ANNUAL REPORT **2006**

TOPOTARGET


POTARGET

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MANAGEMENT'S REVIEW

A year of change

Letter from the CEO

The year 2006 was an eventful year for TopoTarget. Positive results with belinostat (PXD101) for the treatment of cancer and the launch of our first product, Savene™, consolidated TopoTarget's position in the field of cancer therapeutics.

We have embarked on the journey from being a project-based biotech company to becoming a company in which unique research and development as well as sales and marketing are core activities.

The clinical results from Phase II studies of our most important development project, belinostat (PXD101), are particularly important to us. These results demonstrated proof-of-concept for the treatment of cancer both as monotherapy and in combination with other drugs. We have an extensive and targeted development programme for belinostat and during 2007, we will see results from trials with belinostat that will form the basis for the regulatory strategy.

The launch of Savene™ in Europe in October marked an important milestone for TopoTarget. We have almost completed building our sales and marketing organisation in Europe alongside the roll-out of Savene™ and the completion of price and reimbursement negotiations in the individual European countries. I expect that 2007 will be the year in which we see a significant uptake for Savene™ in our key European markets, and where Totect™ (the brand used for Savene™ in the USA) is expected to be rolled out in the United States.

In 2007, we can look forward to a year of considerable activity with respect to developing the rest of TopoTarget's pipeline. The results of a pivotal clinical study of the cancer drug Savicol™ may form the basis of an application for marketing authorisation as early as 2008. Furthermore, the Phase II developments of Baceca® (cancer) and Avugane™ (acne vulgaris) continue, whilst data from a Phase I study of Topotect is expected to be published during the year. Finally, we plan to initiate clinical Phase I/II studies of the cancer therapeutic Zemab®.

Another valuable process in 2006 was our collaboration with some of the most recognised universities and hospitals in the world for the development of our cancer products. There is great support for our work and a strong wish to participate in developing the potential cancer therapeutics. As a result, the clinical studies are conducted in a safe and effective setting.

2007 will also be the year in which TopoTarget will continue the company's successful discovery of cancer drugs and strategy of acquiring compounds that demonstrate efficacy in our drug models. We will also continue acquiring businesses that will add value to our company. This strategy is to provide TopoTarget with a consistently broad and risk-balanced pipeline of products for further development.

The company is performing well, and the innovative spirit necessary to thrive and generate good results characterises our entire organisation.

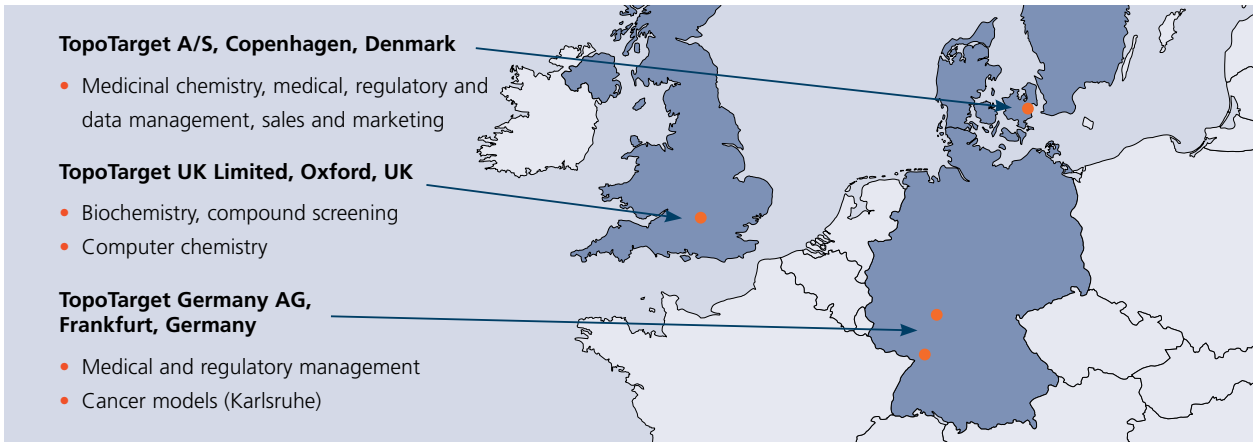
TopoTarget's shares have now been listed for almost two years, and in June 2006 our shares were upgraded from the SmallCap to the MidCap component of the OMX Copenhagen Stock Exchange. Looking at the positive performance of the price of our shares, we are happy to see that the market has confidence in TopoTarget. However, we will constantly work to increase the awareness of and confidence in our company and our operations, allowing the share price to fully reflect the progress we make at TopoTarget.

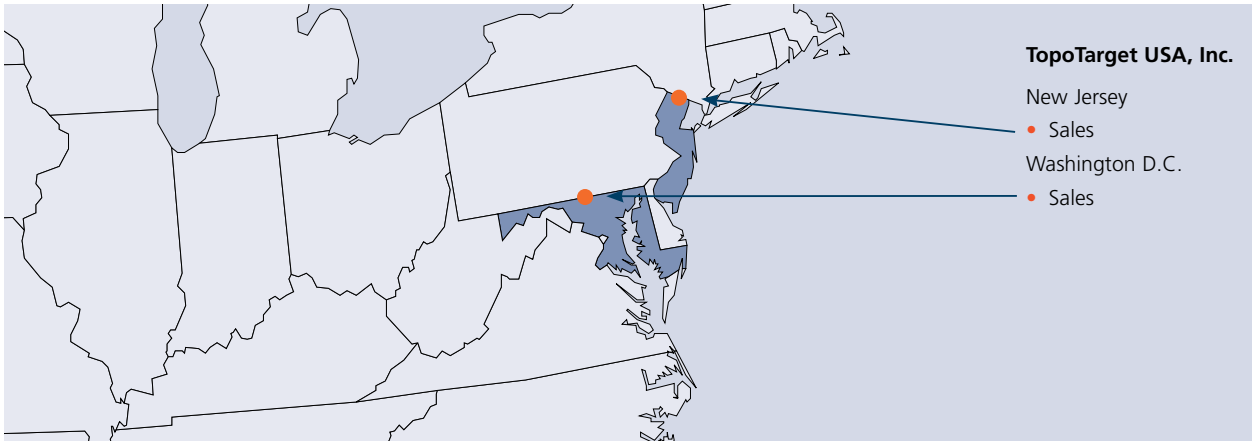
I would like to welcome all the new shareholders and also to thank all shareholders for the opportunity they are giving us to build a strong and profitable business with the objective of developing new medicine to the benefit of cancer patients.

Peter Buhl Jensen
CEO

TopoTarget A/S – overview

- Biotech company formed in 2000 by leading oncologists and scientists
- Over the course of a number of years, TopoTarget has developed a technology for evaluating the efficacy of anti-cancer therapeutics. This technology provides a foundation for TopoTarget's competencies and is a significant part of the explanation for the company's success
- Listed on the Copenhagen Stock Exchange in 2005
- Headquartered in Copenhagen, Denmark and subsidiaries in Oxford, United Kingdom, Frankfurt and Karlsruhe, Germany and Washington D.C. and New Jersey, USA
- 105 dedicated employees, many of whom have clinical expertise, and with backgrounds covering a wide range of experience from in-depth understanding of the molecular mechanisms of cancer to treatment of patients
- First product on the market: Savene™ for the prevention of tissue damage caused by accidents with chemotherapy
- Seven drug candidates – one in Phase I and five in Phase II covering 21 studies at the end of February 2007, and one candidate filed for marketing authorisation
- Broad preclinical pipeline of drug candidates, encompassing both internally developed and in-licensed anti-cancer drug programmes





Principal activities

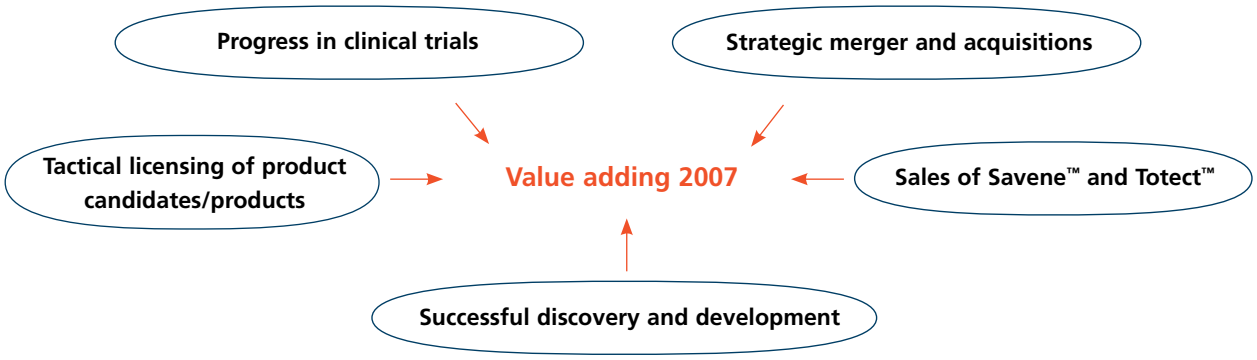
TopoTarget is a biotech company dedicated to the research, development and marketing of new and improved cancer treatments.

TopoTarget's activities build on extensive knowledge of the molecular mechanisms that cause a healthy cell to develop into a cancer cell. The company focuses on DNA damage control (managing and controlling the effects of traditional chemotherapy), chromatin control and cell cycle regulation.

The company's strength lies in effective use of predictive cancer models and clinically targeted development of new pharmaceuticals. As a result of using its own technology (cancer models), six years after its inception, TopoTarget was granted marketing approval in Europe for its first proprietary drug, Savene™, for the prevention of tissue damage caused by extravasation accidents in connection with chemotherapy. In the United States, the FDA (Food and Drug Adminstration) issued an approvable letter for the treatment, marketed under the Totect™ brand in the US. US marketing authorisation is expected to be granted by the end of May 2007, and TopoTarget expects to launch the product in the second half of 2007.

TopoTarget has a total of seven drug candidates in development in patients, six of which originate from the company's own R&D activities, while one candidate has been in-licensed. In addition, TopoTarget has built a specialist sales force in Europe to market and sell Savene™. Longer term, this sales force and the experience it accumulates will also be used for selling future pharmaceuticals of the company. In the United States, TopoTarget has initiated the process of building a sales force.

The company pursues a progressive in-licensing and acquisition strategy for companies, products, technologies and promising drug candidates. Accordingly, TopoTarget's strong platform in the cancer field helps generate synergies for the company in connection with its in-licensing and acquisition activities.



Product, preclinical and clinical pipeline

Technology	Product	Indication	Preclinical	Phase I	Phase II	Phase III	MA filed	On market
Topo IIi	Savene™ (EU)	Extravasation						
Topo IIi	Totect™ (US)	Extravasation						
HDACi	Belinostat	Cancer						
HDACi	Baceca®	Basal cell carcinoma						
HDACi	Avugane™	Acne vulgaris						
HDACi	Savicol™	FAP*						
Topo IIi	Topotect	Brain tumours						
Anti-HER2	Zemab®	Breast cancer						
HDACi	2nd gen. PXD	Multiple indications						
mTOR	TOP216 a.o.	Cancer						
HSP90	-	Cancer						

*Familial Adenomatous Polyposis

Vision, mission, strategy and values

TopoTarget's vision

- We aim to become one of the world's leading biotech companies within the field of cancer
- We are dedicated to the fight against cancer. Our aim and inspiration is to help cancer patients and we aim to develop, market novel and effective cancer therapeutics

TopoTarget's mission

- We aim to prolong life and improve the quality of life for cancer patients by developing novel, safe and effective cancer drugs
- We aim to build and maintain a broad pipeline of new cancer drug candidates

TopoTarget's strategy

We achieve our goals by:

- dedicating our efforts to cutting-edge, in-house research and development, based on in-depth understanding of molecular mechanisms in cancer and reality of clinical practice
- maintaining a full scale and experienced medical department
- growth of internal marketing department and sales force for cancer specialist products
- licensing of relevant development programmes and products
- acquiring relevant businesses

TopoTarget's work builds internally on the following values

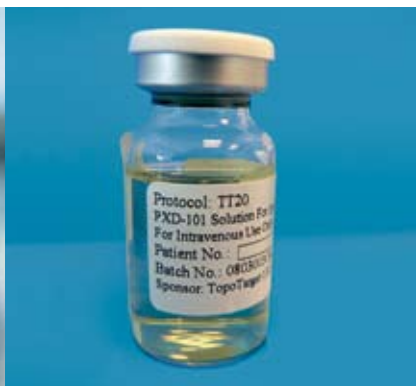
Commitment – we recognise idealism and commitment – the need to develop novel drugs and to make a difference.

Responsibility – we feel responsible for the fight against cancer. We wish to use our skills and capabilities in this fight. We wish to combine this commitment with our energy and need for personal growth.

Co-operation – we believe that the future belongs to independent and original individuals who co-operate in complementary groups, in a focused, forward looking, non-hierarchical environment. Inventiveness and co-operation is the key to success, and we strive to co-operate on all levels, in all disciplines – across borders.

Competition – we maintain a clear focus and a rapid progression from idea to practice. We believe in competition as a means to achieve innovation and valuable results.

Communication – we are convinced that good communication is a necessity to achieve results and valid solutions. We expect openness, ability and willingness to discuss any issue relevant to the company and its vision, mission, strategy and values.



Highlights of 2006

1. Excellent results with belinostat (PXD101)

One of the most important events in 2006 was the successful development of the drug programme belinostat from the HDAC inhibitor platform. TopoTarget reported preliminary proof-of-concept data for belinostat both as monotherapy and in combination therapy for cancer patients.

Belinostat was discovered in TopoTarget's laboratories and developed in collaboration with TopoTarget's US business partner, CuraGen, and NCI (National Cancer Institute, USA). By the end of February 2007 TopoTarget had initiated a total of 18 trials in nine different types of cancer. Results from three of these trials have been published.

As single drug therapy, belinostat has shown effect in patients with cutaneous T-cell lymphoma (CTCL). On the basis of these preliminary positive results, the trial will be expanded to include 34 CTCL patients.

Belinostat has also been shown to be effective in combination trials with steroid hormone (dexamethasone) for the treatment of multiple myeloma. Preliminary results from 21 evaluable patients with advanced multiple myeloma showed that belinostat was well-tolerated following intravenous administration and patients obtained clinical effect of belinostat in combination with dexamethasone. The results were presented at the annual meeting of the American Society of Hematology (ASH) in December 2006 in Florida.

Belinostat also exhibited the very positive quality that no serious side effects were seen in combination with full dose chemotherapy for patients with advanced solid tumours. The results showed that intravenously administered belinostat was well-tolerated in combination with standard doses of carboplatin and paclitaxel without any dose limiting toxicities. Of 23 patients, clinical activity was observed in 12 patients. The results were presented at the 18th EORTC-NCI-AACR symposium on Molecular Targets and Cancer Therapeutics in November 2006 in Prague.

In addition, positive results have also been reported in combination with the drug 5-FU. A trial with 17 patients with solid tumours shows that the combination of belinostat and 5-FU is well tolerated and the trial continues with a view to investigating whether full doses can be given. These results were presented at the same congress in Prague.

2. Savene™ on the market

Another milestone was reached on 2 August 2006 when the European authorities granted a marketing authorisation for Savene™. Savene™ was launched at the international congress, ESMO (European Society of Medical Oncology), in Istanbul in October 2006. TopoTarget's stand was well attended, and many participants also attended the presentation of data by Professor Giuseppe Giaccone, MD, leader of the department of medical oncology at the Vrije Universiteit, medical centre, Amsterdam.

The approval and the Savene™ sales provide the company with invaluable experience that will be instrumental in the future efforts to register and market product candidates from the extensive pipeline.

3. Other important events

In addition, TopoTarget reached a number of other clinical, financial and commercial goals in 2006. The most important of these milestones were:

- On 10 February 2006, TopoTarget announced that it had commenced a pivotal Phase II trial of Savicol™, an HDAC inhibitor. Savicol™ is developed as a small tablet and the trial evaluates the safety and efficacy of this cancer agent in the treatment of colorectal polyps in patients with FAP (Familial Adenomatous Polyposis).

- On 4 April 2006, TopoTarget reported promising results from a Phase II clinical trial with Avugane™, an HDAC inhibitor, in acne vulgaris. In a double-blind, randomised study Avugane™ showed comparable efficacy and advantageous tolerability compared with a standard, marketed retinoid therapy. Avugane™ also showed indications of an acceleration of the clinical response. The results support the further development of the compound for the topical treatment of inflammatory skin diseases.

- On 12 April 2006, the US Food and Drug Administration (FDA) granted priority review status in connection with the marketing authorisation for Totect™ (Savene™ in Europe) in the United States. On 2 August 2006, TopoTarget received an approvable letter for Totect™.

- On 22 May 2006, TopoTarget exercised its option to purchase under the agreement signed in December 2005 with BioImage A/S. That gave TopoTarget full ownership of TOP216 and its family, which is an mTOR anticancer drug programme in preclinical development.

- On 2 November 2006, TopoTarget and CuraGen announced that LEO Pharma had in-licensed a compound from the PXD family from the HDAC inhibitor platform for developing psoriasis therapies. The agreement confirms TopoTarget's preliminary studies and belief that HDAC

inhibitors may be developed as effective therapies for other skin disorders, including basal cell carcinoma (BCC). TopoTarget's Baceca® product candidate is being developed for this disease.

- On 15 November 2006 TopoTarget announced that the company had established a US subsidiary, TopoTarget USA, Inc., in connection with the future launch of Totect™ in the US market. TopoTarget has employed the experienced marketeer, John Parsons, as President for the US initiative.
- On 28 November 2006, TopoTarget increased its share capital in a private placement of shares to Danish and international institutional investors. The capital increase provited net proceeds of DKK 122 million, and the company welcomed a number of new Danish and international institutional investors. The capital increase was made to consolidate TopoTarget's capital position in connection with the building of a US sales force in expectation of authorisation to market Totect™ and to further develop the company's product portfolio, especially the TOP216 (mTOR programme) product candidate in preclinical and later-stage clinical studies.

Important events after the balance sheet date

- On 21 February 2007 TopoTarget announced a status of the Savene™ sales. In 2006 sales totalled DKK 2.0 million, and as of 16 February 2007 TopoTarget had generated additional sales of DKK 1.8 million. Sales have taken place in 12 European countries and the roll out continues in other European countries. On the same occassion the guidance for the company's pre-tax loss and cash burn for 2006 was adjusted to DKK 179 million and DKK 162 million respectively compared with previous guidance of DKK 150-170 million and DKK 140-160 million.
- On 12 March 2007 TopoTarget announced the execution of its inlicensing option from Novartis Pharma AG of Switzerland for the developement and maketing of Zemab® for the treatment of breast cancer. According to the licensing agreement orignating from 2003, TopoTarget now holds the world-wide and exclusive rights for the developement of this product.

Financial performance – summary

The Group recorded a loss of DKK 174.7 million compared with a loss of DKK 45.5 million in 2005. In view of the activities carried out during the year, the financial performance is considered satisfactory.

The higher loss was due to reduced income in 2006 relative to 2005, significantly higher costs of research and development activities and sales and distribution costs associated with the sales and marketing of Savene™ in Europe and in the USA concerning Totect™.

TopoTarget had adequate financial resources consisting of cash deposits, fixed-term deposits and securities that can easily be converted into cash at short notice. At 31 December 2006, TopoTarget's cash deposits, fixed-term deposits and securities totalled DKK 271.6 million compared with DKK 298.3 million at 31 December 2005.

Cancer

Facts about cancer

- Each year, more than 11 million people around the world are diagnosed with cancer. WHO projects an increase to 16 million people a year over the next 15 years[1]
- The majority of cancer patients die within a short time span. Seven million people die from cancer every year, corresponding to 13% of all deaths. WHO projects an increase to 10.1 million by 2020[1]
- Cancer is close to overtaking cardiovascular diseases as the disease with the highest mortality rates in the western world
- Cancer represents a very large unmet medical need
- In the western world, the most common forms of lethal cancer are prostate cancer, breast cancer, lung cancer and colorectal cancer

Cancer is no longer an enigma

Cancer is not a single disease, rather it is the term designating more than 100 different diseases in different body organs, which are all caused by uninhibited and uncontrolled cell growth and with a tendency to spread into other tissue and to other parts of the body.

The human body is made up of billions of cells with different functions, and new cells are continuously formed through cell division to replace those that are destroyed or worn out in order for the organism to grow and stay alive. The shape, function and development of each individual cell is minutely controlled by the genes. The genes are built in accordance with a specific biological "alphabet" and constitute parts of a very long, spiral-formed molecule, the DNA (deoxyribonucleic acid) in the cell nucleus – like pages in a book containing the complete recipe for a human being. The human body has about 35,000 genes. When a cell is about to divide, the DNA molecule is packaged into 23 chromosome pairs for the combined genetic material to be passed onto the two "new" cells formed in the division.

During the last decade – and in particular since the decoding of the human genome around year 2000 – tremendous advances have been made in the understanding of the molecular mechanisms of cancer. It is currently a well-known fact that cancer occurs due to a number of accumulated changes in the cell genes, or the DNA, interrupting the natural cell processes and disturbing their balance.

[1] WHO fact sheet No. 297

In fact, it is generally acknowledged that cancer is no longer an enigma.

Definition of cancer

A number of diseases, caused by DNA changes in body cells, making them proliferate and grow out of control, invade surrounding tissue and spread to other parts of the body through the blood and lymph system.

Area	Damage	Drugs	Inhibitor
Oncogenes	Cell growth is stimulated	TopoTarget active	Topo-II, HER2, mTOR
Suppressor genes	Control of cell division malfunctioning	TopoTarget active	HDAC
Apoptosis	The cell's programme for controlled cell death is turned off	TopoTarget active	HDAC
Telomerase	Reactivated, i.e. cells can divide indefinitely	No significant discovery	
Proliferation and invasion	Activated	Still too many side effects	
Angiogenesis	Formation of blood vessels is activated	TopoTarget active	HDAC, mTOR

- **Oncogenes (growth factors) are activated**
  A change occurs in one or more of the growth factors that normally send a cell division signal, resulting in a high frequency of cell division messages. Metaphorically speaking "the accelerator is stuck".
- **Suppressor genes are inactivated**
  The genes intended to prevent too rapid cell division shut down, which means that there are no mechanisms to offset the growth factors abnormally activated by the cancer cell. The cell's normal brake system malfunctions, so to speak.
- **The apoptosis mechanism is inactivated**
  The revision that normally occurs in cells to ensure that everything works the way it should, and that each individual cell acts the way it is supposed to, is inactivated in

cancer cells. Uncontrolled cell growth, which is the result of over-activated growth factors combined with inactivated suppressor genes, is therefore allowed to continue. The cell's normal built-in control mechanism, intended to ensure that abnormal cells are not allowed to proliferate and subsequently die, malfunctions. The apoptosis programme shuts down.

- **Telomerase is re-activated**
  At the end of the DNA molecule in each chromosome is a sequence called telomere. Each time a cell divides, some sequences of this telomere are lost. In an adult human, normal cells can only divide about 50 times until all the telomere is lost and the cell is unable to replicate. At the embryonic stage, however, a very large number of cell divisions is required, and in embryonic cells telomerase enzymes ensure that the used telomere sequences are re-established. These telomerase enzymes that are inactive in normal cells after the embryonic stage are reactivated in cancer cells, which have thus recreated the ability to replicate indefinitely.

- **Proliferation and invasion are activated**
  Normal cells are coded to respect organic limitations in the form of basal membranes. Thus, cell growth will usually be inhibited where there are signs of abnormal growth. However, cancer cells have an abnormally high number of protein-degenerating enzymes that assist them in growing through basal membranes and invading the surrounding organs. At the same time, small groups of cancer cells can be expelled and be transported with the blood to other sites in the body where they manage to settle and start to grow out of control and with no respect for their lack of affiliation (metastases).

- **Angiogenesis function is activated**
  All normal cells must have nutrients to function, grow and replicate, and for this purpose they can recruit blood vessels to secure the supply of essential nutrients through the blood. This process is called angiogenesis or activation of blood vessel formation. Cancer cells need an amount of nutrients because they replicate at high speed and therefore have a number of angiogenesis enzymes that provide for the constant formation of new blood vessels to ensure the supply of large volumes of nutrients.

Cancer therapy: The future lies in combination therapies with targeted medical treatment

For many years, traditional chemotherapy, so-called cytostatics, has been the most effective medical weapon against cancer and it is expected to retain this pivotal role in cancer therapy going forward. Cytostatics are effective anti-cancer drugs because they are more toxic for the cancer cells than for healthy cells even though their effect on healthy cells causes a number of serious side effects.

However, cancer cells are genetically unstable and therefore more affected by chemotherapy than healthy cells. Existing chemotherapeutics, however effective, seldom manage to kill all the cancer cells. The remaining cells will often continue their uninhibited growth and develop into a new cancer tumour. This tumour will be resistant to previous treatments and must therefore be treated with new types of cancer therapeutics. Generally speaking, the treatment of cancer patients is discontinued when all viable treatment alternatives have been exhausted, so there is a constant and large need for more therapeutic options.

The greater understanding of the genetic characteristics of cancer and the resulting deeper insight into the types of DNA changes that accumulate in cancer cells has provided a number of new medical targets. This progress has opened up for developing more targeted and, by extension, less toxic cancer therapies. These more targeted therapies are used in combinations with traditional anti-cancer drugs. These new and more specific cancer therapies are grouped on the basis of the six main types of DNA changes shown on page 12.

TopoTarget's approach to developing new and improved cancer therapeutics is based on a conviction that chemotherapy and radiotherapy will remain the mainstays in cancer treatment but that these agents are inadequate and also toxic to the healthy cells on account of their lack of specificity. The result is a large need and great potential for new and improved anti-cancer drugs, and it would seem as if we are in the process of changing cancer from being an acute and fatal disease into being a chronic disease that may be controlled and inhibited for a long time.

Cancer represents the fastest growing pharmaceutical market

Global sales of cancer therapeutics totalled approximately DKK 238 billion (USD 42 billion) in 2005, and this figure is expected to rise to DKK 340 billion (USD 60 billion) by 2010. This market growth is expected to occur as a result of an increase in sales of existing innovative products and the launch of nearly 60 new products and indications, which will represent approximately 30% of the total number of new drug launches.[2]

The strong growth in sales of cancer therapeutics witnessed within the past few years is primarily due to the launch of a number of new and more specific anti-cancer drugs.

In the years ahead, we expect to see a continuing trend towards more targeted cancer therapies and that a large number of more biologically specific cancer products will reach the market, further expanding the market for cancer therapeutics. TopoTarget considers itself a key player in the cancer therapeutics market and expects to make a substantial contribution to the development of more effective anti-cancer drugs.

[2] IXIS Securities Sector Report, 19 May 2006

Marketed product

Savene™ – a Topoisomerase II inhibitor for the prevention of tissue damage caused by extravasation

Savene™ was launched at the international congress, European Society for Medical Oncology (ESMO), which was held in October 2006. Data from the clinical studies of Savene™ were presented at the ESMO by Professor Giuseppe Giaccone, MD, the internationally reputed oncologist and leader of the department of medical oncology at the Vrije Universiteit, medical centre, Amsterdam, the Netherlands.

Savene™ is a targeted protector, developed for the prevention of serious tissue damage caused by extravasation of anthracyclines, a type of chemotherapeutics that attack topoisomerase. Extravasation is the accidental leakage into the surrounding tissue of chemotherapeutics being administered intravenously. Extravasation of anthracycline chemotherapeutics can cause severe and cumulative tissue necrosis including serious damage of the surrounding skin, subcutaneous tissue, muscles, and nerves. Previous therapy was limited to surgery which is traumatic, costly and has significant scarring risk. Further, the chemotherapy must be halted whilst the damage heals, a potentially life threatening delay for patients with aggressive tumours. Savene has totally changed this situation.

TopoTarget has completed two Phase III clinical studies of Savene™ for extravasation, demonstrating an overall 98% success rate. Savene™ must be administered within six hours of the extravasation to be effective. Consequently, the product has been developed as an emergency kit that must be available and ready to use on cancer and haematology wards that provide treatments with anthracyclines.

Savene™ has a good safety profile and is well tolerated. Adverse events registered in the clinical trials have been generally classified as mild and are known to be related to chemotherapy with anthracyclines.

Savene™ is the only proven and approved antidote to anthracycline extravasation verified by fluorescence-positive biopsy and currently there are no drugs marketed indicated for the treatment of anthracycline extravasations. No consensus has previously been available either for pharmacological or non-pharmacological therapies to treat extravasations, except for surgery when necessary due to ulcerations and necrosis. Therefore, it is clear that there is an unmet medical need for a treatment proven to be effective against the serious effects of anthracycline extravasations.

Savene™ was granted Orphan Drug status in Europe in 2001 and in the USA in 2004. Orphan Drug status indicates that Savene™ is a niche product and this status secures market exclusivity for ten years in Europe and for seven years in USA unless a more effective treatment alternative is launched. TopoTarget believes that Savene™, having demonstrated a 98% therapeutic effect, holds a very strong competitive position. Extravasation affects one in every thousand anthracycline treatments. Since most patients receive several anthracycline treatments, the risk is increased. The market for Savene™ consists of oncology and haematology clinics which are expected to carry the Savene™ kit in stock locally in the event of an extravasation accident.

Savene™ is launched in the individual European countries as the product receives approval in terms of pricing and is recommended for reimbursement from the public reimbursement schemes. TopoTarget continues to expand its sales force, and as at 31 December 2006, 10 of the 15 planned specialist sales people had been recruited. TopoTarget has commenced sales initiatives in 20 countries.

Treatment guidelines differ from country to country and from hospital to hospital, since a lot of non-effective treatments have gained footing "in order to do something". All these treatments are today malpractice and TopoTarget's task is now, through scientific publications, international guidelines and education, to assure that Savene™ is known as the only evidence-based medical treatment and thus as "good medical practice". The sales force is focusing on having national and local guidelines changed, and when these guidelines have been changed, sales are expected to follow. Local guidelines in a number of clinics have already been changed and in 2006, a total of 30 Savene™ kits were sold in eight countries. By the end of Februray 2007, a further 25 kits have been sold.

Totect™ (brand used for Savene™ in the USA)

On 2 August 2006 TopoTarget received an approvable letter for Totect™ from the FDA. On 22 November 2006, an amendment to the NDA (New Drug Application) was filed with the FDA to address the manufacturing issues for Totect™ outlined in the approvable letter. TopoTarget believes that the final approval will be received by the end of May 2007, after which the company will launch Totect™ in the US market.

Totect™ was granted Orphan Drug status in the United States in 2004, securing market exclusivity for seven years unless a more effective treatment alternative is launched.

In 2006 the sales force recruiting process began in the USA. TopoTarget has identified experienced and talented candidates for the Pilot Launch in selected regions.

Due to limited awareness of Totect™ in the USA, TopoTarget is moving forward with the first stage of the educational process. A meeting with a Clinical Advisory Board (CAB) consisting of Key Opinion Leaders (KOL) in Oncology including physicians, nurses and pharmacists was held in January 2007 in Orlando, Florida. The objective was to raise the awareness of TopoTarget, the company's R&D oncology pipeline and its expected future treatment for anthracycline extravasations with Totect™ in the USA. Presentations to the CAB include the drugs in development, the Totect™ clinical trial data and the current extravasation status in the USA, including the medical legal issues. The CAB members were selected from key cancer centres in the USA and should provide critical intelligence and guidance for the US commercial initiative. The CAB members have responded positively to Totect™.

Drug programmes

Clinical advancement of TopoTarget's potent cancer therapeutics

TopoTarget has a total of seven drug candidates in clinical development.

TopoTarget's six cancer drug candidates are in various stages of clinical testing in patients with cancer, and clear evidence has already been established in several cancers. The so-called histone deacetylase inhibitors have a prominent place in our pipeline. The inhibition of histone deacetylases is one of the new targets in cancer therapies and is the result of recent years' advancement in our understanding of the molecular function of cancer cells.

In addition to the six cancer-related drug candidates, the company develops a drug candidate for the treatment of acne vulgaris.

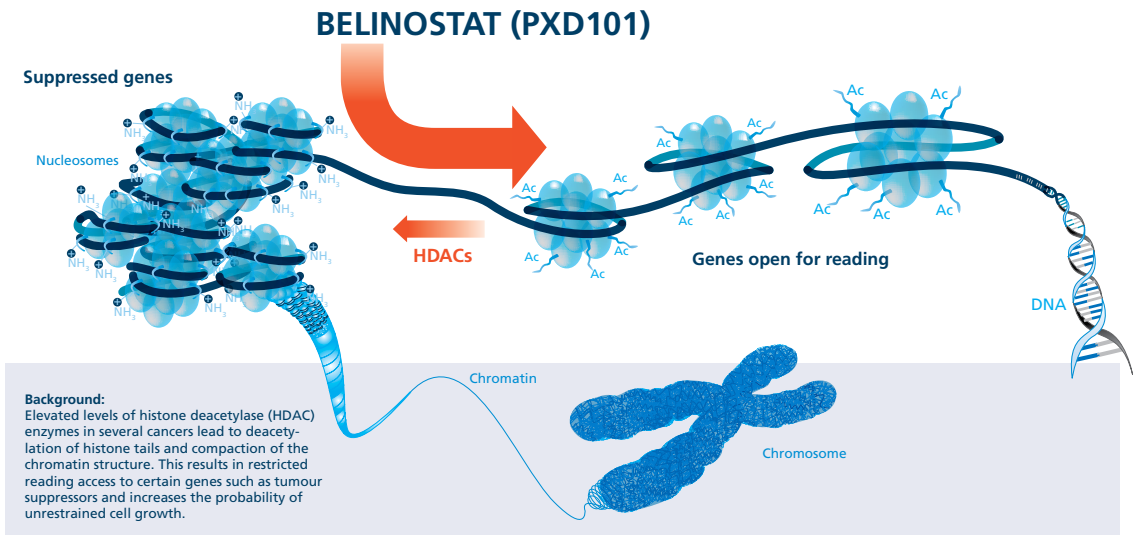
Histone deacetylase inhibitors (HDAC inhibitors)

Cromatin and cell cycle control

DNA, the substance within the human cell that contains the cell's programme files, is tightly packed with a number of proteins (primarily proteins termed histones) into a compact form known as chromatin. The DNA is wrapped around the histone proteins to form structures known as nucleosomes, which in turn are compacted to form chromosomes. In a tightly packed form, DNA, and those genes hidden within the packed structure, are inactive. However, chemical modification of the histones may alter how tightly they are packed and, by extension, their interaction with the DNA and gene regulation and activity.

One such modification is termed histone acetylation where an acetyl group is added to the histone proteins. This modification loosens the interaction of the histones with the DNA and allows active gene expression.

Belinostat mechanism of action



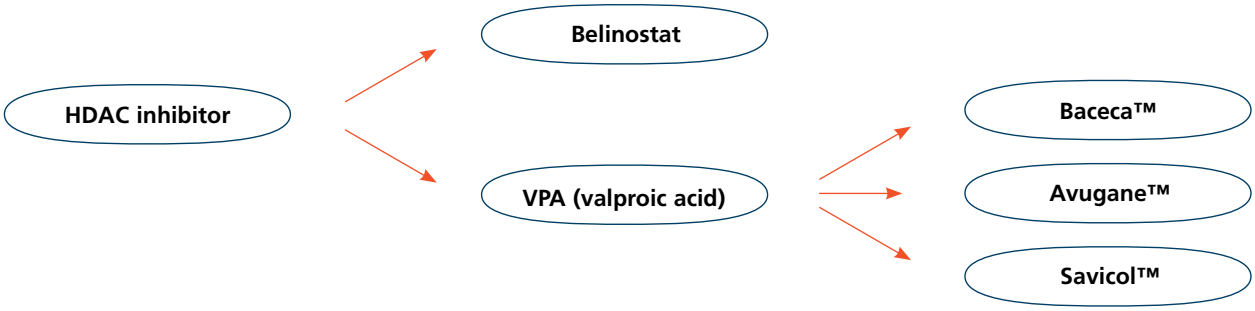
By inhibiting the activity of HDACs, belinostat (PXD101) re-establishes reading access to certain genes involved in tumour suppression, cell cycle regulation, apoptosis and differentiation. This ultimately leads to inhibition of tumour growth and tumour cell death.

Another family of enzymes, histone deacetylase enzymes ("HDACs"), which are especially active in cancer cells, are responsible for reversing this process, thereby turning the associated genes into an "off" position.

Thus, generally, histone acetylation allows gene expression to occur and histone deacetylation restricts gene expression.

In addition to acetylation, histones may also undergo other chemical modifications that control gene expression including methylation, phosphorylation and ubiquitination. By inhibiting the activity of HDACs, TopoTarget's potential therapeutics induce growth arrest and apoptosis (cell death) in order to halt inappropriate cell proliferation.

TopoTarget has four drug programmes that build on HDAC inhibition as shown below.



Belinostat (PXD101)

The chart below shows the ongoing trials with belinostat (end of February 2007). As we accumulate data from the Phase II trials, we define the final strategy for controlled Phase III trials with a view to registration.

Belinostat – an HDAC inhibitor for the treatment of blood cancer and solid tumours

Belinostat is a broad range and potent small molecule HDAC inhibitor which in a number of preclinical trials has proved

Belinostat clinical pipeline

Technology	Indication	Preclinical	Phase I	Phase II
	Belinostat in haematological cancers			
HDACi IV	Multiple Myeloma (+ Velcade)	→	→	
HDACi IV	Myelodysplastic Syndrome*	→	→	→
HDACi IV	B-cell lymphoma*	→	→	→
HDACi IV	T-cell lymphoma	→	→	→
HDACi IV	Acute Myeloid Leukaemia*	→	→	→
HDACi IV	Haematological cancer (+ 5-Aza)*	→	→	
	Belinostat in solid tumours			
HDACi IV	Ovarian cancer (+ carbo + Tax)	→	→	→
HDACi IV	Ovarian cancer*	→	→	→
HDACi IV	Colorectal cancer (+ 5-FU)	→	→	
HDACi IV	Mesothelioma*	→	→	→
HDACi IV	Solid tumours (+ RA)*	→	→	
HDACi IV	Solid tumours (+ Velcade)*	→	→	
HDACi IV	Hepatocellular cancer*	→	→	
HDACi peroral	Solid tumours	→	→	

*NCI sponsored trials

able to arrest cancer cell growth by inhibiting cell division and reactivating programmed cell death (apoptosis). This ability has been demonstrated both in cell lines and in other preclinical studies in various cancers.

Belinostat has now completed the first dose-finding studies, and the tolerable dose has been determined for a 5-day regime repeated every third week. In these first studies, belinostat has already demonstrated its ability to lead to long-term tumour control in patients with widely different cancers. Belinostat has been taken to the next development stage, Phase II trials, in which it is tested as a single agent and in combination with existing broadly-used therapies and against several different types of solid tumours and blood cancers.

In these ongoing studies, belinostat has also demonstrated a distinct cancer-inhibiting effect, for example a notable effect as monotherapy in a special type of lymphoma (T-cell), in combination with steroid in multiple myeloma and in combination with paclitaxel and carboplatin in solid tumours (response achieved in e.g. pancreatic cancer and ovarian cancer). In clinical trials conducted to date, belinostat has demonstrated a good safety profile with no significant effect on bone marrow or blood picture, and the agent could be administered in full doses in combination with other cancer drugs. TopoTarget believes that this makes belinostat a drug with high potential in future cancer therapies. Belinostat is developed in collaboration with CuraGen (see "Collaboration partners"). In addition, selected clinical trials with belinostat are sponsored by the National Cancer Institute, USA.

Preliminary clinical trial results from ongoing studies evaluating belinostat are expected to be made available by mid 2007:

- Phase II results of intravenous belinostat in combination with carboplatin and paclitaxel for advanced ovarian cancer
- Phase II results of intravenous belinostat in combination with 5-fluorouracil for advanced colorectal cancer
- Phase II results of intravenous belinostat for T-cell lymphoma
- Phase Ib results of intravenous belinostat in combination with Velcade® (bortezomib) for injection for advanced multiple myeloma
- Phase I results of oral belinostat in advanced solid tumours anticipated

Commercial potential

Based on the results from a large number of preclinical studies, belinostat has potential in a large number of cancer diseases such as lymphatic cancer, multiple myeloma, leukaemia, colorectal cancer, ovarian cancer and prostate cancer, and as mentioned previously the clinical trials are starting to show results that confirm belinostat's cancer-inhibiting effect. As these cancers cover a total patient population of about 1.0 million[3] in the western world, belinostat is believed to have the potential to develop into a cancer drug that will generate substantial sales. In addition, the expectation that the compound will be suitable for combination therapy with a number of drugs already marketed by other pharmaceutical companies increases the commercial potential of belinostat.

In 2004, TopoTarget and CuraGen signed a development agreement for belinostat under which TopoTarget will be reimbursed for all research and development costs related to belinostat and other HDAC compounds from the same library. TopoTarget defrays the costs for the direct product development and CuraGen for all clinical trials and manufacturing of the product.

In October 2006, Zolinza™, for the treatment of cutanous T-cell lymphoma (Merck & Co., Inc.), was approved by the FDA as the first HDAC-inhibitor. Even if Zolinza™ is a competing product, TopoTarget has a positive view on this approval since it could be paving the way for other HDAC-inhibitors, such as belinostat, in the treatment of cancer. Besides Merck & Co., Inc., a number of other companies are also involved in the development of HDAC-inhibitors for the treatment of different types of cancer. However, TopoTarget is confident that there is need and room for several HDAC-inhibitors for the treatment of cancer, since the drugs will diversify in resistance profile, side effects, toxicity profile, costs and general efficacy.

Baceca®

For the topical treatment of basal cell carcinoma (BCC)

Baceca® is based on a novel, patented formulation of valproic acid (VPA) as a drug for the topical treatment of basal cell carcinoma (BCC), the most common form of skin cancer. VPA primarily targets HDAC class I enzymes, which are involved in excessive cell proliferation and tumourigenesis. TopoTarget has completed a pilot proof-of-concept study

[3] American Cancer Society; Cancer Statistics 2007. CANCERMondial: the Descriptive Epidemiology Group (DEP) of The International Agency for Research on Cancer (IARC)

with topically applied Baceca® in combination with a retinoid (vitamin A derivative). The study enrolled 10 BCC patients, some of whom had previously failed several months of retinoid only treatment. Following up to 10 weeks of treatment, clinical responses in all 10 patients were obtained, of which seven patients displayed a regression of greater than 50% of their cancer tumour. On the basis of these promising results, in Q4 2005 TopoTarget initiated two Phase II clinical trials of Baceca® in combination with two different vitamin A like products for the treatment of BCC. These trials will enrol a total of approx. 100 patients. Results from these studies are expected in H1 2007.

Commercial potential

BCC represents the most frequently diagnosed human cancer with approximately 0.8 million newly diagnosed patients each year in the United States alone[4] . Small BCC lesions are frequently removed by being scraped and burned from the outer skin layer, while large tumours must be removed by surgery. However, there is a substantial recurrence rate. In addition to BCC, the potential therapeutic areas for Baceca® also includes hyperproliferative (involving unnaturally high cell proliferation) skin diseases, such as the pre-cancerous condition actinic keratosis. TopoTarget expects to out-license Baceca® following completion of Phase II to a partner with experience and marketing competencies in the dermatological area (skin diseases).

Avugane™

For the topical treatment of acne, etc.

Avugane™ is a new, proprietary formulation of valproic acid (VPA), which is a mild HDAC inhibitor for topical treatment of inflammatory skin disorders, including acne vulgaris (common acne), psoriasis and atopic dermatitis (children's eczema or asthmatic eczema). In April 2006, promising data from a randomised, double-blind Phase II study including 34 patients were released, Avugane™ showed comparable efficacy and advantageous tolerability compared with a standard, marketed retinoid therapy. Avugane™ also showed indications of an acceleration of the clinical response. Therefore, TopoTarget now prepares the next clinical Phase II placebo controlled study in the indication acne vulgaris to further investigate this clinical utility of Avugane™.

Commercial potential

Acne vulgaris is the most common inflammatory dermatose among adolescents. Approximately 80% of all adolescents show signs of acne in various degrees and 15% of adolescents suffer from clinically relevant acne. Many patients fail to respond adequately to available treatments or suffer from adverse effects associated with such treatments. For a number of years only new formulations (gell, foam etc.) of existing drugs have been marketed for the treatment of acne. If Avugane™ reaches the market, patients can be offered treatment that has a new mechanism of action. The global sales of topical therapies for acne are estimated at USD 1.65 billion (DKK 9.3 billion) in 2005 and are expected to grow to annual sales of USD 1.83 billion (DKK 10.4 billion) in 2008.[5] TopoTarget intends to partner Avugane™ following completion of Phase II clinical trials.

Savicol™

For the treatment of FAP (Familial Adenomatous Polyposis)

Savicol™ (previously named PEAC®) is based on a novel and patented, orally available formulation of valproic acid (VPA). The formulation in Savicol™ builds on a new principle that allows a specific pharmacokinetic release pattern of valproic acid expected to inhibit certain HDAC enzymes more effectively. The HDAC inhibitory effect of VPA has already been established in Phase I studies based on monitoring of histone acetylation. In 2006, TopoTarget initiated a pivotal Phase II study with Savicol™ for the treatment of colorectal polyps in patients with FAP (genetic predisposition to develop colorectal cancer). The study is conducted at centres in Germany, Russia and Denmark and will primarily investigate the drug's therapeutic influence on the growth and the polyp burden in the colon of approx. 60 patients. The first results from the trial are expected in Q4 2007.

Commercial potential

Familial Adenomatous Polyposis (FAP) is a hereditary disease characterised by hundreds of colorectal polyps. The prevalence of FAP is 1 in 10,000 and the disease is a predisposition to develop colorectal cancer. Savicol™ has been granted Orphan Drug status both in Europe and the United States for the treatment of FAP. If the ongoing Phase II study in FAP produces positive data, TopoTarget expects to initiate studies of Savicol™ as a new treatment of colorectal cancer. FAP is a niche indication with an incidence of approximately 20,000-25,000 patients in the US and EU.[6]

[4] American Cancer Society; Cancer Facts & Figures 2006; USA

[5] Business insight, The Dermatology Market Outlook to 2011 by Fox Analytics

[6] The Danish Polyposis Registry; see also: S. Bülow, GUT. 2003 May; 52 (5): 742-6

Topotect

Topoisomerase II inhibitors – DNA damage and control

A group of commonly used chemotherapeutics attack cancer cells through essential cellular enzymes known as topoisomerases. Topoisomerase enzymes are essential for the regulation of the DNA structure in connection with cell growth and proliferation. In cancer cells, the topoisomerase activity is often out of control, and will be a contributing cause of the cancer. As the topoisomerase II activity is greatest in the cell division phase, it is the target of a group of topoisomerase chemotherapeutics that, although they cause the greatest damage to cancer cells, may also cause harm to healthy cells. A number of compounds known as "catalytic inhibitors" have demonstrated an ability to block the activity of the topoisomerase enzyme and thereby protect the cells and tissue from the effect of chemotherapy that attacks topoisomerase activity. Savene™, already marketed by TopoTarget in Europe, builds on this technology. In addition, TopoTarget has another drug candidate in its pipeline that builds on topoisomerase II inhibitors:

A Topoisomerase II inhibitor for the treatment of brain metastases

Topotect is a topoisomerase inhibitor based on the same active compound as Savene™, and the treatment builds on the same protective principle. Topotect is currently in Phase I trials for the treatment of brain tumours and brain metastases, which commonly occur in patients whose cancer has metastasised. Brain metastases are often associated with short survival periods, as cancer cells in the brain are protected from the effect of chemotherapeutics, which can barely pass through the blood brain barrier. Topotect is able to protect cells from the effect of chemotherapeutics such as etoposide, which attacks rapidly proliferating cells. Topotect cannot pass through the blood brain barrier. The intention of Topotect therapy is thus to open up for systemic administration of higher doses of etoposide chemotherapeutics, as the body cells can be protected while allowing sufficiently effective quantities of chemotherapeutics to pass through the blood brain barrier and kill the cancer cells in the brain. Ongoing Phase I studies aim to define the optimum dose level and the risk involved in a combination of Topotect and etoposide. A number of centres in Denmark, Israel, France and Spain take part in the study. The first results are expected to be announced in the first half of 2007.

Commercial potential

The most common primary tumours that metastasise to the brain are small cell lung cancer and breast cancer. According to studies published in cancer journals, patients with small cell lung cancers that can be effectively treated outside the brain will have an approximately 60% chance of developing central nervous system metastases within two to three years. The most common primary cancers metastasising to the brain are lung cancer (50%), breast cancer (15%-20%), unknown primary cancer (10%-15%), melanoma (10%), and colon cancer (5%) [8].

The company will seek to develop Topotect as a prophylactic treatment to be taken when patients are first diagnosed with cancers commonly linked to brain metastases. The company is also seeking to develop Topotect as a palliative treatment following diagnosis with brain metastases.

Zemab®

Zemab® represents an antibody-toxin for the treatment of specific types of cancers. This recombinant protein targets the HER2 receptor, which plays a central role predominantly in the development of breast cancer, but is also believed to be involved in selected other cancer indications, such as head and neck cancer. Initial studies have demonstrated a reduction in tumour size in six out of ten patients after injection of Zemab® directly into HER2-positive tumours. Following a currently ongoing new GMP compliant production of Zemab®, next clinical studies are expected to be prepared in Q4 2007. In March 2007 TopoTarget announced that the company had exercised its licensing option from Novartis, thus now holding a world-wide exclusive license for the further development of Zemab®.

Commercial potential

Therapies targeting the ErbB2 (also called HER2 or NEU) signaling pathway like Zemab® are primarily aiming at the treatment of breast cancer, but may possibly also be used for other cancers which express this antigen significantly. Therefore, the most relevant direct competing product for Zemab® is Herceptin™ (Genentech/Roche), and the difference between the two products is a toxin attached to Zemab®. Thus, the market estimates for Zemab® may be calculated primarily for its use in breast cancer therapy. 2006 sales for the competing product Herceptin™, which is marketed for metastatic breast cancer, were EUR 2.4 billion (CHF 3.9 billion)[7]. It may be expected that the development of Zemab® for the treatment of metastatic breast cancer could possibly increase overall survival of these patients with advanced stages of the disease.

[7] Annual report 2006, Roche

[8] NCI, USA, www.cancer.org

Preclinical development programmes

TopoTarget's preclinical activities are progressing well. The company is continuously searching for and evaluating new targets and compounds for the treatment of cancer. The most important preclinical programmes are:

Novel HDAC inhibitors

The company, in collaboration with CuraGen, is researching a library of compounds that may potentially inhibit HDACs. The objective is to identify novel compounds with properties distinct from belinostat (PXD 101), such as different chemical classes and/or different HDAC isoform specificities. The company thus wishes to remain in the forefront of HDAC inhibitor research, both in order to secure all needed scientific input to the development of belinostat, as well as to create a state of the art portfolio of novel HDAC inhibitors for use in cancer treatment and other therapeutic indications.

The company continues its Cooperative Research and Development Agreement ("CRADA") with the DCTD (Division of Cancer Treatment and Diagnosis) and NCI (National Cancer institute, U.S.). Under the CRADA, the DCTD, NCI and TopoTarget will collaborate to conduct preclinical and non-clinical studies on belinostat in order to better understand its anti-tumour activity, and to provide supporting information for clinical trials. An additional goal will be to select the best next generation of HDAC inhibitors from TopoTarget's library of HDAC inhibitors for clinical development.

Interestingly, some of the company's HDAC inhibitors have, in addition to their anti-cancer activity, shown activity in non-oncological fields. Thus, in a collaborative activity with the WHO several compounds also have activity as potential anti-malaria drug candidates. Further, collaboration with the CHDI (Cure Huntington's Disease Initiative) has begun to examine the efficacy of a small number of the company's HDAC inhibitors in preclinical models of Huntington's disease. Results of any collaboration would be shared with CuraGen. See "Collaboration partners".

Furthermore, based on the chemistry developed in the HDAC programme some hydroxamates devoid of HDAC activity were found to inhibit the anti-inflammatory target TACE (tumour necrosis factor alpha converting enzyme). TNF (tumour necrosis factor alpha) has been shown to be a key mediator of inflammatory disease processes, and biological anti-TNF therapies have demonstrated impressive clinical activity. Thus, TACE is a possible intervention point on the TNF pathway amenable to small molecule drug development. In collaboration with Inhibox, the company has identified a number of novel, small molecule inhibitors of TACE which are currently undergoing optimisation. Furthermore, the company is a participant in an EU Framework with six collaborative programmes focused on developing new methods for the identification of zinc metalloproteinase inhibitors, a research area highly complementary to the company's interests in HDAC and TACE.

HSP90

The company is seeking, through its collaboration with Inhibox, to identify small molecule drugs that may inhibit HSP90 and promote apoptosis in cancer cells. The company has set up a panel of validated biochemical and cellular assays to identify HSP90 inhibitors. Along with Inhibox, the company has in-house molecular modeling expertise and a team of experienced medicinal chemists to ensure that the project progresses. To date, the combined screening and modeling campaign has yielded a number of hits in at least three different chemical classes. These hits are currently undergoing optimisation in efforts to identify a preclinical candidate to progress.

mTOR

In May 2006 TopoTarget acquired the full rights to an mTOR discovery programme from BioImage, a Danish biotech company. The programme covers a novel class of small molecules which act via the mTOR (mammalian Target Of Rapamycin) signaling pathway. TopoTarget has nominated a lead compound that demonstrates marked anti-tumour efficacy in TopoTarget's tumour models, including preclinical models of breast, prostate, ovarian, and pancreatic cancer. The lead compound is currently undergoing preclinical development, and a number of other compounds from the compound series are being evaluated as possible next generation mTOR pathway inhibitors. In addition, TopoTarget has initiated mechanism of action studies to pinpoint the exact target of the lead compound within the mTOR pathway.

Patent strategy and status

TopoTarget's patent strategy is to secure and prosecute intellectual property that underpins its drug discovery programmes. The company initially seeks to file patent applications in the US, UK or Denmark prior to filing an international (PCT) application.

Patents and patent applications

A summary of the patent families relating to the company's principal patents and patent applications are set forth below.

- **Savene™** – TopoTarget has been granted a use patent in Europe and a method of use patent in the US, and has method of use patent applications granted or pending in a number of other countries including Japan, covering the use of dexrazoxane and other bisdioxopiperazines in treating tissue damage following accidental extravasation of anthracycline drugs.

- **Belinostat (PXD101)**– In the US, a patent covering belinostat and related compounds, and compositions containing these compounds, and methods of treatment (including treatment of proliferative and neurodegenerative conditions) employing these compounds was issued in May 2005. Applications are pending in other territories including Europe and Japan. An application covering the novel formulation of belinostat is pending in the PCT phase and will be nationalised globally in November 2007. Furthermore, there are two pending PCT applications covering combinations of PXD101 with other chemotherapeutic agents.

- **Baceca®** – A method of use patent has been granted in Europe, and method of use patent applications are pending in a number of other countries including Japan and the US covering the use of valproic acid for the treatment of a number of different cancers including skin cancers. There is also a patent application covering various combination therapy uses of valproic acid, including its combination with radiation and chemotherapy which is granted in Europe and pending in the other major territories.

- **Avugane™** – TopoTarget has a method of use patent application pending in a number of countries including US, Japan and Europe covering the use of valproic acid for the treatment of a number of skin diseases including acne. A further application covering the use of valproic acid in inflammatory and non-inflammatory acne has been filed, based upon the data from clinical trials.

- **Savicol™** – Use patents have been granted in Europe, and method of use patent applications are pending in a number of other countries including the US and Japan, covering the use of valproic acid for the treatment of a number of different cancers including colorectal cancer, and for the treatment of Familial Adenomatous Polyposis (FAP). A joint application between TopoTarget and Desitin GmbH covers formulations of valproic acid with biphasic release kinetics: This is pending in major territories.

- **Topotect** – Method of use patents have been granted in Europe and the US for the use of dexrazoxane and other bisdioxopiperazines for the prevention or treatment of damage from topoisomerase chemotherapeutics for treatment of central nervous system tumours. An additional application is pending in major territories covering the use of dexrazoxane with topoisomerase chemotherapeutics in combination with brain irradiation for the treatment of central nervous system tumours.

- **Zemab®** – Patents are granted in all major territories and administered by the licensor Novartis.

- **mTOR inhibitors**– A patent application covering oxindoles as inhibitors of the mTOR pathway is currently pending in major territories. A further application claiming specific prodrugs of oxindoles has also been filed.

- **2nd generation HDACinhibitors**– TopoTarget has filed compound patent applications over five additional classes of HDAC inhibitors, concerning amides, ethers and thioethers, piperazines, esters and ketones, and quinolines. The amide patent application has been granted in Europe, and is pending in other territories. The ether and thioether application has been granted in the US. Other HDAC inhibitor patent applications remain pending in major territories in the national phase.

Collaboration partners

CuraGen Corporation

On 3 June 2004, TopoTarget entered into a license and collaboration agreement with CuraGen Corporation. (Nasdaq; CRGN). The agreement provides for the parties to collaborate with respect to the research, development and commercialisation of small molecules that inhibit HDAC enzymes and that have shown potential for use in the prevention, diagnosis, control or treatment of cancer and other serious diseases. The collaboration products under the agreement include HDAC inhibitors of a certain strength that are in TopoTarget's library of compounds. The agreement covers belinostat (PXD101) but not HDAC inhibitors based on valproic acid (VPA). CuraGen has agreed to fund TopoTarget's research programme budget up to a maximum of USD 6 million during the initial three-year research term. In addition, CuraGen will fund a development plan, including all clinical trials of Belinostat. CuraGen may commercialise collaboration products outside Europe (CuraGen Territory) but must pay the company royalties. TopoTarget may commercialise collaboration products in Europe (Company Territory) but must pay CuraGen royalties.

Inhibox Ltd.

TopoTarget has entered into an agreement with Inhibox, an English company specialising in computational chemistry. The agreement provides for the exclusive use of a specialist computer capability to screen large numbers of compounds with the aim of identifying suitable compounds for further development.

Latvian Institute of Organic Synthesis

TopoTarget has entered into a three year renewable agreement with the Latvian Institute of Organic Synthesis for the design and synthesis of compounds with therapeutic potential against certain oncological targets. The agreement comprises a work force of up to 15 chemists.

LEO Pharma A/S

In November 2006 TopoTarget entered into an exclusive worldwide license agreement with LEO Pharma, a Danish dermatology company, in respect of a preclinical HDAC inhibitor. Under the terms of the agreement TopoTarget received an initial payment of EUR 2 million and is eligible to receive milestone payments of up to EUR 32 million and tiered royalties of up to two digit figures on any future product sales. Under the terms of the existing agreement between TopoTarget and CuraGen, CuraGen will receive 50% of all payments received by TopoTarget under the license agreement with LEO Pharma.

NCI (National Cancer Institute, USA)

TopoTarget is party to a Cooperative Research and Development Agreement ("CRADA") with the NCI (US). Under the CRADA the NCI and TopoTarget will collaborate to conduct preclinical and non-clinical studies on belinostat in order to better understand the anti-tumour activity of belinostat and to provide supporting information for clinical trials. An additional goal is to select the best next generation of HDAC inhibitors from TopoTarget's library of HDAC inhibitors for clinical development. TopoTarget also receives the benefit of a Clinical Trial Agreement entered into between CuraGen and the NCI under which the NCI sponsors a number, currently nine, clinical trials evaluating the activity of belinostat, either alone or in combination with other anti-cancer therapies, for the treatment of solid and haematological cancers.

Desitin Arzneimittel GmbH

Desitin of Hamburg, Germany, has been the development partner for the novel formulation of Savicol™ for which Desitin may receive percentage royalty payments in the low single digit range on all net income of Savicol™. Also Desitin serves as the company's manufacturing and supply partner of Savicol™ in the Phase II clinical trials.

Micro Carrier Systems GmbH (MCS)

MCS (a subsidiary of CRO Focus Clinical Drug Development GmbH, both in Neuss, Germany) has been the development partner for the novel galenic formulation of Baceca® and Avugane™ for which MCS may receive certain milestone payments amounting to a maximum of EUR 200,000 and percentage royalty payments in the low single digit range on all net income of resulting products.

FINANCIAL HIGHLIGHTS AND RATIOS

DKK '000	2006	2005	2004	2003	2002
Financial highlights and ratios*					
Consolidated financial highlights and ratios					
Revenue	45,730	79,039	17,702	0	1,115
Research and development costs	(129,175)	(85,732)	(60,019)	(46,043)	(31,280)
Sales and distribution costs	(29,668)	0	0	0	0
Operating loss	(184,861)	(59,804)	(73,350)	(62,081)	(41,511)
Net financials	5,438	3	(240)	(537)	1,179
Net loss for the year	(174,713)	(45,544)	(73,590)	(62,618)	(38,019)
Basic and diluted EPS	(4.23)	(1.42)	(6.60)	(12.51)	(7.57)
Consolidated balance sheets					
Cash, cash equivalents and securities	271,610	298,279	26,559	8,687	57,353
Equity	384,443	413,953	(1,778)	42,062	104,730
Total assest	429,977	466,795	85,780	55,657	109,075
Investment in property, plant and equipment (net)	(6,019)	(3,654)	(3,244)	(3,493)	2,201
Consolidated cash flow statement					
Cash flows from operating activities	(144,558)	(43,860)	(38,035)	(53,407)	(33,475)
Cash flows from investing activities	116,168	(274,508)	(18,342)	(3,498)	(45,281)
Cash flows from financing activities	135,517	323,035	74,249	8,239	120,027
Consolidated ratios					
Number of fully paid shares, year end	45,684,880	39,940,391	15,935,904	14,169,444	14,169,444
Average number of shares for the period	41,260,562	31,973,878	11,152,415	6,015,600	6,011,027
Assets/equity	1.1	1.1	(48.2)	1.3	1.0
Market price, year end (DKK)	36.20	23.36	-	-	-
Net asset value per share (DKK)	8.42	10.36	(0.11)	2.97	7.39
Average number of full-time employees	98	73	50	39	35

*) The group was formed in May 2002 on the formation of TopoTarget UK Limited. Figures for 2005 include TopoTarget Germany AG from 25 February 2005 and figures for 2006 include TopoTarget USA, Inc. from 12 July 2006.

FINANCIAL REVIEW

The annual report comprises the parent company TopoTarget A/S and the three wholly owned subsidiaries TopoTarget UK Limited, TopoTarget Germany AG and TopoTarget USA, Inc. TopoTarget USA, Inc. was founded on 12 July 2006 and is consolidated with effect from this date.

Consolidated financial statements

Consolidated income statement

The Group recorded a loss after tax of DKK 174.7 million compared with a loss of DKK 45.5 million in 2005. In view of the activities carried out during the year, the financial performance is considered satisfactory. The higher loss was due to reduced income in 2006 relative to 2005, significantly higher costs of research and development activities and sales and distribution costs associated with the sales and marketing of Savene™ in Europe and in the USA concerning Totect™.

Revenue amounted to DKK 45.7 million compared with DKK 79.0 million in 2005. The lower revenue was due to a number of factors. In 2006, we received an upfront payment from LEO Pharma A/S of DKK 7.5 million, as compared with a DKK 42.4 million milestone payment from CuraGen in 2005. Research and development reimbursements from CuraGen amounted to DKK 25.4 million in 2006 against DKK 26.4 million in 2005.

TopoTarget's first product in the market, Savene™, was launched in October 2006, generating revenue of DKK 2.0 million.

Production costs amounted to DKK 22.3 million in 2006 against DKK 19.3 million in 2005. The increase was due partly to higher clinical expenses concerning belinostat (PXD101) in the collaboration with CuraGen and license payments to the manufacturer of Savene™.

Research and development costs amounted to DKK 129.2 million in 2006 against DKK 85.7 million in 2005, an increase of 51%. The increase was driven by a number of factors. TopoTarget has intensified efforts in its preclinical and clinical programmes, encompassing belinostat (PXD101), Topotect, Savicol™ and TOP216, which represent DKK 18.7 million. A corresponding increase in research and development staff pushed up staff costs by DKK 10.6 million. Drug discovery expenses were up by DKK 5.4 million. Amortisation of licenses and rights increased by DKK 1.4 million due to the acquisition of new license rights.

Other costs associated with TopoTarget's research and development activities increased by DKK 7.4 million.

Sales and distribution costs amounted to DKK 29.7 million in 2006, compared with DKK 0 million in 2005. Sales and distribution costs were incurred partly as part of the launch of Savene™ in the European market, partly in preparation for the launch of Totect™ in the US market. In the European market, TopoTarget had employed 10 sales representatives by the end of 2006. In addition, the company incurred costs of consultancy for preparations for the price and medical reimbursement negotiations with the health authorities of a number of European countries. In preparation for the launch of Totect™ in the USA, in July 2006 we established a sales company headquartered in New Jersey and have recruited a management team and sales representatives. Agreements have also been made with a warehousing and distribution company.

Administrative expenses totalled DKK 49.4 million in 2006 as compared with DKK 33.8 million in 2005. Administrative expenses accounted for 21% of total costs in 2006 as compared with 24% in 2005. The increase was mainly due to higher costs of the company's business development, communication with the share market and resources associated with being a listed company. Accordingly, the incremental costs were caused by more staff, an increase in consulting assistance, payment of services from the stock exchange, travel expenses and other expenses. Due to the higher number of staff and other factors, IT costs and rent were higher than in 2005.

Financial income and expenses represented a net income of DKK 5.4 million in 2006 against net income of DKK 0 million in 2005. The change was due primarily to higher interest income from the securities portfolio.

Income taxes amounted to an income of DKK 4.7 million as compared with an income of DKK 14.3 million in 2005. The tax income consists of a DKK 1.5 million reversal of deferred tax concerning the German subsidiary and the recognition of tax refunds for R&D costs in TopoTarget UK in the amount of DKK 3.2 million.

Consolidated balance sheet

Total assets amounted to DKK 430.0 million at 31 December 2006 as compared with DKK 466.8 million at 31 December 2005. The Group's assets consist primarily of licenses and rights, securities and cash, while equity represents the key liability component.

In the 2006 financial year, the company acquired licenses and rights for DKK 11.3 million, as TopoTarget exercised its option to buy the full rights for TOP216 in May 2006.

TopoTarget has strong financial resources consisting of cash deposits, fixed-term deposits and securities that can easily be converted into cash at short notice. At 31 December 2006, TopoTarget's securities, fixed-term deposits and cash deposits totalled DKK 271.6 million, as compared with DKK 298.3 million at 31 December 2005. The Group's capital resources were thus only slightly reduced during the year, primarily because of the cash capital increase in November 2006, and secondly on account of cash receipts in connection with employees exercising warrants, which to a great extent covered the Group's negative cash outflows from operating and investing activities.

Consolidated equity

Equity amounted to DKK 384.4 million at 31 December 2006, against DKK 413.9 million at 31 December 2005. The change in equity consists of net proceeds from the November capital increase of DKK 121.7 million, a capital increase from employees exercising warrants of DKK 14.3 million and the loss for the year of DKK 174.7 million. Also included is the DKK 8.0 million expense concerning share-based payment and adjustment of unrealised net losses on securities in the amount of DKK 1.2 million.

Comparing the actual financial performance with financial guidance

The Group recorded a pre-tax loss of DKK 179.4 million in 2006 against an expected pre-tax loss of approximately DKK 150-170 million, initially forecast at the publication of the annual report for 2005. TopoTarget's cashburn for 2006 amounted to DKK 162.2 million, consisting of cash flows from operating and investing activities excluding the buying and selling of securities, as compared with a projected cash-burn in the range of DKK 140-160 million. The differences are due primarily to higher marketing expenses both in the USA and in Europe, additional costs of developing belinostat and successful development and stronger activity in our clinical programmes.

Parent company financial statements

The parent company recorded a loss of DKK 106.2 million for 2006 compared with a loss of DKK 8.2 million in 2005. The higher loss was due to reduced income in 2006 relative to 2005, significantly higher costs of research and development activities and sales and distribution costs associated with the sales and marketing in Europe of Savene™.

The parent company's equity amounted to DKK 583.0 million at 31 December 2006 compared with DKK 544.0 million at the same time last year. The change in equity consists of net proceeds from the November capital increase of DKK 121.7 million, a capital increase from employees exercising warrants of DKK 14.3 million and the loss for the year of DKK 106.2 million. Also included is the DKK 8.0 million expense concerning share-based payment and adjustment of unrealised net losses on securities in the amount of DKK 1.2 million.

Outlook for 2007

The company successfully launched Savene™ in Europe in 2006 and expects to launch Totect™ in USA during H2 2007. As a result of the fact that TopoTarget is in the early stage of launching Savene™ in Europe and that Totect™ is expected to be launched in the second half of 2007, it is believed that this will lead to expenditure on sales activities exceeding sales income for the year of 2007. The company expects to record a positive trend in the overall earnings in 2007 relative to 2006.

The company intends to increase development activities during 2007, with increased clinical development as well as preclinical development on in house as well as new inlicensed projects. The company's clinical development activities will be concentrated on our projects belinostat as well as Baceca™ and Savicol™.

TopoTarget forecasts a loss before tax in the DKK 200-220 million range for 2007 due to the increased development costs and the expected sales and marketing costs for the launch in the USA.

TopoTarget's cash burn may be higher than the expected pre-tax loss due to an increase in sales activities and the resulting change in working capital.

Treatment of loss

The Board of Directors proposes that the loss for the year of DKK 106.2 million be carried forward to next year

Risk profile and management

A general description of TopoTarget's risk profile is provided in the offering circular dated 9 June 2005, which is available from our website www.topotarget.com.

Risk profile

The company is generally subject to the same conditions as other enterprises in the biotech industry. Drug development is a relatively risky business involving lengthy and costly lead times for new products. There is a risk that one or more of TopoTarget's development programs will not proceed as planned for technical, scientific, commercial or financial reasons. Therefore, there is a high degree of uncertainty as many compounds will never make it through to marketing stage. Set out below is a summary of TopoTarget's main risk areas and a summary of how the company seeks to discourage these risks.

Development and scientific risks

There is generally a risk that a scientific hypothesis cannot be confirmed, that the company's technology, including cancer models, is limited in its application, that inclusion of patients in clinical trials is insufficient and that lack of efficacy and unexpected, serious adverse events are registered on a drug.

Risks related to the market

The development is influenced by the company's capability to attract relevant collaborators, by the progress of competing products and technologies and by the capability of TopoTarget to exploit market potentials.

Risks related to legal requirements

TopoTarget's activities are also affected by legal requirements and changes from health authorities a.o. in several countries. Another risk is TopoTarget's possibility to protect itself in potential patent lawsuits or lawsuits related to commercial rights.

Financial risk

Success of TopoTarget's activities is depending on the company's ability to raise sufficient capital in the market and/or via collaborators.

Foreign exchange risk

TopoTarget is exposed to exchange rate changes in respect of the investment in TopoTarget UK, TopoTarget Germany and TopoTarget, USA. At the time being the company will not perform currency hedging of ongoing cash flows to the subsidiaries.

Interest rate risk

The company's cash holdings consist of deposits held at call and listed securities. The total interest rate risk is insignificant relative to the company's combined operations.

Credit risk

The company's credit risk is estimated to be insignificant relative to the extent of the company's operations.

Risk management

A number of factors concerning TopoTarget and its strategies contribute to reducing the overall risks:

- The company has developed an effective technology with validated tumour models to evaluate the effect of its therapeutics on cancer diseases. TopoTarget has cross-disciplinary and complementary expert teams that continuously evaluate the results of studies with drug candidates and optimise the development process.

- TopoTarget collaborates with several scientific organisations and through the large representation of medical expertise in the company, TopoTarget ensures bridges are built between science and the treatment of patients.

- The company seeks to maintain a broad pipeline to increase the likelihood of obtaining marketing authorisation for its product candidates.

- Many of the drug candidates in TopoTarget's pipeline are based on repurposing of compounds already on the market but targeting other diseases. This means that some of the work involved in demonstrating the safety of the therapeutics has already been performed and approved by physicians and health authorities. Accordingly, these products are more likely to make it to market at a faster pace.

- In October 2006, TopoTarget launched its first product, Savene™, in the European market. Through the marketing of Savene™, TopoTarget has obtained important regulatory experience as well as experience in sales and marketing which can be exploited with regard to future products. TopoTarget expects to roll out the corresponding product, Totect™, in the US market during the second half of 2007.

- TopoTarget is a professional organisation which at all times seeks to keep informed about and comply with all laws affecting the company's activities.

TopoTarget is convinced that the company has no scientific or commercial risks beyond the common risks within the biotech industry.

Employees and organisation

A career at TopoTarget

In 2000, Elisabeth Carstensen started her career in the business that later was named TopoTarget in a temporary position paid by the Danish Cancer Society, and she has been with the company since it all began.

– When the first money started to flow in, making TopoTarget a reality, the champagne corks popped. I am thrilled to have been part of the entire process and to have witnessed the company's growth, including my personal development, Elisabeth says. She has a master's degree in chemical engineering and a Ph.D. and has experienced a lot during her six years with TopoTarget.

– At the beginning, there were not so many of us so we all wore many hats and were offered great opportunities for personal and professional development. Although the company has grown substantially, these opportunities still exist, and I believe that this is a great incentive for many of us to stay with TopoTarget.

Having worked for a couple of years as Head of Synthetic Chemistry in the laboratory, Elisabeth Carstensen was also made responsible for quality assurance in connection with GLP (Good Laboratory Practice) studies following the acquisition of UK-based Prolifix (TopoTarget UK). In 2003, a decision was made to establish in-house production management of one of the compounds in the company's clinical pipeline, and this production was later extended to include other compounds as well. When Elisabeth changed title again in 2004 to Head of Drug Supply, she could no longer also handle the day-to-day lab functions. Recently, she has been deeply involved with the regulatory authorisation process for TopoTarget's first product, Savene™. During her busy and comprehensive career, she even managed to hold one year of maternity leave. Elisabeth's career has of course made room for new colleagues, today taking care of the tasks that she had to "let go of" in the process.

– I have switched from working in a very impulsive environment to a strictly regulated area – GLP, GCP, GMP – but the opportunity to work with many different aspects in the same company has given me an overview and insight into TopoTarget's operations which I believe is valuable to the company as well as to myself. The management is confident that the employees are capable of meeting new challenges, and this trust helps you to evolve.

Elisabeth is a good example of how TopoTarget aims to use the specific skills held by each employee and also to offer its staff the personal and professional development opportunities and the challenges that most people need in their working life today.

Sales force – a new part of TopoTarget

In connection with the launch of Savene™ in Europe, TopoTarget extended its activities considerably by building a sales force, which at the end of 2006 counted 10 out of the

planned total of 15 specialist sales people. The sales representatives cover the major markets in Europe. As TopoTarget is headquartered in Copenhagen, the sales staff in the European markets are located physically a long distance from the company, and TopoTarget is aware of the importance of making the sales representatives feel that, in spite of the distance, they are part of TopoTarget. As the sales staff operates out of six different European countries, the relevant routine administrative assignments have been outsourced, whilst the actual sales work is managed at our Copenhagen headquarters.

Subsidiary in the United States

In addition, 2006 was the year in which we set up a subsidiary in the United States, TopoTarget USA, Inc. New recruitments were made for the subsidiary, and by the end of February 2007 TopoTarget had employed a President, John Parsons, a Vice President of sales and two specialist sales people in the United States. In the process of recruiting sales staff, TopoTarget proved capable of attracting qualified employees from international pharmaceutical companies such as Merck, Johnson & Johnson and Schering Plough Oncology.

Employee warrant programme

As an incentive for employees and in order to strengthen interest in co-ownership of TopoTarget, we have decided to offer a warrant programme to our employees. The most recent programme was exercised in the autumn of 2006 and included a total of 870,000 warrants.

TopoTarget employees in figures

At 31 December 2006, TopoTarget had 105 employees distributed at the headquarters in Denmark, subsidiaries in the UK, Germany and the USA and sales representatives in six European countries. TopoTarget strengthened its human resources in several areas in 2006, creating a total of 22 new positions, an increase of 27% during the past 12 months.

47% of TopoTarget's employees are aged between 35 and 45 years, with an average age of 40 years. Of TopoTarget's staff, 45% are men and 55% are women.

Educational background

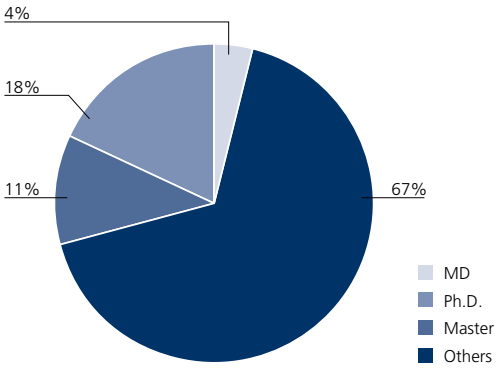
TopoTarget's combined activities require well-educated and highly motivated employees, and 33% of our employees have a master's degree or higher qualification.

The higher number of research projects have resulted in a need for additional experience, so our recruitment activities have centred on adding to our clinical research know-how. The composition of our employees is now considered satisfactory in light of the volume and complexity of the clinical trials we aim to conduct.

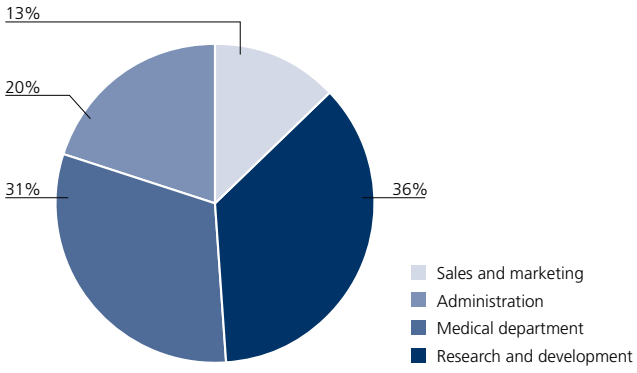
The high level of education in the company also means that the employees have taken part in a number of scientific publications related to the activities of the company. In 2006, a total of 16 articles have been published, all in internationally reputed, scientific journals. See "List of publications" on page 32.

Composition of employees

Educational background



Breakdown of employees by function, year-end 2006



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Board of Directors

Håkan Åström (born 1947)
Chairman of the Board and board member since 2004.
Dr. Åström is the chairman of the boards of directors of Ferrosan A/S, Sanos A/S, Biovitrum AB, Biolipox AB and Orexo AB. He also serves on the boards of directors of the Karolinska Institute. During his career, Dr. Åström has been the managing director of Travenol AB (now owned by Baxter International Inc.), Astra Pharmaceuticals Ltd, UK, and Kabi Pharmacia AB. In his most recent position, Mr Åström was Senior Vice President of Pharmacia Corp., in charge of corporate strategy and communication. Concurrently, he was managing director of Pharmacia AB, Sweden. Mr Åström holds an Honorary Doctorate in Medicine from the Sahlgrenska Academy in Gothenburg, Sweden, and a M.Sc. in Business Administration and Economics from the Stockholm School of Economics. Mr Åström served on the Boards of Directors of Scandinavian Life Sciences Ventures (2001-2006) and Active Biotech AB (2001-2003).

Jesper Zeuthen (born 1947)
Board member since 2000.
Professor Zeuthen is the managing director of the management company BI Technology A/S within the BankInvest Group, seven different venture funds focusing on biotech drug development raised in the period 1998-2006 and with more than 30 portfolio companies in Europe and in the USA, the two companies acting as general partners of these venture funds and Kuros Holding ApS. He was previously Head of Research & Development at Novo Nordisk A/S and Head of Research at The Danish Cancer Society. Professor Zeuthen is Chairman of the Board of Borean Pharma ApS, Vice-Chairman of the Danish Biotechnology Research and Innovation Centre (BRIC) and substitute member of the Board of CMC Biopharmaceuticals A/S. He has previously been a member of the Board of Directors of Genmab A/S (Chairman), Roche Bio Denmark A/S (Chairman), Santaris Pharma A/S (Chairman), Zymenex Holding A/S (Chairman), Fibrogen Europe Oy and BioVision A/S. Professor Zeuthen is the author of more than 200 publications on immunology, cell biology and molecular biology and is an adjunct professor of biotechnology at the University of Copenhagen.

Jeffrey H. Buchalter (born 1957)
Board member since 2006.
Jeffrey Buchalter is currently President and Chief Executive Officer of Enzon Pharmaceuticals, Inc., a U.S. biopharmaceutical company, and serves as Chairman of Enzon's Board of Directors. Mr Buchalter was previously President, CEO and a Board Director of Ilex Oncology, Inc. and Group Vice President and Global Head of the oncology franchise at Pharmacia Corporation. Mr Buchalter has held a number of additional management positions at other major pharmaceutical companies. Mr Buchalter holds a degree in finance from Seton Hall University and a Masters degree in marketing from Temple University.

Anders Gersel Pedersen (born 1951)
Board member since 2001.
Dr. Pedersen is Senior Vice President, Development at H. Lundbeck A/S. Following his degree in medicine and Research Fellow positions at Copenhagen hospitals, Dr. Pedersen worked for Eli Lilly for eleven years; ten of these as a director overseeing world-wide clinical research in oncology, before joining Lundbeck in 2000. At Lundbeck, Dr. Pedersen is responsible for the development of the product pipeline including clinical and pharmaceutical research, regulatory affairs and pharmacovigilance. Dr. Pedersen received his medical degree and a doctoral degree in neuro-oncology from the University of Copenhagen and a B.Sc. in Business Administration from the Copenhagen Business School. Dr. Pedersen also serves on the Supervisory Boards of ALK-Abelló A/S and Genmab A/S (Deputy Chairman).

Ingelise Saunders (born 1949)
Board member since 2004.
Mrs Saunders is CEO of ACE BioSciences A/S and a member of the Board of Alk-Abelló A/S and Scandinavian Life Science Venture AB. For two and a half years, she was the CEO of Celltech Pharmaceuticals in the UK and member of the Board of Celltech Group Plc and prior to that she held a number of top level positions during her 15 years of employment with Novo Nordisk A/S, most recently as Managing Director, Vice President, Europe. Mrs Saunders holds a degree in Pharmacy from the Royal Danish School of Pharmacy and a Bachelor of Commerce degree in Marketing.

Torbjörn Bjerke (born 1962)
Board member since 2006.
Dr. Torbjörn Bjerke became President & Chief Executive Officer of Biolipox AB in January 2004. Dr. Bjerke was previously Executive Vice President R&D at ALK-Abelló A/S, a world leading company within allergy immunotherapy, where he was responsible for building the R&D organisation and pipeline. Prior to joining ALK-Abelló A/S, he was Head of Inflammation Pharmacology at AstraZeneca plc in Lund. In addition, Dr. Bjerke was involved in the establishment of Action Pharma A/S, a Danish biotech company, where he today is on the Board of Directors as Vice Chairman. Dr. Bjerke is also a member of the Board of Directors of DBV Technologies, France and NeuroSearch A/S, Denmark. Dr. Bjerke holds an M.D. from Aarhus University in Denmark.

Peter Buhl Jensen (born 1955)
Board member since 2000.
Co-founder and CEO of TopoTarget. Please refer to "Management".

Management

Peter Buhl Jensen (born 1955)
Chief Executive Officer
Co-founder of the Company. MD University of Copenhagen. Gold Medal, Specialist, internal medicine, PhD in preclinical cancer therapeutics evaluation. Dr. Jensen has 15 years of management experience in cancer research and translational drug development. He previously served as Chief of The Laboratory of Experimental Medical Oncology and is a Consultant Medical Oncologist at The National University Hospital, Copenhagen. Dr. Jensen is a member of the Scientific Committee of the Danish Cancer Research Fund and a member of the Danish Lung Cancer Group. He has published more than 80 papers on cancer and its treatment. Dr. Jensen serves on the Boards of Directors of AntiAnthra ApS, LiPlasome A/S and Symbion Fonden. Dr. Jensen has been employed with TopoTarget since its foundation in 2000.

Maxwell Sehested (born 1950)
Chief Scientific Officer
Dr. Sehested is a co-founder of TopoTarget, MD and board certified in pathology, with a PhD in preclinical cancer therapeutics in the field of multi-drug resistance. He has thus more than 20 years of experience in preclinical anti-cancer drug evaluation. Dr. Sehested was Chairman of The Danish Society of Pathology from 1997 until 2000, before becoming a guest researcher at the National Cancer Institute in the US from 2000 to 2001. Dr. Sehested has published over 100 scientific papers, the large majority of which are in preclinical cancer therapy.

Nicholas La Thangue (born 1957)
Chief Business Development Officer
The scientific founder of Prolifix, now TopoTarget UK Limited, and instrumental in the development of TopoTarget's technologies. Professor of Cancer Biology, University of Oxford. Previously Cathcart Chair of Biochemistry, University of Glasgow and Senior Scientist at the MRC National Institute for Medical Research. Has international recognition for his work on tumour suppressor genes and cell-cycle control. Discovered the E2F transcription factor. Published over 100 scientific papers. Elected member of EMBO 2003. Fellow of the Royal Society Edinburgh.

Leif Hamø (born 1945)
Chief Financial Officer
Mr Hamø joined TopoTarget in 2002 with more than 17 years experience from the financial sector involving funding in consumer finance companies. Most recently he was CEO of AcceptFinance, a Danish Credit Card Company, where he played a key role in the sale of the company to GE Capital. Mr Hamø has also held the position as CFO in AcceptFinance. Mr Hamø is Supervisory Board member in TopoTarget Germany AG and TopoTarget USA, Inc. Mr Hamø has a B.Sc. in Economics and Business Administration, and a Graduate Diploma in Business Administration, Finance, Organization and Management.

Tim Corcoran (born 1953)
Chief Operating Officer
Mr Corcoran was previously CFO of Prolifix, now TopoTarget UK Limited. He has a law degree from Canterbury University, Christchurch, New Zealand (NZ) and practiced as a barrister and solicitor of NZ High Court. He spent four years as General Manager of Brittco Group, the NZ commercial property and light engineering firm. He has also worked for the international firm of accountants Deloitte.

Steven Butcher (born 1959)
Vice President, Corporate Development
Dr. Butcher joined TopoTarget in 2006 with over 15 years experience in the pharmaceutical and biotech industries. He has a Ph.D. in pharmacology and he was a Royal Society University Research Fellow before co-founding the Fujisawa Institute of Neurosciences (Edinburgh, UK) in 1991. Dr Butcher joined Pharmacia and Upjohn AB in 1997 as Head of Biochemistry, and from 1998 was Director of Target Discovery for Pharmacia AB in Sweden. He joined Gemini Genomics (Cambridge, UK) in 2000 as VP, Research, and was CSO for BioImage A/S (Denmark) from 2003-2006.

Annie Rasmussen (born 1957)
Chief Clinical Operations Officer
Ms Rasmussen joined TopoTarget in 2000 and has 15 years of experience from the National University Hospital in Copenhagen in cancer treatment and care, management, education and training, of which six years were dedicated to international clinical research. She served six years as President of the Danish Oncology Nursing Society and is a member of several international cancer care and research organizations. Ms Rasmussen worked for four years with SmithKline Beecham Nordic Oncology Unit as Head of Oncology Marketing in Denmark, Head of Marketing Clinical Trials in Scandinavia and a member of the SKB International Clinical Trials Group. She is founder of Health Creation Danmark.

Thomas Borcholte (born 1956)
Chief Sales Business Development Officer
Dr. Borcholte is an Executive Board Member of TopoTarget's subsidiary TopoTarget Germany AG. He has more than 25 years of international experience in Marketing and Sales and General Management, primarily within the pharmaceutical industry (Wellcome, GlaxoWellcome, Biogen). In addition he is or was involved in companies as follows: since 2002 non active partner/shareholder in documediaS GmbH; since 2003 Chairman of the Supervisory Board and partner/shareholder of Detek AG; since 2006 Board Member of TopoTarget USA, Inc. Dr. Borcholte received his PhD in Biochemistry from the Medical School of Hannover.

Bernd Hentsch (born 1960)
Chief Development Officer
Dr. Hentsch is a co-founder and Executive Board Member of TopoTarget's subsidiary G2M, now TopoTarget Germany AG. He has extensive experience in industry and international academic research, and has held several research positions in Germany and Australia. Dr. Hentsch was previously Deputy Head of Preclinical Oncology at Merck KGaA, in charge of pharmaceutical drug development. He has a PhD in molecular immunology/oncology from the University of Würzburg, Germany.

Anette Heymann (born 1965)
International Sales and Marketing Director
Anette Heymann joined TopoTarget in 2006 and has 15 years of experience in international Marketing and Sales within the pharmaceutical industry (Novo Nordisk, LEO Pharma, Nycomed) where she played an key role in the successful preparation of the international launches of products within surgery, postmenopausal therapy, psoriasis and osteoporosis. Furthermore, she held a position as International Sales and Marketing Manager at LEO Medico (LEO Pharma) responsible for the successful launch of LEO Medico's products. She received her M.Sc. in Pharmacy at DFU and a bachelor degree in International Marketing and Economics (HD-A) at CBU, Copenhagen, Denmark.

John Parsons (born 1947)
President, TopoTarget USA, Inc.
Mr Parsons joined TopoTarget in September 2006. He brings 30 plus years of pharmaceutical commercial experience with concentration in building marketing and sales infrastructures for biotech companies in the USA. Mr Parsons was instrumental in building BASF Pharma (Knoll Pharmaceuticals) from a $10 million dollar business to over $1 billion. He also was instrumental in the development of the outsourcing strategy for the biotech industry highlighted by the CV Therapeutics – Quintiles (Innovex) agreement in 2000. Prior to joining TopoTarget, John founded Parsons Strategic Associates, LLC (2000-2006). The consulting practice supported many biotech companies both strategically and operationally.

Corporate governance

In 2005, the Copenhagen Stock Exchange announced revised recommendations for corporate governance. TopoTarget intends to comply with the recommendations to the extent possible as openness about the company's policies and activities will contribute to creating value and competitive strength for our business, strengthening relations with shareholders, investors, collaboration partners and employees. This annual report forms a significant part of this strategy.

The company considers the combined corporate governance rules and recommendations as a dynamic set of rules as, to the extent necessary, they should be aligned to the future needs and demands of the shareholders and the rest of the stock market and to the needs originating from TopoTarget's operations in the international markets. Communications between the company and its shareholders should be as easily comprehensible and accessible as possible, based on the use of information technology such as an informative and interactive website as described in more detail in "Investor relations" below.

TopoTarget's shareholders, future shareholders and other stakeholders have different requirements in terms of corporate information and rely on the quality of such information. Openness and transparency are therefore pivotal for evaluating the company and its prospects.

As a result, the company's annual report, interim reports and other stock announcements will be available in both Danish and English. The company endeavours to ensure the timely convening of its general meetings, allowing its shareholders and others to consider the issues on the agenda for the general meeting. It is of key importance to TopoTarget that the board of directors maintains an appropriate composition so that board members with a professional background and expertise can act as a constructive, inspiring and controlling sounding board to the company's management.

Members of the board are elected for terms of one year by the shareholders at the annual general meeting upon the board's recommendations. Pursuant to the company's articles of association, a maximum of seven members can serve on the board. The company seeks to ensure that most of the board members are independent of special interests. TopoTarget's CEO Peter Buhl Jensen is a member of the board of directors and is not considered independent.

Remuneration of board members and their shares and warrants in the company, including changes during the financial year:

Board member	Remuneration	Number of shares, year-end	Change in portfolio in the financial year	Number of warrants, year-end	Change in portfolio in the financial year
Håkan Åström	* EUR 50,000	17,000	17,000	157,000	102,000
Jesper Zeuthen	* EUR 35,000	0	0	0	0
Jeffrey Buchalter	* EUR 35,000	0	0	50,000	50,000
Anders Gersel Pedersen	* EUR 35,000	10,000	0	50,600	29,400
Ingelise Saunders	** EUR 25,000	0	0	35,600	15,000
Torbjørn Bjerke	** EUR 25,000	0	0	15,000	15,000
Peter Buhl Jensen	0	*** 682,109	(117,891)	274,000	(58,972)

* Of which EUR 20,000 for committee work

** Of which EUR 10,000 for committee work

*** Indirectly held via AntiAnthra Aps

As part of its duties, the board of directors has set up five committees to do preparatory work for the board of directors: the Remuneration Committee, the Audit Committee, US Commercialisation and Business Committee, EU Commercialisation and Business Committee and Clinical and Regulatory Committee.

The board of directors held 14 meetings, the Remuneration Committee four meetings and the Audit Committee five meetings in 2006. The additional committees held one meeting each within the financial year.

Environmental impact and ethics

TopoTarget focuses on environmental factors related to the development of drug candidates and complies with the biological and chemical rules currently in force.

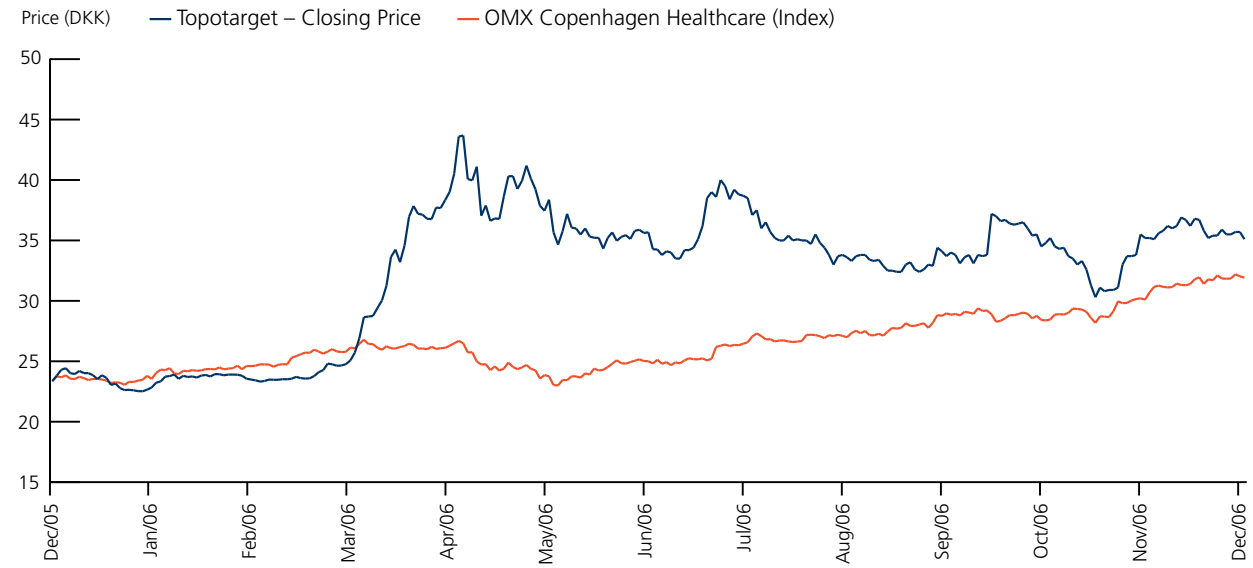
In all of its activities TopoTarget also endeavours to achieve high ethical standards.

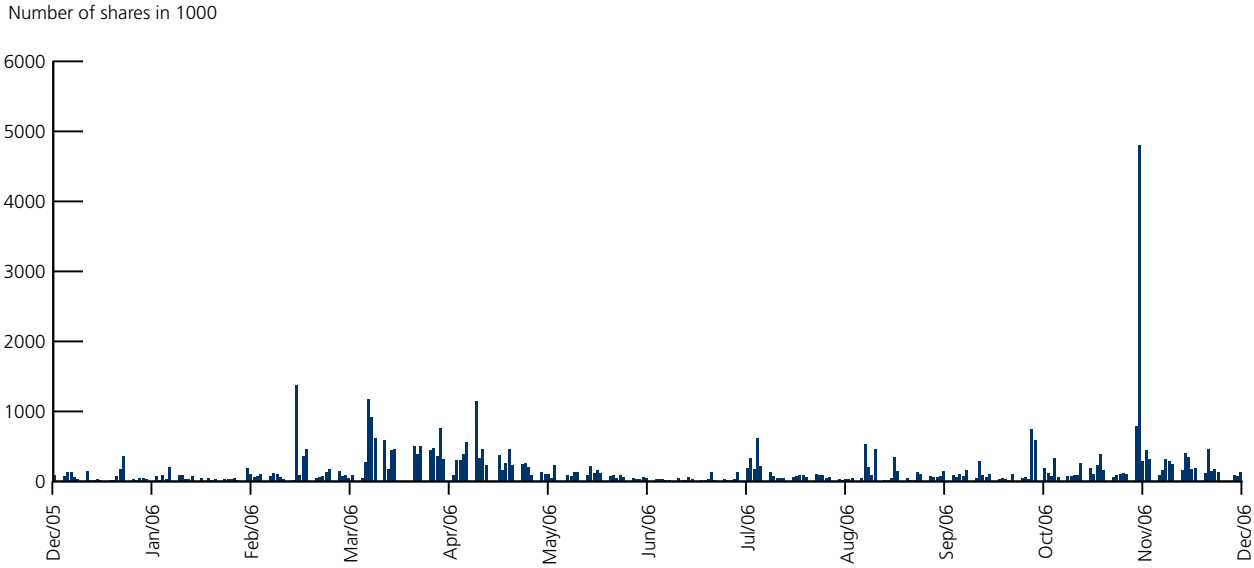
Shareholder information

TopoTarget's shares were listed on the Copenhagen Stock Exchange 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.

The closing price for our shares on 31 December 2006 was DKK 36.20, which was an increase of 55% on the company's share price at year-end 2005.

Absolute and relative price performance and trade volumen





The average daily trading volume for the company's shares in 2006 was 183,930 shares, corresponding to DKK 6.04 million. According to information from the Copenhagen Stock Exchange, this liquidity shows a rate of turnover on a level with the average of similar companies in Denmark, indicating continued satisfactory interest in the company's shares. See development of TopoTarget's share price in the graph on page 40.

Since 1 January 2006, the company has issued new shares on four occasions in connection with the exercise of employee warrants. A total of 1,591,319 shares of DKK 1 nominal value were issued. In addition, TopoTarget carried out a capital increase on 28 November 2006, selling 4,153,170 new shares of DKK 1 nominal value at a price of DKK 30.50 each. The company received net proceeds of approximately DKK 122 million from the capital increase. At 31 December 2006, TopoTarget's share capital stood at DKK 45,684,880, corresponding to 45,684,880 shares of DKK 1 nominal value. The company has only 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

At 31 December 2006, TopoTarget had 5,319 registered shareholders, who hold 78.1% of the share capital. By the end of February 2007, the number of registered shareholders had increased to 5,468.

At 31 December 2006, the company's 20 largest shareholders held 71.8% of the total share capital, and the following investors have informed TopoTarget that they hold more than 5% of the shares:

Aktieselskabet BI Biomedicinsk Udvikling II, Copenhagen
Aktieselskabet P/S Biomedicinsk Venture III, Copenhagen
HealthCap 1999 KB, Stockholm
Pension Danske Noterede Aktier I/S, Copenhagen

IR policy

It is important that TopoTarget maintains honest, open and constant communication lines with its shareholders and with the Danish and international capital markets in general. Listed below are some of the basic principles that guide us in our investor relations activities. TopoTarget publishes all important information via the Copenhagen Stock Exchange. After publication via the stock exchange, the information is submitted to the persons listed in the company's contact database and to major professional investors and analysts, biotech and financial journalists. During the financial year, TopoTarget regularly provides its shareholders with financial and other information, keeping them up-to-date on the company's operations. For each financial year, this regular communication will be in the form of three quarterly reports and an annual report as well a large number of announcements to the stock exchange describing significant development initiatives and company milestones. TopoTarget endeavours to ensure that information published by the company is as unambiguous and precise as possible and comprehensible to all the relevant recipients. The company also ensures that each announcement occurs in the right context so that it is clear to the reader what the relevant news or information implies to TopoTarget and the company's shareholders. In accordance with good communications policy, all news published by TopoTarget will be available under "Investor and Media" on the TopoTarget website immediately after it has been released.

IR activities

TopoTarget's goal in terms of investor relations is to promote awareness and knowledge of the company and its activities among private and institutional investors and analysts both in and outside Denmark and thereby to increase liquidity in the company's shares. The company will aim to maintain and expand its information flows and strive to establish an ever-closer dialogue with its shareholders, investors and analysts in Denmark and abroad. With that in mind, TopoTarget has held several meetings with investors since its IPO – private investors in Denmark as well as institutional investors in Denmark and abroad – and with analysts and other stakeholders. In 2007, the company aims to maintain a frequent flow of information. We will regularly hold meetings with private and institutional investors, and TopoTarget will regularly participate in and present the company at conferences, investor meetings and at other relevant venues.

Financial calendar

In 2007, TopoTarget expects to publish its financial announcements according to the following calendar:

9 May 2007: Financial report for the first quarter of 2007
15 August 2007: Financial report for the first half of 2007
7 November 2007: Financial report for the third quarter of 2007.

The annual general meeting will be held on 11 April 2007 at Axelborg, Vesterbrogade 4A, DK-1620 Copenhagen V, Denmark


LIST OF
SOLVENTS

Shareholder service

TopoTarget offers an e-mail subscription service to everyone interested in receiving direct notification about announcements and press releases and updates on the company's website. TopoTarget encourages all shareholders to subscribe to this service on the company's website www.topotarget.com under "Investor and Media".

IR contact

Investors, analysts, stockbrokers, journalists and other media representatives may direct any queries to:

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Announcements and press releases

During 2006, TopoTarget released 44 announcements and 2 press releases.

Announcement No.	Date	Stock exchange announcement
44-2006	14 December 2006	TopoTarget and CuraGen Announce Expansion of Belinostat (PXD101) Clinical Trial in Cutaneous T-cell Lymphoma (CTCL)
43-2006	12 December 2006	TopoTarget and CuraGen Announce Presentation of Updated PXD101 Phase II Multiple Myeloma Results at ASH
42-2006	28 November 2006	TopoTarget completes fully subscribed placing
41-2006	27 November 2006	TopoTarget A/S increases its Issued Share Capital by means of a Placing to Institutional Investors
40-2006	16 November 2006	TopoTarget and CuraGen Announce Initiation of NCI-sponsored Phase II Clinical Trial of PXD101 for Myelodysplastic Syndrome
39-2006	15 November 2006	TopoTarget establishes TopoTarget USA, Inc. and employs experienced marketeer as President
38-2006	15 November 2006	Interim report for the nine months ended 30 September 2006
37-2006	14 November 2006	TopoTarget and CuraGen Announce Initiation of NCI-Sponsored Phase II Trial of PXD101 for Ovarian Cancer
36-2006	10 November 2006	TopoTarget and CuraGen Announce Updated PXD101 Phase Ib Results Presented at the EORTC-NCI-AACR Symposium
35-2006	2 November 2006	TopoTarget and CuraGen Outlicense Worldwide Rights for Preclinical HDAC Inhibitor
34-2006	26 October 2006	TopoTarget and CuraGen Provide Update and Preliminary data on PXD101 Clinical Development Program
33-2006	5 October 2006	TopoTarget issues warrants to the Board of Directors, Management and other employees
32-2006	14 September 2006	TopoTarget Launches Savene™ Ahead of Schedule
31-2006	1 September 2006	TopoTarget increases its share capital as a result of employee warrant exercise
30-2006	24 August 2006	TopoTarget and CuraGen announce Southwest Oncology Group opens new lymphoma trial with PXD101
29-2006	16 August 2006	TopoTarget increases its share capital as a result of employee warrant exercise
28-2006	16 August 2006	Interim report for the six months ended 30 June 2006
27-2006	10 August 2006	TopoTarget and CuraGen Initiate Clinical Program Evaluating Oral Administration of PXD101 – Phase I trial to establish the dose and frequency for oral PXD101 in patients with advanced solid tumors
26-2006	8 August 2006	TopoTarget and CuraGen Announce Initiation of NCI-sponsored Phase I Clinical Trial of PXD101 and Azacitidine
25-2006	2 August 2006	Savene™ approved in Europe and FDA finds TotectT approvable in the US
24-2006	14 July 2006	TopoTarget and CuraGen Announce Initiation of Phase I/II Trial of PXD101 for Hepatocellular Cancer
23-2006	23 June 2006	TopoTarget announces that as of 22 June 2006, AntiAnthra Aps has traded in the company's shares
22-2006	20 June 2006	TopoTarget and CuraGen Announce Initiation of NCI-sponsored Phase II Clinical Trial with PXD101 for Mesothelioma

Announcement No.	Date	Stock exchange announcement
21-2006	19 June 2006	Report Pursuant to the Danish Securities Trading Act, Section 28a
20-2006	14 June 2006	TopoTarget and CuraGen Announce Initiation of NCI-sponsored Phase I Clinical Trial of PXD101 and Retinoic Acid
19-2006	6 June 2006	TopoTarget and CuraGen Initiate NCI-sponsored Phase II Clinical Trial of PXD101 for Acute Myelogenous Leukemia
18-2006	2 June 2006	EMEA, the European Medicines Agency, recommends that the EU Commission should grant TopoTarget European marketing authorisation for Savene™
17-2006	22 May 2006	TopoTarget finalises purchase of BioImage compounds
16-2006	15 May 2006	Interim report for the three months ended 31 March 2006
15-2006	24 April 2006	TopoTarget announces that the management team will take over the company's investor relations activities when Hanne Leth Hillman leaves the company
14-2006	12 April 2006	FDA grants priority review status to TopoTarget's Application for Approval of Totect (Savene)
13-2006	11 April 2006	Report pursuant to the Danish Securities Trading Act, Section 28a
12-2006	7 April 2006	TopoTarget increases its share capital as a result of employee warrant exercise
11-2006	7 April 2006	Proceedings at the Annual General Meeting and information about changes in the Board of Directors
10-2006	6 April 2006	TopoTarget and CuraGen present encouraging new data on PXD101 at the AACR 97th Annual Meeting
09-2006	4 April 2006	TopoTarget reports promising Phase II trial results with Avugane in acne vulgaris
08-2006	29 March 2006	TopoTarget and CuraGen announce initiation of first NCI-sponsored trial with PXD101
07-2006	22 March 2006	TopoTarget and CuraGen initiate Phase Ib/II trial with PXD101 in combination with Velcade for Multiple Myeloma
06-2006	7 March 2006	TopoTarget announces 2005 results
05-2006	10 February 2006	TopoTarget initiates pivotal Phase II trial with Savicol™ for FAP
04-2006	1 February 2006	TopoTarget and CuraGen initiate Phase II trial with PXD101 for T-cell lymphomas
03-2006	20 January 2006	Report pursuant to the Danish securities trading act, section 28a
02-2006	19 January 2006	Financial Calendar for 2006
01-2006	18 January 2006	TopoTarget increases its share capital as a result of employee warrant exercise
	Date	**Press release**
	2 October 2006	TopoTarget's new antidote for accidental tissue exposure during chemotherapy, Savene™, becomes 'gold standard'
	7 April 2006	TopoTarget Strengthens Commercial Capabilities of Board as Products Near Market

Statement by the Board of Directors and Executive Management

Today, we considered and adopted the annual report for 2006 of TopoTarget A/S.

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

In our opinion, the accounting policies applied are appropriate, and the annual report gives a true and fair view of the Group's and the parent company's assets, liabilities, and financial position at 31 December 2006 and of the results of the Group's and the parent company's operations and cash flow for the financial year ended 31 December 2006.

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

Copenhagen, 14 March 2007

Executive Management

Peter Buhl Jensen
CEO

Board of Directors

Håkan Åström
Chairman

Jesper Zeuthen

Jeffrey H. Buchalter

Anders Gersel Pedersen

Ingelise Saunders

Torbjörn Bjerke

Peter Buhl Jensen

Auditors' report – **Independent auditors' report**

To the shareholders of TopoTarget A/S

We have audited the annual report of TopoTarget A/S for the financial 1 January to 31 December 2006, comprising a statement by the Board of Directors and the Senior Management, management's review, income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including accounting policies, for the Group as well as the parent company. The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

Management's responsibility for the annual report

Management is responsible for the preparation and fair presentation of an annual report in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion

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

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2006 and of their financial performance and their cash flows for the financial year 1 January to 31 December 2006 in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

Copenhagen, 14 March 2007

Deloitte
Statsautoriseret Revisionsaktieselskab

Jens Sejer Pedersen
State Authorised
Public Accountant

Jørgen Holm Andersen
State Authorised
Public Accountant

INCOME STATEMENTS

		Group		Parent	
	Note	2006 DKK '000	2005 DKK '000	2006 DKK '000	2005 DKK '000
Revenue	2	45,730	79,039	29,726	49,143
Production costs	5	(22,308)	(19,306)	(13,647)	(8,045)
Research and development costs	4,5	(129,175)	(85,732)	(71,551)	(38,894)
Sales and distribution costs	5	(29,668)	0	(25,956)	0
Administrative expenses	4,5	(49,439)	(33,805)	(31,753)	(19,776)
Operating loss		**(184,860)**	**(59,804)**	**(113,181)**	**(17,572)**
Financial income	6	7,164	7,042	8,735	15,791
Financial expenses	7	(1,726)	(7,039)	(1,714)	(6,396)
Loss before taxes		**(179,422)**	**(59,801)**	**(106,160)**	**(8,177)**
Tax on profit/(loss) for the year	8	4,710	14,257	0	0
Net loss for the year		**(174,712)**	**(45,544)**	**(106,160)**	**(8,177)**
Basic and diluted EPS in DKK	9	(4,23)	(1,42)	(2,57)	(0,26)

BALANCE SHEETS – ASSETS

		Group		Parent	
	Note	2006 DKK '000	2005 DKK '000	2006 DKK '000	2005 DKK '000
Licences and rights		121,666	127,722	20,021	10.750
Intangible assets	4,10	**121,666**	**127,722**	**20,021**	**10.750**
Other fixtures and fittings, tools and equipment		10,990	8,082	9,520	6,438
Property, plant and equipment	4,11	**10,990**	**8,082**	**9,520**	**6,438**
Investment in subsidiaries		–	–	307,429	227,794
Receivables from subsidiaries		–	–	5,284	28,214
Other receivables		1,136	791	1,136	791
Non-current investments	12	**1,136**	**791**	**313,849**	**256,799**
Non-current assets		**133,792**	**136,595**	**343,390**	**273,987**
Raw materials and consumables		1,439	1,444	1,439	1.444
Finished and saleable goods		245	159	245	159
Inventories		**1,684**	**1,603**	**1,684**	**1,603**
Trade receivables		6,563	1,465	4,855	603
Other receivables		2,081	8,248	1,048	7,420
Income taxes receivable		5,625	8,468	0	0
Prepayments		8,622	12,137	3,752	6,544
Receivables		**22,891**	**30,318**	**9,655**	**14,567**
Securities	13	**133,257**	**267,053**	**133,257**	**267,053**
Cash and cash equivalents		**138,353**	**31,226**	**124,558**	**13,135**
Current assets		**296,185**	**330,200**	**269,154**	**296,358**
Assets		**429,977**	**466,795**	**612,544**	**570,345**

BALANCE SHEETS – EQUITY AND LIABILITIES

		Group		Parent	
	Note	2006 DKK '000	2005 DKK '000	2006 DKK '000	2005 DKK '000
Share capital	14	45,685	39,940	45,685	39,940
Share premium		328,090	364,898	526,702	429,324
Share-based payments	15	10,668	9,115	10,668	9,115
Retained earnings		0	0	0	65,634
Equity		**384,443**	**413,953**	**583,055**	**544,013**
Deferred income tax	8	0	1,485	0	0
Lease commitments	17	780	1,219	780	1.219
Deferred income	18	0	4,378	0	3.195
Non-current liabilities		**780**	**7,082**	**780**	**4,414**
Lease commitments	17	511	550	511	550
Trade payables		33,439	31,352	20,273	10,639
Other payables		6,254	3,495	4,435	3,061
Deferred income	18	4,550	10,363	3,490	7,668
Current liabilities		**44,754**	**45,760**	**28,709**	**21,918**
Liabilities		**45,534**	**52,842**	**29,489**	**26,332**
Equity and liabilities		**429,977**	**466,795**	**612,544**	**570,345**

CASH FLOW STATEMENTS

	Note	Group		Parent	
		2006	2005	2006	2005
		DKK '000	DKK '000	DKK '000	DKK '000
Operating loss		(184,860)	(59,804)	(113,181)	(17,572)
Reversal of share-based payments		8,029	3,236	5,808	3,236
Depreciation, amortisation and impairment losses		20,442	19,196	4,474	5,124
Working capital changes	24	2,000	(10,444)	8,464	(15,474)
Cash flows from operating activities before interest		**(154,389)**	**(47,816)**	**(94,435)**	**(24,686)**
Interest income etc. received		8,332	7,042	9,903	15,791
Interest expenses etc. paid		(1,726)	(3,086)	(1,714)	(2,062)
Refunded income taxes		3,225	0	0	0
Cash flows from operating activities		**(144,558)**	**(43,860)**	**(86,246)**	**(10,957)**
Purchase of intangible assets		(11,276)	(4,051)	(11,276)	(263)
Purchase of property, plant and equipment		(6,184)	(3,656)	(5,673)	(2,436)
Sale of property, plant and equipment		165	2	122	2
Acquisition of subsidiary net of cash	23	0	(4,180)	0	(5,440)
Change of loans to subsidiaries		-	-	(54,484)	(56,692)
Purchase of investments		(345)	(412)	(345)	(412)
Purchase of securities		(46,409)	(287,995)	(46,409)	(287,995)
Sale of securities		180,217	25,784	180,217	20,000
Cash flow from investing activities		**116,168**	**(274,508)**	**62,152**	**(333,236)**
Proceeds from non-current liabilities		0	0	0	0
Instalment on loans		(478)	(13,192)	(478)	(420)
Purchase and sale of own shares		0	0	0	0
Proceeds from the issuance of shares	26	135,995	336,227	135,995	336,227
Cash flows from financing activities		**135,517**	**323,035**	**135,517**	**335,807**
Non-cash transactions	25				
Increase/decrease in cash and cash equivalents		107,127	4,667	111,423	(8,386)
Cash and cash equivalents at 1 January		31,226	26,559	13,135	21,521
Cash and cash equivalents at 31 December		**138,353**	**31,226**	**124,558**	**13,135**
Cash and cash equivalents comprise:					
Deposit on demand and cash		48,308	31,226	34,558	13,135
Special-term deposits		90,045	0	90,000	0
Total		**138,353**	**31,226**	**124,558**	**13,135**

STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity for the period 1 January to 31 December 2006

Group	Number of shares	Share capital DKK '000	Share premium account DKK '000	Share based payments DKK '000	Retained earnings DKK '000	Total DKK '000
Equity at 1 January 2006	**39,940,391**	**39,940**	**364,898**	**9,115**	**0**	**413,953**
Transferred to Retained earnings, beginning of year	0	0	(364,898)	0	364,898	0
Fair value adjustment of available-for-sale financial assets	0	0	0	0	1,178	1,178
Recognised directly in equity	**0**	**0**	**(364,898)**	**0**	**366,076**	**1,178**
Net loss for the year	0	0	0	0	(174,712)	(174,712)
Total net income	**0**	**0**	**(364,898)**	**0**	**191,364**	**(173,534)**
Recognition of share-based payment	0	0	0	8,029	0	8,029
Exercise of share-based payment	0	0	0	(6,476)	6,476	0
Share capital increase through exercise of warrants	1,591,319	1,592	0	0	12,700	14,292
Share capital increase through cash payment	4,153,170	4,153	0	0	117,550	121,703
Other transactions total	**5,744,489**	**5,745**	**0**	**1,553**	**136,726**	**144,024**
Equity at 31 December 2006	**45,684,880**	**45,685**	**0**	**10,668**	**328,090**	**384,443**

Expenses relating to the private placement in November have been deducted in "Retained earnings" in the amount of TDKK 4.964.

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 1 January to 31 December 2005

Group	Number of shares	Share capital DKK '000	Share premium account DKK '000	Share-based payments DKK '000	Retained earnings DKK '000	Total DKK '000
Equity at 1 January 2005	**15,935,904**	**15,936**	**0**	**0**	**(17,714)**	**(1,778)**
Fair value adjustment of available-for-sale financial assets	0	0	0	0	(1,168)	(1,168)
Recognised directly in equity	**0**	**0**	**0**	**0**	**(1,168)**	**(1,168)**
Net loss for the year	0	0	0	0	(45,544)	(45,544)
Transferred to cover loss	0	0	(64,426)	0	64,426	0
Total net income	**0**	**0**	**(64,426)**	**0**	**17,714**	**(46,712)**
Recognition of share-based payment	0	0	0	3.236	0	3,236
Share capital increase through cash payment	5,521,608	5,522	106,078	0	0	111,600
Share capital increase through non-cash payment	4,606,877	4,607	59,918	5,879	0	70,404
Share capital increase through debt conversion	2,361,602	2,361	50,772	0	0	53,133
Share capital increase through IPO	11,500,000	11,500	212,379	0	0	223.879
Share capital increase through excersice of warrants	14,400	14	177	0	0	191
Other transactions total	**24,004,487**	**24,004**	**429,324**	**9,115**	**0**	**462,443**
Equity at 31 December 2005	**39,940,391**	**39,940**	**364,898**	**9,115**	**0**	**413,953**

The cost of listing the company's shares on the Copenhagen Stock Exchange are deducted in the share premium account in the amount of TDKK 34.314.

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.

Parent company statement of changes in equity for the period 1 January to 31 December 2006

Parent	Number of shares	Share capital DKK '000	Share premium account DKK '000	Share-based payments DKK '000	Retained earnings DKK '000	Total DKK '000
Equity at 1 January 2006	**39,940,391**	**39,940**	**428,156**	**9,115**	**66,802**	**544,013**
Transferred to Retained earnings, beginning of year	0	0	(428,156)	0	428,156	0
Fair value adjustment of available-for-sale financial assets	0	0	0	0	1,178	1,178
Recognised directly in equity	**0**	**0**	**(428,156)**	**0**	**429,334**	**1,178**
Net loss for the year	0	0	0	0	(106,160)	(106,160)
Total net income	**0**	**0**	**(428,156)**	**0**	**323,174**	**(104,982)**
Recognition of share-based payment	0	0	0	8,029	0	8,029
Exercise of share-based payment	0	0	0	(6,476)	6.476	0
Share capital increase through exercise of warrants	1,591,319	1,592	0	0	12,700	14,292
Share capital increase through cash payment	4,153,170	4,153	0	0	117,550	121,703
Other transactions total	**5,744,489**	**5,745**	**0**	**1,553**	**136,726**	**144,024**
Equity at 31 December 2006	**45,684,880**	**45,685**	**0**	**10,668**	**526,702**	**583,055**

Expenses relating to the private placement in November have been deducted in "Retained earnings" in the amount of TDKK 4.964.

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.

Parent company statement of changes in equity for the period 1 January to 31 December 2005

Parent	Number of shares	Share capital DKK '000	Share premium account DKK '000	Share-based payments DKK '000	Retained earnings DKK '000	Total DKK '000
Equity at 1 January 2005	**15,935,904**	**15,936**	**0**	**0**	**74,979**	**90,915**
Fair value adjustment of available-for-sale financial assets	0	0	0	0	(1,168)	(1,168)
Recognised directly in equity	**0**	**0**	**0**	**0**	**(1,168)**	**(1,168)**
Net loss for the year	0	0	0	0	(8,177)	(8,177)
Total net income	**0**	**0**	**0**	**0**	**(69,345)**	**(9,345)**
Recognition of share-based payment	0	0	0	3,236	0	3,236
Share capital increase through cash payment	5,521,608	5,522	106,078	0	0	111,600
Share capital increase through non-cash payment	4,606,877	4,607	59,918	5,879	0	70,404
Share capital increase through debt conversion	2,361,602	2,361	50,772	0	0	53,133
Share capital increase through IPO	11,500,000	11,500	212,379	0	0	223,879
Share capital increase through excersice of warrants	14,400	14	177	0	0	191
Other transactions total	**24,004,487**	**24,004**	**429,324**	**9,115**	**0**	**462,443**
Equity at 31 December 2005	**39,940,391**	**39,940**	**429,324**	**9,115**	**65,634**	**544,013**

The cost of listing the company's shares on the Copenhagen Stock Exchange are deducted in the share premium account in the amount of TDKK 34.314.

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 TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

The annual report for TopoTarget including parent and group accounts are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, as well as additional Danish disclosure requirements for the annual reports of listed companies. TopoTarget presents its financial statements in accordance with all applicable IFRS standards.

In connection with the establishment of a sales department and a sales force in preparation for Savene™ sales at the end of 2006, the company decided to re-group its income statement so that it provides a more true and fair view of the Group's operations. Accordingly, cost of sales incurred to generate the revenue is now a separate line item in the income statement "Production costs", and costs incurred for the distribution of goods and services sold are now stated as a separate line "Sales and distribution costs".

The comparative figures for 2005 have been restated accordingly.

Implementation of new and revised standards and interpretations

Change in accounting policies

The annual report for 2006 is presented in accordance with the new and revised standards (IFRS/IAS) and interpretations (IFRIC) which apply for financial years starting on or after 1 January 2006. The implementation of new and revised standards and interpretations in the annual report for 2006 has resulted in changes to accounting policies in the following area:

- Recognition and measurement of financial assets and financial liabilities at fair value through profit and loss.

The effect of the change is described in more detail below.

Recognition and measurement of financial assets and financial liabilities at fair value through profit and loss

In June 2005, the IASB resolved to amend IAS 39, Financial instruments: Recognition and measurement, which resulted in restricted possibilities of recognising fair value adjustments of financial assets and liabilities in the income statement. Under the previous IAS 39 provisions, a company could opt to classify any financial asset and any financial liability as "financial assets or financial liabilities measured at fair value through profit and loss". Under the revised standard, this is possible only if the assets or liabilities either form part of a trading portfolio, if applying the method eliminates or significantly reduces inconsistencies in the recognition and measurement of financial assets and financial liabilities, or if a group of financial assets or financial liabilities or both is managed in accordance with a documented risk management or investment strategy, or a financial instrument contains an embedded derivative that must be separated from the host contract but which cannot be separately measured reliably at fair value.

For the TopoTarget Group, the revised IAS 39 means that the Group can no longer classify its holding of securities at fair value through the income statement, but must classify these securities as being available for sale. The ongoing fair value adjustments of the securities must be recognised directly in equity as opposed to previously when they were taken to the income statement. The Group has implemented the revised IAS 39 with retroactive effect from 1 January 2005 in accordance with the transition provisions of the revised standard, including restatement of the comparative figures for 2005.

The effect on amounts of the change in 2006 was a DKK 1.2 million reduction in income and a DKK 1.2 million increase in income for the comparative year. The change did not have any impact on equity in 2006 or 2005.

The effect of the change on consolidated earnings per share and diluted earnings per share is minus 0.02 in 2006 and plus 0.04 in 2005.

Standards and interpretations in force

The Group has implemented the following interpretations: IFRIC 4, "Determining whether an arrangement contains a lease", IFRIC 5, "Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds" and IFRIC 6, "Liabilities arising from participation in a specific market – waste electrical and electronic equipment". The implementation did not affect the annual report.

The revised IAS 19 Employee benefits did not result in additional information on defined benefit plans as the Group only operates defined contribution plans.

Standards and interpretations not yet in force

At the date of the publication of this annual report, the following new or amended standards and interpretations have not yet entered into force, and are therefore not included in this annual report:

- Revised IFRS 32, Financial instruments: Disclosure and presentation concerning requirements on disclosure about financial instruments, which are transferred to IFRS 7. The revised standard comes into force for financial years starting on or after 1 January 2007.
- IFRS 39, Financial instruments: Recognition and measurement, concerning financial guarantee contracts. The revised standard comes into force for financial years starting on or after 1 January 2007.
- Revised IFRS 4, Insurance contracts, concerning financial guarantee contracts. The revised standard comes into force for financial years starting on or after 1 January 2007.
- New IFRS 7, Financial instruments: Disclosures. The standard comes into force for financial years starting on or after 1 January 2007.
- New IFRS 8, Operating segments. The standard comes into force for financial years starting on or after 1 January 2009. The standard has not yet been adopted for use in the EU.
- New IFRIC 7, Applying the restatement approach in IAS 29 Financial reporting in hyperinflationary economies. The interpretation comes into force for financial years starting on or after 1 March 2006.
- New IFRIC 8, Scope of IFRS 2. The interpretation comes into force for financial years starting on or after 1 May 2006.
- New IFRIC 9, Reassessment of embedded derivatives. The interpretation comes into force for financial years starting on or after 1 June 2006.
- New IFRIC 10, Interim financial reporting and impairment. The interpretation comes into force for financial years starting on or after 1 November 2006. The interpretation has not yet been adopted for use in the EU.
- New IFRIC 11, Group and treasury share transactions. The interpretation comes into force for financial years starting on or after 1 March 2007. The interpretation has not yet been adopted for use in the EU.
- New IFRIC 12, Service concession arrangements. The interpretation comes into force for financial years starting on or after 1 January 2008. The interpretation has not yet been adopted for use in the EU.

Management believes that the application of these new and revised standards and interpretations will not have any material impact on the annual report for the coming financial years, except for the additional disclosure requirements for financial instruments and operating segments that follow from the implementation of IFRS 7 and IFRS 8.

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, 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 recognised 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 recognised 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.

Realised income is recognised in the income statement as and when earned, whereas expenses are recognised as incurred. Value adjustments of financial assets and liabilities are recognised in the income statement as financial income or financial expenses. For assets classified as assets held for sale, unrealised loss and profit is recognised directly to the equity.

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. The acquisition price is 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.

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 recognised 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 recognised as goodwill.

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

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 recognised 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.

Income statement

Revenue

Revenue comprises Savene™ sales and milestone payments and other income from research and development agreements. Revenue is recognised when it is probable that future economic benefits will flow to the company and these economic benefits can be measured reliably. Income from agreements with multiple components and where the individual components cannot be separated is recognised over the period of the agreement. In addition, recognition requires that all material risks and benefits related to the ownership of the goods and services included in the transaction are transferred to the purchaser. If all risks and benefits have not been transferred, the revenue is recognised as deferred income until all components in the transaction have been completed.

Production costs

Production costs comprises costs incurred to generate the revenue. Production costs comprises cost of goods sold, transport costs, cost of inventories, salaries, contributions to pension schemes, costs of share-based payments and other costs attributable to the Group's production activities.

As the Group's pension schemes are defined contribution schemes, the Group has no additional payment obligations.

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 amortisation attributable to the Group's research activities. Research costs are recognised 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 amortisation attributable to the Group's development activities. Capitalisation 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 commercialised and that the future income from the product can cover, not only production costs, distribution costs and administrative expenses, but also development costs.

Development costs are recognised in the income statement as incurred if the conditions for capitalisation of the development costs are deemed not to be met.

As the Group's pension schemes are defined contribution schemes, the Group has no additional payment obligations.

Sales and distribution costs

Selling 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.

As the Group's pension schemes are defined contribution schemes, the Group has no additional payment obligations.

Administrative expenses

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

As the Group's pension schemes are defined contribution schemes, the Group has no additional payment obligations.

Financial income and expenses

These items comprise interest income and expenses, the interest element of finance lease payments, realised gains and losses on marketable securities and realised and unrealised 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 recognised 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 recognised in the balance sheet as calculated tax on the taxable income for the year adjusted for prepaid tax.

The deferred tax charge is recognised 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 crystallise as current tax. Changes in deferred tax resulting from changes in tax rates are recognised in the income statement.

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

Deferred tax assets and liabilities are not recognised 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

Segment reporting

The Group is managed and operated as one business unit. The entire enterprise is managed by a management team reporting to the chief executive officer. No separate business areas or separate business units have been identified in connection with product candidates. The group's adtivities are exclusively in the business segment "Pharmaceuticals for treatment within the cancer area". Revenue segment assets and additions to property, plant and equipment and intangible segment assets are disclosed within the secondary geographical segments. Segment information is provided in accordance with the Group's accounting policies. Segments assets are those operating assets that are employed by a segment in its operating activity and that are either directly attributable or can be allocated to the segment on a reasonable basis.

Transactions between geographical segments are made at market value.

Share-based payment

All warrants granted after 1 January 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 capitalised together with the remaining cost, and the balancing item is recognised directly over equity in reserve for share-based payment. Where warrants are issued as incentive programmes, the compensation cost is charged to the income statement of the 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 formula, taking into consideration to 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 recognised 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. Writedowns are recognised in the income statement.

Licenses and rights

Intangible rights acquired in the form of patents, licenses and other rights including rights acquired in connection with the takeover of subsidiaries are measured at cost and amortised on a straight line basis over the expected economic life of 10 years.

Property, plant and equipment

Other fixtures and fittings, tools and equipment as well as assets held under finance leases are measured at cost 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. In the case of assets produced in-house, cost comprises direct costs for materials, components, third-party suppliers and labour. The cost price of assets held under finance leases is determined as the lower of the present value of future lease payments and the fair value.

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

The carrying amount of 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 recognised in the amount with 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 flows (cash-generating units). Impairment losses are recognised in the income statement under the same items as the associated depreciation or amortisation.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured at cost in the financial statements of the parent company. Where the recoverable amount is lower than cost, the investments are written down to this lower value.

In addition, the cost is written down to the extent that dividend distributed exceeds the accumulated earnings during the period after the takeover date.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The cost of goods for resale, raw materials and consumables includes the purchase price plus transportation costs. The cost of finished goods and work in progress comprises the cost of raw materials, consumables and other manufacturing costs incurred by a sub-supplier.

The net realisable value of inventories is calculated as the expected selling price less completion costs and costs incurred in making the sale.

Other receivables

On initial recognition, other receivables are measured at fair value and subsequently measured at cost according to the effective interest method less provision for impairment. A provision for impairment is recognised when documentation is available that the amount cannot be recovered.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at amortised 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. Realised gains and losses (including realised exchange rate gains and losses) are recognised in the income statement as financial items. Unrealised gains and losses (including unrealised exchange rate gains and losses) are recognised directly in equity. Transactions are recognised on the trade date.

Cash

Cash comprises cash holdings, bank deposits and short-term securities 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 unrealised gains and losses (including unrealised exchange rate gains and losses).

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

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

Provisions

Provisions are recognised when the Group has an existing 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.

Convertible debt instruments

Convertible debt instruments are considered as composite instruments consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated by using a market rate of a corresponding non-convertible debt instrument. The difference between the proceeds from the convertible debt instrument and the fair value of the liability component, equivalent to the embedded integrated option to convert the liability into equity in the Group, is included in equity.

Costs of issuance are allocated between the liability component and the equity component of the convertible debt on the basis of their relative carrying amounts at the date of issue. The part which concerns the equity component is recognised directly in equity.

The interest expense on the liability component is calculated by using the current market rate of a corresponding non-convertible debt instrument for the liability component of the instrument. Any difference between this amount and the amount of interest is added to the carrying amount of the liability. Debt is subsequently measured at amortised cost.

Lease commitments

Lease commitments relating to assets held under finance leases are recognised in the balance sheet under liabilities, and are measured at amortised cost after initial recognition. The interest component of lease payments is recognised in the income statement as a financial expense over the term of the contracts.

Lease commitments relating to assets held under operating leases are recognised in the income statement over the terms of the contracts. Lease payments are recognised 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 amortised cost, applying the effective interest method, to the effect that the difference between the proceeds and the nominal value is recognised 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 recognised 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 flows from operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and the end of the financial year.

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

Cash flows from investing activities comprise 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 flows from financing activities comprise 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 2005", issued by the Danish Society of Financial Analysts, as set out below:

Earnings per share
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 is 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 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.

Management's significant accounting assumptions and estimates

Management's estimates are based on historical experience and other factors, including expectations of future events based on existing events.

No significant estimates have been made that are expected to result in adjustments to the annual report for 2005.

Revenue recognition
Revenue is recognised 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 material risks and benefits related to the ownership of the rights and services included in the transaction are transferred to the purchaser. Income from agreements with multiple components and where the individual components cannot be separated is recognised over the period of the agreement. In addition, recognition requires that all material risks and benefits related to the ownership of the goods and services included in the transaction are transferred to the purchaser. If all risks and benefits have not been transferred, the revenue is recognised as deferred income until all components in the transaction have been completed.

In June 2004, the group entered into a license and collaboration agreement with CuraGen Corporation. The license fee under the agreement involves multiple components that cannot be separated. As a result, only the part of the license fee that corresponds to the period of time the research agreement has been in effect has been recognised in the income statement, while the remaining part is recognised under deferred income.

Capitalisation of development costs
Capitalisation 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 and marketing approvals have been obtained, that costs can be reliably measured and that the technology or the product can be commercialised and that the future income from the product can cover, not only cost of production, sales and distribution and administrative expenses, but also development costs. As none of the company's products have obtained the status required for capitalisation, no development costs had been capitalised at 31 December 2006.

Impairment test of licenses and rights
Licenses and rights consist of the identified licenses and rights recognised in conjunction with the acquisition of TopoTarget UK in 2002, licenses and rights in respect of Savene™ for extravasation acquired in 2004 and licenses and rights recognised in conjunction with the acquisition of TopoTarget Germany in 2005. The carrying amount of licenses and rights is reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may exceed the recoverable amount. Such indication has not occurred.

2. REVENUE

	Group		Parent	
	2006	2005	2006	2005
	DKK '000	DKK '000	DKK '000	DKK '000
Sale of goods	2,018	0	2,018	0
Sale of services	33,488	26,445	20,040	9,827
Milestone payments	10,224	52,594	7,668	39,316
Total	**45,730**	**79,039**	**29,726**	**49,143**

3. SEGMENT INFORMATION

Primary segments

The group's activities are exclusively in the business segment "Pharmaceuticals for treatment within the cancer area".

Secondary segments

The group's revenue is divided into the following geographical segments:

	Revenue	
	2006	2005
	DKK '000	DKK '000
Denmark	7,776	0
EU	1,698	0
USA	36,256	79,039
Total	**45,730**	**79,039**

The group's assets and additions to licenses and rights plus other fixtures and fittings, tools and equipment are divided into the following geographical segments:

	Assets		Additions to licenses and rights plus other fixtures and fittings, tools and equipment	
	2006	2005	2006	2005
	DKK '000	DKK '000	DKK '000	DKK '000
Denmark	299,832	314,337	17,328	3,664
EU	129,929	152,458	132	97,062
USA	216	0	0	0
Total	**429,977**	**466,795**	**17,460**	**100,726**

4. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	Group		Parent	
	2006	2005	2006	2005
	DKK '000	DKK '000	DKK '000	DKK '000
Licences and rights	17,332	16,371	2,005	3,017
Other fixtures and fittings, tools and equipment	3,111	2,563	2,469	1,846
Gain/loss from sale of property and equipment	49	(2)	49	(2)
Total	**20,492**	**18,932**	**4,523**	**4,861**
Allocated by function:				
Research and development costs	19,981	18,351	4,244	4,488
Administrative expenses	511	581	278	373
Total	**20,492**	**18,932**	**4,522**	**4,861**

5. STAFF COSTS

	Group		Parent	
	2006	2005	2006	2005
	DKK '000	DKK '000	DKK '000	DKK '000
Wages and salaries	58,912	37,795	43,337	24,629
Share-based payments	8,029	3,236	5,808	3,236
Pension contributions	5,240	3,732	4,488	2,759
Other social security costs	3,298	2,022	2,203	1,014
Total	**75,479**	**46,785**	**55,836**	**31,638**
Allocated by function:				
Production costs	5,146	4,768	5,146	4,771
Research and development costs	38,479	23,097	29,866	16,172
Sales and distribution costs	6,102	-	5,372	-
Administrative expenses	25,752	18,920	15,452	10,695
Total	**75,479**	**46,785**	**55,836**	**31,638**
Remuneration to Board of Directors*	3,179	1,103	3,179	1,103
Remuneration to Management*	4,267	2,468	4,267	2,468
Average number of employees	**98**	**73**	**69**	**47**

*Of this share-based payments to Board of Directors, TDKK 1.627 and Management, TDKK 722.

6. FINANCIAL INCOME

	Group		Parent	
	2006 DKK '000	2005 DKK '000	2006 DKK '000	2005 DKK '000
Financial income from subsidiaries	-	-	1,536	7,180
Fair value adjustments concerning divested available-for-sale financial assets	0	274	0	274
Other financial income	7,164	6,768	7.199	8,337
Total	**7,164**	**7,042**	**8,735**	**15,791**

7. FINANCIAL EXPENSES

	Group		Parent	
	2006 DKK '000	2005 DKK '000	2006 DKK '000	2005 DKK '000
Exchange rate adjustment of payables and receivables in foreign currencies	357	3,055	248	3,054
Fair value adjustments concerning divested available-for-sale financial assets	806	2,000	806	2,000
Other financial income	563	1,984	660	1,342
Total	**1,726**	**7,039**	**1,714**	**6,396**

8. TAX ON LOSS FOR THE YEAR

	Group		Parent	
	2006	**2005**	**2006**	**2005**
	DKK '000	**DKK '000**	**DKK '000**	**DKK '000**
Current tax	(3,225)	(8,296)	0	0
Adjustment of deferred tax	(1,485)	(5,961)	0	0
Tax on loss for the year	**(4,710)**	**(14,257)**	**0**	**0**
Deferred tax asset	**121,652**	**75,258**	**57,606**	**23,067**
Temporary differences are attributable to the following terms				
Intangible assets	(104,897)	(115,907)	(5,513)	(26,601)
Property, plant and equipment	14,950	12,196	3,930	1,956
Other temporary differences	17,062	30,024	16,990	29,962
Tax losses carried forward	490,285	324,659	190,328	77,066
Total	**417,400**	**250,972**	**205,735**	**82,383**
Tax asset	**121,652**	**75,258**	**57,606**	**23,067**
Tax liability, recognised in Germany	0	1,485	0	0
Tax asset, not recognised	121,652	76,743	57,606	23,067

It is believed that at the present time there is not sufficient evidence that the tax asset can be utilised. It is therefore believed that capitalisation does not meet the requirement for recognition of assets in accordance with the accounting policies applied.

Reconciliation of the changes for the year:

Loss for the period before tax	**(179,422)**	**(45,544)**	**(106,160)**	**(8,177)**
Calculated tax	**(52,216)**	**(13,782)**	**(29,725)**	**(2,290)**
Changes in tax losses carried forward, not recognised	49,528	5,178	31,714	1,959
Changes in tax assets, not recognised	(5,279)	(5,154)	(5,225)	647
Other adjustments, non deductable expenses/income	3,257	(499)	3,236	(316)
Total	**(4,710)**	**(14,257)**	**0**	**0**
Tax rate	2,6%	30,3%	-	-

9. BASIC AND DILUTED EPS IN DKK

Basic EPS

Basic EPS is calculated as the net result of the period's continuing 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 continuing acitvities, attributed to the ordinary shares of the company divided by the weighted average number of ordinary shares adjusted for assumed dilution effect of issued quity instruments like convertible debts and issued outstanding warrants which can be converted to ordinary shares.

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

Basic and diluted EPS are as follows:

	Group		Parent	
	2006 DKK '000	**2005 DKK '000**	**2006 DKK '000**	**2005 DKK '000**
Loss for the year attributable to equity holder of the parent	(174,712)	(45,544)	(106,160)	(8,177)
Weighted average number of ordinary outstanding shares	41,260,562	31,973,878	41,260,562	31,973,878
Basic and diluted EPS	(4.23)	(1.42)	(2.57)	(0.26)

10. INTANGIBLE ASSETS

	Group		Parent	
	2006 DKK '000	2005 DKK '000	2006 DKK '000	2005 DKK '000
Licences and rights				
Cost at 1 January	156,974	59,876	15,100	15,100
Addition on acquisition of a subsidiary	0	92,303		0
Additions	11,276	4,795	11,276	0
Cost at 31 December	**168,250**	**156,974**	**26,376**	**15,100**
Amortisation at 1 January	(29,252)	(12,881)	(4,350)	(1,333)
Amortisation	(17,332)	(16,371)	(2,005)	(3,017)
Amortisation at 31 December	**(46,584)**	**(29,252)**	**(6,355)**	**(4,350)**
Carrying amount at 31 December	**121,666**	**127,722**	**20,021**	**10,750**
The weighted average residual term of licenses and rights is approximately (number of years)	9	8	9	8

Intangible assets are considered to have determinable useful lives over which the assets are amortised, in accordance with the accounting policies set out in note 1.

The useful lives of rights concerning products marketed in 2006 have been re-assessed with effect from 2006 so that amortisation is subquently made over the residual life of the rights.

The re-assessment impacted the net loss for the year in the amount of DKK 1.7 million. The net results for the next three years will also be impacted by an amount of DKK 1.7 million while the next five years will see an impact of DKK (1,3) million.

11. PROPERTY, PLANT AND EQUIPMENT

	Group		Parent	
	2006 DKK ' 000	2005 DKK ' 000	2006 DKK ' 000	2005 DKK ' 000
Other fixtures and fittings, tools and equipment				
Cost at 1 January	15,375	12,016	10,578	8,187
Additions	6,184	3,628	5,673	2,656
Disposals	(265)	(269)	(198)	(265)
Cost at 31 December	**21,294**	**15,375**	**16,053**	**10,578**
Depreciation at 1 January	(7,293)	(4,779)	(4,140)	(2,339)
Depreciation	(3,111)	(2,563)	(2,469)	(1,846)
Depreciation regarding disposals for the year	100	49	76	45
Depreciation at 31 December	**(10,304)**	**(7,293)**	**(6,533)**	**(4,140)**
Carrying amount at 31 December	**10,990**	**8,082**	**9,520**	**6,438**
Carrying amount at 31 December of assets held under finance leases included in the above amounted to	1,291	1,482	1,291	1,482

The company has the right to purchase the assets held under finance leases on expiry of the lease agreement.

12. NON-CURRENT INVESTMENTS

Investments in subsidiary

	Parent	
	2006	**2005**
	DKK '000	**DKK '000**
Cost at 1 January	227,794	57,355
Addition through capital increase in subsidiary	79,635	94,594
Addition on acquisition of a subsidiary	0	75,845
Addition through establishment of subsidiary	0	0
Cost at 31 December	**307,429**	**227,794**
Net impairment at 1 January	0	0
Net impairment at 31 December	**0**	**0**
Value at 31 December	**307,429**	**227,794**

Investments in subsidiaries comprise:

Name	**Ownership interest**	**Share capital**		
TopoTarget UK Limited, UK	100%	930,000 GBP	185,806	151,949
TopoTarget Germany AG, Germany	100%	98,312 EUR	121,623	75,845
TopoTarget USA, Inc., USA	100%	1 USD	0	–
Total			**307,429**	**227,794**

Receivables from subsidiaries

	Parent	
	2006	**2005**
	DKK '000	**DKK '000**
Cost at 1 January	35,850	70,002
Additions	33,837	28,167
Disposals	(57,461)	(62,319)
Cost at 31 December	**12,226**	**35,850**
Net impairment at 1 January	(7,636)	(3,886)
Exchange adjustments etc.	694	(3,750)
Net impairment at 31 December	**(6,942)**	**(7,636)**
Value at 31 December	**5,284**	**28,214**

12. NON-CURRENT INVESTMENTS, CONTINUED

Other receivables	Group		Parent	
	2006 DKK '000	2005 DKK '000	2006 DKK '000	2005 DKK '000
Cost at 1 January	791	379	791	379
Additions	345	412	345	412
Disposals	0	0	0	0
Cost at 31 December	**1,136**	**791**	**1,136**	**791**
Net impairment at 1 January	0	0	0	0
Exchange adjustments etc.	0	0	0	0
Net impairment at 31 December	**0**	**0**	**0**	**0**
Value at 31 December	**1,136**	**791**	**1,136**	**791**

13. SECURITIES

Securities comprise:

		Group		Parent	
		2006 DKK '000	2005 DKK '000	2006 DKK '000	2005 DKK ' 000
Callable loans	DKK	62,290	118,719	62,290	118,719
Non callable loans	DKK	70,967	137,153	70,967	137,153
Non callable loans	EUR	0	11,181	0	11,181
Total		**133,257**	**267,053**	**133,257**	**267,053**
Securities expire:					
Up to one year		15,508	51,204	15,508	51,204
One to five years		13,988	97,130	13,988	97,130
More than five years		103,761	118,719	103,761	118,719
Total		**133,257**	**267,053**	**133,257**	**267,053**

All bonds are mortgage or government bonds with low risk and a fixed nominal interest of between 2 and 10 % p.a. (2005: 3-6% p.a.).

14. SHARE CAPITAL

The share capital consists of 45.684.880 ordinary shares of 1 DKK each.
Each share carries one vote.

Changes in share capital in 2006:

	Date	Total DKK
Share capital	01.01.2006	39,940,391
Shares issue through warrants	18.01.2006	496,860
Share issue through warrant exercise	07.04.2006	236,956
Share issue through warrant exercise	16.08.2006	452,088
Share issue through warrant exercise	01.09.2006	405,415
Share issue through private placement	27.11.2006	4,153,170
Total		**45,684,880**

15. SHARE-BASED PAYMENTS

Warrantprogram 1,2,3,4,5:

For the purpose of motivating and retaining employees and other associated persons, the company has established share option schemes in the form of warrants for shareholders, members of the board and employees/consultants as well as the company's advisors.
The table below shows the extent of the individual programmes that are active in the financial year or the comparative year.

The following share-based payment programmes were in place in the financial or the comparative year.

	Time of issue	Number, incl. bonus warrants	Time of grant	Subscription period – two weeks after the release of interim and annual reports	Estimated fair value DKK'000	Number exercised	Outstanding warrants	Exercise price DKK
Programme 1*	2001	1,199,988	26 March 2003 or later	March and August 2012 and March 2013	N/A	705,036	494,952	8,33
Programme 2*	2003	891,084	26 March 2003 or later	March and August 2012 and March 2013	N/A	399,195	491,889	16,83
Programme 3**	2005, March	452,088	11 March 2005	August and November 2006, March, May, August and November 2007-2012 and March 2013	5,879	452,088	0	1,00
Programme 4	2005, September	576,176	16 September 2005	August 2006 and March and August 2007-2012	5,288	65,000	511,176	24,14
Programme 4	2005, September	500,000	16 September 2005	March and August 2007-2012 and March 2013	4,589	0	500,000	24,14
Programme 5	2006, October	217,500	4 October 2006	March and August 2008-2013 and March 2014	2,692	0	217,500	32,77
Programme 5	2006, October	217,500	4 October 2006	March and August 2009-2013 and March 2014	2,692	0	217,500	32,77
Programme 5	2006, October	435,000	4 October 2006	March and August 2010-2013 and March 2014	5,385	0	435,000	32,77

* The holders have earned complete and final rights.

** Issued in connection with company acquisitions. The holders have earned complete and final rights.

15. WARRANTS, CONTINUED

Under the programmes, each warrant entitles the holder to subscribe for one share against cash payment of the exercise price, as illustrated in the table. All programmes are equity instruments.The warrant programme is conditioned on the warrantholder being employed with or acting as a consultant to the company or being member of the company's Board of Directors. If an employee/consultant/board member resigns, the person in question is obliged to exercise the warrants in the first coming exercise period after the date of resignation.

When issuing bonus shares, the number of shares which can be subscribed in accordance with the warrants is increased proportionally and the subscription price of the shares must be reduced pro-portionally so that the profit potential is retained. The number of shares which can be subscribed must be reduced proportionally and the subscription price has to be increased proportionally if the company reduces the capital by reserves to a special fund, cf. the Danish Public Companies Act, or in cover of loss, cf. section 44 of the Act.

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 warrantowners are entitled to exercise their warrants within 14 days.

In connection with the company's acquisition of the UK Company Prolifix Ltd. (now Topo Target UK Ltd.) in 2002, specific terms for the issuance of warrants to employees in the UK were established.

Concerning employees in the UK, the warrant programme is conditioned on the warrantholder being employed with the Group. If an employee resigns, irrespective of the reason for the resignation, after 1 July 2004, the employee in question will be entitled to exercise his warrants in the first coming exercise period after the date of resignation.

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

	Parent and Group	
	2006	**2005**
Weighted average share price (DKK per share)	32,40	24,36
Weighted average exercise price (DKK per share)	32,77	24,14
Expected volatility (%)	39,85	33,40
Risk-free interest rate (%)	3,72	2,21
Expected dividend payout ratio (%)	0,00	0,00
Period until expiry (number of years)	5	7

In 2006, the expected volatility was calculated based on historic volatility on the share price of the parent company's shares during the period from the IPO in June 2005.

In 2005, the expected volatility was calculated based on historic volatility on the share price of the industry's shares during the period from March 2003 until the end of 2005.

The period until expiry has been calculated on the basis of the most recent possible exercise of the warrant adjusted for expected termination of employment and other causes of non-exercise of the warrants.

15. WARRANTS, CONTINUED

Specification of total outstanding warrants:

	Parent and Group			
	2006	2006	2005	2005
	Number of warrants	DKK '000 Weighted average exercise prices	Number of warrants	DKK '000 Weighted average exercise prices
Outstanding warrants, 1 January	3,589,336	14,24	2,075,472	14,24
Granted in the financial year	870.000	32,77	1,528,264	17,29
Exercised in the financial year	(1,591,319)	8,98	(14,400)	(13,22)
Expired in the financial year	0	0,00	0	0,00
Outstanding warrants, 31 December	**2,868,017**	**22,95**	**3,589,336**	**14,24**

The weighted average remaining contractual maturity was 5.3 years at 31 December and 4.1 years at 31 December 2005.

Of the total outstanding warrants, 1,998,017 are earned and not excersised per 31 December 2006 (per 31 December 2005: 2,061,072).

The share prices at the fall dates of excersise of warrants in 2006 were 23.04 on 18 January 2006, 28.70 on 7 April 2006, 36.00 on 16 August 2006 and 35.50 on 1 September 2006.

The above assumptions were applied in connection with the calculation of the fair value of the warrants being vested.

The following values were recognised for the programmes:

	Group		Parent	
	2006	2005	2006	2005
	DKK '000	DKK '000	DKK '000	DKK '000
Recognised share-based payment, equity schemes	8,029	3,236	5,808	3,236
	8,029	**3,236**	**5,808**	**3,236**

16. FINANCIAL RISKS

The company's policy is to minimize financial risks. The company does not hedge transactions.
Management carefully assesses and monitors the company's currency exposure and interest rate exposure.

Interest risk exposure: The following contractual conditions should be mentioned concerning financial assets and liabilities:

	Group		Parent	
	2006 DKK '000	**2005 DKK '000**	**2006 DKK '000**	**2005 DKK '000**
Intercompany balances	-	-	5,284	28,214
Average interest	-	-	6.0%	6.0%
Cash – demand deposit	48,308	31,226	34,558	13,135
Average interest	2,77%	2,20%	2,95%	1,90%
Cash – fixed-term deposit	90,045	0	90,000	0
Average interest	3,80%	0,00%	3,80%	0,00%
Securities	133,357	267,053	133,357	267,053
Average interest	3,25%	1,42%	3,25%	1,42%

The company assesses the interest risk to be immaterial in relation to the combined activities of the group.

Currency exposure: The company's exposure in foreign currencies at 31 December is stated below:

	Group		Parent	
	2006 DKK '000	**2005 DKK '000**	**2006 DKK '000**	**2005 DKK '000**
Currency Payment/expiry				
Receivables				
GBP 0-12 months	11,869	6,237	1,196	0
More than 12 months	0	0	0	0
USD 0-12 months	1,762	862	3,624	603
More than 12 months	0	0	0	0
EUR 0-12 months	1,771	368	2,682	28,214
More than 12 months	0	0	0	0
Payables:				
GBP 0-12 months	7,538	18,350	678	0
More than 12 months	0	0	0	0
USD 0-12 months	3,381	0	0	0
More than 12 months	0	0	0	0
EUR 0-12 months	6,356	6,675	2,668	0
More than 12 months	0	0	0	0
SEK 0-12 months	1,849	0	20	0
More than 12 months	0	0	0	0
CHF 0-12 months	53	0	53	0
More than 12 months	1,456	0	0	0
CAD 0-12 months	29	0	0	0
More than 12 months	0	0	0	0

The company assesses the currency risk to be immaterial in relation to the combined activities of the group.
Credit risk: There are no material credit risks. Management carefully assesses and monitors the company's credit risks.

17. LEASE COMMITMENTS

The company and the group have entered into finance lease agreements on automobiles and machines for use in the laboratories. The debt concerning these agremments is recognised int the balance sheet. The future minimum payments and the current value can bw specified as follows:

	Group		Parent	
	2006 DKK '000	**2005 DKK '000**	**2006 DKK '000**	**2005 DKK '000**
Minimum lease payment				
Up to one year	565	578	565	578
One to five years	848	1,340	848	1,340
Total	**1,413**	**1,918**	**1,413**	**1,918**
Financing component	(125)	(149)	(125)	(149)
Total	**1,288**	**1,769**	**1,288**	**1,769**
Current value of payments				
Up to one year	511	550	511	550
From one to five years	780	1,219	780	1.219
Total	**1,291**	**1,769**	**1,291**	**1,769**

An average internal rate of interest of 5% is applied on recognition.

The carrying amount of lease commitments generally equals fair value.

18. DEFERRED INCOME

The company has entered into licence and collaboration agreements for research and development of the company's HDACi portfolio. The licence fee is included in a contract with several components and the fee received DKK 30.6 million (USD 5.0 million) is recognised over a period of 36 months from 1 June 2004.

19. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The book value of financial assets and financial liabilities correspond to the fair value of included assets and liablilities.

20. OTHER COMMITMENTS

	Group		Parent	
	2006 DKK '000	2005 DKK '000	2006 DKK '000	2005 DKK '000
A lease agreement has been concluded with notice of termination of 6 months equivalent to	2,067	1,802	2,067	1,802
TopoTarget UK Limited concluded a 10-year lease in 2002 for which TopoTarget A/S is liable in an amount equivalent to	13,810	15,855	13,810	15,855
Lease commitment, operational lease	370	739	8	182
Purchase obligations	7,497	2,475	0	0
Total	**23,744**	**20,871**	**15,885**	**17,839**
Other obligations are due as follows:				
Up to one year	7,461	6,390	4,377	4,158
One to five years	13,832	9,802	9,206	9,151
More than five years	2,451	4,679	2,302	4,530
Total	**23,744**	**20,871**	**15,885**	**17,839**

21. RELATED PARTIES

Related parties include the following:

Group and parent:

Shareholders

Aktieselskabet P/S Biomedicinsk Venture III, Copenhagen

2006 No transactions

2005 Convertible loan for TDKK 10,000 and interest hereon of TDKK 542 converted into 468,546 shares

HealthCap 1999 KB, Stockholm

2006 No transactions

2005 Convertible loan for TDKK 10,000 and interest hereon of TDKK 426 converted into 463,369 shares

The company's Board of Directors and Senior Management

2006 Remuneration and salaries, cf. note 5

2006 Warrants cf. note 15

2005 Remuneration and salaries, cf. note 5

2005 Warrants cf. note 15

2005 Two board members have provided professional consulting assistance and received a total fee of TDKK 30

Other related parties

2006 Related parties to the board of directors and the executive management have received remuneration of TDKK 863 and warrants of TDKK 46.

2005 Related parties to the board of directors and the executive management have received remuneration of TDKK 556 and warrants of TDKK 2.

21. RELATED PARTIES, continued

For the parent company:

The subsidiary TopoTarget UK Limited

2006 Intra-group balance of TDKK 1,195 and interest on the intra-group balance of TDKK 758

2005 Intra-group balance of TDDK 0 and interest on the paid out intra-group balance of TDKK 4.538

The subsidiary TopoTarget Germany AG

2006 Intra-group balance of TDKK 1,150 and interest on the intra-group balance of TDKK 428

2005 Intra-group balance of TDKK 28,214 and interest on the intra-group balance of TDKK 607

The subsidiary TopoTarget USA, Inc.

2006 Intra-group balance of TDKK 2,939 and interest on the intra-group balance of TDKK 0

22. OWNERSHIP

The following shareholders hold more than 5% of the company's share capital:

- Aktieselskabet BI Biomedicinsk Udvikling II, Copenhagen
- Aktieselskabet P/S Biomedicinsk Venture III, Copenhagen
- HealthCap 1999 KB, Stockholm
- Pension Danske Noterede Aktier I/S

23. COMPANY ACQUISITION

There were no acquisitions in 2006.

The conditions of the acquisition G2M Cancer Drugs AG in the comparative year 2005 are set out below:

TopoTarget A/S has acquired all shares in TopoTarget Germany AG. TopoTarget Germany is engaged in the development of cancer pharmaceuticals. From the time of consolidation 25 February until 31 December 2005 TopoTarget Germany's contribution to the consolidated financial results was a loss of DKK 15.1 million which included research and development costs totalling DKK 15.4 million and a reduction of a deferred tax liability of DKK 6.0 million. TopoTarget Germany generated no revenue during the period from 1 January to 25 February 2005. TopoTarget Germany incurred a loss of DKK 4.1 million during the period 1 January to 25 February 2005. Accordingly, pro forma recognition of TopoTarget Germany in the audited consolidated financial statements for 2005 would not impact revenue, but the pre-tax loss would have been DKK 65.1 million.

23. COMPANY ACQUISITION, continued

	Carrying amount of net assets at 25 February 2005 DKK '000	Fair value 25 February 2005 DKK '000
Accquistion price (including acquisition costs of DKK 1.9 million)		75,845
Cash and cash equivalent thereof		(1,260)
Acquisition price excluding cash		**74,585**
The carrying amount of the net assets acquired prior to the acquisition and components of the acquisiton price excluding cash and cash equivalents were as follows:		
Licences and rights	1,058	92,302
Property, plant and equipment	762	762
Receivables	599	599
Marketable securities	5,784	5,784
Cash and cash equivalents	1,260	-
Deferred tax liabilities	0	(7,426)
Other liabilities	(15,595)	(17,436)
Acquired net assets excluding cash and cash equivalents	**(6,132)**	**74,585**
Purchase considerations:		
Shares issued on company acquisition		64,524
Share-based payments		5,879
Cash payments		5,442
Total		**75,845**

24. WORKING CAPITAL CHANGES

	Group		Parent	
	2006 DKK '000	2005 DKK '000	2006 DKK '000	2005 DKK '000
Changes in current assets	7,346	(18,245)	4,831	(13,831)
Changes in current liabilities	(968)	17,696	7,467	6,025
Total	**6,378**	**(549)**	**12,298**	**(7,806)**
Changes in non-current liabilities	(4,378)	(9,895)	(3,834)	(7,668)
Total	**2,000**	**(10,444)**	**8,464**	**(15,474)**

25. NON-CASH TRANSACTIONS

Loans at 31 December 2004, DKK 20.0 milions and loan USD 5.0 million were converted into share capital in 2005.

26. PROCEEDS FROM CAPITAL INCREASES

On 18 January 2006, TopoTarget issued 496,860 new shares in connection with warrantholders exercising warrants.
The cash proceeds amounted to DKK 4,138,844.
On 7 April 2006, TopoTarget issued 236,956 new shares in connection with warrantholders exercising warrants.
The cash proceeds amounted to DKK 3,300,830.
On 16 August 2006, TopoTarget issued 452,088 new shares in connection with warrantholders exercising warrants.
The cash proceeds amounted to DKK 452,088.
On 1 September 2006, TopoTarget issued 405,415 new shares in connection with warrantholders exercising warrants.
The cash proceeds amounted to DKK 6,400,548.
On 28 November 2006, TopoTarget issued 4,153,170 new shares in connection with a private placement.
The cash proceeds amounted to DKK 121,703,169 after decuction of expenses related to the capital increase.

27. FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

	Group		Parent	
	2006	**2005**	**2006**	**2005**
	DKK '000	**DKK '000**	**DKK '000**	**DKK '000**
Deloitte	376	270	265	183
PricewaterhouseCoopers	0	97	0	97
Ernst & Young	119	181	0	0
Total audit	**495**	**548**	**265**	**280**
Deloitte	772	1,924	301	1,767
PricewaterhouseCoopers	327	1,585	327	1,585
Total advice and assistance	**1,099**	**3,509**	**628**	**3,352**

The company's German subsidiary has been audited by Ernst & Young, Frankfurt.
Considering the immaterial impact in 2006 of the American subsidiary, this company has not been audited.

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