Annual report
2013

topotarget

Contents

Letter from the CEO

2013 has been a year of progress and prosperity for Topotarget.

After years of hard work, we succeeded in filing a New Drug Application (NDA) for belinostat (Beleodaq™) for the treatment of peripheral T-cell lymphoma (PTCL) in the USA together with our partner Spectrum Pharmaceuticals. In February 2014, the US Food and Drug Administration (FDA) gave acceptance to file and rewarded belinostat with Priority Review. Upon acceptance to file, we received a milestone payment of USD 10 million and 1 million shares, with a current value of approximately USD 8 million, from Spectrum Pharmaceuticals.

We now eagerly await the potential NDA approval, which we anticipate by August 9, 2014. If the NDA is approved, a milestone payment of USD 25 million to Topotarget is triggered. Upon an approval, we will moreover be eligible to receive potential royalty payments and sales milestones going forward.

In October 2013, we made an amendment to the existing license agreement with Spectrum Pharmaceuticals, transferring the worldwide commercial supply to our partner. Spectrum Pharmaceuticals now carries the responsibility for the future manufacture of belinostat for all geographic areas. The agreement runs for five years with the possibility of extension; alternatively Topotarget may choose to take over the responsibility of the manufacture of belinostat in Topotarget's territory. In making this shift, we have prepared ourselves for a potential sales introduction of belinostat (Beleodaq) in 2014.

All in all, this brings us into a very favorable financial situation already from the beginning of 2014, which is also reflected in our financial outlook.

As a part of the previously announced strategic review, the Board of Directors and Management are now pleased to present an updated vision, mission, and strategy. This strategy will enable the company to move forward; beyond belinostat in the USA.

Updated strategy

In order to further obtain our goal of aiding cancer patients, Topotarget will:

1. Explore belinostat opportunities
Leverage our successful development of belinostat by exploring the compound in other rare cancer diseases within hematology and solid tumors, per example: hepatocellular cancer (HCC), myelodysplastic syndrome (MDS), acute myeloid leukemia (AML), and malignant thymoma.

2. Prepare for commercialization
Build a lean, flexible, and targeted force of medical liaisons, supplemented with competences covering business development and strategy, market access, know-how, etc.

3. Pursue new product opportunities
Seek collaborations with companies with late-stage innovative orphan oncology projects.

4. Strategic development
Actively pursue potential M&A activities with companies who share our vision, thereby being able to utilize synergies and progress faster in order to achieve the vision.

A more detailed description of the strategy and the rationale behind it can be found on page 4.

Financial outlook

Topotarget expects an estimated pre-tax profit in the range of DKK 55-65 million for the full-year financial result for 2014. The expected net cash and cash equivalents are expected to be approximately DKK 78-88 million at year-end 2014. The above numbers are including the milestone payment from Spectrum Pharmaceuticals of USD 10 million and 1 million shares, with a current value of approximately USD 8 million, but excluding any extraordinary activities. The second milestone payment related to an NDA approval and potential royalty payments is not included in this financial outlook.

Looking forward

We are facing an exciting and busy 2014. We aspire to reach the US market with belinostat (Beleodaq) for the treatment of PTCL this year, we have established a sound financial position for the company, and we have initiated the implementation of our updated strategy, one of our priorities being to explore opportunities with potential partners within orphan oncology – all of which support our mission to develop novel and innovative therapies for rare cancer diseases, providing hope for patients and their families.

I would like to thank everyone at Topotarget for their hard work and dedication towards fulfilling our mission, our collaboration partners for our joint achievements, and our shareholders for their continued confidence in and support of both Topotarget and belinostat.

Anders Vadsholt
Chief Executive Officer

Financial highlights and ratios

	2013	2012	2011	2010	2009
DKK '000					
Consolidated financial highlights and ratios					
Revenues	8,338	2,395	65,598	107,826	43,979
Research and development costs	(23,019)	(46,522)	(54,345)	(70,608)	(89,884)
Write-down of research and development projects	-	-	-	(189,541)	(21,200)
Sales and distribution costs	-	-	-	-	(29,136)
Operating loss	(34,148)	(80,210)	(31,352)	(197,543)	(132,492)
Net financials	(2,045)	(1,149)	1,087	68,773	(10,250)
Net loss from continued operations	(36,193)	(81,359)	(29,012)	(84,785)	-
Net profit/(loss) from discontinued operations	-	99	(3,999)	(29,096)	-
Total comprehensive income/loss for the year	(34,968)	(80,017)	(33,011)	(55,689)	(140,464)
Basic EPS continued operations	(0.25)	(0.60)	(0.22)	(0.64)	-
Basic EPS continued and discontinued operations	(0.25)	(0.60)	(0.25)	(0.42)	(1.41)
Consolidated balance sheet					
Cash and cash equivalents	31,483	41,460	114,302	205,068	130,145
Equity	243,092	251,247	330,728	360,219	411,798
Total assets	265,117	278,936	370,476	465,824	585,413
Investment in tangible assets (net)	10	(226)	(2,283)	(1,633)	2,016
Consolidated cash flow statement					
Cash flow from operating activities	(35,623)	(80,973)	(88,847)	40,101	(99,197)
Cash flow from investing activities	152	8,131	(1,919)	34,686	37,861
Cash flow from financing activities	25,494	-	-	138	118,780
Consolidated ratios					
Number of fully paid shares year-end	143,317,114	132,652,050	132,652,050	132,652,050	132,609,020
Average number of shares for the period	140,916,162	132,652,050	132,652,050	132,640,379	99,456,765
Assets/equity	1.1	1.1	1.1	1.3	1.4
Market price year-end (DKK)	2.98	2.15	2.51	3.57	2.59
Net asset value per share (DKK)	1.7	1.88	2.49	2.73	3.11
Average number of full-time employees	13	23	42	50	58

The figures for 2010 and beyond have been changed as the Savene® and Totect® activities are now presented as discontinued operations. Other years are presented as continued operations.

Financial Calendar 2014

Annual General Meeting 2014	April 24, 2014
Interim report for the period January 1 – March 31, 2014	May 8, 2014
Interim report for the period January 1 – June 30, 2014	August 14, 2014
Interim report for the period January 1 – September 30, 2014	November 6, 2014

Vision, mission, and strategy

The goal of submitting an NDA for belinostat in PTLC has been successfully achieved and we have received the first of two important potential milestone payments from our partner in the USA, entailing a healthy financial position for Topotarget going forward.

Topotarget's Board of Directors and Management, assisted by external advisors and specialized healthcare investors, have now completed a thorough strategic review, resulting in an updated vision, mission, and strategy. This new strategy will enable the company to move forward; beyond belinostat in the USA.

Strategic review outcome

Topotarget's strategy going forward is to continue to focus on developing new, innovative oncology drugs for the treatment of rare, life-threatening cancers with significant unmet medical needs (orphan oncology drugs), building on our successful experience from the development of belinostat. Approximately 7,000 rare, or orphan, diseases have been identified, while treatments only exist for less than 5% – and orphan oncology indications make up the largest and fastest growing group of diseases with unmet needs.

Strategic rationale

An interesting market
In the beginning of 2014, more than 300 companies and partners worldwide are engaged in orphan oncology, with orphan oncology pipelines containing at least 2,466 development projects. The unmet medical need is huge and new rare diseases are continuously discovered. The total market value for orphan drugs exceeded USD 80 billion in 2013 and is expected to reach USD 100 billion in 2018.

Scientific progress supports growth potential
The scientific and biotechnological advances associated with knowledge gained from mapping and sequencing the human genome have accelerated and improved the origin and genetic links to many rare cancers. Simultaneously, there is an ever more refined understanding of the biology of rare cancers and of the technological advances that provide tools with which to address them.

Sound financial incentives
While it may sound illogical to develop drugs for rare diseases with a small patient pool, one should bear in mind that government incentives, shorter development timelines, and high rates of regulatory approval make orphan drug development economically viable.

The time from phase II studies to market is often shorter for orphan drugs due to shorter and smaller clinical studies and FDA's various approaches to accelerated approvals. Moreover, a high number of orphan drugs are biologics, which are less likely to have generic equivalents, prolonging their value to sponsors, even after patent expiration. Also, if a compound is granted orphan drug designation, the odds for approval are significantly higher compared to traditional drugs.

Orphan drugs also experience significant competitive advantage in being first to market. Due to influential and well-organized patient organizations, there is an increased demand for new treatments. In addition, one may point to the payer's favor reimbursement strategies for products that satisfy unmet medical needs for rare disease patients and provide clinically relevant increased life expectancy and quality of life.

Recent research suggests that the higher pricing, increased market share, lower marketing costs, longer exclusivity periods, and faster uptake of orphan drugs offset the smaller patient pool.

Please refer to page 6 for more information on orphan drugs.

Vision

To be a leading orphan oncology company

Mission

To be a biopharmaceutical company focused on the development of novel and innovative therapies within rare cancer diseases, providing hope for patients and their families, increasing life expectancy and quality of life

Strategy

1. Explore belinostat opportunities
Leverage our successful development of belinostat by exploring the compound's opportunities into other rare cancer indications within hematology and solid tumors, per example:

- Hepatocellular carcinoma (HCC) is the most common type of liver cancer. HCC is quite rare in the EU and the USA, while a very prevalent disease in Asia and Africa. HCC is actually the third-leading cause of cancer mortality worldwide. There is a high unmet need for treatments of this disease. Belinostat has shown promising signals in monotherapy treatment of HCC patients and has demonstrated strong pre-clinical synergy with the currently only approved first-line HCC treatment Sorafenib
- Myelodysplastic syndrome (MDS) is a hematological condition which leads to an ineffective production of the myeloid class of blood cells, resulting in the blood production being disorderly and ineffective. In a previous study under the National Cancer Institute (NCI), belinostat showed responses in patients when treated with belinostat and the approved product, 5-azacytidine, which confirmed the already known pre-clinical data in which belinostat was even able to reactivate drug resistant cells
- Acute myeloid leukemia (AML) is acute leukemia that affects adults. Although AML is a relatively rare disease, it accounts for approximately 1% of all cancer deaths in the USA. Patients with MDS will eventually progress into AML and belinostat has, as mentioned, shown promising data in the combination with the approved 5-azacytidine
- Malignant thymoma is a very rare class of solid tumors for which the European Commission granted Topotarget an orphan drug designation in July 2013. At current, there are no approved treatments for malignant thymoma in the EU, making malignant thymoma a rare disease with an unmet medical need. In two NCI-sponsored clinical studies, belinostat has shown signs of clinical activity in patients with malignant thymoma, both as monotherapy and in combination with standard combination treatments

2. Prepare for commercialization
Build a lean, flexible, and targeted force of medical liaisons, supplemented with competences covering business development and strategy, market access, knowhow, etc.

3. Pursue new product opportunities
Seek collaborations with companies with late-stage innovative orphan oncology projects

4. Strategic development
Actively pursue potential M&A activities with companies who share our vision, thereby being able to utilize synergies and progress faster in order to achieve the vision

What is an orphan drug?

The US Orphan Drug Act (ODA) from 1983 was enacted to stimulate the research of rare (or orphan) diseases with a significant unmet medical need. This legislation continuously provides incentives for sponsors to develop therapies for rare conditions for which sales are unlikely to recoup research and development (R&D) costs under normal circumstances. In the USA, a rare disease or disorder is defined as one that affects fewer than 200,000 people a year, or one that affects more than 200,000 people per year but for which the costs of drug development and marketing are not expected to be recovered.

Several incentives are included in the ODA, hereunder seven years' market exclusivity, protocol assistance, tax credits of up to 50% of R&D costs, FDA fee waivers, and research grants. In order to receive these benefits, a sponsor must apply for orphan drug designation and demonstrate the medical plausibility for the compound's expected benefit in the rare disease.

Similar legislation supporting orphan drug development was introduced in the European Union (EU) in 2000, as well as in countries such as Singapore, Japan, and Australia. Although the spirit of the legislation is the same as with the ODA, there are some regional differences in the definition of orphan diseases and the incentives provided. For instance, the European Medicines Agency (EMA) considers an orphan disease to be one with a prevalence (the proportion of the population found to have the disease) of one in 2,000 and offers incentives such as ten years' market exclusivity, protocol assistance at a reduced charge, access to the centralized authorization procedure, EMA fee reductions, etc.

Pipeline update

BELINOSTAT KEY CLINICAL STUDIES

Indication	Study	Sponsor	Phase I	Phase II	Pivotal	NDA	Target #	Enrollment status	Milestone	Time frame
PTCL	BELIEF (CLN-19)	SPPI*)	→	→	→	→	100	Completed	NDA approval	Q3 2014
PTCL	BelCHOP SPI-Bel-12-104	SPPI	→				28	Recruiting	Recruitment completed	Q4 2014
NSCLC	SPI-1014-Bel	SPPI	→	→			35	Completed	Recruitment completed	-
Mass balance study	SPI-12-103	SPPI	→				6	Completed	Recruitment completed	-

*) Spectrum Pharmaceuticals

NCI-sponsored studies	Initiated
Belinostat for Solid Tumors and Lymphomas in Patients with Varying Degrees of Hepatic Dysfunction	Q4 2010
A Phase I Study of Belinostat in Combination With Cisplatin and Etoposide in Adults with Small Cell Lung Carcinoma	Q2 2009

Peripheral T-cell lymphoma (PTCL) – BELIEF (CLN-19)

Acceptance to file and Priority Review granted by the FDA with a Prescription Drug User Fee Act (PDUFA) action date of August 9, 2014.

The pivotal study of belinostat for the treatment of R/R PTCL was closed for recruitment in September 2011 after the inclusion of 129 patients. Final top-line data presented at the American Society of Clinical Oncology Annual Meeting 2013 showed an objective response rate (ORR) of 26% in all PTCL patients, 28% in PTCL patients with platelet counts above 100,000/µL, and 45.5% in patients with the PTCL subtype angioimmunoblastic T-cell lymphoma (AITL). Safety data presented at the T-Cell Lymphoma Forum in January 2013 showed a favorable safety profile of belinostat when compared to the approved treatments for patients with PTCL and it was emphasized that combining belinostat with cytotoxic regimens is likely feasible. Belinostat appears to have low myelosuppression and even PTCL patients with a poor bone marrow reserve tolerate belinostat.

BelCHOP – SPI-Bel-12-104

The dose-finding BelCHOP (belinostat plus cyclophosphamide, hydroxydaunorubicin, oncovin, and prednisone) study is designed to determine what dose of belinostat combined with CHOP can be safely administered together for the 1st-line treatment of patients with PTCL. The purpose is furthermore to establish the recommended dose for the immediate following phase III confirmatory study as agreed with the FDA. The dose-finding study of BelCHOP is expected to recruit up to 28 patients by Q4 2014. The confirmatory phase III trial is expected to be initiated in H1 2015.

Non-small cell lung cancer (NSCLC) – SPI-1014

This is a phase I/II maximum tolerated dose study of belinostat in combination with carboplatin and paclitaxel (BelCaP) in chemotherapy-naïve patients with stage IV NSCLC. The study was initiated in March 2011 and all patients have been enrolled for the study. Topotarget and Spectrum Pharmaceuticals are cosponsors and Spectrum Pharmaceuticals is overlooking the US-based study.

Mass balance study – SPI-12-103

This is a phase I study for the evaluation of excretion (mass balance) and pharmacokinetics of 14C-labeled belinostat in patients with recurrent or progressive malignancy. It is a supportive study for further understanding of belinostat's metabolism and excretion. The recruitment of six evaluable patients has been completed and the analysis of the biologic samples is ongoing.

NCI-sponsored studies

The National Cancer Institute (NCI) is a prestigious, world-leading oncology research organization sponsoring a vast number of studies in oncology. In collaboration with Topotarget and Spectrum Pharmaceuticals, the NCI studies belinostat and investigates treatment options in indications with a high unmet medical need. The NCI sponsors and conducts the studies under their auspices and therefore the timelines and communication given are under the control of the NCI.

Partnerships

Spectrum Pharmaceuticals, Inc.
In February 2010, Topotarget out-licensed the North American and Indian rights for belinostat to Spectrum Pharmaceuticals. Under the terms of the agreement, Spectrum Pharmaceuticals made an up-front payment of USD 30 million and took over 100% funding of the PTCL "BELIEF" study.

In September 2011, Spectrum Pharmaceuticals completed the recruitment for the BELIEF study and the NDA was submitted in December 2013. The FDA granted acceptance to file and Priority Review to the belinostat NDA in February 2014 and the PDUFA action date is August 9, 2014.

In addition to the acceptance to file milestone (for more information, please refer to page 2), Topotarget is eligible to receive milestone payments upon an NDA approval and upon successful achievement of certain development and commercial milestones as well as double-digit royalties on sales.

Further indications with belinostat are being considered (please see page 4).

Resources for co-development in additional indications will have cost sharing, with Spectrum Pharmaceuticals contributing 70% and Topotarget contributing 30%.

As of October 2013, Spectrum Pharmaceuticals carries the responsibility for the manufacture of belinostat for all territories. This agreement has a term of five years with the possibility for prolongation.

Edimer Pharmaceuticals
In March 2009, Topotarget out-licensed its non-oncology, pre-clinical development program APO200 to Edimer Pharmaceuticals, Inc.

Edimer is developing APO200 (EDI200) as a treatment for x-linked hypohidrotic ectodermal dysplacia (www.edimerpharma.com).

Topotarget has received an upfront payment and is entitled to future potential milestones and royalty payments.

Multimeric Biotherapeutics, Inc.
In October 2011, Topotarget out-licensed the exclusive rights to the further development of the multimeric TNF superfamily ligands (TNFSFs) for all therapeutics used to Multimeric Biotherapeutics, Inc.

Under the agreement, Multimeric Biotherapeutics will license the rights to all multimeric fusion proteins containing TNFSFs which are covered by Topotarget's issued and pending patents in Europe, the USA, Canada, Japan, Australia, South Korea, and other territories.

The agreement also grants Multimeric Biotherapeutics the rights to sub-license.

Topotarget is entitled to receive future potential milestones and royalty payments.

Oncology Venture
In November 2012, Topotarget entered into an exclusive license agreement with Oncology Venture ApS granting the global rights to the further clinical development of APO010.

Under the agreement, Oncology Venture will license all rights specific to APO010 which are covered by Topotarget's issued and pending patents.

Topotarget has received an upfront payment and is entitled to future potential milestones and royalty payments.

National Cancer Institute (NCI)
Topotarget is party to a Clinical Trial Agreement with the NCI under which the NCI sponsors a number of clinical studies evaluating the activity of belinostat, either alone or in combination with other anticancer therapies, for the treatment of hematological cancers and solid tumors. The collaboration with the NCI is academic.

Commercial opportunities for belinostat
Topotarget continues to explore the commercial opportunities in Europe, Asia/Pacific, and ROW in order to commercialize belinostat most optimally.

Corporate Governance

Shareholders
Topotarget is a listed company and therefore our shareholders have the ultimate authority over the company – an authority that is exercised through the shareholders' right to make decisions at Topotarget's general meetings in person or by proxy. No shares carry special rights – each share of DKK 1 carries one vote.

At annual general meetings, the shareholders approve the company's annual report, elect the Board of Directors and independent auditor, and approve any amendments to Topotarget's Articles of Association. Resolutions are passed by a simple majority, unless the Danish Companies Act or the Articles of Association provide otherwise.

Read more about shareholder information on p. 16.

Board of Directors
The management structure at Topotarget is two-tier consisting of the Board of Directors and the Management. These two governing bodies are separate and no one serves as a member of both bodies.

It is the primary responsibility of the Board of Directors to define the strategic framework for the activities and action plans of the company and to maintain a constructive dialogue with the Management regarding the implementation of these strategies. The Board of Directors appoints the company officers, sets out its terms and tasks, and supervises its work and the company's procedures and responsibilities. On behalf of the shareholders, the Board of Directors supervises the organization and ensures that the company is managed appropriately and in accordance with legislation and the company's Articles of Association. The Board of Directors does not participate in the day-to-day management of the company.

The Board of Directors consists of seven members, of whom six are independent in accordance with the Danish Corporate Governance Recommendations. All members were elected at Topotarget's annual general meeting in April 2013 for a period of one year. Members must retire when they reach the age of 70.

The key considerations made in relation to the appointment of the Board of Directors are the professional background and industry experience of each candidate. The activities of the Board of Directors are governed by an internal set of procedural rules. For relevant background information on the individual board members, please go to page 14 or visit http://www.topotarget.com/about-us/board-of-directors.aspx.

The Board of Directors has established a formal process for evaluating the Management and objectives are agreed upon in connection with the budgeting procedure and evaluated finally at year-end. The Board of Directors continuously discusses the goals and strategies of Topotarget as well as Topotarget's ability to implement the strategies and live up to expectations. The Chairman of the Board has well-defined tasks, duties, and responsibilities. Among these to make sure that the board members have the competences that are required for a governing board. The entire Board of Directors evaluates the board's composition to ensure that the needed competencies are at hand and to ensure a transparent process on the election of board members at the annual general meeting.

In 2013, the Board of Directors held 22 meetings (either in person, via telephone, or by way of written resolutions).

Please refer to page 14 for an overview of our Board of Directors.

Audit Committee
The Audit Committee's purpose is to review the financial controls and to work with the independent auditors in connection with their audit of the company's financial statements and to make reports and recommendations to the Board of Directors on these matters. The members of the Audit Committee are Bo Jesper Hansen (Chairman) and Per Samuelsson.

In 2013, the Audit Committee held 5 meetings (either in person or via telephone).

Nomination Committee
The Nomination Committee's task is to describe and evaluate the required qualifications of the two governing bodies (Board of Directors and Management) and to make recommendations on changes. The committee considers and recommends proposals for candidates for executive positions in the company. The committee consists of the following members: Bo Jesper Hansen (Chairman), Anker Lundemose, Ingelise Saunders, and Per Samuelsson.

Remuneration Committee
The Remuneration Committee's purpose is to evaluate and make recommendations to the Board of Directors on the remuneration paid to board members and senior management as well as recommendations concerning employee incentive programs. The committee consists of the following members: Bo Jesper Hansen (Chairman), Anker Lundemose, Ingelise Saunders, and Per Samuelsson.

Management
The day-to-day management of Topotarget lies with the Management. The Management is responsible for the overall business and all operational matters, including allocation of resources, implementation of strategies, and timely reporting of information to the Board of Directors and stakeholders.

Diversity
Topotarget believes that a diverse work force and work place results in greater quality of work as well as a broader understanding of various organizational tasks. As a result, we, among other things, continuously seek to maintain a balanced gender composition in both our Management (current divide: 20% men and 80% women) and our Board of Directors (current divide: 71% men and 29% women). Topotarget seeks to be compliant with the goals stipulated in the Danish Companies Act section 139a in representing both genders by 40% or more – at current, though, our goal is to maintain a composition with at least two members of both genders.

Exceptions
It is the view of the Board of Directors that Topotarget complies with the Danish Corporate Governance Recommendations from May 2013, however, with the following exceptions:

Topotarget has, due to the company's size and complexity, not formally elected a Vice Chairman.

The Chairman of the Board of Directors and the Chairmen of the Audit Committee, the Nomination Committee, and the Remuneration Committee are identical reasoned by the qualifications of the Chairman. Furthermore, the Chairman has been appointed Executive Chairman during the current strategic review – please refer to Note 22 for further details.

Topotarget offers share-based remuneration programs to board members, the reason being that the company considers share-based remuneration programs essential and necessary tools to attract and retain board members with international experience and profiles to secure alignment with the company strategy.

Topotarget does not disclose remuneration of board members or managers at an individual level. Topotarget considers this information to be private and believes that information at an individual level is of limited value to the shareholders.

Also, Topotarget has not established a so-called whistleblower scheme for the notification of possible or suspected wrongdoing as the company does not see this as relevant due to the open culture and modest size of the company.

Topotarget's Corporate Governance approach is based on the Committee on Corporate Governance's recommendations as of May 6, 2013, cf. section 107b of the Danish Financial Statements Act: http://corporategovernance.dk/file/372239/anbefalinger_for_god_selskabsledelse_maj_2013.pdf. A full description on Topotarget's approach can be found on our homepage http://investor.topotarget.com/governance.cfm.

Corporate Social Responsibility

Topotarget does not have a written policy on Corporate Social Responsibility (CSR).

Risk profile and risk management

Risk profile
Topotarget conducts global clinical studies with belinostat and is therefore exposed to a variety of risks, of which some are beyond our control. If not properly assessed and controlled, these risks may have significant impact on our business.

Risk management approach
Active management of operational, financial, and compliance risks is a prerequisite for Topotarget. Risks are identified and reported through a systematic process. Consolidation, analysis, and evaluation take place with stakeholders within Topotarget and, if required, with external consultants. Management is responsible for the final calibration of risks and review of mitigating actions. Management and the Board of Directors discuss and decide on the risk tolerance for the most significant risks.

Semi-annually the company completes a risk management business process and reports relevant findings to the Board of Directors as well as ad hoc reporting to relevant stakeholders.

The risk management business process defines clear responsibilities for the Board of Directors as well as the Management. The Board of Directors is responsible for:

- Approval of the Risk Policy, including risk tolerance levels
- Review and approval of top risk scenarios
- Review of the current level of mitigation of top risks
- Proposals for additional mitigation, if required
- Verification of the adequacy of the risk management infrastructure

Management is directly responsible for the management and mitigation of key risks as well as for the maintenance of a robust risk management business process, including the reporting cycle.

Below you will find a summary of the company's main risk areas and a summary of how the company seeks to address these risks.

Development and scientific risks
Through scientific and medical advice, Topotarget seeks to ensure the optimal selection of future disease targets. A Scientific Committee consisting of board members is, together with key Topotarget employees, closely monitoring and assessing data from our clinical trials as well as other relevant scientific information. This is done in order to comply with the extensive regulatory requirements that we are subject to when working with clinical studies, but also to be able to make the best decisions in relation to available data.

In general, as for all drug development, there is a risk that lack of efficacy or unexpected serious adverse events in relation to the clinical product will have adverse effect on study outcome. There is also the risk that the patient inclusion rate in clinical studies is insufficient to meet timelines. Moreover, unforeseen safety issues or changes of regulatory requirements can influence the timing and nature of our clinical development activities, costs, and related revenues such as milestone payments and cost reimbursement.

Regulatory risks
Topotarget's activities can be affected by regulatory requirements and changes implemented in individual countries. Modified legislation or reinterpretation of legislation in Topotarget-relevant countries may result in unintended or unexpected costs or timeline extensions.

Risks related to the market and partners
The collaboration with Spectrum Pharmaceuticals is very important for our business as well as our future growth. A significant part of our future revenue, in particular milestones and royalties, may depend on a continued good collaboration. Our business might be negatively affected if Spectrum Pharmaceuticals become unable to meet their obligations. Topotarget relies on Spectrum Pharmaceuticals' ability and willingness to provide answers to the FDA during their NDA review process with a view to the FDA potentially granting marketing authorization for belinostat.

Topotarget is furthermore subject to a range of commercial risks considered normal within the biopharmaceutical business, including:

- Competition from existing treatments and/or new drugs
- Change in market size of lead indications
- Product pricing and reimbursement policies
- Interest from potential partners and investors
- Development time of new clinical trials
- Patent protection and ability to prevent infringements

Risks related to legal requirements
We continue to file necessary patent applications in an effort to protect our product and technologies. We maintain strict confidentiality standards and agreements for internal employees and any collaborating parties in order to protect business secrets. However, the risk that Topotarget's ability to protect itself in potential patent

lawsuits is insufficient exists. This could be instances where our intellectual property is being infringed or we are accused of infringing on a competitor's intellectual property.

Financial risks
By mainly concentrating our facilities in Denmark, we are reducing our exposure to fluctuations in exchange rates. However, as we are conducting global clinical studies, have shared clinical costs with Spectrum Pharmaceuticals, and procuring services in a global environment, we remain exposed to exchange rate fluctuations.

The company's cash holdings consist of deposits held in cash. The interest rate risk is insignificant relative to Topotarget's combined operations.

Capital resources
Topotarget is a drug development company without commercial revenue. We will, excluding revenue from collaboration partners, be cash consuming until belinostat becomes commercially available. It is therefore crucial that the company at all times ensures sufficient financial resources.

Risk management
A number of factors concerning Topotarget and our strategies contribute to a reduction of the overall risks:

- We are pursuing a partnering strategy which reduces a large part of the financial risks; we have a strong development agreement for belinostat with Spectrum Pharmaceuticals for North America and India, who will handle the commercialization of belinostat in these geographical regions; we are exploring commercial opportunities for belinostat in Asia and Europe

- Topotarget collaborates with several scientific organizations and has a large representation of scientific expertise within the company, ensuring bridge building between science and the treatment of patients

- Topotarget is a professional organization which strives to keep updated on and compliant with laws affecting the company's activities

- Our Board of Directors continuously evaluates the need to increase the company's financial resources

The process of accounts preparations

The overall responsibility for the company's control and risk management in relation to the financial reporting process, including compliance with applicable legislation and other financial reporting regulations, rests with Topotarget's Board of Directors and Management.

Financial report process

The company has an Audit Committee consisting of members of the company's Board of Directors. The Audit Committee reviews and discusses auditing and accounting matters with the company's auditors elected by the shareholders and the Management in accordance with the Audit Committee's terms of reference.

Topotarget's primary focus is to ensure that the financial statements are in accordance with relevant accounting legislation and other provisions and regulations and give a true and reliable view of the company's activities and financial position.

The preparation of the company's financial reporting follows a planned structure involving segregation of duties.

Topotarget has established internal monthly reporting with a view to effectively managing its financial status. The reporting process involves analyses of deviations between actual results, business plans, budgets, and the most recently updated estimate for the financial year. The monthly report, including an explanation of deviations for the principal business areas, is reviewed by the Management before it is distributed to the Board of Directors.

The company's statutory reports are prepared according to the same structure as the monthly reports.

The quarterly reports are reviewed at an Audit Committee meeting before they are approved at a board meeting and subsequently released for publication.

The annual audit and reporting process comprise detailed planning of individual assignments, planning meetings between Investor Relations, the finance department, and the external auditors. The audit and planning process is based on an approved audit strategy.

The annual report is prepared in close collaboration with key individuals from each business unit. In addition, the auditors ensure that the financial statements provide a reliable and true view of the company's assets, liabilities, and financial position, ensuring that the annual report is presented in accordance with the accounting policies adopted.

Control environment

The Audit Committee, and subsequently the Board of Directors, at least once a year, assesses the Group's organizational structure, its risk of fraud, as well as the existence of in-house rules and guidelines.

The Group's control and risk management systems may provide reasonable, but not absolute, assurance that misappropriation of assets, losses, and/or significant errors and omissions in the financial reporting are avoided.

The Board of Directors and the Management are responsible for establishing and approving general policies, procedures, and controls in key areas in relation to the financial reporting process. The Board of Directors approves the overall policies, procedures, and controls, which are maintained and monitored by the Management and key employees representing each business area.

Topotarget has established policies and procedures for the key areas in relation to the financial reporting process, including business procedures for financial reporting and planning, business procedures for the finance function and other key business units, and for IT security.

Risk assessment

The Board of Directors makes an annual general assessment of risks in relation to the financial reporting process. The objective of Topotarget's internal risk management system is to maintain effective procedures for identification, monitoring, and reporting of such risks. This includes an assessment of IT security, the risk of fraud, and the measures to be taken to reduce and/or eliminate such a risk.

Board of Directors

Board of Directors

Bo Jesper Hansen, MD, PhD
Danish, 55
Chairman since 2010
Independent board member since 2009

Special competences
Bo Jesper Hansen has experience in the field of international contract negotiation and deal-making, including execution of high-impact license agreements and significant M&A transactions. Dr. Hansen moreover has extensive knowledge of international marketing, legislative conditions, pharmaco-surveillance, medical marketing, and business development. In addition hereto, Dr. Hansen is well-connected within the medical industry and especially within the orphan drug market.

Board positions
Swedish Orphan Biovitrum AB (Chairman), Ablynx, CMC Kontrast AB, Genspera Inc., Hyperion Therapeutics Inc., Newron Pharmaceuticals S.p.A., and Orphazyme ApS.

Shares: 300,000 (2012: 300,000)
Warrants: 200,000 (2012: 150,000)

Ingelise Saunders, MPh, BSc
Danish, 64
Independent board member since 2004

Special competences
Ingelise Saunders has extensive experience within executive management, international operations, sales, marketing, and global commercial operations. Mrs. Saunders also has broad experience with M&A transactions, business development, healthcare strategy, and life science investments.

Board positions
MinervaX ApS (Chairman)

Shares: 25,000 (2012: 25,000)
Warrants: 162,788 (2012: 158,442)

Jeffrey H. Buchalter, BS, MBA
American, 56
Independent board member since 2006

Special competences
Jeffrey H. Buchalter has experience in executive management, industry, development, manufacturing, and the commercialization of pharmaceutical products as well as therapies for cancer patients.

Board positions
Archimedes Pharma Ltd.

Warrants: 203,270 (2012: 178,270)

Per Samuelsson, MSc
Swedish, 52
Non-independent board member since 2009

Special competences
Per Samuelsson has since 2000 been Partner at Odlander Fredrikson/HealthCap, Topotarget's largest shareholder. Mr. Samuelsson has experience in biotech, venture capital, investment banking, merger transactions, initial public offerings, and equity incentive programs.

Board positions
Algeta ASA, BioStratum Inc., Cardoz AB, Nordic Vision Clinics AS, Oncopeptides AB, Oncos Therapeutics Oy, Optivy AB, and Sweden BIO.

Anker Lundemose, MD, PhD, Doctor of Medical Science
Danish, 52
Independent board member since 2010

Special competences
Anker Lundemose has experience within academia, executive management, large pharma, biotech, and business and corporate development. Dr. Lundemose is CEO and President of BioNor Pharma ASA and has an international track record in R&D productivity and deal making, including execution of high-impact license agreements and significant M&A transactions.

Board positions
Adenium Biotech, Aniona, and Polytherics.

Shares: 25,000 (2012: 25,000)
Warrants: 100,000 (2012: 75,000)

Gisela Schwab, MD
German, 57
Independent board member since 2011

Special competences
Gisela Schwab has experience within the pharmaceutical industry in managing early- and late-stage development activities (target selection, pre-clinical, pharmacokinetic, clinical, and regulatory development) of biotechnological compounds and small molecules, filing of INDs and NDAs/BLAs/MAAs, and in building and managing development teams.

Board positions
Cellerant Therapeutics

Warrants: 75,000 (2012: 50,000)

Karsten Witt, MD
Danish, 56
Independent board member since 2011

Special competences
Karsten Witt has experience in clinical strategy and execution of development programs as well as drug safety/pharmacovigilance, development of small-molecule targeted oncology therapies, and filing of INDs, BLA/sBLA, and NDAs/sNDA.

Warrants: 75,000 (2012: 50,000)

Management

Management

Anders Vadsholt, MSc, MBA 3
Company officer
Danish, 44
Chief Executive Officer

Special competences
For 17 years, Anders Vadsholt has worked with maximizing shareholder value in various roles and industries. In recent years, Mr. Vadsholt has taken on executive management roles in the biotech industry, his primary activities being general management, strategy, legal, finance, and investor relations. Mr. Vadsholt has also worked with venture capital and corporate finance, involving raising private and public capital, mergers and acquisitions, restructuring and divestments of companies.

Shares: 25,000 (2012: 25,000)
Warrants: 650,000 (2012: 450,000)

Elisabeth V. Carstensen, PhD 1
Danish, 44
Director of Pharmaceutical Operations

Special competences
Elisabeth Carstensen has extensive experience within and is responsible for the area of pharmaceutical manufacture of active ingredients and drug products. Dr. Carstensen has more than 13 years' experience with Topotarget, including quality assurance, pharmaceutical operations, clinical supply chain management, and regulatory registration processes.

Anne V. Sillemann, MSc Pharm 2
Danish, 48
Director of Global Regulatory Affairs

Special competences
Anne Sillemann has more than 18 years' experience with drug development, regulatory processes, and submissions in both the EU and the US. Mrs. Sillemann has significant experience with clinical trial applications, scientific advices, orphan drug, and life-cycle management. Mrs. Sillemann has been with Topotarget for more than 10 years and has obtained marketing authorizations in the EU and the US.

Jette Tjørnelund, PhD 4
Danish, 50
Director of Science

Special competences
Jette Tjørnelund has extensive scientific experience within the areas of analytical chemistry, preclinical drug development, and clinical drug development, resulting in more than 50 published papers in scientific journals. Dr. Tjørnelund has been with Topotarget for 10 years as responsible for analytical chemistry, drug metabolism, and pharmacokinetics as well as clinical pharmacology.

Lone Dahl, BSc 5
Danish, 53
Director of Finance

Special competences
Lone Dahl has extensive experience within financial functions and financial management from both a general audit consulting company and the international pharmaceutical industry. Mrs. Dahl has operational and hands-on experience in building a finance department across cultures and set-ups. Lone Dahl has a proven track record in alliance management, business development, and responsibility for the financial part of preparing and facilitating a merger between two international pharmaceutical companies in the Nordic region.

Shareholder information

Topotarget A/S' shares were listed on the Copenhagen Stock Exchange (now NASDAQ OMX Copenhagen A/S) in June 2005 under the securities/ISIN code DK0060003556 and the trading symbol TOPO. The company's Reuters symbol is TOPO.CO and its Bloomberg symbol is TOPO:DC. Trading of the company's shares commenced on June 10, 2005. Topotarget belongs to the small cap segment.

The closing price for our shares on December 31, 2013 was DKK 2.98 which was an increase of 39% compared to the company's share price of DKK 2.15 at year-end 2012. The average daily trading volume for the company's shares in 2013 was DKK 1.3 million.

At December 31, 2013, Topotarget's share capital was DKK 143,317,114 corresponding to 143,317,114 shares of DKK 1 nominal value. The company only has one class of shares and all shares have equal rights.

Topotarget's Articles of Association do not contain provisions on limitations of ownership or voting rights for each individual shareholder.

Ownership structure

As of March 27, 2014, Topotarget had 8,326 registered shareholders, who held 66% of the share capital compared to 8,528 registered shareholders on March 13, 2013.

At March 27, 2014, the company's 10 largest shareholders held 30% of the total share capital, and the following investors have informed Topotarget that they hold more than 5% of the shares:

- HealthCap funds (Odlander Fredrikson & Co AB) (Please see Note 23)

IR policy

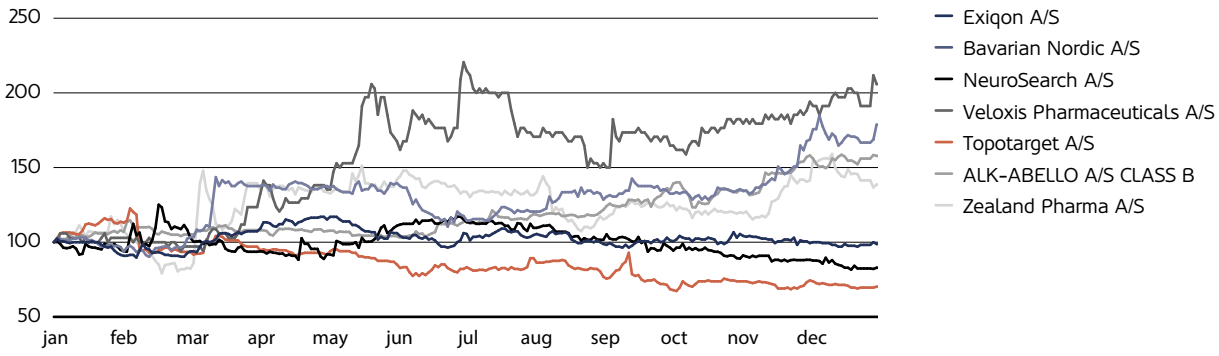
Topotarget aims to maintain an open and continuous dialogue with existing and potential shareholders, other stakeholders, and the general public. The company thus strives to provide transparent communication with equal access for all stakeholders. With open communication, the company aims to ensure fair pricing of the company's shares in order to reflect the company's willingness to generate higher earnings to its shareholders.

In compliance with the disclosure requirements of NASDAQ OMX Copenhagen, Topotarget will publish information on the company that is deemed important to the pricing of its shares. The company will also publish quarterly reports on the company's development, including relevant financial information. Topotarget also observes so-called 'quiet periods' (two weeks) before the publication of each of the company's financial reports. During these periods, the company will refrain from holding investor and analyst meetings or meetings with the media. The company maintains an insider register and will publish any changes to certain insiders' shareholdings in accordance with the rules that apply for NASDAQ OMX Copenhagen. Such publication will be made immediately after the transaction.

Topotarget has also adopted in-house rules, which stipulate that insiders may only purchase and sell shares in the company during a period of six weeks after the company's publication of interim financial statements.

Any information published by the company will be published in full accordance with disclosure requirements under Danish law and all announcements and financial reports are available on the company's website, www.topotarget.com, in both Danish and English.

TOPOTARGET AND OTHER SHARE DEVELOPMENT 2013



Financial review

The annual report comprises the Parent Company Topotarget A/S and the three wholly-owned subsidiaries Topotarget UK Ltd., Topotarget Germany AG, and Topotarget Switzerland S.A.

Unless otherwise stated, the financial review is based on the Group's consolidated financial information for the year ended December 31, 2013 as included in this annual report with comparative figures for the Group for 2012 in brackets.

A net loss in continued operations of DKK 36.2 million (2012: Net loss of DKK 81.4 million) was recorded for the year.

The Group's net cash and cash equivalents as of December 31, 2013 totaled DKK 31.5 million (2012: DKK 41.5 million) and the equity stood at DKK 243.1 million (2012: DKK 251.2 million).

For assumptions and estimates, please refer to Note 2.

Consolidated income statement
Topotarget recognized revenues of DKK 8.3 million in 2013 (2012: DKK 2.4 million). Revenues are composed of milestone payments from the renegotiated agreement with Apricus Biosciences, Inc. and income per our collaboration agreement with Spectrum Pharmaceuticals.

Production costs, which amounted to DKK 1.1 million (2012: DKK 1.4 million), include Topotarget personnel costs related to the agreement with Spectrum Pharmaceuticals.

Research and development costs were DKK 23.0 million (2012: DKK 46.5 million). The reduction in cost of 51% is primarily due to the steps made to ensure a cost-effective organization including reductions in the number of employees and the hereto related costs. The finalization of clinical data and related clinical study reports are on-going.

Administrative expenses were DKK 18.4 million (2012: DKK 34.7 million). The decrease in cost of 47% is primarily related to the reduction in the number of employees and Management.

The net financials showed a net expense of DKK 2.0 million (2012: Net expense of DKK 1.1 million). The financial expense is mainly caused by exchange rate fluctuations.

The tax income was DKK 1.2 million (2012: 1.2 million) and relates to the payment of tax value of losses from spending in research and development.

Topotarget recorded a net loss of DKK 35.0 million in 2013 (2012: Net loss of DKK 80.0 million).

Consolidated balance sheet
Total assets amounted to DKK 265.1 million (2012: DKK 278.9 million), which primarily consist of acquired research and development projects and cash and cash equivalents, while the Group's liabilities mainly comprise equity and current liabilities.

Cash and cash equivalents were DKK 31.5 million (2012: DKK 41.5 million).

Non-current liabilities are reduced to 0.0 million (2012: DKK 3.2 million). The reason for the large reduction is the reclassification of the potential Celldex Therapeutics, Inc. (former CuraGen) milestone payment from non-current liabilities to current liabilities.

Current liabilities have been reduced to DKK 22.0 million (2012: DKK 24.5 million) despite the reclassification of the potential Celldex Therapeutics milestone payment from non-current liabilities to current liabilities.

Consolidated equity
Equity amounted to DKK 243.1 million (2012: DKK 251.2 million). The change in equity is due to the loss for the year of DKK 35.0 million and a share issuance of DKK 26.8 million.

Consolidated cash flow
Topotarget's cash flow from operating activities for 2013 was an outflow of DKK 35.6 million (2012: Outflow of DKK 81.0 million). The Group's 2013 cash flow from investing activities including the buying and selling of securities was DKK 0.2 million (2012: Inflow of DKK 8.1 million). The Group's cash flow from financing activities was DKK 25.5 million (2012: Inflow of DKK 0 million).

Comparing the actual financial performance with financial guidance
The Group recorded a pretax loss in continued operations of DKK 36.2 million. The financial performance thus exceeded our guidance announced in the interim report for the first 9 months of 2013, which reported a pretax loss in the range of DKK 40-45 million for the year. The Group recorded a cash position of DKK 31.5 million. The guidance announced in the interim report for the first 9 months of 2013 reported a cash position in the range of DKK 27-32 million.

Financial outlook

Spectrum Pharmaceuticals filed an NDA with the FDA end 2013 and Topotarget received the expected milestone payment of USD 10 million and 1 million Spectrum Pharmaceuticals shares in Q1 2014.

Topotarget expects an estimated pre-tax profit in the range of DKK 55-65 million for the full-year financial result for 2014. The expected net cash and cash equivalents are expected to be around DKK 78-88 million at year-end 2014. The above numbers are including the milestone payment from Spectrum Pharmaceuticals of USD 10 million and 1 million shares with a current value of approximately USD 8 million, but excluding any extraordinary activities.The second milestone payment related to an NDA approval is not included in this financial outlook.

Parent Company financial statements

The Parent Company recorded a loss of DKK 35.0 million (2012: Net loss of DKK 80.0 million). The Parent Company's equity amounted to DKK 243.1 million (2012: DKK 251.2 million). The change in equity is due to the loss for the year of DKK 35.0 million and a share issuance of DKK 26.8 million.

Treatment of loss

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

Statement by the Board of Directors and Chief Executive Officer

The Board of Directors and Chief Executive Officer today discussed and adopted Topotarget A/S' annual report for 2013.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Parent financial statements are presented in accordance with the Danish Financial Statements Act. Also, the annual report is prepared in accordance with additional Danish disclosure requirements for listed companies.

In our opinion the consolidated financial statements and the Parent financial statements give a true and fair view of the Group's and the Parent's assets, liabilities, and financial positions at December 31, 2013 and of the results of the Group's and the Parent Company's operations and cash flow for the year 2013. We also believe that the management commentary contains a fair review of the development in the Group's and the Parent's business and of their financial position as a whole together with a description of the principal risks and uncertainties that they face.

The annual report will be submitted to the general meeting for approval on April 24, 2014.

Copenhagen, March 27, 2014

Executive Management

Anders Vadsholt
Chief Executive Officer

Board of Directors

Bo Jesper Hansen
Chairman

Per Samuelsson

Jeffrey H. Buchalter

Ingelise Saunders

Anker Lundemose

Gisela Schwab

Karsten Witt

Independent auditor's report

To the shareholders of Topotarget A/S

Report on the consolidated financial statements and the Parent financial statements

We have audited the consolidated financial statements and parent financial statements of Topotarget A/S for the financial year January 1 – December 31, 2013, which comprise the income statement, balance sheet, cash flow statement, statement of changes in equity and notes, including the accounting policies, for the Group as well as the Parent, and the statement of comprehensive income of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated and Parent financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies as well as the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent financial statements that give a true and fair view 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 the overall presentation of the consolidated financial statements and parent financial statements.

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 consolidated financial statements give a true and fair view of the Group's financial position at December 31, 2013, and of the results of its operations and cash flows for the financial year January 1 – December 31, 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at December 31, 2013, and of the results of its operations for the financial year January 1 – December 31, 2013 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, March 27, 2014

Deloitte
Statsautoriseret Revisionspartnerselskab

Jens Rudkjær
State-authorized public accountant

Carsten Vaarby
State-authorized public accountant

Consolidated statement of comprehensive income and Parent income statement for the year

		Group		Parent	
DKK '000	Note	2013	2012	2013	2012
Revenues	3, 4	8,338	2,395	8,338	3,798
Production costs	5, 6	(1,061)	(1,377)	(1,061)	(1,377)
Research and development costs	5, 6	(23,019)	(46,522)	(21,575)	(42,388)
Administrative expenses	5, 6	(18,406)	(34,706)	(17,834)	(34,343)
Operating loss		**(34,148)**	**(80,210)**	**(32,132)**	**(74,310)**
Income after tax from investment in subsidiaries	14	-	-	(7,815)	(9,083)
Financial income	7	565	3,673	8,576	6,862
Financial expenses	8	(2,610)	(4,822)	(4,847)	(4,736)
Loss from continued operations before tax		**(36,193)**	**(81,359)**	**(36,218)**	**(81,267)**
Tax on profit for the year	9	1,225	1,243	1,250	1,250
Net loss from continued operations		**(34,968)**	**(80,116)**	**(34,968)**	**(80,017)**
Net profit from discontinued operations	10	-	99	-	-
Total comprehensive income/loss for the year		**(34,968)**	**(80,017)**	**(34,968)**	**(80,017)**
Total comprehensive income attributable to:					
Owners of the company		(34,968)	(80,017)	-	-
Non-controlling interests		-	-	-	-
Total comprehensive income for the year		**(34,968)**	**(80,017)**	-	-
Loss for the year		-	-	**(34,968)**	**(80,017)**
Proposed distribution of loss:					
Retained earnings		-	-	(34,968)	(80,017)
Basic EPS continued operations	11	(0.25)	(0.60)	-	-
Basic EPS continued and discontinued operations	11	(0.25)	(0.60)	-	-

Balance sheet – assets

		Group		Parent	
DKK '000	Note	2013	2012	2013	2012
Acquired research and development projects		228,282	228,902	201,484	202,104
Intangible assets	5, 12	**228,282**	**228,902**	**201,484**	**202,104**
Other fixtures and fittings, tools and equipment		784	2,655	784	2,654
Tangible assets	5, 13	**784**	**2,655**	**784**	**2,654**
Investment in subsidiaries	14	-	-	25,647	27,573
Receivables from subsidiaries	14	-	-	1,606	55
Other receivables		359	501	359	501
Non-current investments		**359**	**501**	**27,612**	**28,129**
Non-current assets		**229,425**	**232,058**	**229,880**	**232,887**
Trade receivables	15	784	1,239	643	1,239
Other receivables		1,884	2,150	1,782	2,119
Prepayments		291	779	273	753
Income tax receivables		1,250	1,250	1,250	1,250
Receivables		**4,209**	**5,418**	**3,948**	**5,361**
Cash and cash equivalents	18	**31,483**	**41,460**	**30,697**	**39,795**
Current assets		**35,692**	**46,878**	**34,645**	**45,156**
Assets		**265,117**	**278,936**	**264,525**	**278,043**

Balance sheet – equity & liability

		Group		Parent	
DKK '000	Note	2013	2012	2013	2012
Share capital	16	143,317	132,652	143,317	132,652
Share-based payments	17	34,495	33,849	34,495	33,849
Retained earnings		65,280	84,746	65,280	84,746
Equity		**243,092**	**251,247**	**243,092**	**251,247**
Deferred tax	9	-	-	-	-
Other financial liabilities	19	-	3,212	-	3,212
Non-current liabilities		**-**	**3,212**	**-**	**3,212**
Other financial liabilites	19	15,440	11,396	15,440	11,396
Trade payables		3,606	8,427	3,028	7,542
Provision related to subsidiaries		-	-	-	556
Other payables		2,979	4,654	2,965	4,090
Current liabilities		**22,025**	**24,477**	**21,433**	**23,584**
Liabilities		**22,025**	**27,689**	**21,433**	**26,796**
Equity and liability		**265,117**	**278,936**	**264,525**	**278,043**

Cash flow statement

		Group		Parent	
DKK '000	Note	2013	2012	2013	2012
Operating loss		(34,148)	(80,210)	(32,132)	(74,310)
Operating loss from discontinued operations		-	99	-	-
Reversal of share-based payments		1,319	535	1,319	535
Depreciation, amortization, and impairment losses	5	1,861	2,646	1,861	2,646
Working capital changes	23	(5,287)	(6,040)	(4,226)	(4,366)
Cash flow from operating activities before interest		**(36,255)**	**(82,970)**	**(33,178)**	**(75,495)**
Interest income etc. received		45	3,673	44	4,683
Interest expenses etc. paid		(663)	(1,669)	(614)	(3,218)
Refunded and paid income taxes		1,250	(7)	1,250	-
Cash flow from operating activities		**(35,623)**	**(80,973)**	**(32,498)**	**(74,030)**
Purchase of tangible assets		-	(344)	-	(344)
Sale of tangible assets		10	118	10	118
Capital increase in subsidiary		-	-	(448)	(596)
Loan to subsidiary		-	-	(1,798)	(591)
Repayment to non-current investment		142	107	142	107
Sales of securities		-	8,250	-	8,250
Cash flow from investing activities		**152**	**8,131**	**(2,094)**	**6,944**
Proceeds from issuance of shares		25,494	-	25,494	-
Cash flow from financing activities		**25,494**	**-**	**25,494**	**-**
Increase/decrease in cash and cash equivalents		(9,977)	(72,842)	(9,098)	(67,086)
Cash and cash equivalents at January 1		41,460	114,302	39,795	106,881
Cash and cash equivalents at December 31		**31,483**	**41,460**	**30,697**	**39,795**
Total cash and cash equivalents at December 31		**31,483**	**41,460**	**30,697**	**39,795**

The cash flow statement cannot be directly derived from the income statement and balance sheet.

Equity – Group

DKK '000	Number of shares	Share capital	Share-based payment	Retained earnings	Total
Consolidated statement of changes in equity for the period January 1 to December 31, 2013					
Equity at January 1, 2013	**132,652,050**	**132,652**	**33,849**	**84,746**	**251,247**
Net loss for the year	-	-	-	(34,968)	(34,968)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**(34,968)**	**(34,968)**
Recognition of share-based payment	-	-	1,319	-	1,319
Reversal of expired warrants	-	-	(673)	673	-
Issuance of shares	10,642,564	10,643	-	15,857	26,500
Costs related to capital increase	-	-	-	(1,051)	(1,051)
Share capital increase through warrant exercise	22,500	22	-	23	45
Equity at December 31, 2013	**143,317,114**	**143,317**	**34,495**	**65,280**	**243,092**

The share capital is an undistributable reserve, while the other reserves are distributable for dividend purposes subject to the provisions of the Danish Public Companies Act.

Consolidated statement of changes in equity for the period January 1 to December 31, 2012					
Equity at January 1, 2012	**132,652,050**	**132,652**	**34,743**	**163,334**	**330,729**
Net loss for the year	-	-	-	(80,017)	(80,017)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**(80,017)**	**(80,017)**
Recognition of share-based payment	-	-	535	-	535
Reversal of expired warrants	-	-	(1,429)	1,429	-
Equity at December 31, 2012	**132,652,050**	**132,652**	**33,849**	**84,746**	**251,247**

The share capital is an undistributable reserve, while the other reserves are distributable for dividend purposes subject to the provisions of the Danish Public Companies Act.

Equity – Parent

DKK '000	Number of shares	Share capital	Share-based payment	Retained earnings	Total
Consolidated statement of changes in equity for the period January 1 to December 31, 2013					
Equity at January 1, 2013	**132,652,050**	**132,652**	**33,849**	**84,746**	**251,247**
Net loss for the year	-	-	-	(34,968)	(34,968)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**(34,968)**	**(34,968)**
Recognition of share-based payment	-	-	1,319	-	1,319
Reversal of expired warrants	-	-	(673)	673	-
Issuance of shares	10,642,564	10,643	-	15,857	26,500
Costs related to capital increase	-	-	-	(1,051)	(1,051)
Share capital increase through warrant exercise	22,500	22	-	23	45
Equity at December 31, 2013	**143,317,114**	**143,317**	**34,495**	**65,280**	**243,092**

The share capital is an undistributable reserve, while the other reserves are distributable for dividend purposes subject to the provisions of the Danish Public Companies Act.

Consolidated statement of changes in equity for the period January 1 to December 31, 2012					
Equity at January 1, 2012	**132,652,050**	**132,652**	**34,743**	**163,334**	**330,729**
Net loss for the year	-	-	-	(80,017)	(80,017)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**(80,017)**	**(80,017)**
Recognition of share-based payment	-	-	535	-	535
Reversal of expired warrants	-	-	(1,429)	1,429	-
Equity at December 31, 2012	**132,652,050**	**132,652**	**33,849**	**84,746**	**251,247**

The share capital is an undistributable reserve, while the other reserves are distributable for dividend purposes subject to the provisions of the Danish Public Companies Act.

Notes

1. Changes in accounting policies

Presentation and implementation of new accounting standards and interpretations

The accounting policies applied by Topotarget, including presentation, are unchanged compared to last year.

Topotarget has adopted all new, amended standards, revised accounting standards, and interpretations as endorsed by the EU and which are effective for the financial year January 1 - December 31, 2013.

With effect from January 1, 2013, the following new and amended International Financial Reporting Standards (IFRSs) and Interpretations (IFRICs) with relevance for Topotarget were implemented:

"Annual Improvements to IFRSs (2009-2011)", Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income", Amendments to IFRS 10, IFRS 11, and IFRS 12 "Consolidated Financial Statements, Joint Arrangements, and Disclosure of Interests in Other Entities: Transition Guidance", IFRS 13 "Fair Value Measurement", IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", Amendments to IAS 27 "Separate Financial Statements", and Amendments to IAS 28 "Investments in Associates and Joint Ventures".

None of these have had a significant impact on the financial statements.

Most recently adopted accounting standards (IFRS) and interpretations (IFRIC)

The International Accounting Standards Board (IASB) has issued a number of new or amended standards and interpretations with effective date after December 31, 2013. None of these is expected to have a significant impact on the financial statements.

Topotarget expects to implement the new standards and interpretations when they become mandatory.

Notes

2. Significant accounting assumptions and estimates

In using the Group's accounting policies, the management is required to use judgments, estimates, and assumptions concerning the carrying amount of assets and liabilities which cannot be immediately inferred from other sources. Management's estimates are based on historical experience and other factors, including expectations of future events based on existing events. The actual outcome may differ from these estimates.

Estimates and assumptions are re-assessed in an on-going process. Changes to accounting estimates are recognized in the reference period in which the change occurs and in future reference periods if the change affects the period in which it is made as well as subsequent reference periods.

Areas in which the Group makes significant assumptions and estimates are described below. The Group's accounting policies are described in Note 29 to the financial statements.

Key risk factors

Topotarget's business and future growth is to a large extent reliant on our collaboration with Spectrum Pharmaceuticals. A significant part of our future revenue (in particular milestones and royalties) may depend on a continued good collaboration and may be negatively affected if Spectrum Pharmaceuticals become unable to meet their obligations. Topotarget relies on Spectrum Pharmaceuticals' ability and willingness to provide answers to the FDA during the FDA's review of the NDA with a view to the FDA subsequently granting marketing authorization.

Going concern

The milestone payment received from Spectrum Pharmaceuticals in Q1 2014 together with the satisfactory year-end 2013 cash position has put Topotarget in a strong financial position which fulfills the going concern requirement.

Revenue recognition

Revenue is recognized when it is probable that future economic benefits will flow to the company and such economic benefits can be measured reliably. In addition, recognition requires that all significant risks and rewards of ownership of the rights or services included in the transaction have been transferred to the buyer. Income from agreements with multiple components and where the individual components cannot be separated is recognized over the period of the agreement. In addition, 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. If all risks and returns have not been transferred, revenue is recognized as deferred income until all components of the transaction have been completed.

Although the NDA was submitted to the FDA in December 2013, the related milestone payments are not recognized as income for 2013 as it as of December 31, 2013 is assessed that an uncertainty is attached to whether the revenue will be obtained.

Capitalization of development costs

Capitalization of development costs requires that the development of the technology or the product in the company's opinion has been completed, that all necessary public registration approvals and marketing approvals have been obtained, that costs can be reliably measured and that the technology or the product can be commercialized and that the future income from the product can cover not only production, sales and distribution costs, and administrative expenses, but also development costs. As none of the company's products have obtained the status required for capitalization, no development costs had been capitalized at December 31, 2013.

Impairment test of acquired research and development projects

The value of acquired research and development projects recognized in the balance sheet as at December 31, 2013 is of the belinostat program acquired in conjunction with the acquisition of Topotarget UK in 2002 and the buyback of the full control of belinostat from Celldex Therapeutics (former CuraGen) in April 2008.

In the period, until a marketing approval has been obtained, the acquired research and development project is tested for impairment annually. After marketing approval has been obtained, an impairment test is performed only where events or other circumstances indicate that the carrying amount may not be recoverable.

Included in the factors taken into account when testing for impairment are, among other things, expected market size and penetration thereof, the costs of development, manufacture, sales, and marketing, and the risk that development will not prove successful, all of which have an effect on the value of the amount recognized. Especially for projects in their early phases, such assumptions include high uncertainty.

Based on the impairment test performed, no write-down was made in 2013 (2012: DKK 0.0 million).

Notes

3. Revenues

	Group		Parent	
DKK '000	2013	2012	2013	2012
Sale of goods	-	750	-	750
Sale of services	1,600	1,645	1,600	1,645
Milestone payments	6,738	-	6,738	-
License income	-	-	-	1,403
Total	**8,338**	**2,395**	**8,338**	**3,798**

4. Segment information

The Group's revenues are divided geographically as follows:

	Revenue	
DKK '000	2013	2012
Denmark	-	-
Europe	-	750
US	8,338	1,645
Total	**8,338**	**2,395**

Revenue relating to Spectrum Pharmaceuticals, Inc. exceeds 10% of the total revenue for 2013: 19% (2012: 69%).
Revenue relating to Apricus Biosciences, Inc. exceeds 10% of the total revenue for 2013: 81% (2012: 0%).

The Group's assets and additions to acquired research and development projects plus other fixtures and fittings, tools and equipment are divided geographically as follows:

	Assets		Additions to acquired research and development projects plus other fixtures and fittings, tools and equipment	
DKK '000	2013	2012	2013	2012
Denmark	202,627	205,259	-	344
Europe	26,798	26,799	-	-
US	-	-	-	-
Total	**229,425**	**232,058**	**-**	**344**

Notes

5. Depreciation, amortization, and impairment

	Group		Parent	
DKK '000	2013	2012	2013	2012
Acquired research and development projects	-	-	-	-
Other fixtures and fittings, tools and equipment	1,861	2,646	1,861	2,646
Gain/loss from sale of equipment	-	-	-	-
Total	**1,861**	**2,646**	**1,861**	**2,646**
Allocated by function:				
Research and development costs	875	929	875	929
Administrative expenses	986	1,717	986	1,717
Total	**1,861**	**2,646**	**1,861**	**2,646**

6. Staff costs

Wages and salaries	15,665	29,102	15,271	28,475
Share-based payments	1,319	536	1,295	535
Pension contributions, defined contribution plans	740	1,525	700	1,470
Other social security costs	153	291	108	214
Total	**17,877**	**31,454**	**17,374**	**30,694**
Allocated by function:				
Production costs	545	1,314	545	1,314
Research and development costs	9,788	17,039	9,285	16,278
Administrative expenses	7,544	13,101	7,544	13,102
Discontinued operations	-	-	-	-
Total	**17,877**	**31,454**	**17,374**	**30,694**
Remuneration to the Board of Directors *)	2,276	2,178	2,276	1,893
Remuneration to the Executive Management **),***)	2,827	8,320	2,827	8,320
Average number of employees	**13**	**23**	**12**	**22**

For share-based payments, please see Note 17.

*) Of this, share-based payments to the Board of Directors in 2013 equalled DKK 383,000 and DKK 285,000 in 2012.
**) Of this, share-based payments to the Executive Management equalled DKK 342,000 in 2013 and DKK -1,194,000 in 2012.
***) The figure for 2012 includes compensation and severance payments to the former CEO and CMO of DKK 6,050,000.

Notes

7. Financial income

	Group		Parent	
DKK '000	2013	2012	2013	2012
Interest from subsidiaries	-	-	8,012	3,193
Exchange rate adjustment of payables and receivables in foreign currencies	520	3,583	520	3,581
Financial income from securities and bank deposits	45	35	44	33
Other financial income	-	55	-	55
Total financial income	**565**	**3,673**	**8,576**	**6,862**

8. Financial expenses

Exchange rate adjustment of payables and receivables in foreign currencies	968	3,026	3,205	2,940
Amortization of debt concerning milestone payments	1,642	1,793	1,642	1,793
Other financial expenses	-	3	-	3
Total financial expences	**2,610**	**4,822**	**4,847**	**4,736**

Notes

9. Tax on loss for the year

	Group		Parent	
DKK '000	2013	2012	2013	2012
Current tax	1,225	1,243	1,250	1,250
Adjustment of deferred tax	-	-	-	-
Tax on loss for the year	**1,225**	**1,243**	**1,250**	**1,250**
Deferred tax asset, net	**253,106**	**261,070**	**118,562**	**130,607**
Deductible temporary differences are attributable to the following terms:				
Intangible assets	(197,037)	(168,137)	(174,722)	(145,822)
Property, plant, and equipment	34,158	32,297	24,296	22,435
Other temporary differences	(4,258)	(4,258)	(4,258)	(4,258)
Tax losses carried forward	1,162,496	1,122,373	674,487	650,073
Total	**995,359**	**982,275**	**519,803**	**522,428**
Tax asset, not recognized	**253,106**	**261,070**	**118,562**	**130,607**

It is believed that at December 31, 2013 there is not convincing evidence that or when the tax asset can be utilized. It is therefore believed that capitalization does not meet the requirement for recognition of assets in accordance with the accounting policies applied.

Due to a reduction in the corporate tax rate in Denmark from 2014 and onwards, the tax asset in the Parent company has been reduced accordingly.

Of the consolidated loss to be carried forward, DKK 1,162 million, (2012: DKK 1,122 million), DKK 221 million (2012: DKK 214 million) is subject to foreign local restrictions with respect to application (source-of-loss restriction).

Reconciliation of the changes for the year:

Loss for the period before tax	**(36,193)**	**(81,267)**	**(36,218)**	**(81,267)**
Calculated tax	**(9,001)**	**(20,368)**	**(9,054)**	**(20,317)**
Changes in tax losses carried forward, not recognized	16,175	29,505	12,248	23,400
Changes in tax assets, not recognized	(10,715)	(12,829)	(6,760)	(6,782)
Other adjustments, not recognized	2,316	2,449	2,316	2,449
Total	**(1,225)**	**(1,243)**	**(1,250)**	**(1,250)**
Tax rate	(3.4%)	(1.5%)	(3.5%)	(1.5%)

Notes

10. Discontinued operations

Topotarget had no discontinued operations in 2013.

On December 29, 2011, Topotarget concluded the agreement to divest the subsidiary Topotarget USA, Inc., which was responsible for the sale of Totect® in the US. The decision to divest the US activity was taken in 2011 so that the main focus of the Parent Company – bringing belinostat to the market – could be continued.

The divestment was complete with effect from December 29, 2011 after which the control of the activity was passed to the buyer Apricus Biosciences.

The sales price was agreed to USD 2.0 million of which Topotarget received common stock in Apricus Biosciences equal to one million seven hundred thousand dollars on December 29, 2011, and on December 29, 2012 (the one-year anniversary of the Closing Date), Topotarget received common stock in Apricus Biosciences equal to three hundred thousand dollars.

The result of the discontinued operations in 2012 relates to the final royalty income from Savene® and the closedown costs of Topotarget USA, Inc.

	Group	
DKK '000	2013	2012
Operating income for the period until transfer of control	-	1,617
Profit on sale of net asset	-	(1,518)
Result from discontinued operations	-	**99**
Operating income for the period until the transfer of control can be specified as:		
Revenues	-	2,153
Production cost	-	-
Gross profit	-	**2,153**
Sales and distribution costs	-	-
Administration costs	-	(536)
Profit from operations	-	**1,617**
Financial expenses/financial income	-	-
Profit before tax	-	**1,617**
Tax for the period	-	-
Result	-	**1,617**

Notes

10. Discontinued operations – continued

	Group	
DKK '000	2013	2012
The discontinued operations in the financial year impacted the cash flow statement as:		
Cash flow from operating activities	-	1,617
Cash flow from investing activities	-	-
Cash flow from financing activities	-	-
Sales of the discontinued operations are as follows:		
Book value of net assets	-	**(9,768)**
	-	**(9,768)**
Net proceeds on sale less sales costs	-	8,250
Loss on sale	-	**(1,518)**

11. Basic and diluted EPS in DKK

Basic EPS
Basic EPS is calculated as the net result of the period's continued activities and as the net result of the period's continued and discontinued activities, attributed to the ordinary shares of the company divided by the weighted average number of ordinary shares.

Diluted EPS
Diluted EPS is calculated as the net result of the period's continued activities and as the net result of the period's continued and discontinued activities, attributed to the ordinary shares of the company divided by the weighted average number of ordinary shares adjusted for assumed dilution effect of issued equity instruments such as convertible debts and issued outstanding warrants which can be converted into ordinary shares.

As the result is a net loss, no adjustment for dilution effects has been made since these are anti-diluting.

Basic EPS are as follows:

	Group	
DKK '000	2013	2012
Loss for the year attributable to equity holder of the Parent	(34,968)	(80,116)
Weighted average number of ordinary outstanding shares	140,916,162	132,652,050
Basic EPS from continued operations	**(0.25)**	**(0.60)**
Loss for the year attributable to equity holder of the Parent	(34,968)	(80,017)
Weighted average number of ordinary outstanding shares	140,916,162	132,652,050
Basic EPS from continued and discontinued operations	**(0.25)**	**(0.60)**

Notes

12. Intangible assets

	Group		Parent	
DKK '000	2013	2012	2013	2012
Acquired research and development projects still in progress:				
Costs at January 1	533,143	533,791	213,379	214,027
Adjustment of acquisition value	(620)	(648)	(620)	(648)
Disposals	(130,800)	-	(11,275)	-
Costs at December 31	**401,723**	**533,143**	**201,484**	**213,379**
Amortization at January 1	(304,241)	(304,241)	(11,275)	(11,275)
Amortization regarding disposals for the year	130,800	-	11,275	-
Amortization at December 31	**(173,441)**	**(304,241)**	-	**(11,275)**
Carrying amount at December 31	**228,282**	**228,902**	**201,484**	**202,104**
Acquired research and development projects available for use:				
Costs at January 1	-	76	-	76
Disposals	-	(76)	-	(76)
Costs at December 31	-	-	-	-
Amortization at January 1	-	-	-	-
Amortization	-	-	-	-
Amortization regarding disposals for the year	-	-	-	-
Amortization at December 31	-	-	-	-
Carrying amount at December 31	-	-	-	-
Total acquired research and development projects	**228,282**	**228,902**	**201,484**	**202,104**
The weighted average residual term of licenses and rights (approx.number of years)	-	-	-	-

Impairment test of acquired research and development projects
The value of acquired research and development projects recognized in the balance sheet as at December 31, 2013 is of the belinostat program acquired in conjunction with the acquisition of Topotarget UK in 2002 and in conjunction with the repurchase from the former American partner to obtain the full control of this program in April 2008.

In the period until a marketing approval has been obtained, the acquired research and development project is tested for impairment annually. After marketing approval has been obtained, amortization of the asset will commence and an impairment test will hence only be performed when events or other circumstances indicate that the carrying amount may not be recoverable.

Included in the factors taken into account when testing for impairment are, among other things, expected market size and penetration thereof, the costs of development, manufacture, sales and marketing, and the risk that development will not prove successful, all of which have an effect on the value of the amount recognized. Moreover, cash in-flows in 2014 related to the expected milestone payments from Spectrum Pharmaceuticals have been evaluated. In Q1 2014, the first milestone payment of USD 10 million (approximately DKK 54 million) and 1 million Spectrum Pharmaceuticals shares, with a current value of approximately USD 8 million (approximately DKK 44 million), was received. Upon an approval of the belinostat NDA, which is anticipated in H2 2014, Spectrum Pharmaceuticals is to pay Topotarget the second milestone of USD 25 million (approximately DKK 135 million).

There was no down-writing in 2013.

Notes

13. Property, plant, and equipment

	Group		Parent	
DKK '000	2013	2012	2013	2012
Other fixtures and fittings, tools and equipment				
Costs at January 1	17,427	17,930	25,647	26,150
Additions	-	344	-	344
Disposals	(261)	(847)	(260)	(847)
Costs at December 31	**17,166**	**17,427**	**25,387**	**25,647**
Depreciation at January 1	(14,772)	(12,968)	(22,993)	(21,189)
Depreciation	(1,861)	(2,646)	(1,861)	(2,646)
Depreciation regarding disposals for the year	251	842	251	842
Depreciation at December 31	**(16,382)**	**(14,772)**	**(24,603)**	**(22,993)**
Carrying amount at December 31	**784**	**2,655**	**784**	**2,654**

14. Non-current investments

Investments in subsidiaries				
Costs at January 1			472,716	472,120
Adjustment of acquisition value			-	-
Addition through capital increase in subsidiaries			448	596
Costs at December 31			**473,164**	**472,716**
Net adjustments at January 1			(445,143)	(440,986)
Income/(loss) after tax from investments in subsidiaries			(7,815)	(9,083)
Negative equity transferred to set off against receivables from subsidiaries			5,441	4,370
Negative equity transferred to provisions related to subsidiaries			-	556
Net adjustments at December 31			**(447,517)**	**(445,143)**
Value at December 31			**25,647**	**27,573**

Notes

14. Non-current investments – continued

	Ownership interest	Parent	
DKK '000		2013	2012
Investments in subsidiaries comprise:			
Name			
Topotarget UK Limited, England	100%	25,595	27,527
Topotarget Germany AG, Germany	100%	52	46
Topotarget Switzerland S.A., Switzerland	100%	(165,426)	(159,985)
Total equity		**(139,779)**	**(132,412)**
Negative equity transferred to set off against receivables from subsidiaries/debt to subsidiaries		165,426	159,985
Value at December 31		**25,647**	**27,573**
Receivables from subsidiaries			
Costs at January 1		225,203	222,449
Additions		9,810	2,754
Disposals		-	-
Costs at December 31		**235,013**	**225,203**
Net adjustments at January 1		(225,148)	(222,429)
Negative equity transferred to set off against receivables from subsidiaries		(5,441)	(4,370)
Exchange adjustments etc.		(2,818)	1,651
Net adjustments at December 31		**(233,407)**	**(225,148)**
Value at December 31		**1,606**	**55**

Notes

15. Trade receivables

	Group		Parent	
DKK '000	2013	2012	2013	2012
Trade receivables	784	1,239	643	1,239
Total	**784**	**1,239**	**643**	**1,239**
The table below shows the due dates of trade receivables:				
Undue	270	986	129	986
Falling due within 90 days	257	178	257	178
More than 90 days overdue	257	75	257	75
Total	**784**	**1,239**	**643**	**1,239**

The average credit period for trade receivables is 145 days (2012: 117 days). The company is entitled to charge an interest of 5% per annum after the due date, which is 30 days from the invoice date. Provisions are made for losses based on any uncertainties at any given time. Management performs analyses on the basis of the customer's expected ability to pay, historical information about payment patterns, doubtful debtors, customer concentrations, customer credit worthiness, and economic conditions in the company's sales channels.

16. Share capital

The share capital consists of 143,317,114 ordinary shares of DKK 1 each.

Each share carries one vote. The shares are fully paid.

Changes in share capital from 2009 to 2013:

	Date	Total DKK
Share capital	01.01.2009	66,304,510
Share issue through rights issue	02.07.2009	66,304,510
Share issue through warrant exercise	12.04.2010	43,030
Issuance of shares	26.03.2013	10,642,564
Share issue through warrant exercise	10.04.2013	22,500
Share capital December 31, 2013		**143,317,114**

Notes

17. Warrants

For the purpose of motivating and retaining employees and other associated persons, the company has established warrant programs for members of the Board of Directors and employees/consultants as well as the company's advisors. The scheme is equity settled.

The table below shows the extent of the individual programs that are active in the financial year or the comparative year.

	Time of issue	Number of warrants***	Time of grant	Subscription period – two weeks after the release of interim and annual reports	Estimated fair value	Number exercised or expired	Out-standing warrants	Exercise price
DKK '000								
Program 1*	2001	1,652,320	Mar 26, 2003 or later	Aug 2004-2012 and Mar 2013	N/A	1,652,320	-	6.05
Program 2*	2003	1,226,976	Mar 26, 2003 or later	Aug 2004-2012 and Mar 2013	N/A	1,226,976	-	12.22
Program 3**	Mar 2005	622,501	Mar 11, 2005	Aug and Nov 2006, Mar, May, Aug and Nov 2007-2012 and Mar 2013	5,879	622,501	-	N/A
Program 4*	Sep 2005	793,364	Sep 16, 2005	Mar and Aug 2007-2012 and Mar 2013	7,281	793,364	-	17.53
Program 4*	Sep 2005	688,474	Sep 16, 2005	Mar and Aug 2008-2012 and Mar 2014	6,318	153,703	534,771	17.53
Program 5*	Oct 2006	299,486	Oct 4, 2006	Mar and Aug 2008-2013 and Mar 2014	3,707	61,636	237,850	23.80
Program 5*	Oct 2006	299,486	Oct 04, 2006	Mar and Aug 2009-2013 and Mar 2014	3,707	61,636	237,850	23.80
Program 5*	Oct 2006	598,972	Oct 04, 2006	Mar and Aug 2010-2013 and Mar 2014	7,414	130,832	468,140	23.80
Program 5*	Sep 2007	388,988	Sep 27, 2007	Mar and Aug 2009-2014 and Mar 2015	4,098	104,666	284,322	17.42
Program 5*	Sep 2007	388,988	Sep 27, 2007	Mar and Aug 2010-2014 and Mar 2015	4,098	108,796	280,192	17.42
Program 5*	Sep 2007	777,974	Sep 27, 2007	Mar and Aug 2011-2014 and Mar 2015	8,196	217,576	560,398	17.42
Program 5*	Jan 2009	438,041	Jan 30, 2009	Mar and Aug 2010-2015 and Mar 2015	1,028	157,498	280,543	3.20
Program 5*	Jan 2009	438,041	Jan 30, 2009	Mar and Aug 2011-2015 and Mar 2015	1,028	116,192	321,849	3.20
Program 5	Jan 2009	876,083	Jan 30, 2009	Mar and Aug 2012-2015 and Mar 2015	2,056	232,360	643,723	3.20
Program 5	Mar 2010	35,688	Mar 26, 2010	Mar and Aug 2011-2017 and Mar 2018	148	35,688	-	5.26
Program 5	Mar 2010	35,688	Mar 26, 2010	Mar and Aug 2012-2017 and Mar 2018	148	35,688	-	5.26
Program 5	Mar 2010	71,374	Mar 26, 2010	Mar and Aug 2013-2017 and Mar 2018	295	71,374	-	5.26
Program 5	Jul 2010	398,062	Jul 9, 2010	Aug 2011, Mar and Aug 2012-2017 and Mar 2018	1,063	218,062	180,000	3.40
Program 5	Jul 2010	398,062	Jul 9, 2010	Aug 2012, Mar and Aug 2013-2017 and Mar 2018	1,063	218,062	180,000	3.40
Program 5	Jul 2010	796,125	Jul 9, 2010	Aug 2013, Mar and Aug 2014-2017 and Mar 2018	2,126	436,125	360,000	3.40
Program 5	Dec 2010	63,750	Dec 30, 2010	Mar and Aug 2012-2017 and Mar 2018	154	63,750	-	3.20
Program 5	Dec 2010	63,750	Dec 30, 2010	Mar and Aug 2013-2017 and Mar 2018	154	63,750	-	3.20
Program 5	Dec 2010	127,500	Dec 30, 2010	Mar and Aug 2014-2017 and Mar 2018	307	127,500	-	3.20
Program 5	Feb 2011	22,500	Feb 8, 2011	Mar and Aug 2012-2018	55	-	22,500	3.31
Program 5	Feb 2011	22,500	Feb 8, 2011	Mar and Aug 2013-2018	55	-	22,500	3.31
Program 5	Feb 2011	45,000	Feb 8, 2011	Mar and Aug 2014-2018	110	2,500	42,500	3.31
Program 5	Jul 2011	397,500	Jul 1, 2011	Aug 2012, Mar and Aug 2013-2018, and Mar 2019	609	251,875	145,625	2.02
Program 5	Jul 2011	397,500	Jul 1, 2011	Aug 2013, Mar and Aug 2014-2018, and Mar 2019	609	251,875	145,625	2.02
Program 5	Jul 2011	795,000	Jul 1, 2011	Aug 2014, Mar and Aug 2015-2018, and Mar 2019	1,218	507,500	287,500	2.02
Program 5	Oct 2011	12,500	Oct 27, 2011	Mar and Aug 2013-2018 and Mar 2019	16	-	12,500	1.90
Program 5	Oct 2011	12,500	Oct 27, 2011	Mar and Aug 2014-2018 and Mar 2019	16	-	12,500	1.90
Program 5	Oct 2011	25,000	Oct 27, 2011	Mar and Aug 2015-2018 and Mar 2019	33	-	25,000	1.90
Program 5	May 2012	256,250	May 1, 2012	Aug 2013, Mar and Aug 2014-2019, and Mar 2020	487	112,500	143,750	2.75
Program 5	May 2012	256,250	May 1, 2012	Aug 2014, Mar and Aug 2015-2019, and Mar 2020	487	117,500	138,750	2.75
Program 5	May 2012	512,500	May 1, 2012	Aug 2015, Mar and Aug 2016-2019, and Mar 2020	974	235,000	277,500	2.75
Program 5	Apr 2013	198,750	Apr 11, 2013	Aug 2014, Mar and Aug 2015-2020, and Mar 2021	548	15,000	183,750	2.93
Program 5	Apr 2013	198,750	Apr 11, 2013	Aug 2015, Mar and Aug 2016-2020, and Mar 2021	548	15,000	183,750	2.93
Program 5	Apr 2013	397,500	Apr 11, 2013	Aug 2016, Mar and Aug 2017-2020, and Mar 2021	1,097	30,000	367,500	2.93
Programs total		**15,029,693**			**67,130**	**8,448,805**	**6,580,888**	

*) The recepients have earned the full and final rights.
**) Issued in relation to an acquisition. The recepients have earned the full and final rights.
***) After conversion in relation to a pre-emption rights issue on July 2, 2009.

Notes

17. Warrants – contintued

Under the programs, each warrant entitles the holder to subscribe for one share against a cash payment of the exercise price, as illustrated in the table on page 39. The warrant program is conditioned by the warrant holder being employed with or acting as a consultant to the company or being a member of the company's Board of Directors. After 12 months, 25% of the allocated warrants vest, after 24 months another 25% of the allocated warrants vest, and finally after 36 months the last 50% of the allocated warrants vest. If an employee/consultant/board member resigns, the person in question is obliged to exercise the vested warrants in the first-coming exercise period after the date of resignation.

In the event that a decision is made to liquidate the company, to merge or demerge the company, or to reduce the share capital through a subsequent disbursement, the warrant owners are entitled to exercise their warrants within 14 days.

The estimated values of warrants issued in 2013, 2012, 2011, 2010, 2009, 2007, 2006, and 2005 are calculated by using the Black & Scholes model. The value is expensed in the income statement during the period in which the warrants are vested.

The following assumptions provide the basis for the estimated fair values:

	Granted April 11, 2013	**Granted May 2, 2012**
Exercise price (DKK per share)	2.93	2.75
Grant date's market price (DKK per share)	2.76	1.90
Expected volatility (%)	142	70
Risk-free interest rate (%)	0.7	1.25
Expected dividend payout ratio (%)	-	-
Period until expiry (number of years)	7	7
Market value at grant date (DKK '000)	2,194	1,948

The expected volatility was calculated based on historic volatility of the share price of the Parent Company's shares during the period from the IPO in June 2005.

Period until expiry is calculated on the basis of the most recent potential exercise of the warrant adjusted for expected termination of employment and other causes of non-exercise of the warrants.

Notes

17. Warrants – contintued

	Number of warrants	Weighted average exercised prices	Number of warrants	Weighted average excercised prices
	2013	2013	2012	2012
Out standing warrants at January 1	8,487,315	9.96	9,300,575	9.4
Granted in the financial year	795,000	2.93	1,025,000	2.8
Exercised in the financial year	(22,500)	2.02	-	-
Expired in the financial year	(2,678,927)	8.86	(1,838,260)	3
Outstanding warrants at December 31	**6,580,888**	**9.59**	**8,487,315**	**9.97**
Hereof outstanding vested warrants at December 31	**5,074,638**	**11.63**	**6,441,690**	**12.27**

The weighted average of the remaining contractual maturity was three years at December 31, 2013 and three years at December 31, 2012.

The number of warrants exercised in 2013 was 22,500. No warrants were exercised in 2012.

The following values were recognized for the programs:

	Group		Parent	
DKK '000	2013	2012	2013	2012
Recognized share-based payment, equity schemes	1,319	535	1,319	535
	1,319	**535**	**1,319**	**535**

Notes

18. Financial instruments

Capital risk management
It is the Group's policy to minimize financial risks. The company does not use hedging transactions. Management carefully assesses and monitors the company's currency and interest rate exposure. The Group manages its capital with a view to, at all times, ensuring that all Group entities can meet their payment obligations and give investors the best possible return on their investment through the best possible ratio of debt to equity. The Group's overall strategy is primarily focused on belinostat. The Group's capital structure is composed of debt, as appears from the liabilities stated in the balance sheet, with the exception of deferred tax, cash and cash equivalents, and securities and equity, comprising both share capital, reserves, and retained losses. The carrying amount of financial assets and financial liabilities equals the fair value of such assets and liabilities.

Cash and cash equivalents
The company is a development-stage company generating income in 2013 from the sale of goods and from milestone payments. The company has a net cash outflow. The Group's management regularly reviews the company's capital structure and, in this respect, takes into account both the price of capital and the risk related to the capital. The company has cash and cash equivalents to fund the day-to-day cash requirements of the business. Cash and cash equivalents amounted to DKK 31.5 million at December 31, 2013 (2012: DKK 41.5 million). With regard to deposits, the company's bank has a credit rating of Baa1 according to Moody's.

Significant accounting policies
Note 2 to the financial statements sets out the significant accounting policies and the methods applied, including policies on recognition and measurement.

Financial instrument categories
The carrying amount of each financial asset and liability is recognized in the balance sheet. The company's financial assets include receivables, while its financial liabilities include current and non-current liabilities exclusive of deferred tax.

Financial risk management areas
The company monitors and reports on financial risk areas, including movements in exchange rates, interest rates, and liquidity. The company does not use financial hedging instruments. No changes were made to the Group's risk exposure or to the way in which risks are monitored compared to 2012.

Risk management – interest rates
The company is exposed to interest rate risk on marketable securities and cash on the asset side and to lease obligations and short-term loans on the liabilities side.

In its management reporting, the company quantifies the interest rate risk by calculating a change in financial results before tax and equity in case of a 50 basis point change in interest rates. Such a change is considered to be within a likely range. The company's interest rate exposure at December 31 is stated below:

	Group		Parent	
DKK '000	2013	2012	2013	2012
Cash – demand deposit	31,483	41,460	30,697	39,795
Average interest	0.02%	0.03%	0.02%	0.03%
Total cash	**31,483**	**41,460**	**30,697**	**39,795**
Inter-company balances	-	-	159,483	155,174
Average interest	-	-	5.00%	5.00%
In case of a 50 basis point change in nominal interest rates, results before tax, and equity would be impacted by	16	6	15	6

Intercompany balances are written down to nil. The interest exposure is believed to be insignificant compared to the Group's overall operations.

Notes

18. Financial instruments – continued

Risk management – exchange rates
It is company policy to monitor exchange rate developments and, to the extent possible, to even out income and expenses in the same currency in order to reduce the overall exposure.

The company is primarily exposed to exchange rate fluctuations with respect to two areas. One of these areas represents the strategic investment in subsidiaries, while the other area relates to the company's on-going short-term activities.

		Group		Parent	
DKK '000		2013	2012	2013	2012
The company's exposure in foreign currencies at December 31 are stated below:					
Currency	**Payment/expiry**				
Receivables:					
GBP	0-12 months	1,230	33	1,230	33
USD	0-12 months	1,513	2,440	1,513	2,440
EUR	0-12 months	29	136	23	126
CHF	0-12 months	494	182	353	178
Total receivables		**3,266**	**2,791**	**3,119**	**2,777**
Payables:					
GBP	0-12 months	195	271	1	73
USD	0-12 months	16,676	11,396	16,676	11,396
USD	More than 12 months	-	3,212	-	3,212
EUR	0-12 months	369	1,836	222	1,428
SEK	0-12 months	25	143	25	143
CHF	0-12 months	237	1,139	-	528
Total payables		**17,502**	**17,997**	**16,924**	**16,780**

Notes

18. Financial instruments – continued

GBP, USD, EUR, and CHF are the currencies that have the greatest impact on results and equity and, accordingly, these are the currencies reported on in-house reports to the management. Management believes that the most likely fluctuations in these currencies are restricted to a 10% range. A 10% change upwards or downwards in the exchange rate at December 31 will have the following numerical impact on results and equity figures:

	Group		Parent	
DKK '000	2013	2012	2013	2012
GBP	213	389	22	63
USD	526	1,196	526	1,196
EUR	404	915	346	595
SEK	61	50	61	50
CHF	820	360	3	11

The exchange rate exposure is believed to be insignificant compared to the Group's overall operations.

Credit risk management
The company no longer has sales activities and therefore finds that there is no material credit risk.

Liquidity risk management
The Board of Directors is ultimately responsible for the company's risk management. The Board of Directors has defined appropriate limits for how the company may procure adequate liquidity in the long term and in the short term to cover its on-going activities.

The company regularly monitors the liquidity requirements through renewed calculation of expected cash flow based on the cash flow realized.

In relation to going concern, specifically for the financial year 2013, please refer to Note 2 "Significant accounting assumptions and estimates".

All receivables and payables recognized in the balance sheet fall due within 12 months in relation to belinostat.

Other obligations falling due after 12 months are listed in Notes 19 and 20.

19. Other financial liabilities

Included in the current and non-current liabilities is the potential milestone payment of USD 3.0 million to Celldex Therapeutics (former CuraGen) (2012: USD 3.0 million) in relation to the purchase of the full belinostat rights in April 2008. These are measured at present value.

The potential milestone payment of USD 3.0 million to Celldex Therapeutics (former CuraGen) is classified as respectively short-term and long-term liability.

20. Other financial assets and other financial liabilities

The carrying amount of receivables and other current liabilities are measured at amortized cost.

Notes

21. Other commitments

	Group		Parent	
DKK '000	2013	2012	2013	2012
A rent agreement has been concluded with notice of termination of six months equivalent to	983	1,127	944	1,102
Other lease contracts	-	-	-	-
Lease commitment, operational lease	360	64	360	64
Total	**1,343**	**1,191**	**1,304**	**1,166**
Other obligations are due as follows:				
Up to one year	1,116	1,191	1,077	1,166
One to five years	227	-	227	-
Total	**1,343**	**1,191**	**1,304**	**1,166**

The Parent has an obligation to finance Topotarget Switzerland S.A.'s activities for a period of 12 months from the balance sheet date.

An agreement has been made with an investment bank and certain members of management regarding remuneration upon a potential successful sale of the majority of the company shares. The remuneration of management is mentioned in Note 22.

Notes

22. Related parties

Related parties include the following:

Group and Parent:

Shareholders
HealthCap funds (Odlander Fredrikson & Co AB), cf. Note 23
2013: No transactions
2012: No transactions

Board of Directors and Executive Management
2013: Remuneration and salaries, cf. Note 6
2013: Shares and warrants, see section on the Board of Directors on page 12
2012: Remuneration and salaries, cf. Note 6
2012: Shares and warrants, see section on the Board of Directors on page 12

Orfacare Consulting, a company related to the Chairman of the Board, provides consultation regarding strategic M&A initiatives involving the Company's shares. Both Orfacare and Topotarget's CEO are entitled to receive compensation upon the completion of a successful M&A transaction whereby at least 50% of the Company's shares is acquired including as well a merger involving the Company. The compensation for each party is calculated on a percentage of the value increase for the shareholders in case of a successful M&A transaction and it is capped at DKK 15 million each.

Other related parties
2013: Related parties to the Board of Directors and the Executive Management have received remuneration of TDKK 435 and warrants of TDKK 0; KW Biotech Consulting LLC, a company related to the independent board member Karsten Witt, has provided scientific advice. The company is entitled to receive compensation per hour.
2012: Related parties to the Board of Directors and the Executive Management have received remuneration of TDKK 175 and warrants of TDKK 0.

For the Parent Company:

The subsidiary Topotarget UK Limited
2013: Intra-Group balance of TDKK 1,230 and interest on the intra-Group balance of TDKK 14
2012: Intra-Group balance of TDKK 33 and interest on the intra-Group balance of TDKK 4

The subsidiary Topotarget Germany AG
2013: Intra-Group balance of TDKK 23 and interest on the intra-Group balance of TDKK 1
2012: Intra-Group balance of TDKK 22 and interest on the intra-Group balance of TDKK 1

The subsidiary Topotarget Switzerland S.A.
2013: Intra-Group balance of TDKK 165,779 and interest on the intra-Group balance of TDKK 7,996
2012: Intra-Group balance of TDKK 159,428 and interest on the intra-Group balance of TDKK 3,196

Movements in intercompany balances all consist of transfer of cash to finance activities in subsidiaries.

Notes

23. Ownership

As per March 27, 2014 the following shareholder holds more than 5% of the company's share capital:

- HealthCap funds (Odlander Fredrikson & Co AB), Strandvägen 5B, SE-114-54 Stockholm: 10.0%

24. Working capital changes

	Group		Parent	
DKK '000	2013	2012	2013	2012
Changes in current assets	1,209	7,040	1,413	7,019
Changes in current liabilities	(6,496)	(13,080)	(5,639)	(11,385)
Total	**(5,287)**	**(6,040)**	**(4,226)**	**(4,366)**

25. Non-cash transactions

The company had no non-cash transactions in 2013 and 2012.

26. Proceeds from capital increases

In 2013, proceeds from capital increase amounted to TDKK 25,494. There were no transactions in 2012.

27. Fees to auditors appointed at the annual general meeting

	Group		Parent	
DKK '000	2013	2012	2013	2012
Statutory audit services	341	402	250	340
Other assurence engagements	156	20	45	20
Tax services	12	-	41	-
Other services	150	707	232	974
Total	**659**	**1,129**	**568**	**1,334**

28. Approval of annual report for publication

On the Board of Directors' meeting on March 27, 2014, the Board of Directors approved the present annual report for publication. The annual report will be presented to the Topotarget's shareholders for approval at the annual general meeting on April 24, 2014.

Notes

29. Accounting policies

The consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the Parent financial statements are presented in accordance with the Danish Financial Statements Act. Further, the annual report is prepared in accordance with additional Danish disclosure requirements for listed companies.

In addition to the description in Notes 1 and 2, the accounting policies are as described in the following.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company and Group enterprises in which the Parent Company is entitled to determine finance and operating policies, which normally applies for ownership interests of more than half of the voting rights.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent Company and its subsidiaries. The consolidated financial statements are prepared by adding items of a uniform nature. On consolidation, intra-Group income and expenses, intra-Group accounts, dividends as well as gains, and losses on transactions between the consolidated enterprises are eliminated.

The financial statements used for consolidation are prepared in accordance with the Group's accounting policies. Acquisitions of subsidiaries are accounted for using the purchase method. Costs related to an acquisition are measured at the fair value of remuneration in the form of assets, the equity instruments granted, and the liability incurred at the date of acquisition with the addition of costs directly connected to the takeover. From January 1, 2010, costs are recognized in the income statement.

Acquired identifiable assets, liabilities, and contingent liabilities in a business combination are measured on initial recognition at fair value at the acquisition date. Identifiable intangible assets are recognized if they can be separated or arise from a contractual right and the fair value can be reliably measured. Positive differences between cost and fair value of the Group's share of the identifiable net assets are recognized as goodwill.

Newly acquired subsidiaries are consolidated at the time when the controlling influence is established in the Group.

Recognition and measurement

The items included in the financial statements of each entity of the Group are measured by using the currency that best reflects the economic substance of the underlying events and conditions applicable for the entity in question. The financial statements are presented in Danish Kroner (DKK), the Parent Company's and the subsidiaries' functional currency.

On initial recognition, assets and liabilities are measured at cost. Revenue and costs, assets and liabilities are subsequently measured as described below.

The preparation of financial statements assumes the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Group, and the value of the liabilities can be measured reliably.

Recognition and measurement take into consideration anticipated gains, losses, and risks that arise before the time of adoption of the annual report and that confirm or invalidate matters and conditions existing at the balance sheet date.

Income is recognized in the income statement as and when earned, whereas expenses are recognized as incurred. Value adjustments of financial assets and liabilities are recognized in the income statement as financial income or financial expenses.

Foreign currency translation

On initial recognition, transactions denominated in foreign currency are translated at the exchange rate ruling on the transaction date. Receivables, payables, and other monetary items denominated in foreign currencies that have not been settled on the balance sheet date are translated at the exchange rates ruling at the balance sheet date. Exchange differences between the exchange rate at the date of the transaction and the exchange rate at the date of payment or the balance sheet date, respectively, are recognized in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of foreign subsidiaries in which Danish kroner (DKK) is the functional currency but which present their financial statements in another currency, monetary assets, and monetary liabilities are translated at the exchange rate at the balance sheet date. Non-monetary assets and liabilities measured based on historical cost are translated at the exchange rate at the transaction date. Non-monetary assets and liabilities measured at fair value are translated at the exchange rates at the most recent date of fair value adjustment.

Income statement items are translated at average monthly exchange rates, except for items derived from non-monetary assets and liabilities which are translated at historical rates for the non-monetary assets and liabilities.

Notes

Income statement

Revenue

The revenue is comprised of milestone payments and other income from research and development agreements. Revenue is recognized when it is probable that future economic benefits will flow to the company and such economic benefits can be measured reliably. Income from agreements with multiple components and where the individual components cannot be separated is recognized over the period of the agreement. In addition, recognition requires that all significant risks and rewards of ownership of the goods and services included in the transaction have been transferred to the buyer. If all risks and benefits have not been transferred, the revenue is recognized as deferred income until all components in the transaction have been completed.

Production costs

Production costs comprise costs incurred to generate the revenue. Production costs are comprised of salaries, contributions to pension schemes, costs of share-based payments, and other costs including depreciation, impairment write-down, and amortization attributable to the Group's production activities.

Research and development costs

Research costs comprise salaries, contributions to pension schemes, costs of share-based payments, and other costs, including patent costs, as well as depreciation and amortization attributable to the Group's research activities. Research costs are recognized in the income statement as incurred.

Development costs comprise salaries, contributions to pension schemes, costs of share-based payments, and other costs, including depreciation and amortization attributable to the Group's development activities. Capitalization assumes that the development of the technology or the product in the Group's opinion has been completed, that all necessary public registration and marketing approvals have been obtained, and that costs can be reliably measured. Furthermore, it has to be established that the technology or the product can be commercialized and that the future income from the product can cover, not only production costs, sales, and distribution costs and administrative expenses, but also development costs.

Development costs are recognized in the income statement as incurred if the conditions for capitalization of the development costs are deemed not to be met. Research and development costs also comprise any impairment write-down on acquired research and development projects made before the time when the project is available for use.

Sales and distribution costs

Sales and distribution costs comprise costs incurred for the distribution of goods sold and for sales campaigns, including salaries, contributions to pension schemes for sales and distribution staff, office expenses, and depreciation, and other indirect costs.

Administrative expenses

Administrative expenses comprise salaries, contributions to pension schemes to the management and administrative functions, office supplies as well as depreciation and amortization, and other indirect costs.

Financial income and expenses

These items comprise interest income and expenses, interest on capitalized milestone payments, realized gains and losses on marketable securities, and realized and unrealized gains and losses on payables and transactions in foreign currencies.

Income taxes

Tax for the year, consisting of the year's current tax and movements in deferred tax, is recognized in the income statement as regards the amount that can be attributed to the profit/(loss) for the year and posted directly in equity as regards the amount that can be attributed to movements taken directly to equity. Current tax payable or receivable is recognized in the balance sheet as calculated tax on the taxable income for the year adjusted for prepaid tax.

The deferred tax charge is recognized and measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax values of assets and liabilities. The tax value of the assets is calculated based on the planned use of each asset.

Deferred tax is measured based on the tax rules and rates in the respective countries that will apply under the legislation in force on the balance sheet date when the deferred tax asset is expected to crystallize as current tax. Changes in deferred tax resulting from changes in tax rates are recognized in the income statement.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognized at the value at which they are expected to be realized, either through a set-off against deferred tax liabilities or as net assets.

Deferred tax assets and liabilities are not recognized if the temporary difference arises on initial recognition (in cases other than in connection with a business combination) of other assets and liabilities in a transaction not affecting the results for tax or accounting purposes.

Provision is made for tax on temporary differences arising on investments in subsidiaries, unless the Group can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Discontinued operations

Discontinued operations are business areas that have been sold. Subsidiaries, which alone are for resale, are considered to be a discontinued operation.

The results of discontinued operations are presented in the income statement as a separate note (Note 10), which consists of operating profit after tax with respect to that activity and any gains or losses from fair value adjustment or sale of assets and liabilities associated with the activity.

Non-current assets and groups of assets held for sale are presented separately in the balance sheet as current assets. Liabilities

Notes

directly associated with those assets are presented as current liabilities in the balance.

Non-current assets held for sale are not amortized, but are written down to fair value less costs to sell if this value is lower than the carrying value.

Segment reporting

In 2013, the company only has one segment of activity: Research and development. As only one segment is operated, there is no need for a separate note on segment reporting.

The reason for the company only having one segment of activity in 2013 is due to the discontinued operations (that of Totect®/ Savene®) at the end of 2011.

The Group does not allocate assets and liabilities to the segments.

Share-based payment

All warrants granted after January 1, 2005 are equity instruments that are measured at fair value at the date of grant. Where warrants are included as part of an acquisition price of a subsidiary, the value of the equity instrument is recognized together with the remaining cost and the balancing item is taken directly to equity to the reserve for share-based payment. Where warrants are issued as incentive programs, the compensation cost is charged to the income statement over the period when the warrants vest. The expense is allocated to production costs, research and development costs, sales and distribution costs, and administrative expenses, and the balancing item is taken directly to equity to the reserve for share-based payment.

The fair value is calculated using the Black & Scholes model, taking into consideration the anticipated exercise of the warrants granted. On each balance sheet date, Topotarget estimates the anticipated number of warrants that will vest. Any change to the original estimates of number of warrants will result in a change of the expensed cost over the remaining vesting period. Prior year changes are recognized in the income statement in the year in which the change is identified.

Balance sheet

Goodwill

Goodwill is the amount at which the cost of an enterprise taken over exceeds the fair value of the Group's share of the net assets acquired at the time of the takeover.

Goodwill is tested for impairment at every balance sheet date. In the event of an impairment loss, the carrying amount of the goodwill is written down to the recoverable amount. Write-downs are recognized in the income statement.

Acquired research and development projects

Costs of acquiring research and development projects are measured at cost price and recognized as intangible assets. The assets are amortized over their expected economic lives from the time when the project is ready for use (marketing approvals have been obtained). In the period until a marketing approval has been obtained, the acquired research and development project is tested for impairment annually. After marketing approval has been obtained, an impairment test is performed when events or other circumstances indicate that the carrying amount may not be recoverable.

Property, plant, and equipment

Other fixtures and fittings, tools and equipment as well as assets held under finance leases are measured at costs less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time it is ready to be put into operation.

The basis for depreciation is cost less estimated residual value after the end of useful life. The expected residual value is re-assessed every year. The assets are depreciated on a straight-line basis over their useful lives, which are four to ten years.

Impairment of non-current assets

In the period until a marketing approval has been obtained, the acquired research and development project is tested for impairment annually. After marketing approval has been obtained, an impairment test is performed when events or other circumstances indicate that the carrying amount may not be recoverable.

The carrying amount of other intangible assets, property, plant, and equipment as well as non-current asset investments is reviewed for impairment when events or changed conditions indicate that the carrying amount may not be recoverable. Where such an indication exists, an impairment test is made. An impairment loss is recognized in the amount by which the carrying amount exceeds the recoverable amount of the asset, which is the higher of the net present value and the net selling price. In order to assess the impairment, the assets are grouped on the least identifiable group of assets that generates cash flow (cash-generating units). Impairment losses are recognized in the income statement under the same items as the associated depreciation or amortization.

Investments in subsidiaries (Parent Company)

Investments in subsidiaries are recognized and measured according to the equity method. This means that the investments are measured at the proportionate share of the companies' equity value after addition or deduction of any unamortized positive or negative goodwill, respectively, and after deduction or addition of unrealized intra-Group gains and losses.

The Parent Company's share of the subsidiaries' profits or losses after tax and after elimination of unrealized intra-Group gains and losses and with the deduction or addition of amortization of positive, or negative, goodwill is recognized in the income statement.

Subsidiaries with a negative net asset value are recognized at DKK nil, and any receivable amount from these companies is written down to the extent it is deemed to be

Notes

irrecoverable. Where the negative net asset value exceeds the amount receivable, the residual amount is recognized under provisions to the extent that the Parent Company has a legal or constructive obligation to cover the relevant company's obligations.

Net revaluation of investments in subsidiaries is transferred in connection with appropriation of the profit/(loss) for the year to the reserve for net revaluation according to the equity method.

Acquisitions of subsidiaries are accounted for using the purchase method. Please see above under consolidated financial statements.

Financial assets

The Group and the Parent Company classify their financial assets in the following categories:

- Loans and receivables
- Available-for-sale financial assets

Financial assets are classified according to the purpose of the acquisition. Management determines the classification on initial recognition and reevaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. In the balance sheet, they are classified as trade receivables, other receivables, and as loans.

Available-for-sale financial assets are non-derivative financial assets and are designated as short-term securities in the balance sheet.

Trade receivables

On initial recognition, trade receivables are measured at fair value and subsequently measured at amortized cost according to the effective interest method less provision for impairment based on an individual assessment.

Other receivables

On initial recognition, other receivables are measured at fair value and subsequently measured at amortized cost according to the effective interest method less write-downs for losses.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at amortized cost, which usually corresponds to the nominal value.

Short-term securities

The securities are easily negotiable in the established markets. Short-term securities are classified as "available for sale". Fair value equals the market price. Upon a sale, cost is measured according to the FIFO principle. Realized gains and losses (including realized exchange rate gains and losses) are recognized in the income statement as financial items. Unrealized gains and losses (including unrealized exchange rate gains and losses) are recognized directly in equity. Transactions are recognized on the trade date.

Cash and cash equivalents

Cash comprises cash holdings and bank deposits with an insignificant price risk. Cash is measured at fair value.

Equity

The share capital comprises the nominal value of the company's ordinary shares, each with a nominal value of DKK 1.

Retained earnings include 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 of capital. The amount also includes unrealized gains and losses (including unrealized exchange rate gains and losses).

The reserve for share-based payment includes the value of recognized warrant programs measured at the fair value at the time of grant and subsequent value adjustments.

The buying and selling of own shares are recognized directly in equity. Own shares are therefore not recognized separately in the balance sheet.

Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of a prior event on or before the balance sheet date, and it is probable that the company has to give up future economic benefits in order to repay the obligation. The provisions are measured according to an assessment of the costs required in order to repay the present obligation at the balance sheet date. Provisions which are not expected to be repaid within a year from the balance sheet date are measured at present value.

Lease commitments

Lease commitments relating to assets held under operating leases are recognized in the income statement over the terms of the contracts. Lease payments are recognized either in production costs, research and development costs, sales and distribution costs, or administrative expenses, depending on the use of the asset.

Financial liabilities

Financial liabilities, including trade payables and other payables, are initially measured at fair value. In subsequent periods, financial liabilities are measured at amortized cost, applying the effective interest method, to the effect that the difference between the proceeds and the nominal value is recognized in the income statement as financial expenses over the term of the loan.

Deferred income

The item reflects the part of revenue that has not been recognized as income immediately on receipt of payment and which concerns agreements with multiple components which cannot be separated.

Cash flow statement

The cash flow statement of the Parent Company and the Group is presented using the indirect method and shows cash flow from operating, investing, and financing activities as well as the Group's cash

Notes

and cash equivalents at the beginning and the end of the financial year.

Cash flow from operating activities is calculated as the operating profit/(loss) adjusted for non-cash operating items, working capital changes, and income taxes as well as interest paid.

Cash flow from investing activities comprises payments in connection with acquisition and divestment of enterprises and activities as well as purchase and sale of intangible assets, property, plant, and equipment as well as non-current investments.

Cash flow from financing activities comprises changes in the size or composition of the Parent Company's and the Group's share capital and related costs as well as the raising of loans, instalments on interest-bearing debt, and payment of dividends.

Cash and cash equivalents comprise cash, deposits in financial institutions, liquid securities with terms of three months or less at the date of acquisition, less short-term bank debt that forms an integral part of the Group's cash management activities.

Financial highlights and key ratios

The financial ratios have been calculated in accordance with "Recommendations & Ratios 2010", issued by the Danish Society of Financial Analysts, and amendments to IAS 33, "Earnings per share", as set out below:

Earnings per share before tax

Earnings per share is calculated as the net profit or loss divided by the weighted average number of outstanding ordinary shares.

Diluted earnings per share

Diluted earnings per share are calculated as the net profit or loss divided by the average number of outstanding ordinary shares adjusted for the diluting effect of issued equity instruments.

Share price at year-end

The year-end share price is determined as the average trading price (all trades) of the company's shares on the NASDAQ OMX Copenhagen stock exchange at the balance sheet date or at the most recent trading date prior to the balance sheet date.

Assets/equity

Total assets at the balance sheet date divided by total equity at the balance sheet date.

Net asset value per share

Net asset value per share is calculated as total equity at the balance sheet date divided by the number of outstanding ordinary shares at the balance sheet date.

Design and graphic production: meyer & bukdahl as

Topotarget A/S
Fruebjergvej 3
DK-2100 Copenhagen
Denmark

Tel: +45 39 17 83 92
Fax: +45 39 17 94 92
Comp. reg.: 25695771
www.topotarget.com