16 and on LCP´s homepage www.lcpharma.com/investors.

The line "One-off restructuring cost" includes major restructuring costs, mainly salary to former employees.

Board of Directors and Executive Management's holdings of shares and warrants

	As per 31 December 2010		As per 31 December 2009	
	Shares	**Warrants**	**Shares**	**Warrants**
Board of directors				
Kurt Anker Nielsen	184,000	-	-	-
Thomas Dyrberg	123,200	91,593	15,400	32,175
Jean Deleage	-	133,142	-	51,307
Gerárd Soula	-	308,785	-	142,184
Paul Edick	-	488,638	-	125,000
Anders Götzche	-	-	-	-
Mette Kirstine Agger	1,288	-	-	-
Executive management				
William J. Polvino	160,000	5,247,054	-	500,000
Peter G. Nielsen	51,000	2,281,016	1,000	257,572

NOTE 5 | FINANCIAL INCOME

	Consolidated		Parent	
(DKK'000)	**2010**	**2009**	**2010**	**2009**
Interest income	1,689	8,366	1,683	8,358
Interest income from group companies	-	-	141	43
Exchange rate gains	1,946	13,025	1,946	13,025
Total	**3,635**	**21,391**	**3,770**	**21,426**

NOTE 6 | FINANCIAL EXPENSES

	Consolidated		Parent	
(DKK'000)	**2010**	**2009**	**2010**	**2009**
Interest expenses	20	10	20	9
Interest on finance leases	972	1,181	972	1,181
Exchange rate losses	3,402	11,660	3,402	11,660
Total	**4,394**	**12,851**	**4,394**	**12,850**

NOTE 7 | TAX AND DEFERRED TAX

	Consolidated		Parent	
(DKK'000)	**2010**	**2009**	**2010**	**2009**
Income tax for the year can be explained as follows:				
Income / (loss) for the year before tax	(272,781)	(270,994)	(273,083)	(270,608)
Computed tax on income / (loss) for the year	(67,995)	(67,749)	(68,271)	(67,652)
Change in tax losses carried forward not capitalized	65,460	65,517	65,736	65,420
Change in other deferred tax assets not capitalized	1,066	(1,263)	1,066	(1,263)
Tax on equity postings	(990)	-	(990)	-
Other permanent adjustments	2,459	3,495	2,459	3,495
Income tax for the year	**0**	**0**	**0**	**0**
Tax rate	**25%**	**25%**	**25%**	**25%**
Calculated deferred tax asset	277,617	211,091	277,519	210,717
Write down to assessed value	(277,617)	(211,091)	(277,519)	(210,717)
Carrying amount	**0**	**0**	**0**	**0**
The components of the deferred tax asset is as follows:				
Intangible assets	143	119	143	119
Property, plant and equipment	3,410	1,463	3,410	1,463
Leasehold improvements	(1,390)	(1,837)	(1,390)	(1,837)
Finance leases	3,568	4,869	3,568	4,869
Deferred income	-	30	_	30
Accrued liabiltiies	89	-	89	-
Tax losses carried forward	271,797	206,447	271,699	206,073
Total	**277,617**	**211,091**	**277,519**	**210,717**

The deferred tax asset has been written down, as it is uncertain whether or not the tax asset will be realized in future earnings.
The deferred tax asset can be carried forward without limitations.

Notes

NOTE 8 | INTANGIBLE & TANGIBLE FIXED ASSETS

Consolidated (DKK'000)	Patent rights & Software 2010	Patent rights & Software 2009	Property, Plant & Equipment 2010	Property, Plant & Equipment 2009	Leasehold Improvements 2010	Leasehold Improvements 2009
Cost at 1 January	1,235	1,000	49,774	42,940	13,521	9,556
Additions	1,175	235	936	6,839	472	3,969
Disposals	-	-	(937)	-	-	-
Exchange adjustment	-	-	21	(5)	22	(4)
Cost at 31 December	**2,410**	**1,235**	**49,794**	**49,774**	**14,015**	**13,521**
Amortization / Depreciation at 1 January	(375)	(321)	(31,021)	(22,312)	(6,015)	(4,332)
Amortization / Depreciation	(97)	(54)	(7,734)	(8,713)	(2,126)	(1,688)
Amortization / Depreciation on disposals	-	-	925	-	-	-
Exchange adjustment	-	-	(14)	4	(16)	5
Amortization / Depreciation at 31 December	**(472)**	**(375)**	**(37,844)**	**(31,021)**	**(8,157)**	**(6,015)**
Net book value at 31 December	**1,938**	**860**	**11,950**	**18,753**	**5,858**	**7,506**
Carrying amount of assets held under finance leases included above	-	-	2,137	5,946	5,583	7,351

Parent (DKK'000)	Patent rights & Software 2010	Patent rights & Software 2009	Property, Plant & Equipment 2010	Property, Plant & Equipment 2009	Leasehold Improvements 2010	Leasehold Improvements 2009
Cost at 1 January	1,235	1,000	49,527	42,688	13,236	9,267
Additions	1,175	235	887	6,839	230	3,969
Disposals	-	-	(937)	-	-	-
Cost at 31 December	**2,410**	**1,235**	**49,477**	**49,527**	**13,466**	**13,236**
Amortization / Depreciation at 1 January	(375)	(321)	(30,846)	(22,218)	(5,812)	(4,225)
Amortization / Depreciation	(97)	(54)	(7,654)	(8,628)	(2,018)	(1,587)
Amortization / Depreciation on disposals	-	-	925	-	-	-
Amortization / Depreciation at 31 December	**(472)**	**(375)**	**(37,575)**	**(30,846)**	**(7,830)**	**(5,812)**
Net book value at 31 December	**1,938**	**860**	**11,902**	**18,681**	**5,636**	**7,424**
Carrying amount of assets held under finance leases included above	-	-	2,137	5,946	5,583	7,351

In all material respects, intangible and tangible fixed assets are located in Denmark.

NOTE 9 | INVESTMENT IN SUBSIDIARY

	Parent	
(DKK'000)	**2010**	**2009**
Cost at 1 January	2,592	2,592
Additions	-	-
Cost at 31 December	**2,592**	**2,592**

LifeCycle Pharma, Inc. was established as a wholly owned subsidiary as of 2 January 2007. This subsidiary is domiciled in New Jersey, USA and is primarily focused on clinical activities in the U.S. and Canada on behalf of the Parent Company.

NOTE 10 | SHARE CAPITAL

On 31 December 2010 the total number of outstanding shares was 452,542,480. Each share has a nominal value of DKK 1 and one vote.

In 2010, the share capital has increased by 395,974,670 shares.

Changes in share capital from 2005 to 2010
The table below sets forth the changes in our issued share capital since 2005:

Date	**Transaction**	**Share capital**	**Note**	**Share classes after capital increase**		**Share price in DKK pre bonus shares**	**Share price in DKK post bonus shares**
11 May 2005	Cash contribution	3,908,740	(1)	1,508,425	A-shares		
				1,125,844	B-shares		
				1,274,471	C-shares	89.20	22.30
22 August 2005	Cash contribution	3,919,018	(2)	1,518,703	A-shares		
				1,125,844	B-shares		
				1,274,471	C-shares	31.54	7.8850
5 December 2005	Cash contribution	4,428,569	(3)	1,518,703	A-shares		
				1,125,844	B-shares		
				1,274,471	C-shares		
				509,551	D-shares	145.49	36.3725
23 January 2006	Cash contribution	4,429,954	(4)	1,520,088	A-shares		
				1,125,844	B-shares		
				1,274,471	C-shares		
				509,551	D-shares	31.54	7.8850
27 July 2006	Issuance of 3 bonus shares per share	17,719,816		6,080,352	A-shares		
				4,503,376	B-shares		
				5,097,884	C-shares		
				2,038,204	D-shares	N/A	N/A

Notes

NOTE 10 | SHARE CAPITAL, CONTINUED

27 July 2006	Reclassification of share classes	17,719,816 (5)	17,719,816	shares	N/A	N/A
13 November 2006	Cash contribution	11,000,000 (6)	28,719,816	shares	-	44.00
23 November 2006	Cash contribution	1,650,000 (7)	30,369,816	shares	-	44.00
12 March 2007	Cash contribution	144,232 (8)	30,514,048	shares	-	3.79
10 September 2007	Cash contribution	1,256,657 (9)	31,770,705	shares	-	6.78
14 Marts 2008	Cash contribution	334,469 (10)	32,105,174	shares	-	6.76
17 April 2008	Cash contribution	23,987,771 (11)	56,092,945	shares	-	17.00
16 September 2008	Cash contribution	194,562 (12)	56,287,507	shares	-	9.40
26 March 2009	Cash contribution	150,813 (13)	56,438,320	shares	-	6.46
9 September 2009	Cash contribution	129,490 (14)	56,567,810	shares	-	6.48
25 November 2010	Cash contribution	395,974,670 (15)	452,542,480	shares	-	1.20

Notes

(1) Issuance of 1,274,471 C-shares in connection with subscription by Alta Partners, Lacuna, Novo A/S, Nordic Biotech K/S, H. Lundbeck A/S, Jan Møller Mikkelsen, Michael Wolff Jensen and Samuel Zucker.
(2) Issuance of 10,278 A-shares in connection with the subscription through the exercise of employee warrants.
(3) Issuance of 509,551 D-shares in connection with subscription by Alta Partners, Lacuna, Novo A/S, Nordic Biotech K/S, H. Lundbeck A/S and Jan Møller Mikkelsen, Michael Wolff Jensen, Samuel Zucker and Samireh Kristensen.
(4) Issuance of 1,385 A-shares in connection with subscription through the exercise of employee warrants.
(5) Reclassification of share classes resolved by the general meeting conditional upon completion of the IPO.
(6) Issuance of 11 million shares in connection with the initial public offering on 13 November 2006.
(7) Exercise of over-allotment option, leading to the issuance of an additional 1.65 million shares.
(8) Issuance of 144,232 shares in connection with subscription through the exercise of employee warrants.
(9) Issuance of 1,256,657 shares in connection with subscription through the exercise of employee warrants.
(10) Issuance of 334,469 shares in connection with subscription through the exercise of employee warrants.
(11) Issuance of 23,987,771 shares in connection with rights issue on 17 April 2008.
(12) Issuance of 194,562 shares in connection with subscription through the exercise of employee warrants.
(13) Issuance of 150,813 shares in connection with subscription through the exercise of employee warrants.
(14) Issuance of 129,490 shares in connection with subscription through the exercise of employee warrants.
(15) Issuance of 395,974,670 shares in connection with rights issue on 29 October 2010.

NOTE 11 | FINANCIAL RISKS

Interest rate risk
LCP has an investment policy with the purpose of preserving the Company's capital without significantly increasing the risks. Accordingly, the Company seeks to limit any risks related to the interest rate and the fair value of its investments. The Company is primarily exposed to interest rate risk ascribable to its cash position and to its finance lease arrangements with respect to tangible fixed assets. Based on the cash position and the lease liability at the end of 2010, a 1% change in the interest rate will impact net financial income of approximately DKK 5 million. Please refer to note 13 for further analysis of the interest on the finance leases.

During 2010, the Company's excess cash has been placed in short-term deposits with a major Danish bank, thereby eliminating the fair value risk. The cash position at year end and the average interest rate is presented in the following table:

	Consolidated		Parent	
(DKK'000)	**2010**	**2009**	**2010**	**2009**
Cash and cash equivalents	531,519	333,429	528,705	331,915
Average variable interest rate	0.66%	1.85%	0.66%	1.84%

Credit risk
The credit terms on the Company's receivables are considered to be at market conditions, and the Company has not encountered any losses as a result of credit risk during the years presented. As regards cash deposits, the Company's bank has a credit rating of A1 according to Moody's. The credit risk ascribable to the Company's receivables is considered low as such receivables arise from collaboration agreements with large pharmaceutical companies.

Liquidity risk
The Company is exposed to liquidity risk arising from finance lease obligations (see note 13) and short-term payables.

Currency exposure
LCP is subject to currency risk, as the Company incurs income and expenses in a number of different currencies, mainly USD. Changes in exchange rates of such foreign currencies towards the Company's functional currency may affect the results and cash position.

LCP hedge USD exposure equal to three months of USD based operations. Hedging beyond three months requires Board approval.

The Company's net position (monetary items) in foreign currencies is stated below:

	Consolidated		Parent	
	2010	**2009**	**2010**	**2009**
USD'000	(1,233)	(1,705)	(2,019)	(2,550)
GBP'000	(110)	(886)	(110)	(886)
CAD'000	(824)	(46)	(824)	(46)

All net positions are current.

The carrying amount approximately equals the fair value. As it appears from the table above, the Company's net position in foreign currencies is not considered to be significant. Accordingly, the net effect on the Company's monetary items of a change in any of the listed currencies is not considered to be significant to the Company's results. Changes in currencies will, however, also affect the future income and expenses in such foreign currencies, and may have a significant impact on the Company's operating results and cash flows. The Company is primarily exposed to such risk from currency fluctuations between USD and DKK and between EUR and DKK.

Notes

NOTE 12 | WARRANTS

LCP has established warrant programs for board members, members of executive management, employees, consultants and advisors. All warrants have been issued by the Company's shareholders or by the board of directors pursuant to valid authorizations in LCP's articles of association.

Vesting conditions
Warrants issued during the period 2003 to 2005 and since May 2008 vest in general at 1/36 per month from the date of grant. However, some warrants are not subject to vesting conditions, but vest in full at the time of grant.

Warrants issued during the period 2006 to April 2008 generally vest at 1/48 per month from the date of grant. However, some warrants are not subject to vesting conditions but vest in full at the time of grant.

Warrants granted from May 2008 to employees in affiliates and warrants granted prior to 1 July 2004 cease to vest upon termination of the employment relationship regardless of the reason for such termination. Warrants granted after 1 July 2004 to employees employed in the parent company cease to vest from the date of termination in the event that (i) a warrant holder resigns without this being due to the Company's breach of contract, or (ii) if LCP terminates the employment relationship where the employee has given the Company good reason to do so. The warrant holder will, however, be entitled to exercise vested warrants in the first coming exercise period after termination.

Exercise of warrants issued to board members, consultants and other advisors are conditional upon the warrant holder being connected to LCP on the date of exercise. However, if the warrant holder's position has been terminated without this being attributable to the warrant holder's actions or omissions, the warrant holder shall be entitled to exercise vested warrants in the pre-determined exercise periods.

Exercise periods
Vested warrants may generally be exercised during four three-week periods following publication of LCP's preliminary annual report and LCP's quarterly interim reports.

Adjustments
According to the terms and conditions of the Company's warrant programs, certain customary adjustment clauses apply in the event of changes to the Company's share capital at a price which does not correspond to market price. In the rights issue announced 29 October 2010, the price per offer share was below market price of the shares prior to the announcement of the rights issue. As mentioned on page 108 in the Offering Circular published in connection with the rights issue the number of outstanding warrants as well as the exercise price of these warrants will thus be adjusted following the completion of the Offering. The adjustments calculated in the offering circular, page 107 was based on the assumptions that the rights issue was fully subscribed.

As the rights issue was subscribed by 100%, the Company below announces the actual dilution after the completion of the rights issue on 25 November 2010.

Dilution following the completion of the rights issue

Issue date	Number of warrants outstanding (unadjusted for the offering) [1]	Number of warrants outstanding (adjusted for the offering) [2]	Exercise price in DKK per share of nominal DKK 1 (unadjusted for the offering) [1]	Exercise price per share of nominal DKK 1 (adjusted for the offering) [2]	Percentage of total number of warrants outstanding	Percentage of outstanding shares on a fully diluted basis following the offering [2]
4 April 2003						
29 August 2003 - 19 December 2003	29,900	64,934	6.06	2.88	0.53%	0.01%
22 March 2004 - 20 June 2005	158,764	344,792	6.48	3.08	2.81%	0.08%
20 June 2005 - 18 November 2005	133,871	290,732	18.32	8.70	2.37%	0.06%
12 December 2005 - 10 June 2006	424,617	922,152	29.87	14.19	7.51%	0.20%
7 September 2006						
1 December 2006	79,140	171,870	36.63	17.40	1.40%	0.04%
22 December 2006						
5 March 2007	91,316	198,313	45.17	21.46	1.62%	0.04%
9 May 2007	116,884	253,841	46.40	22.04	2.07%	0.06%
21 August 2007	65,748	142,787	42.71	20.29	1.16%	0.03%
27 November 2007	17,046	37,020	34.09	16.19	0.30%	0.01%
28 February 2008	103,491	224,755	27.10	12.87	1.83%	0.05%
24 April 2008	348,789	757,474	26.40	12.54	6.17%	0.17%
14 May 2008	93,800	203,708	27.00	12.83	1.66%	0.05%
21 August 2008	111,000	241,062	25.50	12.11	1.96%	0.05%
16 October 2008	305,556	663,584	14.50	6.89	5.41%	0.15%
26 November 2008	132,500	287,754	12.50	5.94	2.34%	0.06%
3 March 2009	596,361	1,295,133	10.50	4.99	10.55%	0.29%
14 May 2009	78,000	169,395	13.30	6.32	1.38%	0.04%
20 August 2009	61,500	133,561	9.55	4.54	1.09%	0.03%
11 November 2009	199,250	432,716	7.00	3.33	3.52%	0.10%
2 December 2009	350,000	760,104	5.85	2.78	6.19%	0.17%
24 February 2010	482,277	1,047,373	6.05	2.87	8.53%	0.23%
12 May 2010	150,000	325,759	4.87	2.31	2.65%	0.07%
18 August 2010	372,000	807,882	4.05	1.92	6.58%	0.18%
28 October 2010	1,151,197	2,500,084	3.13	1.44	20.36%	0.55%
Total	**5,653,008**	**12,276,783**			**100%**	**2.71%**

[1] Number of warrants and exercise prices shown is adjusted for the rights issue in April 2008.

[2] The adjustment has been calculated on the basis of the closing price at 28 October 2010 of DKK 3.13

Notes

Warrant activity
The following table specifies the warrant activity during 2010:

	Employees	Executive management	Board of directors	Other external	Total	Weighted average exercise price DKK
Outstanding as of 1 January 2009	**4,566,248**	**737,572**	**237,842**	**234,224**	**5,775,886**	**26.70**
Granted in the year	872,250	700,000	135,000		1,707,250	8.89
Exercised in the year	(270,563)			(9,740)	(280,303)	6.44
Cancelled in the year	(2,488,228)			(177,000)	(2,665,228)	28.58
Change between categories	680,000	(680,000)	(22,175)	22,175	-	-
Outstanding as of 31 December 2009	**3,359,707**	**757,572**	**350,667**	**69,659**	**4,537,605**	**20.44**
Granted in the year	12,179,834	5,440,080	120,000		17,739,914	1.39
Cancelled in the year	(1,178,995)		(125,201)	(22,175)	(1,326,371)	10.03
Adjustments following dilution rule	4,832,927	1,330,418	404,792	55,639	6,623,776	-
Outstanding as of 31 December 2010	**19,193,473**	**7,528,070**	**750,258**	**103,123**	**27,574,924**	**3.42**
Weighted average exercise price DKK	**3.66**	**2.33**	**8.04**	**5.11**	**3.42**	

In total, as of 31 December 2010, a total of 27,574,924 warrants were outstanding with a weighted average exercise price of DKK 3.42. 6,924,159 of these warrants had vested as of 31 December 2010. For comparison, as of 31 December 2009, a total of 4,537,605 warrants were outstanding with a weighted average exercise price of DKK 20.44.

Warrant compensation costs
Warrant compensation costs are calculated at the date of grant by use of the Black-Scholes valuation model with the following assumptions: (i) a volatility of 54%, determined as the average of the stock price volatility based on LCP's historical share prices since its Initial Public Offering in November 2006; (ii) no payment of dividends; (iii) a risk free interest rate equaling the interest rate on a 5-year government bond on the date of grant; and (iv) a life of the warrants determined as the average of the date of becoming exercisable and the date of expiry.

Warrant compensation costs are recognized in the income statement over the vesting period of the warrants granted.

During 2010, a total of DKK 9.8 million was recognized as share-based compensation compared to DKK 13.9 million in 2009.

The warrant compensation costs for 2010 were allocated to research and development costs at DKK 6.0 million and to general and administrative expenses at DKK 3.8 million.

Value of outstanding warrants
The aggregate value of warrants granted in 2010 has been calculated at DKK 13.9 million. The aggregate value of outstanding warrants has been calculated at DKK 14.9 million using the Black Scholes Option Pricing model on the assumptions of (i) a share price of DKK 1.31 per share, the closing price as of 31 December 2010, (ii) a volatility of 54%, (iii) no payment of dividends, and (iv) a risk free interest rate of 1.35% annually.

The following table specifies the weighted average exercise price and the weighted average life of outstanding warrants:

Year of grant	Number of granted warrants	Number of outstanding warrants	Weighted average exercise price (DKK)	Weighted average exercise period (months)
2003	2,704,443	64,934	2.79	0.00
2004	3,054,087	113,919	2.98	4.71
2005	2,051,873	685,543	7.87	20.08
2006	6,010,556	930,084	14.33	31.11
2007	1,860,171	631,960	20.47	41.40
2008	5,903,297	2,368,382	9.88	54.81
2009	3,599,093	2,778,241	4.06	66.18
2010	20,389,417	20,001,861	1.38	82.21
31 December 2010	**45,572,937**	**27,574,924**	**3.42**	**73.52**

NOTE 13 | FINANCE LEASES

LCP has finance lease commitments regarding tangible fixed assets. The debt for these commitments is recognized in the balance sheet.

The future minimum payments and the net present value are stated below:

Future minimum payments	Consolidated		Parent	
(DKK'000)	2010	2009	2010	2009
Within 1 year	6,374	6,306	6,374	6,306
From 1 to 5 years	8,964	15,138	8,964	15,138
After 5 years	-	-	-	-
Total	**15,338**	**21,444**	**15,338**	**21,444**
Financing components	(1,064)	(1,966)	(1,064)	(1,966)
Total	**14,274**	**19,478**	**14,274**	**19,478**
NPV for the finance lease commitments				
Within 1 year	5,742	5,387	5,742	5,387
From 1 to 5 years	8,532	14,091	8,532	14,091
After 5 years	-	-	-	-
Total	**14,274**	**19,478**	**14,274**	**19,478**

LCP has the right to purchase the assets held under finance leases on expiration of the lease agreements. A weighted average internal interest of 5.76% (in the interval 4.29% to 6.47%) has been applied for recognition. The carrying amount of the finance lease commitment is in all material respects equal to the fair value.

All financial lease obligations together with trade payables recognized in the balance sheet all fall under the category "other financial liabilities".

Notes

NOTE 14 | OTHER COMMITMENTS

	Consolidated		Parent	
(DKK'000)	**2010**	**2009**	**2010**	**2009**
Operating lease commitments regarding offices	25,849	33,936	24,031	30,760
Operating lease commitments regarding property, plant and equipment	807	1,145	807	1,145
Total operating lease commitments	**26,656**	**35,081**	**24,838**	**31,905**
Total operating lease payments fall due:				
Within 1 year	7,185	10,632	6,504	7,456
From 1 to 5 years	19,471	24,449	18,334	24,449
After 5 years	-	-	-	-
Total	**26,656**	**35,081**	**24,838**	**31,905**
Expensed operating lease payments	6,677	11,299	6,450	7,834

NOTE 15 | RELATED PARTIES

Members of the Executive Management and Board of Directors
The members of the Executive Management and Board of Directors are considered related parties following their positions in the Company.

The Executive Management and the Board of Directors have received remuneration from LCP, including warrants, as described in note 4 and note 12 to the financial statements.

The Company has entered into a consultancy agreement with one of the Board members, Dr. Gérard Soula. During 2010, the Company has paid consultancy fees totaling DKK 573 thousand (2009: DKK 273 thousand) to Dr. Soula and reimbursed travel expenses. LCP had no outstanding balances with Dr. Soula as at 31 December, 2010.

LCP has in addition entered into a special assignment agreement with the Chairman of the Board Paul Edick. During 2010, LCP has paid special assignment fees totaling DKK 794 thousand (2009: DKK 670 thousand (covers both consultancy as well as special assignment fees)) to Paul Edick and reimbursed travel expenses. LCP had no outstanding balances with Paul Edick as at 31 December, 2010.

LifeCycle Pharma, Inc.
In the separate financial statements of the Parent Company, LifeCycle Pharma, Inc. is considered a related party, as this company is a wholly owned subsidiary of LifeCycle Pharma A/S.

During 2010, the subsidiary has performed clinical and managerial activities on behalf of the Parent Company, which has been remunerated in accordance with the service agreements between the companies. Total services amount to DKK 22,008 thousand for the year 2010 (2009: DKK 24,224 thousand). Further, the Parent Company has funded the activities of the subsidiary, thereby generating interest income of DKK 141 thousand for the period 1 January to 31 December 2010 (2009: DKK 43 thousand).

At 31 December 2010, the Parent Company had a net payable to LifeCycle Pharma, Inc. totaling DKK 1,961 thousand (2009: DKK 2,898 thousand).

Major shareholders
Prior to the publication of the Offering Circular, LFI a/s and Novo A/S have undertaken to the Company to subscribe for Offer Shares not subscribed for by exercise of Preemptive Rights and for that LFI a/s and Novo A/S will receive a subscription commission equal to 2.5% of their full undertaking.

At 31 December 2010, the balance due to LFI a/s and Novo A/S is estimated at DKK 4,985 thousand.

Other related parties
Other related parties may exist as the members of LCP's Board of Directors and Executive Management hold positions as Board members in other companies, and as the shareholders of LCP may also be shareholders of other companies. Except for the companies listed above, LCP has not identified any such parties as related parties and no transactions have been identified as related party transactions as we are not aware of such relationships.

NOTE 16 | CHANGES IN WORKING CAPITAL

	Consolidated		Parent	
(DKK'000)	**2010**	**2009**	**2010**	**2009**
Trade receivables	302	1,368	302	1,368
Other receivables	(4,200)	6,538	(3,631)	6,222
Prepayments	10,978	(6,995)	11,005	(6,976)
Provisions	-	(10,492)	-	(10,492)
Trade payables	3,734	(3,116)	3,390	(2,799)
Deferred revenue	(120)	120	(120)	120
Other payables	4,270	2,560	2,552	2,898
Exchange gains/(losses)	(129)	6,829	(46)	6,566
Total	**14,835**	**(3,188)**	**13,452**	**(3,093)**

NOTE 17 | FEES TO AUDITORS APPOINTED BY THE ANNUAL GENERAL MEETING

	Consolidated		Parent	
(DKK'000)	**2010**	**2009**	**2010**	**2009**
PricewaterhouseCoopers				
Audit	300	300	300	300
Tax Services	229	83	229	83
Other assurance engagements	1,830	26	1,830	26
Other services	90	208	90	208
Total	**2,449**	**617**	**2,449**	**617**

LifeCycle Pharma Group

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