Company Announcement no. 2/2009

To: NASDAQ OMX Nordic Exchange Copenhagen Hørsholm, Denmark, March 3, 2009

# LifeCycle Pharma Announces Annual Report 2008

LifeCycle Pharma A/S (OMX:LCP) ('LCP') today announced the annual report of LifeCycle Pharma A/S for the financial year 2008. The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

This company announcement should be read in conjunction with LCP's annual report 2008 published separately today.

**Full Year 2008 Highlights**

- During 2008, LCP recognized DKK 170.1 million in revenue compared to DKK 64.7 million in 2007. Revenue mainly consisted of USD 29 million (equivalent to DKK 152 million at the exchange rate prevailing at the date of transaction) in up-front payment received from Cowen Healthcare Royalty Partners, L.P. in August 2008 in connection with LCP's sale of its the future royalty stream from Fenoglide™ in North America.

- Research and development costs increased by DKK 87.3 million, or 48%, from DKK 183.6 million in 2007 to DKK 270.9 million in 2008. The higher research and development costs reflect increased costs related to the further development of LCP-Tacro™.

- Administrative expenses increased from DKK 54.0 million in 2007 to DKK 73.3 million in 2008. This increase is attributable to the continued strengthening of administrative functions, including the build-up of administrative functions in the US subsidiary established in 2007, along with an overall increase in activity levels.

- During 2008, LCP recognized DKK 174.1 million in operating loss compared to DKK 172.9 million in 2007, and DKK 149.8 million in net loss compared to DKK 160.2 million in 2007.

- At the time of LCP's interim report for the first nine months of 2008, the Company expected an operating loss of DKK 220 - 250 million and a net loss of DKK 210 - 240 million for 2008. Operating loss was realized at DKK 174.1 million, and net loss at DKK 149.8 million. The improved results are due to timing of Phase 3 clinical cost related to LCP-Tacro™, now scheduled for 2009, along with the implementation of a cost containment program aimed at reducing LCP´s costs.

- As per 31 December 2008, the balance sheet reflects cash and cash equivalents of DKK 600.1 million compared to DKK 331.7 million as per 31 December 2007. The net increase mainly relates to the Company's rights issue in April 2008 as well as the up-front payment from the sale of the future royalty stream from Fenoglide™ to Cowen Healthcare Royalty Partners, L.P. The cash position was in connection with the Q3 2008 report announced on 27 November 2008 estimated to be in the range of DKK 500 - 540 million; the main reason for the net increase compared to previous guidance relates to timing of R&D expenses for LCP-Tacro™, which now are expected to incur in the first half of 2009.

- For 2009, LCP projects an operating loss of DKK 450 – 480 million and a net loss in the range of DKK 430 – 460 million. At the end of 2009, the Company's cash position is expected to be in the range of DKK 150 - 200 million.

**Financial highlights**

| | 2008 DKK'000 | 2007 DKK'000 | 2006 DKK'000 | 2005 DKK'000 | 2004 DKK'000 |
|---|---|---|---|---|---|
| **Income Statement** | | | | | |
| Revenue | 170,122 | 64,705 | 9,740 | 2,754 | 4,648 |
| Research and development costs | (270,875) | (183,608) | (129,403) | (80,919) | (36,542) |
| Administrative expenses | (73,311) | (54,033) | (29,395) | (16,170) | (12,543) |
| Operating loss | (174,064) | (172,936) | (149,058) | (94,335) | (44,437) |
| Net financial income / (expenses) | 24,285 | 12,697 | 1,345 | (834) | (281) |
| Net loss for the period | (149,779) | (160,239) | (147,713) | (95,169) | (44,718) |
| **Balance Sheet** | | | | | |
| Cash and cash equivalents | 600,130 | 331,740 | 464,658 | 87,224 | 9 |
| Total assets | 646,293 | 381,912 | 507,057 | 136,357 | 24,538 |
| Share capital | 56,288 | 31,771 | 30,370 | 4,429 | 2,634 |
| Total equity | 572,323 | 325,689 | 458,083 | 92,430 | (1,647) |
| Investment in property, plant and equipment | 6,571 | 5,900 | 7,222 | 13,572 | 15,169 |
| **Cash Flow Statement** | | | | | |
| Cash flow from operating activities | (102,560) | (129,291) | (125,813) | (86,771) | (43,530) |
| Cash flow from investing activities | (6,628) | 7,298 | (7,222) | (13,572) | (15,169) |
| Cash flow from financing activities | 373,637 | 3,769 | 510,469 | 187,558 | 48,087 |
| Cash and cash equivalents at period end | 600,130 | 331,740 | 464,658 | 87,224 | 9 |
| **Financial Ratios** | | | | | |
| Basic and diluted EPS | (3.06) | (5.19) | (7.65) | (6.81) | (4.58) |
| Weighted average number of shares | 49,006,500 | 30,875,434 | 19,313,737 | 13,965,252 | 9,768,052 |
| Average number of employees (FTEs) | 102 | 64 | 44 | 35 | 21 |
| Assets/equity | 1.13 | 1.17 | 1.11 | 1.48 | N/A |

## Fourth Quarter 2008 Highlights

- Revenue amounted to DKK 4.8 million compared to DKK 4.0 million for the same period in 2007
- Research and development cost were realized at DKK 78.7 million compared to DKK 69.7 million in the third quarter of 2008. The increase in cost is attributable to preparations for Phase 3 clinical studies for LCP-Tacro™
- Administrative expenses were realized at DKK 18.3 million, which is in line with previous quarters of 2008
- Operating loss amounted to DKK 92.1 million, while net loss was realized at DKK 80.7 million
- Dr. Jim New was appointed President and Chief Executive Officer
- LCP-Tacro™ entered clinical Phase 3 development

**Quarterly Numbers**

| | Q4 2008 DKK'000 | Q3 2008 DKK'000 | Q2 2008 DKK'000 | Q1 2008 DKK'000 | Q4 2007 DKK'000 | Q3 2007 DKK'000 | Q2 2007 DKK'000 | Q1 2007 DKK'000 |
|---|---|---|---|---|---|---|---|---|
| **Income Statement** | | | | | | | | |
| Revenue | 4,809 | 154,433 | 7,952 | 2,928 | 4,003 | 53,668 | 3,245 | 3,789 |
| Research and development costs | (78,684) | (69,738) | (69,537) | (52,916) | (63,007) | (46,464) | (42,041) | (32,096) |
| Administrative expenses | (18,286) | (18,626) | (18,854) | (17,545) | (15,946) | (12,662) | (15,025) | (10,400) |
| Operating loss | (92,161) | 66,069 | (80,439) | (67,533) | (74,950) | (5,458) | (53,821) | (38,707) |
| Net financial income / (expenses) | 11,507 | 5,150 | 5,305 | 2,323 | 2,630 | 3,221 | 3,241 | 3,605 |
| Net loss for the period | (80,654) | 71,219 | (75,134) | (65,210) | (72,320) | (2,237) | (50,580) | (35,102) |
| **Balance Sheet** | | | | | | | | |
| Cash and cash equivalents | 600,130 | 666,895 | 588,001 | 265,501 | 331,740 | 397,369 | 417,141 | 432,568 |
| Total assets | 646,293 | 708,915 | 634,100 | 311,892 | 381,912 | 448,184 | 464,571 | 475,829 |
| Share capital | 56,288 | 56,288 | 56,093 | 32,105 | 31,771 | 31,771 | 30,514 | 30,514 |
| Total equity | 572,323 | 648,456 | 571,863 | 266,277 | 325,689 | 393,176 | 381,758 | 427,804 |
| Investment in property, plant and equipment | 6,571 | 1,205 | 3,207 | 801 | 5,900 | 513 | 1,917 | 140 |
| **Cash Flow Statement** | | | | | | | | |
| Cash flow from operating activities | (68,616) | 80,250 | (48,362) | (65,832) | (60,985) | (25,508) | (11,713) | (31,085) |
| Cash flow from investing activities | (1,415) | (1,205) | (3,207) | (801) | (3,285) | (513) | (3,360) | (140) |
| Cash flow from financing activities | (1,653) | 463 | 373,930 | 897 | (703) | 6,973 | (1,642) | (859) |
| Cash and cash equivalents at period end | 600,130 | 666,895 | 588,001 | 265,501 | 331,740 | 397,369 | 417,141 | 432,568 |
| **Financial Ratios** | | | | | | | | |
| Basic and diluted EPS | (1.43) | 1.27 | (1.46) | (2.05) | (2.28) | (0.07) | (1.66) | (1.15) |
| Weighted average number of shares | 56,287,507 | 56,135,241 | 51,611,713 | 31,833,188 | 31,770,705 | 30,800,894 | 30,514,048 | 30,401,868 |
| Average number of employees (FTEs) | 107 | 113 | 101 | 93 | 64 | 69 | 59 | 45 |
| Assets/equity | 1.13 | 1.09 | 1.11 | 1.17 | 1.17 | 1.14 | 1.22 | 1.11 |

**Outlook for 2009**

LCP is projecting an operating loss of DKK 450 – 480 million compared to the realized operating loss of DKK 174.1 million for 2008. The net loss is expected to be in the range of DKK 430 – 460 million compared to the net loss of DKK 149.8 million for 2008. As of 31 December 2008, the Company's cash position equaled DKK 600.1 million and the Company's 31 December 2009 cash position is expected to be in the range of DKK 150 - 200 million.

The above estimates do not include any significant revenue, and 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**

On 27 January 2009, LCP announced the receipt of a notification from the Danish pharmaceutical company, H. Lundbeck A/S, informing of a decrease in its shareholdings in LCP from 15,313,816 shares, corresponding to 27.21% of LCP's share capital, to 0 shares. At the same time, LCP announced the receipt of a notification informing that LFI A/S (100 % owned by the Lundbeck Foundation, which in turn controls H. Lundbeck A/S) now owns 15,878,066 shares, corresponding to 28.21% of LCP's share capital.

**Research and Development Update**

*LCP-Tacro™ Transplant*
Phase 2 pharmakinetic clinical studies in de novo kidney and liver transplant patients are presently ongoing and are expected to be completed in H1 2009. Both studies will have a one year extension phase.

The clinical Phase 3 for kidney transplant patients was initiated in December 2008. This program consists of a conversion (switch) study in which approximately 300 patients are randomized to either stay on treatment with Prograf® (Astellas Pharma Inc.) or to switch to LCP-Tacro™. Subsequent studies in de novo kidney and liver transplant patients are planned to commence in 2009 and 2010, respectively. The initiation of the first Phase 3 study is a significant achievement for LCP and forms the first steps of taking the Company into a phase of global drug development. The first Phase 3 study will include patients at more than 50 centers in North America and five European countries.

LCP expects to complete a Phase 3 study in stable kidney patient in the second half of 2010. A subsequent Phase 3 study in de novo kidney patients is scheduled to start by the end of 2009.

The initiation of Phase 3 clinical activities for liver transplant patients awaits discussions with the FDA, planned for the second half of 2009.

*LCP-Siro*
In the light of the additional required investments in clinical development necessary to potentially bring LCP-Siro to market, the commercial potential of the product candidate has been reassessed. Based on this, the Board in LCP today decided to terminate the current Phase 1 studies and further development of LCP-Siro and hence concentrate the Company's financial resources on LCP's current late stage clinical development programs. LCP will now evaluate potential out-licensing opportunities.

*LCP-3301*

A Phase 1 study was initiated in 2008, formulation activities are ongoing.

*LCP-Tacro™ Autoimmune Hepatitis*

Phase 2 clinical studies for the treatment of autoimmune hepatitis was initiated in January 2008. Due to slow recruitment difficulties, we have decided to continue the study with the number of patients enrolled. Patients already included in the trial will complete the treatment as originally planned with top-line results expected in the second half of 2009.

*LCP-Feno*

LCP is currently preparing clinical bioequivalence studies for LCP-Feno. Results of these studies are expected to be available in the second half of 2009.

*LCP-AtorFen*

Phase 2 clinical trial data were presented by LCP at the Annual Meeting of the American Heart Association (AHA), New Orleans, 11 November 2008. Preparation of clinical Phase 3 studies is ongoing.

An open-label extension study for one year of the Phase 2 program is ongoing. Results from this study are expected in the first half of 2009.

*Other preclinical projects*

- Internal preclinical projects

LCP has initiated a number of initiatives to bring forward internal projects in preclinical development by applying LCP's suite of technologies to these compounds. LCP is currently working on such projects.

- Preclinical projects with external partners

LCP has a range of product formulation agreements with external partners in regard to LCP's technology base, including the Meltdose® technology. One of these agreements, with a top 10 pharmaceutical company, was announced on 21 December 2007 - LCP has now delivered the agreed services in accordance with the earlier entered feasibility agreement. However, the parties have agreed not to take the project into clinical development.

LCP has a policy of announcing details of preclinical projects once these enter clinical development.

**Grant of Warrants**
At a Board meeting held on 3 March 2009, the Board of Directors decided to issue 876,250 warrants to employees of the Company and the Company's subsidiary. Of the 876,250 warrants granted, 100,000 was granted to the EVP Peter G. Nielsen and 100,000 was granted to EVP Karin Jexner Hamberg.

Each warrant entitles the holder to subscribe one share of nominal DKK 1 in the Company against cash contribution equal to the closing price of the Company's shares at the NASDAQ OMX Copenhagen on 3 March 2009, thus ensuring that the exercise price reflects the fair market price per share following the disclosure of the annual report 2008.

By application of the Black-Scholes formula, the market value of the warrant program can be calculated as DKK 3.36 per warrant assuming an exercise price of DKK 10.20, equal to the closing price of the Company's share at the NASDAQ OMX Copenhagen on 2 March 2009, based on an interest rate of 3.02% and a volatility of the Company's shares set to 35%.

**Conference Call**
On 3 March 2009, at 5.00 PM (CET), LCP will be hosting a conference call. To access the call, please dial one of the following numbers: +1 866 966 5335 (US), +44 2030 032 666 (UK), +45 8088 8649 (DK). Following the conference call, a recording will be available on the company's website www.lcpharma.com**.** A presentation will be available on the Company's website (under 'Investors') one hour prior to the scheduled time of the conference call.

**For more information, please contact:**
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**About LifeCycle Pharma A/S (LCP)**
*Based in Hørsholm, Denmark, with an office in New York, LCP is an emerging specialty pharmaceutical company. Clinical development is the core of LCP's effort to develop a product portfolio which includes products for immunosuppression, specifically organ transplantation, and products to combat certain cardiovascular diseases. As a fully integrated company, LCP adapts new technologies on a fast commercial timetable. LCP's unique, patented delivery technology, MeltDose®, can improve absorption and bioavailability – at low-scale up costs – not only for a broad spectrum of drugs already on the market but also for new chemical entities. LCP has a cholesterol-lowering product, Fenoglide™, currently on the U.S. market and a diversified near- and medium-term pipeline with four product candidates in clinical trials and a number of projects one in preclinical development. LCP is listed on NASDAQ OMX Copenhagen under the trading symbol (OMX: LCP). For further information, please visit www.lcpharma.com.*