ANNUAL REPORT 2009

MANAGEMENT'S REVIEW
Focus on belinostat

Dear shareholder,
Late in February 2010 I joined TopoTarget as the new CEO. Please allow me to briefly introduce myself. I am a French M.D. by background and bring to TopoTarget about 20 years' of international experience in the Pharmaceuticals and Biotechnology field, most of which were spent in Oncology. I have been part of the various global and local teams who launched about 12 Oncology products, half of which are now global blockbusters with sales in excess of USD 1 billion (Neupogen, Gemzar, Glivec to quote but a few of the more successful products). I have also been working on HDACi's (launch of Zolinza® in the US) which is the same class of oncolytics as TopoTarget's belinostat, in my former role as Global Head of Oncology at Merck & Co., Inc. in New Jersey (USA). I then became CEO of a small Biotech company specialising in cancer vaccines and based in the US.

I have joined TopoTarget with the goal of achieving successful commercialisation of belinostat together with our partner Spectrum Pharmaceuticals in the US and, with additional partners, in Europe and Japan. I do believe that belinostat is a potential best-in-class drug candidate with a broad applicability in many cancer indications, such as Carcinoma of Unknown Primary and Non Small Cell Lung Cancer to quote but a few indications in which the compound may be developed, with mid to large size sales potential. Belinostat has an excellent tolerability profile and the ability to be combined with many anticancer drugs. All of this gives an excellent platform for transforming TopoTarget from an R&D based Company into a leading European oncology commercial organisation.

The overall Company strategy is to unlock the potential of belinostat, which is by itself a pipeline within a molecule, through the implementation of its life cycle management.
In February 2010 TopoTarget entered into a partnership agreement with Spectrum Pharmaceuticals Inc., a mid size US based biotech company specializing in development of oncology and hematology products. The deal provides us with a strong financial platform for the global development of belinostat with an up-front payment of USD 30 million and the potential to receive up to USD 320 million by way of milestone payments plus double digit royalties on sales which accounts for the largest component of the deal terms. I look forward to a fruitful collaboration with Spectrum Pharmaceuticals and to initiating additional partnerships around the world.

On 2 March, 2010 we announced the European divestiture of Savene® to SpePharm Holding, BV a specialty pan-European pharmaceutical company dedicated to hospital drugs. Savene®/Totect® reaches out to those patients who accidentally experienced anthracycline extravasations which can cause severe damage and delay in the patients cancer treatment.

The divestiture of Savene® (EUR 5 million plus the value of stock payable on settlement plus a double digit royalty on net sales capped at EUR 1 million) in Europe and the rest-of-the-world outside North and South America, reflects again the continued focus of TopoTarget on the clinical development and commercialisation of belinostat. We are also looking for strategic options for Totect®, the US trademark for the same product, which will remain with TopoTarget and continue to be promoted by the TopoTarget US sales team.

Despite the sustained global financial and economic crisis the Company completed a successful capital raise in July 2009 raising gross proceeds of DKK 132.6 million thanks to visionary investors who supported us and believe in our ability to further build the Company.

The Company's revenue in 2009 was DKK 44.0 million compared with DKK 43.9 million in 2008. The sales income for Savene® and Totect® increased to DKK 39.7 million from DKK 39.1 million in 2008. I am happy to report that the supply disruptions we experienced in the US in 2009 have been resolved. The TopoTarget group recorded a loss before tax and before write-downs, of DKK 121.5 million in 2009 compared to a loss before tax and write-downs of DKK 212.6 million in 2008 and ended the year with cash and cash equivalents of DKK 130.2 million compared with DKK 108.0 million in 2008. By the end of Q1 2010 we anticipate to

have approximately DKK 285 million of cash enabling us to largely fund the life cycle management plan of belinostat.

Let me whole-heartedly thank Professor Peter Buhl Jensen for the great work he has been doing since he co-founded the Company in 2000. He indeed has been instrumental in writing an important chapter in the Company's history as our main product belinostat is now in a phase 3 clinical trial in Peripheral T Cell Lymphomas and - since February 2010 - in a partnership agreement with Spectrum Pharmaceuticals. I would also like to take this opportunity to thank our other employees for their outstanding dedication and professionalism during these times of change. I also would like to thank all the patients who participate in the current clinical studies of belinostat and our investors for allowing us to continue building on a valuable business.

We thus face 2010 with strong confidence. We will be striving for high performance in every department of the Company in order to transform TopoTarget into a leading European oncology biotech company and therefore turning it into a robust and profitable business that will deliver to you - our shareholders - significant returns.

Francois R. Martelet
CEO

TOPOTARGET A/S – OVERVIEW

TopoTarget is an international biotech company formed in 2000 by leading clinical cancer specialists and scientists dedicated to developing ''Answers for Cancer'' and improved cancer therapies. At year end 53 dedicated employees were providing international high level expertise in clinical drug development, cancer research and sales and marketing.

TopoTarget's activities build on extensive knowledge of the mechanisms that cause a healthy cell to develop into a cancer cell. The company's expertise is finding new drugs that work when existing therapies fail utilising highly predictive in vivo and in vitro cancer model technology. The result of this work is a pipeline with drug candidates that target the cancer cells in different pathways and which work independently and effectively when the cells have become resistant to existing drugs on the market. Key targets include HDACi, NAD+, mTOR, FasLigand, HER2, and topoisomerase II inhibitors.

Savene®/Totect® is the first product on the market from TopoTarget's drug discovery technology. This important drug was approved in 2006 and 2007 in Europe and US respectively. Savene®/Totect® is for the prevention of tissue damage caused by extravasation accidents in connection with chemotherapy. Totect® is marketed by the company's own sales specialists in the US. The European rights to, Savene®, were divested in March 2010 as a consequence of the focus to develop and commercialise belinostat.

Belinostat is TopoTarget's lead product in clinical development and it is in its first pivotal trial in Peripheral T-cell Lymphomas (PTCL). Belinostat has demonstrated proof of concept as single agent in treating haematological malignancies and shown positive results in drug-resistant solid tumours where it can be used in combinations with full doses of chemotherapy. In February 2010 TopoTarget entered a development and commercialisation agreement on belinostat in North America and India with Spectrum Pharmaceuticals, Inc.

TopoTarget has further to this a broad clinical and preclinical pipeline of cancer drug candidates with various mechanisms of action from acquired anti-cancer drug programmes and from in house R&D.

FINANCIAL PERFORMANCE – SUMMARY

TopoTarget completed a successful capital raise in July wherein the share capital of the Company was increased by 66,304,510 new shares raising gross proceeds of DKK 132.6 million.

For the year 2009 the Group recorded a loss before tax and before write-downs of certain research and development projects of DKK 121.5 million compared to a loss before tax and before write-downs of DKK 212.6 million in 2008.

In view of the activities carried out during the year, the financial performance is considered satisfactory. In addition a write-down of DKK 21.2 million (2008: DKK 93.5 million) has been made related to certain research and development projects acquired from third parties and recognised in the balance sheet at the time of acquisition. Such write-down does not affect the group cash flow for the year 2009.

TopoTarget's cash and cash equivalents as at 31 December 2009 totalled DKK 130.1 million. On 31 December 2008 cash and cash equivalents totalled DKK 108.0 million. Taking into account the sign-on fee in the Spectrum deal and Spectrum paying 70% of future costs, the sales proceeds from the Savene® sale and existing cash, TopoTarget has sufficient cash resources for at least two to three years, without taking into account potential milestones.

HIGHLIGHTS OF 2009

Promising clinical results with belinostat

Significant achievements have been obtained during the ongoing clinical development of our most advanced anti-cancer drug, belinostat. More than 700 patients have been treated with belinostat and the product has shown an excellent activity, safety and tolerability profile. The ability of belinostat to be combined at full doses with a variety of anti-cancer therapeutic agents is one of belinostat's major competitive advantages over other HDAC inhibitors.

Belinostat, as an intravenous (IV) administration has shown clinical activity as monotherapy with results presented in a phase 2 study in PTCL patients at the 2009 annual conference in American Society of Haematology (ASH). At the 2009 American Society of Clinical Oncology (ASCO) conference, the National Cancer Institute (NCI) of the US also demonstrated belinostat's clinical activity in thymoma, a solid tumour indication for which there are no drugs approved in the US or in the EU. Previously, single agent clinical activity has been shown for belinostat in AML (Acute Myelogenous Leukemia) patients in a Phase 2 clinical trial. ASCO was also the first conference where clinical activity was demonstrated with oral administration of belinostat for the treatment of lymphomas.

The clinical activity observed with IV or orally administered belinostat, in conjunction with an excellent safety and tolerability profile suggest that belinostat could be of benefit to cancer patients through multiple routes of administration.

Since the combination of belinostat and carboplatin and paclitaxel (BelCaP) has shown a safe and well-tolerated profile in a Phase 1 study, the BelCaP combination was tested in a Phase 2 study in ovarian and bladder cancers patients. In both of these patient populations, significant activity was noted, prompting the clinical assessment of the BelCaP regimen in other solid tumour indications where the activity of carboplatin and paclitaxel could potentially be improved with the addition of belinostat. In this regard, the BelCap regimen is currently being tested in a randomised phase 2 global, multi-center trial in cancer of unknown primary (CUP) patients. This trial is being conducted in collaboration with key CUP opinion leaders both in the US and in Europe.

Belinostat has also been clinically tested in combination with: 5-FU (BelFU; for colorectal cancer), dexamethasone (BelDex; for multiple myeloma), doxorubicin (BelDox; for sarcoma), idarubucin (BelIda; for AML); bortezomib (BelBor; for solid tumours/lymphomas) and 5-azacitidine (BelAza; for acute myelogenous leukemia and myelodysplastic syndrome). In all of above trials, full doses of belinostat and anti-cancer drug were well-tolerated when combined, and clinical activity was observed. A new trial testing the combination of belinostat and etoposide and cisplatin in small cell lung cancer (SCLC) has also recently been initiated by the NCI.

The BelFU study further provided interesting data showing the potential for a biomarker approach that could help select patients who could best respond to BelFU treatment.

Savene® / Totect®

The sales income for Savene® and Totect® increased to DKK 39.7 million from DKK 39.1 million in 2008. The supply disruptions experienced in the US in 2009 have been resolved.

After the year end TopoTarget sold the rights to Savene® - please see the section below "Important events after the year end."

Important events after the year end

The following important events have been announced during 2010 so far:

- On 23 February, 2010 - TopoTarget announced a new CEO, M.D. Francois R. Martelet to prepare for the commercialisation of belinostat

- On 2 February, 2010 - TopoTarget entered into a Development and Commercialisation Agreement with Spectrum under which the parties agreed to co-develop and Spectrum to commercialise belinostat in North America and India with a right of first offer for China. Under the terms of the agreement TopoTarget received an upfront payment of USD 30 million (non conditional and non refundable) and the right to receive further payments of up to USD 320 million on the achievement of certain defined development and sales milestones. In addition TopoTarget will receive a double digit royalty on sales of belinostat as well as one million Spectrum shares. Spectrum commits to fund 100% of the costs of the ongoing pivotal PTCL study and TopoTarget will fund 100% of the ongoing phase 2 CUP study. Spectrum and TopoTarget will split the development costs in a 70:30 ratio for future development of belinostat.

- On 2 March, 2010 - TopoTarget entered into an agreement with SpePharm Holding, BV who acquired the rights to Savene® for EUR 6 million. The divestiture funds (EUR 5 million plus the value of stock payable on settlement plus a double digit royalty on net sales capped at EUR 1 million), will be used to fuel the growth of the belinostat clinical development program. The acquisition includes all the Savene® European assets and the transition of the TopoTarget sales team in Europe to SpePharm. Totect®, the US trademark for the same product, will remain with TopoTarget and continue to be promoted by the TopoTarget US sales team.

- On 3 February, 2010 - TopoTarget announced that a notification was received from Försäkringsaktiebolaget Avanza Pension, that Avanza Pension's holdings of shares and voting rights have now exceeded 5% of TopoTarget's total share capital and total number of voting rights

- On 6 January, 2010 - TopoTarget announced that the GOG (The Gynecologic Oncology Group, US) initiated a phase 2 trial evaluating efficacy and safety of belinostat and carboplatin in the treatment of recurrent or persistent platinum-resistant ovarian, fallopian tube or peritoneal cancer. The GOG is receiving support for this trial from the National Cancer Institute (NCI) of the National Institutes of Health (NIH).

CANCER

Facts about cancer

- Cancer represents a very large unmet medical need
- Each year, more than 11 million people around the world are diagnosed with cancer. The World Health Organisation (WHO) projects an increase to 16 million people a year over the next 15 years
- 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
- Cancer is close to overtaking the position of cardiovascular diseases as the disease with the highest mortality rate in the western world
- In the western world, the most common forms of lethal cancer are prostate cancer, breast cancer, lung cancer and colorectal cancer.

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.

Cancer biology is being deciphered

Cancer is not a single disease; rather the term designates 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.

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

Cancer therapy: Combining complementary drugs to achieve maximum cancer cell kill

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 going forward. Cancer cells are genetically unstable and have lost a number of control functions and cytostatics are effective anti-cancer drugs because they exploit these changes. Thereby, cytostatics 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.

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 tumour. This tumour will be resistant to compounds from previous treatments and must therefore be treated with new types of cancer therapeutics. Consequently, there is a 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, sometimes, less toxic cancer therapies. These more targeted therapies are used in combinations with traditional anti-cancer drugs. TopoTarget's approach to developing new and improved cancer therapeutics is based on a conviction that chemotherapy and radiotherapy will remain components in cancer treatment but that these agents by themselves are inadequate because of inherited or acquired drug resistance. The result is a large need and great potential for new and improved non-cross-resistant 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

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 specific anti-cancer drugs.

In 2006 the global expenditure for oncology drugs was USD 44 billion, up from USD 12 billion in 2000 and the expenditure is expected to increase to USD 65 billion by 2010 and USD 72 billion in 2012.

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.

THE CLINICAL TRIAL PROCESS

TopoTarget has allocated most of its resources on drugs in the clinical trial process. All clinical trials must be conducted by qualified investigators in accordance with Good Clinical Practice's (GCP) regulations. Clinical trials are typically conducted in three and sometimes four sequential phases that however often overlap or are combined and are as follows:

Phase 1

The drug candidate is initially introduced into healthy human volunteer subjects or patients with the disease. These studies are designed to determine the safety and side effects associated with increasing dosages, absorption, metabolism, distribution and excretion, pharmacologic and mechanism of action of the drug candidate in humans, and, if possible, to gain early evidence of effectiveness. Sufficient information about a drug candidate's pharmacokinetics and pharmacological effects should be obtained to permit the design of well-controlled, scientifically valid, Phase 2 studies.

Phase 2

Involves clinical studies conducted to evaluate the effectiveness of the drug candidate for a particular indication in patients with the disease or condition under study and to determine the common short-term side effects and risks associated with the drug candidate. These studies are typically closely monitored and conducted in a relatively small number of patients, usually involving no more than several hundred patients.

Phase 3

Phase 3 trials are performed after preliminary evidence suggesting effectiveness of the drug candidate has been obtained, and are intended to generate additional information about the drug candidate's effectiveness and safety that is required to evaluate the overall benefit-risk relationship of the drug candidate and to provide an adequate basis for labelling. The studies may include anywhere from several hundred to several thousand subjects.

Phase 4

Phase 4 trials are undertaken after a drug has been shown to work and has been granted a marketing authorisation. These trials look at drugs that are already available for doctors to prescribe, rather than new drugs that are still being developed. The main reasons for running phase 4 trials are to find out more about the side effects and safety of the drug, what the long term risks and benefits are and how well the drug works when it's used more widely than in clinical trials.

The phases above are the classical description of the development phase of a drug. However many varieties are practiced.

In the US companies can apply for a marketing approval for a product in pivotal phase 2 (i.e. classical phase 2 design) also referred to as development phase 3.

MARKETED PRODUCTS

Savene® /Totect® – a topoisomerase II inhibitor for the prevention of tissue damage caused by extravasation

On 2 March, 2010 after the year end TopoTarget announced the European divestiture of Savene® to SpePharm Holding, BV and reconfirms the focus to develop and commercialise belinostat. The divestiture of Savene® in Europe and the rest of the world outside of North and South America reflects the continued focus of TopoTarget on the clinical development and commercialisation of belinostat. The divestiture funds (EUR 5 million plus the value of stock payable on settlement plus a double digit royalty on net sales capped at EUR 1 million), will be used to fuel the growth of the belinostat clinical development program. Totect®, the US trademark for the same product, will remain with TopoTarget and continue to be promoted by the TopoTarget US sales team while strategic options are being further considered.

Savene®/Totect® is the only proven and approved antidote to treat anthracycline extravasation. Currently there are no other drugs marketed which are indicated for the treatment of anthracycline extravasations. Savene®/Totect® was granted Orphan Drug status in Europe in 2001 and in the US in 2004. This status secures market exclusivity for ten years from approval in Europe and seven years in the US unless a more effective treatment alternative is launched.

The market for Savene®/Totect® consists of oncology and haematology clinics which should place the Savene®/Totect® kit in stock locally in the event of an extravasation accident. Patients experiencing the tragedy of an anthracycline extravasation must be treated witin 6 hours with Savene®/Totect® as stated in the product approvals.

DRUG PROGRAMMES

Histone deacetylase inhibitors (HDACi)

Chromatin and cell cycle control

DNA, the substance within the human cell that contains the cell's genes, or 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 by enzymes called histone acetylases. This modification loosens the interaction of the histones with the DNA and allows active gene expression.

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. Inhibiting HDACs will promote acetylation and thus gene expression, which might lead to reactivation of tumour suppressor genes.

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 HDACi therapeutics induce growth arrest and apoptosis (cell death) and thus halt inappropriate cell proliferation.

Belinostat (PXD101)

Belinostat – an HDAC inhibitor for the treatment of blood malignancies and solid tumours – 2009 a year with significant value creation

Belinostat is TopoTarget's lead clinical candidate under pivotal clinical development (trial aimed for regulatory approval) in partnership with California-based Spectrum Pharmaceuticals Inc. Belinostat is a class I and II HDAC inhibitor for the treatment of both solid tumours and haematological malignancies. In preclinical studies, belinostat has shown broad anti-tumour activity on cancer cell lines including chemotherapy-resistant cell lines from various tumour types. In addition, synergy with multiple anti-cancer drugs has been demonstrated with: platinum compounds (e.g. cisplatin, carboplatin, oxaliplatin), taxanes (e.g. paclitaxel, docetaxel), anthracyclines (e.g. doxorubicin, idarubicin), fluoropyrimidines (e.g. 5-FU), antifolate (e.g. pemetrexed), and targeted anti-cancer agents (e.g. erlotinib, gefitinib, trastuzumab, and bortezomib). Combination therapy with drugs having different mechanisms of action is used in order to attack the cancer cell and potentially increase response rates.

Belinostat administered by short (30-minutes) or continuous (48-hours) intravenous infusion, or orally, as monotherapy, or in combination with standard anti-cancer drugs is included in a development program encompassing 18 ongoing clinical studies now run by TopoTarget, Spectrum Pharmaceuticals Inc. and NCI, US. Experience from the early clinical development of belinostat, mostly including patients with advanced, extensively pre-treated disease, show anti-tumour activity (in solid and haematological malignancies) and significant disease control (i.e. a significant number of patients remained on treatment longer than on their prior line of therapy).

In the belinostat clinical development program, more than 700 patients have been treated. Belinostat has been shown to have an excellent safety and tolerability profile as monotherapy by intravenous and oral administration. In addition, multiple combination regimens using IV-administered belinostat have been established in order to enable phase 2/3 clinical development; e.g. belinostat +: 5-FU (BelFU; for multiple solid tumour types such as breast and colon cancer), dexamethasone (BelDex; for multiple myeloma), doxorubicin (BelDox; for sarcoma), idarubucin (BelIda; for AML); bortezomib (BelBor; for solid tumours/lymphomas), 5-azacitidine (BelAza; for acute myelogenous leukemia and myelodysplastic syndrome), and carboplatin and paclitaxel (BelCaP; for multiple solid tumour types).

Belinostat in pivotal phase in PTCL – fast to market strategy

TopoTarget dosed the first patient in the first pivotal study using belinostat in 2009. Belinostat for the treatment of relapsed or refractory peripheral T-cell lymphoma (PTCL) was granted FDA Orphan drug status in September. Orphan drug designation offers incentives such as a 7 year market exclusivity on drug sales upon market approval and other advantages including a wide range of financial and regulatory benefits. TopoTarget and its partner Spectrum also have a Special Protocol Assessment (SPA) agreement for the pivotal PTCL study and a Fast Track agreement with the FDA. The ongoing pivotal study (the BELIEF study) aims to recruit approximately 120 PTCL patients with expected filing of a New Drug Application (NDA) in 2011.

In March 2009, a positive update in the Phase 2 study with belinostat in PTCL patients was presented at an international Lymphoma meeting in Bologna, Italy. In December 2009, positive results from the study with belinostat was presented at the 51st Annual Meeting of American Society of Haematology (ASH) in New Orleans, US. Belinostat was given as monotherapy 1000 mg/m2/daily for 5 days every 3 weeks for the treatment of Peripheral T-Cell lymphoma (PTCL) and Cutaneous T-Cell lymphoma (CTCL). The recruitment was finalised and the study enrolled a total of 53 patients including 19 and 29 evaluable patients with a diagnosis of PTCL and CTCL, respectively. Please find below a table summarising this important clinical trial.

	Population	Prior systemic treatments, median	Stage III or IV disease	Response rate	Disease control rate	Duration of response rate, months median	Duration of disease control rate, months median
PTCL	19	2	81%	6 (32%)	10 (53%)	+8.9	+4.4
CTCL	29	3	18%	4 (14%)	18 (76%)	+9.1	+1.5

Response rate is according to the RECIST criteria (Response Evaluation Criteria In Solid Tumours) and includes complete responders (CR) and partial responders (PR). Stable disease, includes CR, PR and stable disease (SD) patients.

Three PTCL patients with CR/PR, had not yet experienced progressive disease and thus median durations of CR/PR can increase even more with longer follow-up time. Initial data from this study led TopoTarget to initiate its pivotal study in PTCL.

One CTCL patient with CR and five patients with SD had not yet experienced progressive disease and thus median duration of SD can increase even more with longer follow-up time. The short time to response noted in patients with CTCL, median 16 days (range 14-35 days), is a promising finding. In addition, significant pruritus relief was seen in 7 out of 15 pruritus-evaluable patients (i.e. patients with significant pruritus at baseline). The time to significant pruritus relief was from 13-154 days, median 46 days.

The conclusion from the study was that belinostat monotherapy at 1000 mg/m2/daily for 5 days in a 3-week cycle is safe and well-tolerated in previously treated patients with PTCL and CTCL, with the most frequent any grade drug related adverse event being: nausea (50%), injection site reaction (14%), vomiting (24%), anorexia (6%) and fatigue (10%). Belinostat had only mild hematological toxicity (no grade 4 shift from baseline anemia, neutropenia or thrombocytopenia, and grade 3 was only 4% for neutropenia, 2% for thrombocytopenia, and 0% for anemia) and a minimal impact on cardiac conductivity e.g. no grade 3 QTc-prolongation was noted in approximately 700 ECGs analysed by a central laboratory. This toxicity profile with mild or no bone marrow toxicity is an advantage over competing HDACi compounds.

BelCaP combination in ovarian cancer

Beside the pivotal PTCL program described above, the most important current development is the extensive evaluation of the belinostat, carboplatin and paclitaxel (BelCaP) combination. The basis for BelCaP development originated in a phase 1 study from which final results were presented at the European Society for Medical Oncology (ESMO) meeting in Stockholm, Sweden, 2008. The study established a BelCaP regimen of belinostat at a standard monotherapy dose (1000 mg/m2 administered as a once daily 30-minute intravenous infusion on days 1-5 of 3-week cycles) in combination with carboplatin and paclitaxel, also at standard doses (delivered on day 3 of each treatment cycle), to have a safety and tolerability profile consistent of that observed with carboplatin/paclitaxel alone.

Among the 23 treated patients in phase 1, encouraging clinical activity was observed in patients that had previous extensive treatment; two partial remissions were documented in rectal and in pancreatic cancer, a complete CA125 response was observed in a patient with ovarian cancer, and multiple long stabilisations of disease, including study treatment for more than 28 cycles in patients with different tumour types (e.g. carcinoma of unknown primary site and bladder cancer).

Phase 2 data on BelCaP in patients with previously treated ovarian cancer were presented at the ASCO Annual Meeting in Chicago, IL, US, at the Biennial Ovarian Cancer Research Symposium in Seattle, WA, US, and at the ESMO meeting in Stockholm, Sweden in 2008. In total, 35 patients (14 patients with platinum-sensitive and 21 patients with platinum-resistant disease) with ovarian cancer who all had prior platinum-based therapy were treated with BelCaP. In the entire population, overall response rate was 57% (in intent to treat population using RECIST critieria with eligible CA125 baseline). Interestingly, the overall response rate in the subgroup of 21 platinum resistant patients (those patients whose cancer recurs after initial platinum-based therapy within 6 months) was 38% with a median progression-free survival (PFS) of 5.5 months (range 0.8 - 16.3 months). In 11 separate GOG studies in platinum resistant patients, the average objective response and median PFS across all studies was 14% and 3 months, respectively. These data led the Gynecologic Oncology Group (GOG), US with support of the NCI to initiate (in January, 2010) a phase 2 trial with belinostat in combination with carboplatin (BelCar) in platinum resistant ovarian cancer patients.

BelCaP in a randomised phase 2 study in Cancer of Unknown Primary site (CUP) – building a significant market potential

In April 2009, TopoTarget announced that together with key CUP opinion leaders in the US and in Europe, it had dosed the first patient in a open label randomised clinical trial comparing BelCaP vs. CaP in CUP patients. The trial design will test the hypothesis that belinostat can improve the progression free survival in CUP patients. The BelCaP data generated in ovarian cancer patients as described above, and the fact that carboplatin + paclitaxel is a standard of care in treating CUP patients is the rationale for determining if belinostat can improve the clinical activity observed with carboplatin and paclitaxel. Furthermore, there is currently no approved drug for the CUP indication, thus giving TopoTarget an unprecedented opportunity to achieve a drug approval in a large solid tumour indication.

In the CUP study approximately 88 previously untreated CUP patients are randomised to receive treatment in either of two study groups:

Group A: belinostat (1000 mg/m2) administered as a 30 minute IV infusion once daily on days 1, 2 and 3, followed by belinostat 2000 mg (flat dose) administered orally once daily on days 4 and 5, every 3-weeks, in combination with paclitaxel (175 mg/m2) administered as an IV infusion following the infusion of belinostat on cycle day 3, and carboplatin (AUC 6) administered as an IV infusion directly after the paclitaxel administration on cycle day 3. After 6 cycles of treatment, patients will continue treatment on belinostat monotherapy at a dose of 750 mg (flat dose) administered orally once daily on days 1 to 14, every 3 weeks until disease progression or treatment-related toxicities.

Group B: paclitaxel (175 mg/m2) administered as an IV infusion directly followed by carboplatin (AUC 6) administered as an IV infusion on cycle day 1 of a 3-weekly cycle.

Patients with documented progressive disease will be taken off study treatment at time of progression and may be offered 2nd line treatment. Toxicity will be monitored continuously during study treatment and 30 days following last study drug administration. Safety will be assessed by adverse events and laboratory tests, graded according to the NCI CTC (Common Toxicity Criteria). Survival follow-up will be carried out every 3 months for the initial 2 years, and then every 6 months until 5 years from the start of study treatment. The purpose of the trial is to provide an estimate of the hazard ratio of treatment effect, with the primary study endpoint being progression free survival (PFS), due to the combination of belinostat with carboplatin and paclitaxel (BelCaP).

Belinostat oral formulation – in solid tumours and lymphomas - as monotherapy and maintenance when added to IV belinostat

At the 2009 ASCO conference in May/June, data from a phase 1 open label, dose escalation, multi-center study, using oral belinostat in either lymphoma or solid tumour patients was presented. For lymphoma patients, the study objectives were to determine safety and dose limiting toxicity (DLTs) for oral belinostat in patients with relapsed/refractory lymphoma and to assess preliminary efficacy. Belinostat treatment was given on days 1 to 14, once daily every 21 days with doses escalated in steps of 250 mg from 750 mg to 1500 mg.

Fifteen patients, median age 53 have been treated. Most common lymphoma types are mantle cell lymphoma (33%), Hodgkin's disease (33%) and cutaneous T-cell lymphoma (13%). Most frequent related adverse events were anorexia, diarrhea, fatigue, and vomiting, similar to what has been observed from other studies of belinostat. Hematological toxicity has been mild. The patients had in general been treated with multiple prior lines of therapy (median 4 (range 1-12)). Stable disease (SD) was observed in 7 of 10 extensively pre-treated evaluable patients, including 3/3 patients with mantle cell lymphoma, 3/4 patients with Hodgkin's disease, and one patient with cutaneous T-cell lymphoma (previously progressing on

vorinostat). Median treatment duration for patients with SD is currently +77 days (range 62 to +282 days; 3 patients are ongoing). Tumour shrinkage of 43 % to 49% has been observed in 1 patient with Hodgkin's disease and 2 of 3 evaluable patients with mantle cell lymphoma after two cycles of therapy (first assessment time point).

The conclusion was that oral belinostat can be delivered safely to lymphoma patients in doses that are higher than the maximum tolerated dose for patients with solid tumours. Dose level at the time of announcement was 1500 mg daily with 5 patients still ongoing. Despite extensive pre-treatment, 7 of 10 evaluable patients have achieved stabilisation of disease for up to nine months. Early onset of tumour shrinkage was also seen in patients with Hodgkin's disease and mantle cell lymphoma. It was also concluded that the acceptable safety profile and early tumour shrinkage noted warrants continued evaluation of belinostat in lymphoma, as monotherapy or in combination with other active compounds.

In addition, data was presented from a dose escalating phase 1 study to assess safety, pharmacokinetics (PK) and efficacy of belinostat given as oral monotherapy in three different schedules (A) continuous daily dosing; (B) daily dosing on days 1-14 every 3 weeks; C) daily dosing on days 1-5 every 3 weeks in patients with solid tumours. Ninety two patients (median age 59) have been included in the study. Major cancer types included colorectal (21%), prostate (16%), bladder (11%). Most frequent related adverse events (AEs) were fatigue (54%), nausea (52%), anorexia (40%), vomiting (32%), diarrhea (29%). These AEs are similar to those observed in other studies of belinostat. Hematological toxicity was mild. The patients had in general been treated with prior multiple lines of therapy median 3 (range 1-11).

Recommended dose for schedules: A) 250 mg once or twice daily, B) 750 mg daily, with option for intra-pt dose escalation if limited toxicity. and C) 2000 mg daily, also with option for intra patient dose escalation if limited toxicity.

The conclusion was that tumour growth control (SD) had been reached in 48 patients (64% of the 75 evaluable patients) and the duration was 3 months or more in 15 patients including those with adenoid cystic cancer (stable disease for 710 days), bladder cancer (stable disease for 510 days) and renal cancer (stable disease for 485 days). Furthermore it was concluded that oral belinostat can be delivered safely in multiple schedules. The safety profile and long stabilisations in multiple tumour types makes oral belinostat an interesting option for further evaluation as a monotherapy and in combination with chemotherapy. Of note is that the oral formulation of belinostat is also being tested in combination as part of the BelCaP-regimen in the above described randomised phase 2 study in patients with CUP.

Belinostat in liver cancer

The initiation of the phase 2 NCI-sponsored study (please also see page 21 under "Collaboration Partners") in liver cancer patients was announced in January 2009. The phase 1 part of the study including patients with previously untreated or once treated hepatocellular (liver) cancer had been completed and the phase 2 portion is now using belinostat as a single agent at doses of 1400 mg/m2/day (most frequent dose previously used has been 1000 mg/m2/day), days 1-5 in a 3-week cycle. The phase 2 portion of the trial has been initiated at sites in Hong Kong, Korea, Australia and the US.

Belinostat in thymoma

At the ASCO conference in May/June 2009 the NCI presented data from a phase 2 study of belinostat monotherapy in patients with recurrent thymoma or thymic carcinoma, progressing after platinum-based chemotherapy. The patients were required to have measurable disease, PS 0-2 and normal organ functions. Belinostat was given as a 30-minute intravenous infusion

at 1000 mg/m2 once daily on days 1 to 5 of a 21-day cycle until disease progression or intolerable side effects were noted. For patients who had received more than 12 cycles of therapy, belinostat was administered every 28 days.

Thirty two patients with thymic malignancies have been enrolled at 2 institutions; 18 patients were males. The median age is 53.5 years (range is 24-84); 21 thymoma and 11 thymic carcinoma patients were enrolled. The mean number of prior regimens was 3 (range was 1-10). Nineteen patients underwent prior tumour resection and 4 had myasthenia gravis. A median of 4 cycles of belinostat was administered (range was 1-20+). Treatment was well tolerated with nausea being the most common side effect, and this AE could be managed with prophylactic antiemetics. Twenty seven patients were evaluable for response: 2 had a partial response (13, 13+ months), 15 had stable disease (3-15+ months) and 10 had progression. No responses were seen in 10 evaluable patients with thymic carcinomas.

Correlative markers of activity in blood and tumour were performed. Tubulin and lysine protein acetylation was generally observed in peripheral blood one hour after belinostat infusion on day 3 of the first cycle. In 9/9 patients analysed for acetylated lysine at baseline and 1 hour post-infusion on day 3 of the first cycle, a response of between 2.2-fold and 10.4-fold over baseline was observed. In 5/5 patients analysed at the same time points for acetylated tubulin, a response of between 2.1-fold and 8.9-fold over baseline was observed. Other correlative markers are being analysed. It was concluded that belinostat has activity in patients with recurrent or refractory thymoma. The thymoma cohort has been expanded to the second stage of the study and enrolment is ongoing.

Belinostat in combination with 5-Azacitidine in AML and MDS patients

At ASCO 2008, data from an NCI-sponsored evaluation of belinostat in combination with 5-azacitidine (BelAza) in AML/MDS was presented. Among 21 evaluable patients encouraging activity was noted, including two complete and one partial remission, four haematological improvements, and improved platelet counts at 4 weeks observed in one-third of the patients. The conclusion from the NCI investigators was that the BelAza combination was feasible and well-tolerated with full doses of both drugs able to be administered. As announced in January, 2009 the study has transitioned into a randomised phase enrolling additional patients with AML/MDS who will receive treatment with either 5-azacitidine (n=9) or BelAza (n=9). Pharmacodynamic endpoints will be evaluated to determine whether there is additive or synergistic activity of belinostat in combination with 5-azacitidine.

Belinostat in combination with Velcade®

In November 2009 data from a phase 1, NCI-sponsored study was presented at the AACR/NCI/EORTC Molecular Targets and Cancer Therapeutics Conference Boston, US. Laboratory testing has shown that there is strong synergy when combining belinostat and bortezomib (Velcade®). At the time of the announcement, 26 patients had been enrolled in the study. Twenty-two patients were evaluable for toxicity and received a total of 58 treatment cycles; median 2 (range 1-6). At the highest dose level, dose limiting toxicity (DLTs) included grade 4 thrombocytopenia and grade 4 fatigue. Most adverse events (AEs) have been mild to moderate. Grade 1-2 AEs include anorexia, acute infusion reaction, fatigue, nausea, neutropenia, pain, phlebitis, thrombocyctopenia, and vomiting. Grade 3 AEs included anorexia, dehydration, fatigue, nausea, vomiting, hypoalbuminemia, and elevation of alkaline phosphatase. Analysis of belinostat pharmacokinetics (PK) demonstrates no statistical differences in the parameters between days 1 (belinostat only) and 2 (belinostat + bortezomib). Doses of belinostat from 600 to 1000 mg/m2 resulted in dose-proportional increases in drug exposure. Four patients have maintained stable disease for 4-6 cycles of therapy. The conclusion was that belinostat and bortezomib is well tolerated in combination and

there was no evidence of pharmacological interactions. Accrual is ongoing at the MTD (belinostat: 1000 mg/m2 – bortezomib: 1.3 mg/m2 – this is full dose of both drugs).

Belinostat in combination with cisplatin and etoposide for smallm cell lung cancer (SCLC)

In August 2009, patient dosing was initiated in a Phase 1 study for the combination of 48 hours continuous intravenous infusion (CIV) of belinostat with standard doses of cisplatin and etoposide in a three week cycle for the treatment of patients with small cell lung carcinoma (SCLC) and other advanced cancers. The study is sponsored by the NCI. The trial will initially enroll up to 36 patients in order to establish the maximum tolerated dose (MTD) and then an additional cohort of SCLC patients will be treated at the defined MTD. The study is designed to escalate the dose of belinostat administered as a 48 hour continuous intravenous infusion on days 1 and 2, combined with IV infusion of cisplatin on day 2 and etoposide IV daily x 3 on days 2-4 given every 3 weeks for no more than 6 cycles. The primary objective of the study is to determine a safe and tolerable phase 2 dose for the combination of belinostat with cisplatin and etoposide. Secondary objectives will include an analysis of biomarkers. This trial builds on the preclinical data generated by the NCI and TopoTarget that demonstrates synergy in experiments with belinostat in combination with cisplatin and etoposide in SCLC cell lines.

Expected development of belinostat during 2010

- ➔ Patients for the pivotal BELIEF study in PTCL will be recruited during 2010 (expected regulatory filing in 2011)
- ➔ Preliminary data to be published from the BELIEF study (Pivotal trial in PTCL)
- ➔ Patients will be recruited at the end of 2010 for the proof of concept Phase 2 randomised controlled study in solid tumour CUP
    - ➔ Preliminary data to be published from the CUP study
- ➔ Initiate randomised Phase 2 study in NSCLC
- ➔ NCI studies
    - ➔ Preliminary data from phase 2 in MDS (Myelodysplastic Syndromes)
    - ➔ Pharmacokinectic data from study in liver cancer

Commercial potential

Based on results from thorough preclinical evaluations and clinical results as indicated above and published earlier, belinostat has a commercial potential in a large number of malignant diseases such as lymphoma, multiple myeloma, leukaemia, colorectal cancer, ovarian cancer, non-small cell lung cancer (NSCLC), carcinoma of unknown primary site (CUP), pancreatic cancer, and breast cancer. As these tumour indications cover a total patient population of more than 1.0 million incidences 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 October 2006, Zolinza® was approved by the FDA, for the treatment of cutaneous T-cell lymphoma and brought to market by Merck & Co. In November 2009 Gloucester Pharmaceuticals (now acquired by Celgene) received approval for Istodax® (romidepsin) in cutaneous T-cell lymphoma. A number of other companies are also involved in the development of HDAC-inhibitors for the treatment of different types of cancer. TopoTarget however, is confident belinostat has a strong competitive edge due to its diversified profile compared to competing products. Belinostat has the flexibility of multiple administration and formulation modes (various intravenous and oral regimens) and has been shown to have an

excellent safety and cardiac profile with little bone marrow toxicity. The limited bone marrow toxicity of belinostat is especially important for combinations with modern cytotoxic anti-cancer agents. It has already been shown that belinostat can be used in full dose in combination with several established full dose chemotherapies which is of huge importance for the commercial potential.

Belinostat is developed in a broad clinical development program by TopoTarget, Spectrum Pharmaceuticals Inc. and an important and broad collaboration with the National Cancer Institute, US.

TopoTarget's remaining pipeline

Now that TopoTarget (in February 2010) has entered into a license and collaboration agreement in respect of its primary development project belinostat it will during the course of 2010 be further evaluating those other projects in its pipeline for potential further development and/or partnering in 2011 and beyond. Such evaluation will consider the following projects:

APO010 – a novel protein drug in clinical Phase 1 development for cancer

APO010, also called mega-FasLigand, is a protein derived from the human FasLigand (FasL) protein, a member of the TNF protein family. APO010 targets Fas receptors (also known as CD95) on the surface of cancer cells, and induces cell death via a mechanism of cell suicide termed apoptosis. The product is a recombinant fusion protein consisting of three human FasL linked to a protein backbone. Importantly, the natural trimeric form of FasL is inactive, and is only rendered active by ligand clustering at the cell surface, a situation mimicked by the structure of APO010. APO010 induces apoptosis in many tumour cell lines, with sensitivity to APO010 correlated with the expression of Fas receptor. For example, APO010 induces cell death in both multiple myeloma cell lines and primary tumour cells from multiple myeloma patients, including cells resistant to the widely used antitumour drugs doxorubicin or melphalan. In addition, APO010 has demonstrated preclinical activity in several solid tumour cell lines, suggesting potential beyond multiple myeloma.

A Phase 1 dose-escalation study of APO010 in patients with untreatable advanced or refractory solid tumours was initiated in 2007 in order to establish the safety, tolerability and maximum tolerated dose in man using weekly intravenous bolus injection for up to four weeks. Recruitment is completed and data evaluation is underway. There is no competition with compounds with the same mechanism of action as that of APO010.

Commercial opportunity

A number of tumour cells express the FAS-receptor, e.g. breast cancer, multiple myeloma and ovarian cancer and may potentially benefit from APO010. Currently, TopoTarget expects to develop the product in multiple myeloma (MM), the second most common blood cancer in the United States that comprises approximately 1 percent of all cancers. Multiple myeloma is a haematological malignancy formed by malignant plasma cells. MM is treated by blood forming stem cell transplantation, by chemotherapy with doxorubicin, vincristine, cyclophosphamide, or with the steroid hormone dexamethasone (all generic). In recent years new targeted therapies including thalidomide derivatives (Celgene) and Velcade® (Millennium/J&J) have been approved. Furthermore patients may undergo autologous hematopoietic stem cell transplantation (single or tandem) following induction therapy with chemotherapeutic drugs. In spite of these developments the large majority of these patients die from the disease. Ovarian cancer cells often have FAS receptors, and intraperitoneal cancer treatment, i.e. treatment in the peritoneal cavity, is also a likely clinical development opportunity for APO010.

APO866; a first-in-class anti-cancer drug in clinical Phase 2 development

APO866 is a first-in-class, potent and specific inhibitor of nicotinamide phosphoribosyl

transferase (NMPRT), a key enzyme involved in the synthesis of nicotinamide adenine dinucleotide (NAD). This product has been licensed from Astellas, Japan. APO866 exhibits broad antineoplastic activity in pre-clinical cancer models, including breast, prostate, colon, lung, ovary and CTCL tumours. The novel mode of action of APO866 offers the potential for combination studies with agents already in use in cancer therapy, and APO866 is therefore in pre-clinical development in combination with other chemotherapeutic compounds and with radiotherapy. A Phase 1 study using APO866 administered as a 96 hour continuous intravenous infusion was completed by Astellas in January 2004. Treatment was well tolerated and safe; continuous infusion at 0.126 mg/m^2/hr for 96 hours in a 28 day schedule was recommended for phase 2.

Among the three phase 2 clinical studies recruitment to the cutaneous T-cell lymphoma (CTCL) study has been slow, one out of eight evaluable patients demonstrated a clear benefit (partial remission), and the trial continues in 2010. In the second phase 2 trial in melanoma none of the 21 evaluable patients showed tumour regression and the trial was stopped. In the third trial, a pilot study in patients with B-cell Chronic Lymphocytic Leukaemia (B-CLL) five out of eight evaluable patients showed a 30-40% decrease in leukemic cell counts.

Commercial opportunity

The widespread anti-tumour efficacy of APO866 noted in pre-clinical studies suggests commercial potential in multiple types of cancer. Furthermore, the novel mechanism of action of APO866 may allow combination with standard chemotherapeutic regimes, and with radiotherapy, which would further broaden the commercial opportunity. In terms of the ongoing clinical studies, CTCL is the most frequently occurring cutaneous non-Hodgkin lymphoma characterised by an indolent and protracted course of patches, plaques and tumours. B-CLL is defined as a disease of two related entities, both originating from antigen-stimulated mature B lymphocytes, which either avoid death through the intercession of external signals or die by apoptosis, only to be replenished by proliferating precursor cells. B-CLL is one of the most common types of leukemia, representing 30 per cent of all leukemias in the Western world, remains incurable, and has only limited therapeutic options available including alkylating agents and fludarabine.

Zemab®; a HER2 receptor drug with a toxin attached

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 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 the completion of a new GMP compliant production of Zemab® in which new intellectual property for the extended protection of this product could be generated, further preclinical experiments confirmed the high potency of the product. During 2010 TopoTarget plans to continue its pre-clinical evaluation. TopoTarget holds a world-wide and exclusive license to develop Zemab® from Novartis Pharma, Switzerland.

Commercial potential

Therapies targeting the ErbB2 (also called HER2 or NEU) signalling 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) with the difference between the two products being that a cell killing toxin is additionally attached to Zemab®.

Thus, the market estimates for Zemab® may be calculated primarily for its use in breast cancer therapy. 2009 sales for the competing marketed product, Herceptin®, which is marketed for metastatic breast cancer, were USD 5.0 billion. 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.

mTOR

The mTOR discovery programme acquired from BioImage, covers a novel class of small molecules that act via the mTOR (mammalian Target of Rapamycin) signalling pathway. TopoTarget has developed a number of second generation compounds with improved anti-tumour-efficacy in TopoTarget's tumour models, including pre-clinical models of breast, prostate, ovarian, and pancreatic cancer. These second generation inhibitors have been protected by novel patent applications, and are currently being evaluated with the aim of selecting a lead compound for regulatory toxicology studies. In addition, TopoTarget has initiated a number of mechanism of action studies, including collaborative efforts with several elite academic groups in order to pinpoint the exact target of the compound series within the mTOR pathway and plans to continue this work during the course of 2010.

NAMPRT

Cancer cells have a higher energy use than normal cells. Nicotinamide dinucleotide (NAD) is an essential factor in the generation of ATP (adenosine triphosphate), the "gasoline" of the cell. Furthermore, NAD is a substrate for sirtuins and poly (ADP-ribose) polymerases (PARPs), which are known to be up-regulated in several cancers. The rate-limiting step in the primary synthesis pathway of NAD is catalysed by nicotinamide phosphoribosyltransferase (NAMPRT). NAMPRT is thus an attractive target for cancer treatment, and currently two inhibitors of different chemical classes, APO866 and CHS-828 have reached phase II and I respectively in clinical oncology trials. These compounds have, however, been hampered by poor pharmacokinetic properties. TopoTarget is therefore developing second-generation NAMPRT inhibitors with a more favourable therapeutic window and pharmacokinetics. During 2010 TopoTarget plans to continue its pre-clinical evaluation.

Patent strategy and status

Patent strategy
TopoTarget's patent strategy is to secure and prosecute intellectual property rights that underpin its drug discovery programmes. The Company initially seeks to file priority-generating applications in the United States, United Kingdom or Denmark prior to filing an international (PCT) application.

Patents and patent applications
A summary of the patent families relating to TopoTarget's principal patents and patent applications is set forth below.

Savene® / Totect®

The Company has been granted a second medical use patent in Europe and a method-of-use patent in the United States, which patents are due to expire on 13 March 2020, and has use patent applications granted in a number of other countries including Canada, Japan, Australia, Mexico, Brazil, Norway, China, New Zealand, Russia, and India, covering the use of dexrazoxane and in a number of other cases also other bisdioxopiperazines in preventing tissue damage following anthracycline extravasation.

Belinostat

In the US, TopoTarget's patent application covering belinostat and closely related compounds, compositions comprising these compounds, and methods of treatment (including treatment of proliferative conditions) employing these compounds has been granted. Three further US divisional patents have been granted; these were filed to pursue further disclosed subject matter. At the European Patent Office (EPO), the application is pending and awaiting further substantive examination by the EPO. The pending claims (which cover belinostat and related compounds) correspond to the amended claims for "invention 1" that were filed during

Chapter II of the international phase of the underlying international ("PCT") application and that were found to be both novel and inventive by the EPO, acting as International Preliminary Examining Authority. Claims to "invention 1.1" and "invention 2", as set out in the International Preliminary Examining Report, and also found to be both novel and inventive, can be pursued in divisional applications not yet filed. Patents have been granted in Australia and New Zealand and applications are pending in Japan and Canada. TopoTarget also has several applications covering combinations of belinostat with other chemotherapeutic agents, and an application covering a novel arginine formulation of belinostat which has been extensively nationalised. Finally patent applications covering (1) the optimised synthetic route for belinostat (2) prognostic biomarkers for belinostat therapy, and (3) continuous intravenous therapy with belinostat are all pending at the PCT stage.

The composition of matter patent for belinostat will expire in Sept 2021, and the patent for the i.v. formulation, if granted, is estimated to expire in May 2026.

The rights to belinostat in North America and India have been licensed to Spectrum Pharmaceuticals.

2nd generation HDAC inhibitors
TopoTarget has filed compound patent applications covering five additional classes of HDAC inhibitors, concerning (1) amides, (2) ethers and thioethers, (3) piperazines, (4) esters and ketones, and (5) quinolines. The amide patent application has been granted in Europe and US and is pending in other territories. The piperazine application has been granted in New Zealand and Europe and is allowed in the US. The ether and thioether application has been granted in the US. The ester and ketone patent has been granted in the US. The quinoline patent has also been granted in the US. Other HDAC inhibitor patent applications remain pending in major territories in the national phase.

APO866
The patent portfolio directly related to APO866 consists of four patent families licensed from Astellas, one pending application filed by TopoTarget and ULB, and pending applications filed by TopoTarget.

The first family of licensed patents and applications concern the APO866 molecule, composition and medical uses. Patent applications were filed in the following 16 areas: Australia, Brazil, Canada, China, Czech Republic, Europe (EP), Hong Kong, Hungary, Israel, Mexico, Russia, South Africa, South Korea, Turkey and the US. Patents were granted in the US, Australia, China, Czech Republic, Europe, Hong Kong, Israel, Mexico, Russia, South Africa, and South Korea. Examination is pending in the other countries. Subject to successful examination and regular payment of the maintenance fees, the 20 year patent will expire in June 2017, before considering potential extension of scope under specific regulations if allowable, potentially up to June 2022.

The second family of licensed patents and applications concern use of molecules of the APO866 family in the treatment of tumours or for immunosuppression. Patent applications were filed in Europe, Japan and the US, with 2 patents granted in Europe and in the US. Subject to successful examination and regular payment of the maintenance fees, the 20 years patent term will expire in February 2020.

The third family of licensed patents and applications concerns use of APO866 and related molecules combined with vitamin PP compounds, such as niacin. Patent applications were filed in Europe (EP), Japan and the US with 1 patent granted in Europe. Subject to successful examination and regular payment of the maintenance fees, the 20 year patent will expire in April 2019.

The fourth family of licensed patents and applications concern use of APO866 and related molecules as inhibitors of angiogenesis. Patent applications were filed and maintained in Japan, EP and the US, still pending examination. Subject to successful examination and regular payment of the maintenance fees, the 20 year patent will expire in March 2023.

An application filed by TopoTarget Switzerland S.A. (formerly Apoxis S.A.) concerns use of APO866 and other inhibitors of cellular niacinamide for the treatment of inflammation such as in rheumatoid arthritis and septic shock. This is pending in US, Europe and Japan and will expire in September 2026.

A pending PCT application concerning use of APO866 and other inhibitors of NAD formation for organ ischaemia was filed in March 2008.

Finally, a provisional application is pending covering a prognostic biomarker for selecting patients for combination treatment with a NAD formation inhibitor (such as APO866) and niacin.

The APO866 patent estate of granted and applied for patents is sufficiently broad to encompass the product development pathway to market currently planned by TopoTarget.

APO010

Patent protection for APO010 is based on 3 patent families filed between December 1999 and January 2006.

The first family of patents and applications, referred to by TopoTarget Switzerland S.A. (formerly Apoxis S.A.) as the Megaligands patent family, concerns the APO010 molecule with claims on a composition of matter, its production and various uses including APO010 and related products. Patent applications were filed in the following 14 areas: Australia, Brazil, Canada, China, Europe (EP), Hungary, Israel, Japan, Mexico, Poland, Singapore, South Africa, South Korea and the U.S. Patents were granted in Australia, EP, China, Israel, South Korea, South Africa, Singapore, and the US. Examination is pending elsewhere. Subject to successful examination and regular payment of the maintenance fees, the 20-year patent term will protect the APO010 molecule until December 2020, before considering potential extension under specific regulations up to December 2025, if allowable.

The second family concerns a specific mode of administration of APO010 and was filed in three areas: Europe (EP), Japan and the U.S. This application has been granted in Europe. Subject to successful examination and regular payment of the maintenance fees, the 20 year patent term will protect the APO010 molecule for this specific mode of administration until May 2024.

The third patent family is a first application on a new use of APO010, where the molecule is not administered to a patient but used in a method for ex-vivo purging of cells in autologous transplantation. This application has been nationalized in: Australia, Brazil, Canada, China, Europe (EP), Israel, Japan, Mexico, Singapore, South Africa and the US. Subject to successful examination and regular payment of the maintenance fees, the 20-year patent term will expire in September 2025.

The APO010 patent estate of granted and applied for patents is sufficiently broad to encompass the product development pathway to market currently planned by TopoTarget.

Zemab®

A compound patent family was licensed from Novartis covering the recombinant antibody toxin Zemab® and its use in the treatment of cancers. A further application covering an improved version of the recombinant protein has been filed by TopoTarget: this is pending in major territories and extends the patent life to an estimate of July 2028.

Baceca® and Savicol™ and Avugane™

The European Patent Office has granted a second medical use patent, the USPTO has granted a method-of-use patent, and use patent applications are granted in Canada and Australia and pending in a number of other countries including Japan covering the use of valproic acid for the treatment of a number of different cancers including colorectal cancer and skin cancer. These patent rights are exclusively licensed to TopoTarget by Georg-Speyer-Haus, and the patents will expire on 5 July 2021.

TopoTarget has filed a family of applications in major territories that are also PCT member states covering the use of VPA for the treatment of a number of skin disorders, including

acne, BCC, squamous cell carcinoma and psoriasis. Claims to the topical use of VPA for acne and psoriasis have been granted in Europe. These patents will expire on 23 June 2024. A further application has been filed by TopoTarget, covering the use of VPA in the treatment of non-inflammatory acne: this is pending in major territories and if granted will expire in 2027.

mTOR inhibitors
A patent application covering oxindoles as inhibitors of the mTOR pathway is currently pending in major territories. Three further applications claiming (1) prodrugs of oxindoles (2) asymmetric oxindoles and (3) prodrugs of asymmetric oxindoles have also been filed.

NAMPRT inhibitors
Applications claiming 5 classes of inhibitors of the enzyme nicotinamide phosphoribosyl-transferase intended as anticancer agents have been filed.

COLLABORATION PARTNERS

Spectrum Pharmaceuticals Inc.
On 2 February 2010 TopoTarget entered into a Development and Commercialisation Agreement with Spectrum under which the parties agreed to co-develop and Spectrum to commercialise belinostat in North America and India with a right of first offer for China. Under the terms of the agreement TopoTarget received an upfront payment of USD 30 million and the right to receive further payments of up to USD 320 million on the achievement of certain defined development and sales milestones. In addition TopoTarget will receive a double digit royalty on sales of belinostat as well as one million Spectrum shares. Spectrum commits to fund 100% of the costs of the ongoing pivotal PTCL study and TopoTarget will fund 100% of the ongoing phase 2 CUP study. Spectrum and TopoTarget will split the development costs in a 70:30 ratio for future development of belinostat.

Spectrum is a commercial-stage biotechnology company with a focus in oncology. The Company's strategy is comprised of acquiring and developing a broad and diverse pipeline of late-stage clinical and commercial products; establishing a commercial organization for its approved drugs; continuing to build a team with people who have demonstrated skills, passion, commitment and have a track record of success in its areas of focus; and, leveraging the expertise of partners around the world to assist it in the execution of its strategy.

On completion of the deal Rajesh C. Shrotriya, MD, Chairman, Chief Executive Officer, and President of Spectrum said as follows: *"The addition of belinostat addresses our key strategic goal of lincensing a late-stage anti-cancer compound. Belinostat's current registrational program is comprehensive and focused in that it targets key hematological indications such as PTCL and other solid tumor indications. Belinostat has the potential to be a best-in-class HDAC inhibitor for both hematological and solid tumors. We look forward to advancing belinostat in PTCL and other solid tumor indications, with the goal of providing cancer patients with more effective treatment options as quickly and efficiently as possible."*

Agreement with CuraGen Corporation
On 21 April 2008 TopoTarget entered into a transfer and termination agreement with CuraGen which provided for the Company and CuraGen to terminate the license and collaboration agreement which had been entered into in June 2004 and for the Company to purchase from CuraGen all of CuraGen's interests in the collaboration products and in certain other rights and assets relating to HDAC inhibitors and receive certain other licenses and rights related to HDAC inhibitors sufficient to enable the Company to carry on alone the research, development and commercialisation of HDAC inhibitors including belinostat. In consideration of such termination, purchase and grant, the Company agreed to pay CuraGen USD 26 million plus 5 million TopoTarget shares and a future commercial milestone payment of up to USD 6 million payable at the rate of 10% of the first USD 60 million of belinostat sales or partnership revenue received by TopoTarget – USD 3 million of this was paid by TopoTarget after the signing of the license agreement with Spectrum in February 2010.

Agreement with Astellas
On 27 October 2005, TopoTarget (then TopoTarget Switzerland S.A. (formerly Apoxis S.A.)) entered into an agreement with Astellas under which TopoTarget was granted an exclusive worldwide license to a group of chemical compounds (the lead of which TopoTarget refers to as APO866) with potential anti-cancer and immunosuppressive activity Astellas retains manufacturing rights and TopoTarget has an obligation to purchase product exclusively from Astellas. Such rights are to be assigned to TopoTarget in case Astellas wishes to discontinue manufacturing.

In consideration of the license grant, TopoTarget agreed to pay an upfront payment plus a series of development milestone payments (such milestone payments totalling a single digit number of million EUR), the first of which is payable upon receipt by Astellas of a full report of a phase 2 clinical trial of APO866 with data sufficient to substantiate commencement of a Phase 3 or pivotal phase II study. In addition, TopoTarget agreed to pay Astellas a royalty of a low double digit percentage of future net sales of Products during the term of the license.
Astellas has retained a "licence-back" option in respect of each Product in selected indications, on reasonable terms to be agreed within certain stated limits after good faith negotiations. The option is to be exercised by Astellas no later than three months after receiving full reports from TopoTarget on both the CTCL and melanoma phase II clinical trials. In addition, Astellas retains (i) the right, when executing its option, to buy-back all the licensed rights subject to good faith negotiations and reaching agreement with TopoTarget on reasonable terms to be agreed within certain pre-agreed limits; and (ii) an exclusive "right of first negotiation" should TopoTarget decide to out-licence a Product for any indication at any time.

Novartis
In 2003, TopoTarget's German subsidiary entered into an agreement with Novartis for the development of a recombinant protein which targets a common cancer antigen, ErbB2/HER2, involved in the development of malignancies such as breast cancer and head and neck tumours. The Company has exercised its option to exclusively in-license Zemab®. Under the agreement, Novartis grants TopoTarget an exclusive licence for patent rights, interest in joint patent rights, and know-how relating to Zemab®. The agreement required payments for the option, as well as an additional payment upon its exercise plus milestone payments and royalties if a product is commercialised. Novartis retains both a buy-back right up to the end of phase 2 and a first right of negotiation at any time.

Edimer Pharmaceuticals
Effective as of March 25, 2009 TopoTarget licensed its non-oncology pre-clinical development programme APO200 to the Boston, US company Edimer Pharmaceuticals Inc. The net upfront payment received (after payment to Baylor University on enabling technology license) was USD 150,000, plus potential net milestones of USD 2.25 million and royalty payable on future sales.

Baylor University
Effective as of 31 January 2003, TopoTarget Switzerland S.A. (formerly Apoxis S.A.) entered into an agreement with Baylor, under which TopoTarget was granted an exclusive, sublicenseable license under certain US patents and patent applications relating to Hypohidrotic Ectodermal Dysplasia Genes and Proteins, as well as to Ectodermal Dysplasia Pathway Gene, both of which are utilised in TopoTarget's APO200 project. In consideration of the license grant TopoTarget agreed to pay an upfront payment plus a series of development milestones payments (totalling a triple digit number of thousands of USD). In addition, TopoTarget agreed to pay a royalty of a low single digit percentage of future net sales of products in the US utilising the licensed intellectual property.
The scope of the license extends, in the field of Ectodermal Dysplasia, artificial skin replacement and certain other specified fields, to making, having made, using, marketing, importing, selling and offering to sell all products which, but for the license granted, would infringe the above-mentioned patents and patent applications.

Mochida
Effective as of 30 October 2003, TopoTarget Switzerland S.A. (formerly Apoxis S.A.) was granted by Mochida a non-exclusive worldwide license under certain patents and patent

applications to use Fas/FasL in TopoTarget' Mega technology, which is designed to engineer highly active Fas/FasL. This technology is utilised in TopoTarget' APO010 programme.
In consideration of the license grant, TopoTarget agreed to pay an upfront payment and an annual fee of a double digit number of thousand of USD plus a series of development milestones payments (totalling a triple digit number of thousands of USD), the next of which is payable on the commencement of a Phase II clinical study of a product utilising the licensed intellectual property. In addition, TopoTarget agreed to pay a royalty of a low single digit percentage of future net sales of products utilising the licensed intellectual property. Additional development milestones are payable on subsequent products utilising the licensed intellectual property.

Rigshospitalet
On 26 July 2005, TopoTarget entered into a research collaboration agreement with Rigshospitalet, Denmark, concerning research regarding Topotect for brain metastases. Under the research collaboration agreement, Rigshospitalet granted TopoTarget the right to use the laboratory facilities for research and the Company agreed to pay the costs of Ph.D. students who are supervised by employees from the Company. Rigshospitalet is entitled to a royalty of 4 per cent of any income which the Company may generate through Topotect for brain metastases, up to a maximum of DKK 10 million (EUR 1.3 million). "Income" is defined as any licence or upfront payment, milestone payments and royalty payments from licence agreements after deduction of direct costs. If the Company instead were to sell Topotect to a third party, Rigshospitalet would be entitled to 4 per cent of the net purchase sum payable to TopoTarget on such sale, up to a maximum of DKK 10 million (EUR 1.3 million).
TopoTarget has the right to conduct research at Rigshospitalet's facilities and is entitled to any inventions made during such research. However, jointly developed inventions will be shared between Rigshospitalet and the Company unless one party has contributed significantly more than the other party, in which event the rights will be allocated in accordance with the estimated contributions. Disagreements regarding the allocation are to be determined by a patent agent.

National Cancer Institute (NCI), US
TopoTarget is party to a Clinical Trial Agreement (CTA) with NCI (US) under which the NCI sponsors a number of 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. In addition TopoTarget is also a party to a Cooperative Research and Development Agreement (CRADA) with the NCI. Under the CRADA the NCI and TopoTarget collaborate on conducting pre-clinical trials 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.

FINANCIAL HIGHLIGHTS AND RATIOS

DKK ' 000	2009	2008	2007	2006	2005
Financial highlights and ratios *)					
Consolidated financial highlights and ratios					
Revenue	43.979	43.890	44.890	45.730	79.039
Research and development costs	(89.884)	(146.906)	(129.111)	(111.843)	(69.361)
Write down of research and development projects	(21.200)	(93.500)	-	-	-
Sales and distribution costs	(29.136)	(44.796)	(57.722)	(29.668)	-
Operating loss	(132.491)	(294.371)	(219.801)	(167.903)	(43.433)
Net financials	(10.250)	(11.737)	5.754	5.438	3
Net loss for the year	(140.464)	(301.209)	(211.600)	(155.003)	(31.925)
Basic and diluted EPS	(1,41)	(4,68)	(3,92)	(3,76)	(1,00)
Consolidated balance sheets					
Cash, cash equivalents and securitied	130.145	107.998	403.617	271.610	298.279
Equity	411.798	429.376	665.068	430.650	440.451
Total assets	585.413	619.032	834.175	476.184	496.045
Investment in property, plant and equipment (net)	2.016	164	(7.965)	(6.019)	(3.654)
Consolidated cash flow statement					
Cash flows from operating activities	(99.198)	(169.545)	(208.933)	(144.558)	(43.860)
Cash flows from investing activities	37.861	(44.366)	25.666	116.168	(274.508)
Cash flow from financing activities	118.780	(499)	332.026	135.517	323.035
Consolidated ratios					
Number of fully paid shares, year end	132.609.020	66.304.510	61.304.510	45.684.880	39.940.391
Average number of shares for the period	99.456.765	64.323.636	53.955.186	41.260.562	31.973.878
Assets/equity	1,4	1,4	1,2	1,1	1,1
Market price, year end (DKK)	2,59	3,62	16,76	36,20	23,36
Net asset value per share (DKK)	3,11	6,48	10,85	9,43	11,03
Average number of full-time employees	58	109	141	98	73

*) Figures for 2005 include TopoTarget Germany AG from 25 February 2005 and figures for 2006 include TopoTarget USA, Inc. from 12 July 2006. The figures for 2007 also include TopoTarget Switzerland S.A. from 27 June 2007. Finally the figures for 2008 also include TopoTarget Netherlands B.V. from 1 January 2008.

FINANCIAL REVIEW

The annual report comprises the parent company TopoTarget A/S and the five wholly owned subsidiaries TopoTarget UK Ltd., TopoTarget Germany AG, TopoTarget USA, Inc., TopoTarget Switzerland S.A. and TopoTarget Netherlands B.V.

From a structural point of view 2009 was a year of consolidation for TopoTarget after the substantial restructuring that took place in 2008. A capital raise was successfully completed in July wherein the share capital of the Company was increased by 66,304,510 new shares raising gross proceeds of DKK 132.6 million. The main focus continued to be belinostat and the Company's confidence in the potential of the product was validated after year-end with the license in February to Spectrum Pharmaceuticals Inc. for North America and India for which TopoTarget received an upfront payment of USD 30 million and the right to receive further payments of up to USD 320 million on the achievement of certain defined development and sales milestones plus double digit royalty on sales of belinostat as well as one million Spectrum shares. At the end of 2009 the Company had 53 employees.

CONSOLIDATED FINANCIAL STATEMENTS

For the year 2009 the Group recorded a loss before tax and before write-downs of certain research and development projects of DKK 121.5 million compared to a loss of DKK 212.6 million in 2008. In view of the activities carried out during the year, the financial performance is considered satisfactory. In addition a write-down of DKK 21.2 million (2008: DKK 93.5 million) has been made related to certain research and development projects acquired from third parties and recognised in the balance sheet at the time of acquisition. Such write down does not affect the group cash flow for the year 2009.

Consolidated income statement

Revenue in 2009 was DKK 44.0 million compared with DKK 43.9 million in 2008 and primarily consisted of Savene® and Totect® sales income which increased marginally to DKK 39.7 million compared with DKK 39.1 million in 2008. There was no revenue in 2009 from re-invoiced research and development for third parties compared to the DKK 4.2 million in 2008.

We had income from sublease of DKK 3.2 million in 2009. There was a sign-on fee of DKK 1.1 million received in 2009 in relation to the agreement with Edimer Pharmaceuticals for APO200 compared to milestone payments of DKK 0.5 million received in 2008.

Production costs totalled DKK 10.1 million in 2009 the same as in 2008.

Research and development costs were DKK 89.9 million in 2009 against DKK 146.9 million in 2008, a decrease of 39%. The primary factor for the decrease was the restructuring in 2008 leading to reductions in both internal staff costs (over 50%) and external CRO costs.

Write-down of research and development projects acquired from third parties amounted to DKK 21.2 million in 2009 compared to DKK 93.5 million in 2008. The projects in question are the topical VPA and Savicol projects.

The topical VPA (Avugane and Baceca) and Savicol projects were part of the assets acquired in the G2M (now TopoTarget Germany) purchase in 2004. The topical VPA projects were partly written down in 2008 as a result of requiring further formulation work before clinical development could recommence and the interim results of the Savicol trial were not clear cut requiring further evaluation work before development could be recommenced. However as a result of belinostat being the primary focus of the Company no such development and evaluation work has been budgeted. Consequently the projects' current book values have been written down in 2009, with an amount of DKK 21.2 million, although they are available for out-licensing. The book value as per 31 December 2009 is nil.

Sales and distribution costs amounted to DKK 29.1 million in 2009, a decrease from DKK 44.8 million in 2008. After completion of the initial launch TopoTarget has continued to reduce overhead and marketing costs without detrimentally affecting sales.

Administrative expenses totalled DKK 26.1 million in 2009 compared with DKK 43.0 million in 2008. The reduction of DKK 16.9 million can be attributed primarily to the restructuring undertaken in 2008.

Financial income and expenses represented a net expense of DKK 10.2 million in 2009 against a net expense of DKK 11.7 million in 2008. The change is due to a positive movement in relation to exchange rates in the period and by less interest income.

Income taxes in 2009 were a credit of DKK 2.3 million compared to a credit of DKK 4.9 million in 2008. The tax income in 2009 was a reversal of deferred tax in TopoTarget Switzerland of DKK 2.3 million. In 2008 the tax income consisted of a reversal of deferred tax in TopoTarget Switzerland of DKK 4.4 million and the recognition of tax refunds for research and development costs in TopoTarget UK of DKK 0.5 million.

The aforementioned changes lead to a net loss in 2009 of DKK 140.5 million compared to a net loss of DKK 301.2 million in 2008.

Consolidated balance sheet

Total assets amounted to DKK 585.4 million at 31 December 2009 compared with DKK 619.0 million at 31 December 2008.

The Group's assets consist primarily of acquired research and development projects, cash and cash equivalents, while the Group's liabilities mainly comprise equity and deferred tax in TopoTarget Switzerland S.A. and debt in connection with a potential milestone payment for APO866 and the milestone payment relating to the belinostat purchase from CuraGen.

In 2008, the company reacquired total control over its lead project, belinostat, for a total consideration of DKK 209.3 million comprised of a cash payment of USD 26 million (approximately DKK 122.8 million), 5 million new TopoTarget shares issued in a private placement and a commercial milestone payment totalling USD 6 million (approximately DKK 28.3 million), which is defined as 10% of the first USD 60 million of belinostat sales or partnership revenues. The milestone payment is recognised as a liability in the balance sheet at the fair value at the contract date. As a consequence of the license agreement with

Spectrum Pharmaceuticals entered into in February 2010, the liability has been re-valued to take into account the USD 3 million paid on receipt of the Spectrum upfront payment and a change to the expected timetable for future payments. The total debt is after revaluation DKK 28.4 million of which DKK 12.1 million is shown as long term liability and DKK 16.3 million is short term liability.

In June 2007 TopoTarget acquired the development project APO866 together with the acquisition of Apoxis S.A. The purchase price included a conditional payment (APO866 milestone) payable when certain clinical endpoints were met. At acquisition the discounted value of the APO866 milestone was included in the calculation of the purchase price. The assumption for the calculation is changed compared to initial recognition, leading to a reduction of the liability to DKK 58.3 million and a similar adjustment in acquired research and development projects in progress c.f. note 10. The amount is shown as long term liability.

TopoTarget increased its capital through a rights issue on 2 July 2009. The share capital increased by 66.3 million shares resulting in gross proceeds received of DKK 132,6 million.

TopoTarget's cash and cash equivalents as at 31 December 2009 totalled DKK 130.2 million, compared with DKK 108.0 million (including DKK 35.3 million in securities) at 31 December 2008.

Consolidated equity
Equity amounted to DKK 411.8 million at 31 December 2009, against DKK 429.4 million at 31 December 2008.

The change in equity consists of the capital increase in connection with the rights issue DKK 119.1 million, the loss for the year of DKK 140.5 million and share-based payment of DKK 3.8 million.

Consolidated cash flow
TopoTarget's cash flow from operating activities in 2009 was a net out-flow ("cash burn") of DKK 99.2 million (2008 DKK 169.5 million). The Company's 2009 cash flow from investing activities excluding the buying and selling of securities was an in-flow of DKK 2.6 million (compared to an out-flow of DKK 125.6 million in 2008). The 2008 numbers related to an out-flow of DKK 125.5 million toward the purchase of belinostat rights. The Company's cash flow from financing activities was in 2009 an in-flow of DKK 118.8 million mainly consisting of the net cash capital increase carried out on 2 July 2009.

Comparing the actual financial performance with financial guidance
The Group recorded a pre-tax loss, before write-down of certain research and development projects, of DKK 121.5 million in 2009 against an expected pre-tax loss in the range of DKK 120 to 130 million, forecast in the announcement dated 11 February 2010.

Parent company financial statements
The parent company recorded a loss of DKK 140.5 million for 2009 compared with a loss of DKK 301.2 million in 2008.

The parent company's equity amounted to DKK 411.8 million at 31 December 2009 compared with DKK 429.4 million at the same time in 2008.

The change in equity consists of the capital increase in connection with the rights issue DKK 119.1 million, the loss for the year of DKK 140.5 million and share-based payment of DKK 3.8 million.

Outlook for 2010
The Company is currently not giving guidance on forecast profit/loss for the 2010 year as this will be materially impacted by decisions yet to be finalised by the TopoTarget/Spectrum Joint Development Committee under the Spectrum License and Collaboration Agreement entered into in February 2010. TopoTarget expects to be in a position to give guidance for the 2010 year on release of its Q1 Report on 20 May 2010.

Treatment of loss
The Board of Directors proposes that the loss for the year of DKK 140.5 million be carried forward to next year.

RISK PROFILE AND MANAGEMENT

Risk profile
The company is generally subject to the same conditions as other enterprises in the biopharmaceutical 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. The below is a summary of TopoTarget's main risk areas and a summary of how the company seeks to address 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 in several countries. Another risk is TopoTarget's ability to protect itself in potential patent lawsuits or lawsuits related to commercial rights.

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

Foreign exchange risks
TopoTarget is exposed to exchange rate changes in respect of the investment in TopoTarget UK, TopoTarget Germany and TopoTarget, US. For 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.

Going concern risks
See Note 1 to the financial statements.

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 has a large representation of medical expertise in the company itself ensuring bridge building between science and the treatment of patients;

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

A full description of TopoTarget's risk profile is provided in the offering circular dated 2 June 2009, which is available from our website www.topotarget.com.

THE PROCESS OF ACCOUNTS PREPARATION

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

Financial report process

The company has an audit committee consisting of members of the company's Board of Directors. The audit committee reviews and discusses auditing and accounting matters with the company's auditors elected by the shareholders and the Management Board in accordance with the audit committee's terms of reference.
TopoTarget's primary focus is to ensure that the financial statements are in accordance with relevant accounting legislation and other provisions and regulations and give a true and reliable view of the company's activities and financial position.
The preparation of the company's financial reporting follows a planned structure involving segregation of duties.

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

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

The quarterly reports are reviewed at an audit committee meeting before they are approved at a Board meeting and subsequently released for publication.

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

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

Control environment

The audit committee and subsequently the Board of Directors assess, at least once a year, the group's organisational structure, its risk of fraud as well as the existence of in-house rules and guidelines.

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

The Board of Directors and the Management Board are responsible for establishing and approving general policies, procedures and controls in key areas in relation to the financial reporting process. The Board of Directors approves the overall policies, procedures and

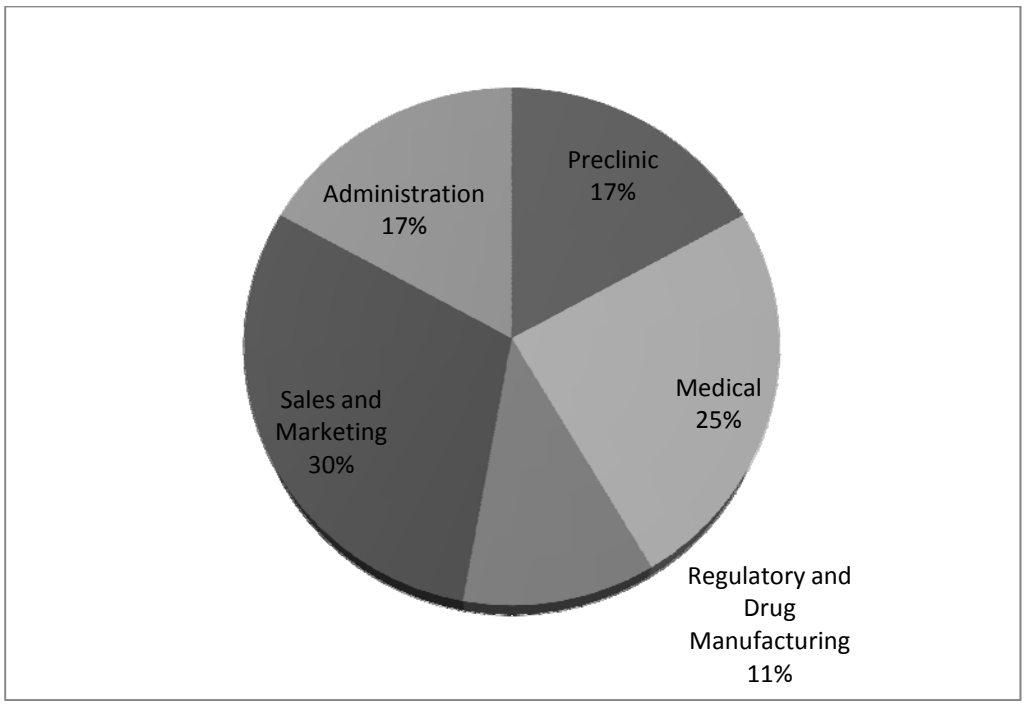
controls, which are maintained and monitored by the Management Board and key employees representing each business area.

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

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

Employees and organisation
During 2009 the company has consolidated after the substantial restructuring that took place in 2008. This has been made possible as a result of our determined and loyal employees who understand and share the TopoTarget motto of providing "Answers for Cancer". TopoTarget has created an attractive environment that satisfies the balance between work and private life that our employees appreciate and as a result TopoTarget has been able to retain key employees and, where necessary, attract new employees and thereby advance the development of the Company.

At the end of 2009 TopoTarget had 53 employees.



BOARD OF DIRECTORS

Håkan Åström
Chairman of the Board and board member since 2004.
Dr Åström is the chairman of the Board of Directors of Ferrosan A/S, Biovitrum AB, Affibody AB, Orexo AB and a board member of Rehnman & Partners AB. He also serves on the Board of Directors of the Karolinska Institutet. During his career, Dr Åström has been the Managing Director of Travenol AB (Baxter International Inc.), Astra Pharmaceuticals Ltd, UK, and Kabi

Pharmacia AB. In his most recent position, Dr Åström was Senior Vice President of Pharmacia Corp., in charge of corporate strategy and communication. Concurrently, he was Managing Director of Pharmacia AB, Sweden. Dr 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. Dr Åström previously served on the Board of Directors of Scandinavian Life Sciences Ventures (2001-2006) and Sanos Bioscience A/S (2003).

Jeffrey H. Buchalter
Board member since 2006.
Mr. Jeffrey Buchalter is currently President and CEO of Archimedes Pharma Limited., a specialty pharmaceutical company marketing and selling an expanding portfolio of specialist products to hospital-based prescribers in major European territories and serves as a Director on the company's Board of Directors. Mr. Buchalter was previously President, CEO and a Board Director of Enzon Pharmaceuticals, Inc and Ilex Oncology, Inc. as well as Group Vice President and Global Head of the Worldwide Oncology at Pharmacia Corporation. During his career, Mr. Buchalter has also held positions at Wyeth and Schering-Plough Corporation. Moreover, Mr. Buchalter serves as Chairman of the Board of Directors of National Childhood Cancer Foundation. Mr. Buchalter received his B.S. in finance from Seton Hall University and his M.B.A. in marketing from Temple University.

Anders Gersel Pedersen
Board member since 2001.
Dr Pedersen is Executive Vice President, Development at H. Lundbeck A/S. After earning his degree in medicine and holding 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 serves also on the Supervisory Boards of ALK-Abelló A/S and Genmab A/S (Deputy Chairman).

Ingelise Saunders
Board member since 2004.
Mrs Saunders is President and CEO of TD Vaccines A/S and ActionPharma A/S. Mrs Saunders is a member of the Board of Alk-Abelló A/S, Scandinavian Life Science Venture AB, Evolva Holding SA and Nordic Vaccine A/S (Chairman). For 5 years Mrs Saunders was the CEO of ACE BioSciences A/S, and for two and a half years, she was the CEO of Celltech Pharmaceuticals in UK and a member of the Board of Celltech Group Plc. Prior to this Mrs Saunders held a number of executive management positions during her 15 years of employment with Novo Nordisk. From 2002 to 2005, Mrs Saunders served on the Board of Directors of UCB Nordic ApS and in 2005 she was a member of the Board of Directors of Alfalyse ApS. Mrs Saunders holds a degree in Pharmacy from the Royal Danish School of Pharmacy and a Bachelor of Commerce degree in Marketing.

Anders Fink Vadsholt
Board member since 2009.
Mr Anders Vadsholt is a venture partner at BankInvest, which he joined in 2005. Mr. Vadsholt was until January 2010 partner and acting Chief Financial Officer (CFO) at BankInvest Biomedical Venture (BBV). He currently manages a number of BBV's publicly listed investments. In 2009 he was project responsible for divesting BBV's activities to Sunstone Capital as well as being liquidator for two venture funds. He has previously been a board member of Zealand Pharma A/S, Resistentia AB and Pronostics Ltd. Prior to BankInvest he worked as CFO in a number of Biotech & IT companies, including 7TM Pharma A/S which he co-founded in 2000. He started his career at Carnegie Bank working within corporate finance and life science equity analysis. Mr. Vadsholt holds an MBA from Melbourne University and a

master's degree in Business Law and Finance from Copenhagen Business School.

Bo Jesper Hansen
Board member since 2009.
Since 1998 and until mid January 2010 Dr Hansen was the CEO & President of Swedish Orphan International Group of Companies consisting of the subsidiaries in Sweden, Denmark, Finland, Norway, the Baltic States, the UK, Germany, France, Spain, Italy, the CEE and Russia. Dr Hansen has been in Swedish Orphan International AB since 1993 having initially established the subsidiaries in Norway and Denmark and was also responsible for the current expansion into Europe. Dr Hansen has held several executive positions within the company before becoming Vice President for the parent company and later on being appointed the company CEO. During this period he has also co-founded the Shared Clinic "The Prostate Clinic" in Denmark. Dr Hansen experience includes International Marketing and Contract negotiations, extensive knowledge within Regulatory, Pharmacovigilance, Medical Marketing and Business Development and he is very well connected and has close collaborations with persons involved in the Pharmaceutical Industry in general and in the Orphan Drug area in particular. Prior to joining Swedish Orphan International AB, Dr Hansen worked as a medical advisor for several of the biggest Pharmaceutical Companies through the privately owned and founded company Scandinavian Medical Research. Today, Dr Hansen acts as Vice Chairman of the board of Biovitrum AB (pupl) and as ordinary member of the board in CMC AB, Mipsalus ApS, TopoTarget A/S and Zymenex A/S. Dr Hansen is a Medical doctor, PhD from the University of Copenhagen having significant research experience. Dr Hansen is the author of more than 40 publications in international peer-review scientific journals and is an experienced presenter at international scientific congresses.

Per Samuelsson
Board member since 2009.
Mr Per Samuelsson is a Partner with HealthCap, a venture capital fund and he is based in Stockholm, Sweden. Prior to joining Odlander Fredrikson / HealthCap in the year 2000, Mr Samuelsson gained over 15 years of investment banking experience, mainly with Aros Securities in Sweden. In his most recent position with Aros Securities, as a Director in the firm's corporate finance department, he specialised in the areas of Merger Transactions, Initial Public Offerings and Equity Incentive Programs. Prior to this Mr. Samuelsson was head of Research, also at Aros Securities. Mr. Samuelsson received his M.Sc. in Engineering from the Institute of Technology in Linköping. Mr Samuelsson currently holds positions in the following companies: Algeta ASA (board member), BioStratum Inc. (board member), Cardoz AB (board member), Nucleonics Inc. (board member) and Optivy AB (board member).

MANAGEMENT

Francois R. Martelet
Chief Executive Officer since 23 February 2010.
Dr Francois R. Martelet has a solid late-stage clinical development and commercialization experience from the international pharmaceutical industry, including Merck & Co., Novartis, Schering-Plough, Eli Lilly and Roche. During his time with Merck & Co. (2005-2007), he was Vice President & Worldwide Franchise Head, Oncology, from which position he has gained in-depth knowledge of the HDACi drug class via his role in the global launch of Zolinza®. More recently (2007-2009), he was President & CEO of AVAX Technologies, Inc., a US biotech company which is specialized in cancer vaccines therapy. Francois R. Martelet is a bilingual English/French speaker, and has a command of both German and Swedish. He holds a doctorate with distinction in medicine, a Masters Degree in Business (from the Dijon University of Medicine, Dijon, France), and a degree in legal medicine (Descartes University of Medicine, Paris, France). In addition, he is a graduate of INSEAD (Advanced Management Program) and has attended development programs at Harvard Business School. Francois R. Martelet is a French national.

Maxwell Sehested
Chief Scientific Officer
Dr Sehested is a co-founder of TopoTarget, MD and board certified in pathology, with a PhD in pre-clinical cancer therapeutics in the field of multi-drug resistance. He has thus more than 20 years of experience in pre-clinical 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 130 scientific papers, the large majority of which are in pre-clinical cancer therapy.

Tim Corcoran
Chief Financial Officer
Mr Corcoran was appointed Chief Financial Officer in 2008 and was previously Executive Vice President and Chief Operations Offcier. Mr Corcoran served as Chief Financial Officer of Prolifix, now TopoTarget UK Limited, from 1999. Mr Corcoran has a law degree from Canterbury University, Christchurch, New Zealand (NZ) and practiced as a barrister and solicitor of the New Zealand High Court. Mr Corcoran spent four years as General Manager of Brittco Group, the New Zealand commercial property and light engineering firm. Mr Corcoran has also worked for the international firm of accountants Deloitte.

Steven Butcher
Chief Operating Officer
Dr Butcher joined TopoTarget in 2006, bringing with him over 18 years of experience in the pharmaceutical and biotech sector. Dr Butcher has a PhD in pharmacology and 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 with Pharmacia AB in Sweden. Dr Butcher joined Gemini Genomics (Cambridge, UK) in 2000 as Vice President, Research, and was Chief Scientific Officer of Synaptica (2001 - 2003) and BioImage A/S (2003 - 2006).

John L. Parsons, Jr.
Chief Commercial Officer and President of TopoTarget USA, Inc.
Mr Parsons joined TopoTarget in 2006 and was named Chief Commercial Officer in September 2007, in charge of global commercial management in addition to his US responsibilities. Mr Parsons has more than 30 plus years' experience from the pharmaceutical industry, overseeing sales, marketing, product development, strategic planning and business execution. Before joining TopoTarget, Mr Parsons founded Parsons Strategic Associates (PSA), a strategic consulting firm focused on the emerging biotechnology industry. Prior to founding PSA, Mr Parsons held senior management positioned at Innovex, a division of Quintiles, and BASF Pharma (Knoll), where Mr Parsons was a commercial business manager and a member of the executive committee. Mr Parsons is a graduate of Indiana University in Bloomington, Ind., and has several advanced certificates of study from the Wharton School of Business at the University of Pennsylvania.

Ulla Hald Buhl
Director, IR and Communications
Mrs Buhl has held the position as Director of IR and Communications since 2006. Previously Mrs Buhl held a position with AstraZeneca as a National Study Team Leader of oncology trials run in Denmark. Mrs Buhl has a background in clinical Oncology and a Business School diploma in Healthcare Sector Management from the CEUS School of Business. Mrs Buhl has been employed with TopoTarget since 2001 and has established departments in TopoTarget in her previous positions: Quality Manager, International Regulatory Manager and Head of Pharmacovigiliance.

Niels Laursen
Director Human Resources
Mr Laursen began working for TopoTarget in 2001 as a consultant. Over the years his involvement has increased considerably and from January 2007 Mr Laursen joined the Company on a full time basis as Director of Human Resources. Mr Laursen has a MSc in

Economics and Business Administration from the Copenhagen Business School (CBS) and has over 20 years of Human Relations experience from various companies and consultancies, including 11 years in Copenhagen Airports where Mr Laursen was instrumental in changing the culture from a government-owned company to a publicly owned company, aligning Human Relations activities with the business objectives.

Henri Lichenstein
Chief Development Officer
Dr Lichenstein joined TopoTarget in 2009 with over 20 years drug development experience at CuraGen Corporation and Amgen Inc. In his most recent role as Vice President of Product Development, Dr Lichenstein led the TopoTarget-CuraGen and NCI alliances in the global clinical development of belinostat. Dr Lichenstein has also led drug discovery and development efforts for a number of protein and monoclonal antibody therapeutics in Oncology and other disease areas, and has led corporate development in- and out-licensing initiatives. Dr. Lichenstein has a PhD in Biochemistry and Molecular Biology from the University of California, Santa Barbara and is co-author and inventor on approximately 50 publications and 30 patents, respectively.

CORPORATE GOVERNANCE

The Copenhagen Stock Exchange's Committee on Corporate Governance published in August 2005 its proposal for "Revised Corporate Governance Recommendations 2005" as amended (the "Recommendations").

The Recommendations are generally considered to define what is currently considered good corporate governance in Denmark, and in October 2005, the Copenhagen Stock Exchange decided to implement the Recommendations into the disclosure requirements for listed companies. Hence, with respect to annual reports for financial years beginning on or after 1 January 2006, companies listed on NASDAQ OMX Copenhagen must include in their annual reports a statement on how they address the Recommendations in accordance with the "comply-or-explain" principle, which requires companies to either comply with the Recommendations or state their reason for not doing so.

The Company 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 the Company's business, strengthening relations with shareholders, investors, collaboration partners and employees. The Company generally complies with the Recommendations except where described below.

The Company considers the 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 the Company's operations in international markets. Communication 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.

The Company'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 and the Company seeks to maintain the open communication through stock announcements, investor meetings and company presentations. 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 the Company 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 of Directors are elected for terms of one year by the shareholders at the annual general meeting upon the Board's recommendations. Relevant knowledge and

professional experience are key parameters when recommending Board members. Procedures are in place to avoid conflict of internal Board members' professional duties.

New Board members are given an introduction to the company and the new member and the Chairman will evaluate possible possibilities for development of qualifications.

Pursuant to the Company's Articles of Association, a maximum of seven members can serve on the Board of Directors. The Company seeks to ensure that most of the Board members are independent of special interests.

The Board members are evaluated by the Board of Directors on a yearly basis. Board members must retire after their 70th birthday.

The Board has established a formal process for evaluating management, and objectives are agreed in connection with the budgeting procedure and evaluated finally at year end.

TopoTarget has, due to its size, not formally elected a deputy chairman.

The Company has entered into employment agreements with the Chief Executive Officer and other members of the Senior Management with termination clauses of between three and 12 months on the part of the Company. No termination agreements are entered.

The Board of Directors continuously discusses the goals and strategies and the Company's ability to implement the strategies and live up to expectations.

The chairman of the board has well defined tasks, duties and responsibilities. Among these to make sure the board members has the competencies needed in benefit of the company. The board also evaluates the board composition to ensure that needed competencies are at hand and ensures a transparent process on election of board members at the General Assembly.

The Board Rules are adapted to the Company and revision takes place according to recommendations.

The Executive Management updates the Board of directors at every ordinary board meeting through the management report on all matters the Board needs.

Warrants are issued by the Board of Directors pursuant to an authorisation to the Board of Directors by the General Meeting on a yearly basis. Warrants are granted to Senior Management and key personnel, employees, consultants and Board members. The exercise price, number of warrants and other terms will be determined when the warrants are granted. Board members have been and can be granted warrants because of the Company's international approach and presence and in order to attract and retain international and experienced Board members.

The exercise price is determined corresponding to the market price at the date of grant. Warrants subsequently vest after 12 months for 25% of the allocated warrants, after 24 months for another 25% of the allocated warrants, and the remaining 50% of the allocated warrants vest after 36 months. In 2009 1,272,000 warrants were issued.

The Board of Directors is, until 1 May 2010, authorised at one or more times to increase the Company's share capital by an amount up to nominal DKK 5.000.000. Capital increases according to this authorisation can be carried out by the Board of Directors by way of contributions in kind (including e.g. acquisitions of existing businesses), conversion of debt and/or cash contributions and can be carried out with or without pre-emptive subscription rights for the Company's shareholders at the discretion of the Board of Directors. Capital increases shall be carried out at market value. In regards to paragraph 48 in the Danish Public Companies Act the board allows the acquisition of the company's stock as permitted under paragraph 48 to a level of 10% of the share capital. The shares may be acquired at a price at the time of purchase equal to the market price +/- 5%. This authorisation is valid up to and including the time of the company's Annual General Meeting in 2010.

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. Not all committee's have three members. However, committees with less than three members are not authorised to make independent decisions. The board of directors held 21 meetings, the Remuneration Committee 1 meeting and the Audit Committee 4 meetings in 2009.

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	Number of warrants, year-end after conversion (See note 16)
Håkan Åström	* EUR 50,000	334.000	317.000	212.000	25.000	291913
Jeffrey Buchalter	* EUR 35,000	0	0	75.000	10.000	103.271
Anders Gersel Pedersen	* EUR 35,000	10.000	5.000	75.600	10.000	104.097
Ingelise Saunders	** EUR 25,000	0	0	60.600	10.000	83.443
Bo Jesper Hansen	* EUR 35,000	0	0	0	0	0
Per Samuelsson	** EUR 25,000	0	0	0	0	0
Anders Fink Vadsholt	** EUR 25,000	0	0	0	0	0

* Hereof EUR 20,000 for participation in Comittees
** Hereof EUR 10,000 for participation in Comittees

CORPORATE SOCIAL RESPONSIBILITY (Statutory statement)

TopoTarget is aware of its social responsibilities consequent upon its being a member of the oncology and hematology community and seeks to develop novel, safe and effective cancer drugs that prolong life and improve the quality of life for cancer patients.

One of the company's key values is to behave responsibly in social and environmental matters in compliance with the UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption. In our every day work we deal with substances that can affect the environment. Therefore we constantly and systematically focus on our routines ensuring that we handle substances according to applicable rules and regulations and on improving processes to the benefit of our colleagues and the environment.

TopoTarget shares knowledge with academia through collaborative ventures and actively educates students and researchers (PhD's). The company's drugs under development are made available to investigators, co-operative cancer groups like Gynecology and Oncology Group (GOG) and research institutes like National Cancer Institute (NCI) to ensure the full potential and possible benefit can eventually be offered to patients.

The company's internal values, HR principles and working conditions support the principles of respect for the individual and encouragement of diversity.
TopoTarget is vigilant in maintaining the wellbeing of its employees by It offering on-going training and education programmes and meaningful and interesting every-day work. The employees are a balanced mixture of age and also of both sexes.

SHAREHOLDER INFORMATION

TopoTarget's shares were listed on the Copenhagen Stock Exchange (now NASDAQ OMX Copenhagen) in June 2005 under the securities/ISIN code DK0060003556 and the trading symbol TOPO. The company's Reuters symbol is TOPO.CO and its Bloomberg symbol is TOPO DC. Trading of the company's shares commenced on 10 June 2005.

The closing price for our shares on 31 December 2009 was DKK 2.59 which was a decrease of 28,5% on the company's share price of DKK 3.62 at year-end 2008.

The average daily trading volume for the company's shares in 2009 was DKK 1.8 million.

TopoTarget carried out a capital increase on 2 July 2009, issuing 66,304,510 new shares of DKK 1 nominal value at a subscription price of DKK 2.00 each. At 31 December 2009, TopoTarget's share capital stood at DKK 132,609,020 corresponding to 132,609,020 shares of DKK 1 nominal value. The company has only one class of share 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 2009, TopoTarget had 8,682 registered shareholders, who held 59.23% of the share capital compared to 6,953 registered shareholders at the end of 2008.

At 31 December 2009, the company's 20 largest shareholders held 26,36% of the total share capital, and the following investors have informed TopoTarget that they hold more than 5% of the shares:

- HealthCap funds
- BankInvest funds

Furthermore by February 2010 it was announced that Avanza Pension is also a major shareholder, owning more than 5%.

IR Policy, Goals and Activities

TopoTarget A/S aims to maintain an open and continuous dialogue with existing and potential shareholders, other stakeholders and the general public. The company strives to provide transparent communication with equal access for all stakeholders and to this end, maintains a dedicated Investor and Public Relations department. With open communication, the company aims to ensure fair pricing of the company's shares in order to reflect the company's willingness to generate higher earnings to its shareholders.

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

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

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

We welcome all enquiries concerning TopoTarget to the Investor and Public Relations department.

Financial calendar

In 2010, TopoTarget expects to publish its financial announcements according to the following calendar:

25 March 2010	Annual report for 2009
20 May 2010	Financial report for the first quarter of 2010
19 August 2010	Financial report for the first half of 2010
18 November 2010	Financial report for the third quarter of 2010

The Annual General Meeting will be held on 22 April 2010 at Symbion Science Park, Fruebjergvej 3, DK-2100 Copenhagen Ø, Denmark.

Join the Mailing List

TopoTarget offers an e-mail subscription service for anyone interested in receiving company announcements. Subscribe via the company's website www.topotarget.com under the 'Investor and Media' section.

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Announcements and investor news

Announcements in 2009

6 January	Belinostat moves into its first randomized trial in combination with 5-Azacytidine in the treatment of cancer patients suffering from AML or MDS
8 January	Initiation of the phase 2 portion of a NCI sponsored study where belinostat is given at higher than usual monotherapy doses in the treatment of patients with liver cancer
19 January	Positive data with belinostat and 5-FU for colorectal cancer presented at ASCO GI 17 January 2009
30 January	TopoTarget issues warrants to Employees, Management and the Board of Directors
26 February	Savene®/Totect® reaches profitability for TopoTarget
13 March	TopoTarget reports Phase II trial results with Avugane™ in acne vulgaris
16 March	Positive update of TopoTarget's initial phase II study with belinostat in PTCL and CTCL supports the registration plan in PTCL
19 March	TopoTarget Announces Financial Results for the Year ended December 31, 2008
7 April	Notice to Convene Annual General Meeting
16 April	First patient dosed in TopoTarget's randomized BelCap study in CUP
20 April	Positive sales growth for Savene® and Totect® in Q1 2009
21 April	Passing of TopoTarget A/S Annual General Meeting

14 May	Plans for Rights Issue, Extraordinary General Meeting and Expressions of Interest from Third Parties
14 May	Interim report for the period 1 January to 31 March 2009
14 May	Notice to Convene Extraordinary General Meeting
27 May	Proceedings at the Extraordinary General Meeting of TopoTarget A/S
29 May	Positive data on oral belinostat in phase I dose escalating study in solid tumours presented at ASCO
30 May	Positive data on oral belinostat in phase I dose escalating study in Lymphoma presented at ASCO
30 May	Belinostat has activity in thymoma. Data presented at ASCO
2 June	TopoTarget A/S Publishes Offering Circular in Connection with a Rights Issue. Board Change
24 June	TopoTarget A/S – Major shareholder exercises significant number of pre-emptive subscription rights in connection with the announced offering
2 July	TopoTarget completes fully subscribed rights issue
9 July	Notice to Convene Extraordinary General Meeting
23 July	Proceedings at the extraordinary general meeting of TopoTarget A/S
31 July	Disclosure obligation concerning share capital and voting rights at 31 July 2009
17 August	Initiation of NCI-sponsored Phase 1 study of belinostat in combination with Cisplatin and Etoposide for Small Cell Lung Cancer and Other Advanced Cancers
19 August	Interim report – six months ended 30 June 2009
9 September	FDA grants Orphan Drug status for belinostat for the treatment of Peripheral T-cell lymphoma (PTCL)
29 September	Temporary suspension in Totect® supply in the US
13 October	Totect® manufacturing resumed
17 November	Belinostat and Velcade® is well tolerated in combination - Encouraging data from a phase 1 study presented at the AACR/NCI/EORTC Molecular Targets and Cancer Therapeutics Conference
19 November	Interim report for the period 1 January to 30 September 2009
3 December	TopoTarget Publishes Financial Calendar for 2010
8 December	Positive results of TopoTarget's initial phase II study with belinostat in PTCL and CTCL presented at ASH

Report Pursuant to Section 28a of the Danish Securities Trading Act
23 June, 24 June, 25 June, 2 July

Major Shareholder Announcement
20 March, 20 April, 20 May, 26 May, 3 July, 21 July, 9 December

Investor News in 2009

5 March	US oncology nurses guidelines recommends use of Totect® when an anthracycline extravasation in cancer patients has occurred
13 May	Belinostat data to be presented at ASCO
4 September	ODAC (FDA's US Oncologic Drugs Advisory Committee) backs T cell lymphoma - PTCL and CTCL compounds
2 November	Belinostat data to be presented at four international conferences
10 November	TopoTarget announces the date for the Q3 2009 report and a related telephone conference
28 November	Belinostat acts synergistically when combined with castration and anti-hormone therapy in hormone refractory prostate cancer models

The full texts of all our stock exchange releases are available through the company's website, www.topotarget.com.

Statement by the Board of Directors and Executive Management

The Board of Directors and Executive Management today discussed and adopted the annual report for 2009 of TopoTarget A/S.

The annual report is presented in accordance with the International Financial Reporting Standards as adopted by the EU and the Danish Financial Statements Act in respect of the Parent financial statements as well as additional Danish disclosure requirements for the annual reports of listed companies.

In our opinion the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent Company´s assets, liabilities, and financial position at 31 December 2009 and of the results of the Group's and the Parent Company´s operations and cash flows for the year 2009.

Also we believe that the the management's report gives a fair review of developments in the activities and financial position of the Group and the Parent Company, the results for the year and of the Group's and the Parent Company´s financial position in general and gives a fair description of significant risk and uncertainty factors that may affect the Group and the Parent Company.

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

Copenhagen, 25 March 2010

Executive Management

Francois R. Martelet

Board of Directors

Håkan Åström Chairman	Jeffrey Buchalter	Anders Gersel Pedersen
Anders Fink Vadsholt	Ingelise Saunders	Bo Jesper Hansen
Per Samuelsson		

Independent auditors' report

To the shareholders of Topo Target A/S

Report on the consolidated financial statements and parent financial statements

We have audited the consolidated financial statements and parent financial statements of TopoTarget A/S for the financial year 1 January - 31 December 2009, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as the Parent and the consolidated cash flow statement and the parent company cash flow statement. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent financial statements, have been prepared in accordance with the Danish Financial Statements Act. Further, the consolidated financial statements and financial statements have been prepared in accordance with additional Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and parent financial statements

Management is responsible for the preparation and fair presentation of consolidated financial statements and parent financial statements in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, and in accordance with the Danish Financial Statements Act in respect of the parent financial statements, 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 consolidated financial statements and parent financial statements that are 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 these consolidated financial statements and parent financial statements 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 consolidated financial statements and parent financial statements are free from material misstatement.

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2009, and of its financial performance and its cash flows for the financial year 1 January - 31 December 2009 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2009, and of its financial performance and cash flow for the financial year 1 January - 31 December 2009 in accordance with the Danish Financial Statements Act and additional Danish disclosure requirements for listed companies.

Statement on the management commentary

Management is responsible for preparing a management commentary that contains a fair review in accordance with the Danish Financial Statements Act.

Our audit did not include the management commentary, but we have read it pursuant to the Danish Financial Statements Act. We did not perform any procedures other than those performed during the audit of the consolidated financial statements and parent financial statements.

Based on this, we believe that the disclosures in the management commentary are consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 25 March 2010

Deloitte
Statsautoriseret Revisionsaktieselskab

Jørgen Holm Andersen
State Authorised
Public Accountant

Jens Sejer Pedersen
State Authorised
Public Accountant

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INCOME STATEMENTS

		Group		Parent	
	Note	2009 DKK ' 000	2008 DKK ' 000	2009 DKK ' 000	2008 DKK ' 000
Revenues	2,3	43.979	43.890	35.093	28.998
Production costs	4,5	(10.125)	(10.082)	(7.750)	(10.100)
Research and development costs	4,5	(89.884)	(146.906)	(76.679)	(88.928)
Write down of research and development projects	4	(21.200)	(93.500)	-	-
Sales and distribution costs	4,5	(29.136)	(44.796)	(11.036)	(18.218)
Administrative expenses	4,5	(26.126)	(42.977)	(23.906)	(40.135)
Operating loss		**(132.491)**	**(294.371)**	**(84.278)**	**(128.383)**
Income after tax from investments in subsidiaries	12	-	-	(51.184)	(182.425)
Financial income	6	2.483	9.437	7.913	19.403
Financial expenses	7	(12.733)	(21.174)	(12.915)	(9.804)
Loss before tax		**(142.741)**	**(306.108)**	**(140.464)**	**(301.209)**
Tax on profit/(loss) for the year	8	2.277	4.899	-	-
Net loss for the year		**(140.464)**	**(301.209)**	**(140.464)**	**(301.209)**
Basic and diluted EPS (DKK)	9	(1,41)	(4,68)		

COMPREHENSIVE INCOME FOR THE YEAR

	2009 DKK ' 000	2008 DKK ' 000
Net loss for the year	**(140.464)**	**(301.209)**
Fair value adjustment of available-for-sale financial assets	-	227
Transferred to income statement concerning value adjustment of available-for-sale financial assets	-	(227)
Tax from other comprehensive income	-	-
Income tax relating to components of other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(140.464)**	**(301.209)**

Balance sheet - Assets

		Group		Parent	
	Note	2009 DKK ' 000	2008 DKK ' 000	2009 DKK ' 000	2008 DKK ' 000
Acquired research- and development projects		431.885	467.381	226.820	232.253
Intangible assets	4,10	**431.885**	**467.381**	**226.820**	**232.253**
Other fixtures and fittings, tools and equipment		7.044	12.094	5.547	9.179
Property, plant and equipment	4,11	**7.044**	**12.094**	**5.547**	**9.179**
Investment in subsidiaries		0	0	36.813	76.900
Receivables from subsidiaries		0	0	121.127	118.414
Other receivables		1.371	1.923	1.187	1.603
Non-current investments	12	**1.371**	**1.923**	**159.128**	**196.917**
Non-current assets		**440.300**	**481.398**	**391.495**	**438.349**
Inventories - raw materials		942	1.564	942	1.564
Inventories - saleable goods		1.002	1.002	1.002	1.002
Inventories		**1.944**	**2.566**	**1.944**	**2.566**
Trade receivables	13	5.490	13.040	3.710	6.229
Other receivables		1.268	6.704	1.106	6.630
Income taxes receivable		24	4.401	0	0
Prepayments		6.242	2.925	5.802	2.502
Receivables		**13.024**	**27.070**	**10.619**	**15.361**
Securities	14	**0**	**35.295**	**0**	**35.295**
Cash and cash equivalents		**130.145**	**72.703**	**120.945**	**60.205**
Current assets		**145.113**	**137.634**	**133.508**	**113.427**
Assets		**585.413**	**619.032**	**525.003**	**551.776**

Balance sheet - equity and liabilities

	Note	Group 2009 DKK ' 000	Group 2008 DKK ' 000	Parent 2009 DKK ' 000	Parent 2008 DKK ' 000
Share capital	15	132.609	66.304	132.609	66.304
Share-based payments	16	31.140	27.347	31.140	27.347
Retained earnings		248.049	335.725	248.049	335.725
Equity		**411.798**	**429.376**	**411.798**	**429.376**
Deferred income tax	8	43.985	46.095	0	0
Pension liabilities	17	315	761	0	0
Other payables	20	70.395	59.019	70.395	59.019
Non-current liabilities		**114.695**	**105.875**	**70.395**	**59.019**
Lease commitments	19	0	315	0	315
Trade payables		37.299	42.811	19.753	28.469
Debt to subsidiaries		0	0	1.623	0
Other payables	20	21.621	40.655	21.434	34.597
Current liabilities		**58.920**	**83.781**	**42.810**	**63.381**
Liabilities		**173.615**	**189.656**	**113.205**	**122.400**
Equity and liabilities		**585.413**	**619.032**	**525.003**	**551.776**

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Cash flow statements

	Note	Group 2009 DKK ' 000	Group 2008 DKK ' 000	Parent 2009 DKK ' 000	Parent 2008 DKK ' 000
Operating loss		(132.490)	(294.370)	(84.278)	(128.383)
Reversal of share-based payments		3.793	10.015	2.039	7.727
Reversal of pension commitments		207	(1.838)	-	-
Depreciation, amortisation and impairment losses		25.735	101.438	4.751	5.502
Working capital changes	24	(2.050)	9.191	2.152	11.481
Cash flows from operating activities before interest		**(104.806)**	**(175.564)**	**(75.337)**	**(103.673)**
Interest income etc. received		1.488	15.533	7.913	9.926
Interest expenses etc. paid		(257)	(11.436)	(199)	(65)
Refunded income taxes		4.377	1.922	-	-
Cash flows from operating activities		**(99.198)**	**(169.545)**	**(67.623)**	**(93.812)**
Purchase of intangible assets		(0)	(125.474)	(0)	(125.474)
Purchase of property, plant and equipment		(97)	(1.158)	(94)	(770)
Sale of property, plant and equipment		2.113	1.322	475	-
Capital increase in subsidiary		-	-	(2.367)	(23.586)
Change of loan to subsidiary		-	-	(24.141)	(42.362)
Purchase of investments		550	(266)	416	(131)
Purchase of securities		-	(84.420)	-	(84.420)
Sale of securities		35.295	165.630	35.295	165.630
Cash flow from investing activities		**37.861**	**(44.366)**	**9.583**	**(111.113)**
Instalment on lease commitments		(315)	(499)	(315)	(499)
Proceeds from the issuance of shares	26	119.095	-	119.095	-
Cash flows from financing activities		**118.780**	**(499)**	**118.780**	**(499)**
Increase/decrease in cash and cash equivalents		57.442	(214.409)	60.740	(205.425)
Cash and cash equivalents at 1 January		72.703	287.112	60.205	265.630
Cash and cash equivalents at 31 December		**130.145**	**72.703**	**120.945**	**60.205**
Non-cash transactions	25				
Cash and cash equivalents comprise:					
Deposit on demand and cash		30.067	72.580	20.945	60.205
Special-term deposits		100.078	123	100.000	0
Total		**130.145**	**72.703**	**120.945**	**60.205**

Consolidated statement of changes in equity for the period 1 January to 31 December 2009
Group

	Number of shares	Share capital DKK ' 000	Share premium account DKK ' 000	Retained earnings DKK ' 000	Total DKK ' 000
Equity at 1 January 2009	**66.304.510**	**66.304**	**27.347**	**335.725**	**429.376**
Recognition of share-based payment	-	-	3.793	-	3.793
Share capital increase through cash payment	66.304.510	66.305	-	52.788	119.093
Total comprehensive income for the year	-	-	-	(140.464)	(140.464)
Equity at 31 December 2009	**132.609.020**	**132.609**	**31.140**	**248.049**	**411.798**

Expenses in relation to the capital increase 2 July 2009 have been deducted in "Retained earnings" in the amount of TDKK 13,514.

Consolidated statement of changes in equity for the period 1 January to 31 December 2008
Group

	Number of shares	Share capital DKK ' 000	Share premium account DKK ' 000	Retained earnings DKK ' 000	Total DKK ' 000
Equity at 1 January 2008	**61.304.510**	**61.304**	**17.332**	**586.432**	**665.068**
Recognition of share-based payment	-	-	10.015	-	10.015
Share capital increase through non-cash payment	5.000.000	5.000	-	50.500	55.500
Total comprehensive income for the year	-	-	-	(301.208)	(301.208)
Equity at 31 December 2008	**66.304.510**	**66.304**	**27.347**	**335.725**	**429.376**

Parent company statement of changes in equity for the period 1 January to 31 December 2009
Parent

	Number of shares	Share capital DKK ' 000	Share premium account DKK ' 000	Retained earnings DKK ' 000	Total DKK ' 000
Equity at 1 January 2009	**66.304.510**	**66.304**	**27.347**	**335.725**	**429.376**
Recognition of share-based payment	-	-	3.793	-	3.793
Share capital increase through cash payment	66.304.510	66.305	-	52.788	119.093
Total comprehensive income for the year	-	-	-	(140.464)	(140.464)
Equity at 31 December 2009	**132.609.020**	**132.609**	**31.140**	**248.049**	**411.798**

Expenses in relation to the capital increase 2 July 2009 have been deducted in "Retained earnings" in the amount of TDKK 13,514.

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 2008
Parent

	Number of shares	Share capital DKK ' 000	Share premium account DKK ' 000	Retained earnings DKK ' 000	Total DKK ' 000
Equity at 1 January 2008	**61.304.510**	**61.304**	**17.332**	**586.432**	**665.068**
Recognition of share-based payment	-	-	10.015	-	10.015
Share capital increase through non-cash payment	5.000.000	5.000	-	50.500	55.500
Total comprehensive income for the year	-	-	-	(301.208)	(301.208)
Equity at 31 December 2008	**66.304.510**	**66.304**	**27.347**	**335.725**	**429.376**

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

Notes

1. CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING POLICIES

1.a Changes in accounting policies

Basis of preparation

The annual report for TopoTarget is prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the Danish Financial Statements Act in respect of the parent financial statements, as well as additional Danish disclosure requirements for annual reports of listed companies. TopoTarget presents its financial statements in accordance with

all applicable IFRS standards. The financial statements for the parent company is prepared in accordance with the Danish Financial Statements Act (reporting class D), is unchanged compared with previous years.

Implementation of new and revised standards and interpretations

The annual report for 2009 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 2009. New standards and interpretations have not affected recognition and measurement.

Standards and interpretations which have come into force and affected disclosures

- Amended IAS 1, *Presentation of Financial Statements* (September 2007).
- Amended IFRS 7, Financial Instruments: Disclosures (March 2009)
- IFRS 8, Operating Segments (November 2006)

Standards and interpretations not yet in force

Standards and interpretations not yet in force at the time of publishing the present annual report, have not yet taken effect and therefore have not been incorporated into the present annual report. Management believe that implementation of new and amended standards and interpretations will not affect the financial statements for 2010.

1. b Management's significant accounting assumptions and estimates

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

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

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

Areas in which the Group makes significant assumptions and estimates are described below. The Group's accounting policies are described in Note 28 to the financial statements.

Going concern

TopoTarget's cash and cash equivalents as at 31 December 2009 totalled DKK 130.2 million. Since that date the company's financial resources have been further strengthened through the sign-on fee of USD 30 million and the 70:30 cost sharing arrangement under the Spectrum deal in February 2010 and the EUR 5 million cash component received from the Savene sale in March 2010. Consequently the Financial Statements have been prepared on a going concern basis.

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

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 approvals 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 production, sales and distribution costs and administrative expenses, but also development costs. As none of the company's products have obtained the status required for capitalisation, no development costs had been capitalised at 31 December 2009.

Impairment test of acquired research and development projects

The value of acquired research and development projects recognised in the balance sheet as at 31 December 2009 primarily consist of the following projects: Belinostat programme acquired in conjunction with the acquisition of TopoTarget UK in 2002 and in April 2008 in conjunction with the purchase from the former American partner to obtain the full control of this programme; APO010 and APO866 acquired in conjunction with the acquisition of TopoTarget Switzerland S.A. in 2007.

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

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

The topical VPA (Avugane and Baceca) and Savicol projects were part of the assets acquired in the G2M (now TopoTarget Germany) purchase in 2004. The topical VPA projects were partly written down in 2008 as a result of requiring further formulation work before clinical development could recommence and the interim results of the Savicol trial were not clear cut requiring further evaluation work before development could be recommenced. However, as a result of belinostat being the primary focus of the Company no such development and evaluation work has been budgeted. Consequently the projects'current book value have been written down with an amount of DKK 21.2 million although they are available for out-licensing. The book value as per 31 December 2009 is nil.

In June 2007 TopoTarget acquired the development project APO866 together with the acquisition of Apoxis S.A. The purchase price included a conditional payment (the APO866 milestone) payable when certain clinical endpoints were met. At acquisition the discounted value of the APO866 milestone was included in the calculation of the purchase price. Due to slow recruitment of patients, the interim result of the ongoing Phase II clinical trial is now expected later than previously assumed. This has led to changed assumptions for the calculation compared to initial recognition, thus leading to a reduction of the liability as at 31 December 2009 amounting to DKK 26.4 million on aggregate and a similar adjustment in the value of acquired research and development projects in progress. As at 31 December 2009 and 31 December 2008, the APO866 milestone was included in non-current liabilities.

In April 2008 TopoTarget bought back the full control of belinostat from the company´s former partner CuraGen. The purchase price included, among others, a commercial milestone payment of USD 6.0 million. (app. DKK 28.3 million), which is defined as 10% of the first USD 60 million of belinostat sales or partnership revenues. Based on the development of the projects, these calculations are later changed as compared to the original recognition, which have lead to an adjustment of the liability and a similar adjustment research and development project still in progress with an amount of DKK (3.9) million. The estimated liability can be further adjusted, if and when the criteria for payment will be fullfilled. As a consequence of the license agreement with Spectrum Pharmaceuticals entered into in February 2010, the liability has been re-valued to take into account the USD 3 million paid on receipt of the Spectrum upfront payment and a change to the expected timetable for future payments.

2. REVENUE

	Group		Parent	
	2009 DKK ' 000	**2008 DKK ' 000**	**2009 DKK ' 000**	**2008 DKK ' 000**
Sale of goods	39.708	39.139	35.053	27.670
Sale of services	3.213	4.229	40	1.328
Milestone payments	1.058	522	0	0
Total	**43.979**	**43.890**	**35.093**	**28.998**

3. SEGMENT INfORMATION

The Group has identified two segments comprising the activity Savene®/Totect® and the activity development of new products.

	Savene / Totect	Development activities	Non- distributed activities	Total
	2009 DKK ´000	2009 DKK ´000	2009 DKK ´000	2009 DKK ´000
Revenues	39.708	-	4.271	43.979
Production costs	(10.125)	-	-	(10.125)
Research- and development costs	-	(89.884)	-	(89.884)
Write down of research and development projects	-	(21.200)	-	(21.200)
Sales and distribution costs	(29.136)	-	-	(29.136)
Administrative expenses	-	-	(26.127)	(26.127)
Operating loss	**447**	**(111.084)**	**(21.856)**	**(132.492)**
Financial income	-	-	2.483	2.483
Financial expenses	-	-	(12.733)	(12.733)
Loss before tax	**447**	**(111.084)**	**(32.106)**	**(142.742)**
Tax on profit/loss for the year	-	2.277	-	2.277
Net loss for the year	**447**	**(108.806)**	**(32.106)**	**(140.464)**

The Group is not relating assets or liabilities to the individual segments.

	Savene / Totect	Development activities	Non- distributed activities	Total
	2008 DKK ´000	2008 DKK ´000	2008 DKK ´000	2008 DKK ´000
Revenues	39.139	4.751	0	43.890
Production costs	(10.082)	-	0	(10.082)
Research- and development costs	-	(146.906)	0	(146.906)
Write down of research and development projects	-	(93.500)	0	(93.500)
Sales and distribution costs	(44.796)	-	-	(44.796)
Administrative expenses	-	-	(42.977)	(42.977)
Operating loss	**(15.739)**	**(235.655)**	**(42.977)**	**(294.370)**
Financial income	-	-	9.437	9.437
Financial expenses	-	-	(21.174)	(21.174)
Loss before tax	**(15.739)**	**(235.655)**	**(54.714)**	**(306.107)**
Tax on profit/loss for the year	-	4.899	-	4.899
Net loss for the year	**(15.739)**	**(230.755)**	**(54.714)**	**(301.208)**

The group's revenue is divided geographically as follows:

	Revenue	
	2009 DKK ´000	2008 DKK ´000
Denmark	1.349	1.237
Europe	25.484	21.646
USA	17.146	21.007
Total	**43.979**	**43.890**

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

	Assets		Additions to acquired research and development projects plus other fixtures and fittings, tools and equipment	
	2009 DKK ´000	2008 DKK ´000	2009 DKK ´000	2008 DKK ´000
Denmark	367.095	356.597	94	210.045
Europe	211.848	252.684	3	188
USA	6.470	9.752	0	481
Total	**585.413**	**619.032**	**97**	**210.715**

4. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	Group		Parent	
	2009 DKK ' 000	2008 DKK ' 000	2009 DKK ' 000	2008 DKK ' 000
Acquired research- and development projects	22.700	95.000	1.500	1.500
Other fixtures and fittings, tools and equipment	4.497	6.794	3.225	4.002
Gain/loss from sale of equipment	(1.463)	(356)	26	-
Total	**25.735**	**101.438**	**4.751**	**5.502**
Allocated by function:				
Production costs	1.500	1.500	1.500	1.500
Research and development costs	1.816	5.132	2.335	2.982
Write down of research and development projects	21.200	93.500	-	-
Sales and distribution costs	442	439	139	152
Administrative expenses	777	867	777	867
Total	**25.735**	**101.438**	**4.751**	**5.502**

5. STAFF COSTS

	Group		Parent	
	2009 DKK ' 000	2008 DKK ' 000	2009 DKK ' 000	2008 DKK ' 000
Wages and salaries	41.321	80.428	31.362	57.432
Share-based payments	3.793	10.015	2.039	7.727
Pension contributions	5.240	9.012	4.416	7.070
Other social security costs	1.386	3.206	118	272
Total	**51.739**	**102.660**	**37.935**	**72.501**
Allocated by function:				
Production costs	0	195	0	195
Research and development costs	23.907	56.778	20.639	40.704
Sales and distribution costs	16.854	22.090	7.560	9.955
Administrative expenses	10.978	23.597	9.736	21.646
Total	**51.739**	**102.660**	**37.935**	**72.501**
Remuneration to Board of Directors *	2.256	2.475	2.256	2.475
Remuneration to Management *	2.722	3.174	2.722	3.174
Average number of employees	**58**	**109**	**47**	**78**

* Of this share-based payments to Board of Directors, TDKK 643 and Management, TDKK 318 in 2009 and to Board of Directors, TDKK 1,178 and Management, TDKK 464 in 2008.

6. FINANCIAL INCOME

	Group		Parent	
	2009 DKK ' 000	2008 DKK ' 000	2009 DKK ' 000	2008 DKK ' 000
Financial income from subsidiaries	0	0	6.213	4.476
Exchange rate adjustment of payables and receivables in foreign currencies	995	0	0	6.754
Financial income from securities and bank deposits	1.488	9.291	1.700	8.173
Other financial income	0	146	0	0
Total financial income	**2.483**	**9.437**	**7.913**	**19.403**

7. FINANCIAL EXPENSES

	Group		Parent	
	2009 DKK ' 000	2008 DKK ' 000	2009 DKK ' 000	2008 DKK ' 000
Exchange rate adjustment of payables and receivables in foreign currencies	-	(11.435)	(184)	-
Amortisation of debt concerning milestone payment	(12.717)	(9.739)	(12.717)	(9.740)
Other financial expenses	(17)	-	(14)	(63)
Total financial expenses	**(12.733)**	**(21.174)**	**(12.915)**	**(9.803)**

8. TAX ON LOSS FOR THE YEAR

	Group		Parent	
	2009 DKK ' 000	**2008 DKK ' 000**	**2009 DKK ' 000**	**2008 DKK ' 000**
Current tax	-	-	-	-
Adjustment of deferred tax	(2.277)	(4.899)	-	-
Tax on loss for the year	**(2.277)**	**(4.899)**	**-**	**-**
Deferred tax asset, net	**205.542**	**169.895**	**127.104**	**105.401**
Deductible temporary differences are attributable to the following terms:				
Intangible assets	(327.013)	(275.224)	(77.054)	(45.602)
Property, plant and equipment	22.652	18.702	13.762	10.588
Other temporary differences	(4.258)	(3.943)	(4.258)	(3.943)
Tax losses carried forward	1.040.353	859.354	575.965	460.560
Total	**731.734**	**598.889**	**508.415**	**421.603**
Tax asset, net	**205.542**	**169.895**	**127.104**	**105.401**
Deducted liability related to intangible assets	43.985	46.095	-	-
Tax asset, not recognised, gross	**249.527**	**215.990**	**127.104**	**105.401**

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.

Of the consolidated loss to be carried forward, DKK 1,040.4 million, (2008: DKK 859.4 million), DKK 192.3 million (2008: DKK 168.6 million) is subject to foreign local restrictions with respect to application. (source-of-loss restriction)

Reconciliation of the changes for the year:

Loss for the period before tax	**(142.741)**	**(306.107)**	**(140.464)**	**(301.208)**
Calculated tax	**(39.775)**	**(79.495)**	**(35.116)**	**(75.302)**
Changes in tax losses carried forward, not recognised	54.107	56.521	28.851	36.137
Changes in tax assets, not recognised	(17.725)	15.095	(7.148)	(8.413)
Other adjustments, not recognised	1.116	2.980	13.413	47.578
Total	**(2.277)**	**(4.899)**	**0**	**0**
Tax rate	1,6%	1,6%	-	-

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 activities, attributed to the ordinary shares of the company divided by the weighted average number of ordinary shares adjusted for assumed dilution effect of issued equity instruments like convertible debts and issued outstanding warrants which can be convertede 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	
	2009 DKK ' 000	**2008 DKK ' 000**	**2009 DKK ' 000**	**2008 DKK ' 000**
Loss for the year attributable to equity holder of the parent	(140.464)	(301.208)	(140.464)	(301.208)
Weighted average number of ordinary outstanding shares	99.456.765	64.323.636	99.456.765	64.323.636
Basic and diluted EPS	(1,41)	(4,68)	(1,41)	(4,68)

10. INTANGIBLE ASSETS

	Group		Parent	
	2009 DKK ' 000	**2008 DKK ' 000**	**2009 DKK ' 000**	**2008 DKK ' 000**
Acquired research- and development projects still in progress				
Cost at 1 January	549.180	357.438	220.552	11.276
Adjustment of acquisition value	(12.796)	(17.534)	(3.933)	-
Additions	-	209.276	-	209.276
Cost at 31 December	**536.384**	**549.180**	**216.619**	**220.552**
Amortisation at 1 January	(93.500)	-	-	-
Write-down of research and development projects	(21.200)	(93.500)	-	-
Amortisation at 31 December	**(114.700)**	**(93.500)**	**-**	**-**
Carrying amount at 31 December	**421.684**	**455.680**	**216.619**	**220.552**
Acquired research and development projects-available for use				
Cost at 1 January	15.076	15.076	15.076	15.076
Transferred from acquired research and development projects still in progress	-	-	-	-
Cost at 31 December	**15.076**	**15.076**	**15.076**	**15.076**
Amortisation at 1 January	(3.375)	(1.875)	(3.375)	(1.875)
Amortisation	(1.500)	(1.500)	(1.500)	(1.500)
Amortisation at 31 December	**(4.875)**	**(3.375)**	**(4.875)**	**(3.375)**
Carrying amount at 31 December	**10.201**	**11.701**	**10.201**	**11.701**
Total acquired research and development projects	**431.885**	**467.381**	**226.820**	**232.253**
The weighted average residual term of licenses and rights is approximately (number of years)	6,75	7,75	6,75	7,75

Astellas has a buyback option concerning a part of the acquired research and development projects acquired through the acquisition of TopoTarget Switzerland S.A.

The above shown write-down, DKK 21.2 million (2008: DKK 93.5 million), has been made as a result of management´s impairment test. Also see note 1, the section " Impairment test of acquired research and development projects" for further explanations.

In June 2007 TopoTarget acquired the development project APO866 together with the acquisition of Apoxis S.A. The purchase price included a conditional payment (APO866 milestone) payable when certain clinical endpoints were met. At acquisition the discounted value of the APO866 milestone was included in the calculation of the purchase price. Due to slow recruitment of patients the interim result of the current Ph II clinical trial is now expected later than previously assumed. This has led to changed assumptions for the calculation compared to initial recognition, thus leading to a reduction of the liability as at 31 December 2009 amounting to DKK 8.9 million and a similar adjustment in acquired research and development projects in progress. In the comparison year there was a similar reduction amounting to DKK 17.5 million.

In April 2008 TopoTarget bought back the full control of belinostat from the company´s former partner CuraGen. The purchase price included, among others, a commercial milestone payment of USD 6.0 million. (app. DKK 28.3 million), which is defined as 10% of the first USD 60 million of belinostat sales or partnership revenues. Based on the development of the projects, these calculations are later changed as compared to the original recognition, which have lead to an adjustment of the liability and a similar adjustment research and development project still in progress. As a consequense of the license agreement with Spectrum Pharmaceuticals entered into in February 2010, the liability has been re-valued to take into account the USD 3 million paid on receipt of the Spectrum upfront payment and a change to the expected timetable for future payments. It has been adjustemt by DKK 3,9 million.

In 2003, TopoTarget's German subsidiary entered into an agreement with Novartis for the development of a recombinant protein, which targets a common cancer antigen, ErbB2/HER2, involved in the development of malignancies such as breast cancer and head and neck tumours. The Company has exercised its option to exclusively in-license Zemab®. Under the agreement, Novartis grants TopoTarget an exclusive licence for patent rights, interest in joint patent rights, and know-how relating to Zemab®. The agreement required payments for the option, as well as an additional payment upon its exercise plus milestone payments and royalties if a product is commercialised. Novartis retains both a buy-back right up to the end of phase II and a first right of negotiation at any time.

11. PROPERTY, PLANT AND EQUIPMENT

	Group		Parent	
	2009 DKK ' 000	**2008 DKK ' 000**	**2009 DKK ' 000**	**2008 DKK ' 000**
Other fixtures and fittings, tools and equipment				
Cost at 1 January	18.000	33.805	23.359	22.589
Addition on acquisiton of a subsidiary	-	-	-	-
Additions	97	1.439	94	770
Disposals	(2.905)	(17.245)	(1.305)	-
Cost at 31 December	**15.192**	**18.000**	**22.148**	**23.359**
Depreciation at 1 January	(5.906)	(15.390)	(14.180)	(10.178)
Depreciation	(4.497)	(6.794)	(3.225)	(4.002)
Depreciation regarding disposals for the year	2.255	16.278	804	-
Depreciation at 31 December	**(8.148)**	**(5.906)**	**(16.601)**	**(14.180)**
Carrying amount at 31 December	**7.044**	**12.094**	**5.547**	**9.179**
Carrying amount at 31 December of assets held under finance leases included in the above amounted to	0	0	0	0

12. NON-CURRENT INVESTMENTS

	Parent	
Investments in subsidiary	**2009 DKK ' 000**	**2008 DKK ' 000**
Cost at 1 January	473.419	467.366
Adjustment of acquisition value	(8.863)	(17.534)
Addition through capital increase in subsidiary	2.367	23.586
Addition on acquisition of a subsidiary	-	-
Addition through establishment of subsidiary	-	-
Cost at 31 December	**466.923**	**473.419**
Net impairment at 1 January	(396.519)	(232.466)
Income after tax from investments in subsidiaries	(51.184)	(182.425)
Negative equity transferred to set off against receivables from subsidiaries	15.970	18.372
Negative equity transferred to debt to subsidiaries	1.623	-
Net impairment at 31 December	**(430.110)**	**(396.519)**
Value at 31 December	**36.813**	**76.900**

Investments in subsidiaries comprise:

Name	**Ownership interest**		
TopoTarget UK Limited, England	100%	24.354	31.616
TopoTarget Germany AG, Tyskland	100%	3.604	24.474
TopoTarget USA, Inc., USA	100%	(62.761)	(45.168)
TopoTarget Switzerland S.A., Switzerland	100%	8.766	20.676
TopoTarget Netherlands B.V., The Netherlands	100%	89	134
Total		**(25.948)**	**31.732**
Negative equity transferred to set off against receivables from subsidiaries/debt to subsidiaries		62.761	45.168
Value at 31 December		**36.813**	**76.900**

	Parent	
Receivables from subsidiaries	**2009 DKK ' 000**	**2008 DKK ' 000**
Cost at 1 January	164.391	119.740
Addition on acquisition of a subsidiary	-	-
Additions	25.222	47.811
Disposals	(6.088)	(3.160)
Cost at 31 December	**183.525**	**164.391**
Net impairment at 1 January	(45.977)	(37.081)
Negative equity transferred to set off against receivables from subsidiaries	(15.970)	(18.372)
Exchange adjustments etc.	(451)	9.476
Net impairment at 31 December	**(62.398)**	**(45.977)**
Value at 31 December	**121.127**	**118.414**

Of the receivable from subsidiaries, an amount of TDKK 121,049 is granted as subordinated loan capital (2008: TDDK 116,694).

	Group		Parent	
Other receivables	**2009 DKK ' 000**	**2008 DKK ' 000**	**2009 DKK ' 000**	**2008 DKK ' 000**
Cost at 1 January	**1.923**	**1.657**	**1.603**	**1.472**
Additions	0	266	0	131
Disposals	(552)	-	(416)	-
Cost at 31 December	**1.371**	**1.923**	**1.187**	**1.603**
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	**1.371**	**1.923**	**1.187**	**1.603**

13. TRADE RECEIVABLES

	Group		Parent	
	2009 DKK ' 000	2008 DKK ' 000	2009 DKK ' 000	2008 DKK ' 000
Trade receivables	5.490	13.040	3.710	6.229
Provision for doubtful debts	0	0	0	0
Total	**5.490**	**13.040**	**3.710**	**6.229**

The average credit period for trade receivables is 80 days (2008: 76 days). The company is entitled to charge interest of 1.5% per month after the due date, which is 30 days from the invoice date. Provisions are made for losses based on inability to pay. Management performs analyses on the basis of customer´s expected ability to pay, historical information about payment patterns and doubtful debtors and customer concentrations, customer creditworthiness and economic conditions in the company´s sales channels. No provision has been made for overdue accounts, as experience suggests that customers, which are primarily public sector enterprises, pay the full amount.

The company only deals with customers who are considered creditworthy. There are no customer that represents more than 5% of the company´s total trade receivables. (2008: CuraGen).

Trade receivables include an amount of TDKK 1,618 (2008: TDKK 8,073), which is due for payment. The company is in ongoing dialougue with the customers in question and expects to receive payment in the near future. The average age of these receivables was 29 days in 2009 and 63 days in 2008.

The table below shows the due dates of trade receivables:

	Group		Parent	
	2009 DKK ' 000	2008 DKK ' 000	2009 DKK ' 000	2008 DKK ' 000
Undue	3.872	4.967	2.092	2.050
Falling due within 90 days	581	623	581	623
Falling due after more tha 90 days	1.037	7.450	1.037	3.556
Total	**5.490**	**13.040**	**3.710**	**6.229**

14. SECURITIES

Securities comprise:		Group		Parent	
		2009 DKK ' 000	2008 DKK ' 000	2009 DKK ' 000	2008 DKK ' 000
Callable loans	DKK	0	35.295	0	35.295
Non callable loans	DKK	0	0	0	0
Total		**0**	**35.295**	**0**	**35.295**
Securities expire:					
Up to one year		0	35.295	0	35.295
One to five years		0	0	0	0
More than five years		0	0	0	0
Total		**0**	**35.295**	**0**	**35.295**

For 2008 all bonds were mortgage or government bonds with low risk and a fixed nominal interest of 4% p.a.

15. SHARE CAPITAL

The share capital consists of 132,609,020 ordinary shares of 1 DKK each.

Each share carries one vote.

Changes in share capital in 2008 and 2009:

	Date	Total DKK
Share capital	01.01.2008	**61.304.510**
Share issue through warrant exercise	07.05.2008	5.000.000
Share capital	**31.12.2008**	**66.304.510**
Share issue through rights issue	02.07.2009	66.304.510
Share capital	**31.12.2009**	**132.609.020**

16. WARRANTS

Description of warrant programme

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 ´000 DKK	Number exercised or expired	Oustanding warrants	Exercise price DKK	Outstanding warrants after conversion in connection with rights issue 2 July 2009	Exercise price after conversion in connection with rights issue 2 July 2009 DKK
Programme 1 *	2001	1.199.988	26. March 2003 or later	March and August 2006-2012 and March 2013	N/A	705.036	494.952	8,33	681.528	6,05
Programme 2 *	2003	891.084	26. March 2003 or later	March and August 2006-2012 and March 2013	N/A	419.351	471.733	16,83	649.546	12,22
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	N/A	N/A
Programme 4 *	2005, September	576.176	16. September 2005	August 2006 and March and August 2007-2012	5.288	109.000	467.176	24,14	643.277	17,53
Programme 4 *	2005, September	500.000	16. September 2005	Marts and August 2007-2012 and March 2013	4.589	69.600	430.400	24,14	592.638	17,53
Programme 5 *	2006, October	217.500	4. October 2006	March and August 2008-2013 and March 2014	2.692	22.000	195.500	32,77	269.193	23,80
Programme 5 *	2006, October	217.500	4. October 2006	March and August 2009-2013 and March 2014	2.692	22.000	195.500	32,77	269.193	23,80
Programme 5 *	2006, October	435.000	4. October 2006	March and August 2010-2013 and March 2014	5.385	44.000	391.000	32,77	538.387	23,80
Programme 5 *	2007, September	282.500	27. September 2007	March and August 2009-2014 and March 2015	2.976	54.000	228.500	23,99	314.633	17,42
Programme 5 *	2007, September	282.500	27. September 2007	March and August 2010-2014 and March 2015	2.976	54.000	228.500	23,99	314.633	17,42
Programme 5	2007, September	565.000	27. September 2007	March and August 2011-2014 and March 2015	5.953	108.000	457.000	23,99	629.265	17,42
Programme 5 *	2009, January	318.125	30. January 2009	August 2010-2014 and March 2015	746	35.000	283.125	4,40	389.848	3,20
Programme 5	2009, January	318.125	30. January 2009	August 2010-2014 and March 2015	746	35.000	283.125	4,40	389.848	3,20
Programme 5	2009, January	636.250	30. January 2009	August 2010-2014 and March 2015	1.493	70.000	566.250	4,40	779.696	3,20
Total programmes					**41.416**	**2.199.075**	**4.692.761**		**6.461.684**	

* The holders have earned complete and final rights.

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

2 July 2009 the company increased the share capital at a rate below current market price and as a result of this the number of warrants and their subscription prices have been converted as described in the Articles of Association. The number of outstanding warrants have been adjusted from 4,692,761 to 6,461,684.

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. The warrant programme is conditional upon the warrantholder being employed with or acting as a consultant to the company or being a member of the company's Board of Directors. Warrants subsequently vest after 12 months for 25% of the allocated warrants, after 24 months for another 25% of the allocated warrants, and the remaining 50% of the allocated warrants vest after 36 months. If an employee/consultant/board member resigns, the person in question is obliged to exercise the vested warrants in the first coming exercise period after the date of resignation.

If 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

proportionally so that the profit potential is retained. This is also the case, if shares are issued at a price beneath the market price. 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. Last time bonus shares were issued was in Spring 2004.

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

The estimated values of warrants issued in 2009, 2007, 2006 and 2005 are calculated using the Black-Scholes model. The value is expensed on the income statement during the period in which the warrants vest.

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

	Group	
	2009	**2008**
Weighted average share price (DKK per share)	4,40	N/A
Weighted average exercise price (DKK per share)	4,40	N/A
Expected volatility (%)	55,25	N/A
Risk-free interest rate (%)	2,79	N/A
Expected dividend payout ratio (%)	0,00	N/A
Period until expiry (number of years)	7	N/A

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

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

Specification of total outstanding warrants:

	Group			
	2009 Number of warrants	**2009** DKK ' 000 Weighted average exercise prices	**2008** Number of warrants	**2008** DKK ' 000 Weighted average exercise prices
Outstanding warrants 1 January	3.832.667	22,57	3.976.417	23,11
Granted in the financial year	1.272.500	4,40	-	0
Exercised in the financial year	-	0	-	0
Expired in the financial year (redundancy)	(412.406)	18,35	(143.750)	26,22
Outstanding warrants, 31 December	**4.692.761**	**18,59**	**3.832.667**	**22,57**
Outstanding warrants 31 December after convertion 2 July 2009	**6.461.684**	**11,4840702**		
Hereof outstanding vested warrants, 31 December	**4.662.875**		**2.693.917**	

The weighted average remaining contractual maturity was 4.0 years at 31 December 2009 and 4.2 years at 31 December 2008.

There was no warrants exercised in 2009 and 2008.

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	
	2009 DKK ' 000	**2008** DKK ' 000	**2009** DKK ' 000	**2008** DKK ' 000
Recognised share-based payment, equity schemes	3.793	10.015	2.039	7.727
	3.793	**10.015**	**2.039**	**7.727**

17. PENSION PLANS

The group companies operate a range of pension plans. The parent company and the subsidiaries in the UK, Germany and the USA all operate defined contribution plans. TopoTarget Switzerland S.A. operates defined benefit plans for the employees.

Under the defined contribution plans, TopoTarget pays regular pension contributions to an independant pension company or similar institution and carries no risk in respect of future developments in interest rate, inflation, mortality, etc. In respect of the amount eventually to be paid to the employee.

Under the defined benefit plans, TopoTarget is obliged to pay an agreed benefit, when an employee is retired, and TopoTarget carries the risk in respect of future developments in interest rates, inflation, mortality, etc. In respect of the amount eventually to be paid to the employee.

Defined benefit plans

TopoTarget Switzerland S. A., operates defined benefit plans for its employees. Under the pension plans, employees are entitled to receive regular pension payments corressponding to a certain percentage of their end salary on retirement, provided that the employee has a defined minimum age on retirement and has been employed with the company for a minimum of years.

Costs of the defined benefit plans are recognised in the income statement as follows:

	Group	
	2009 DKK ' 000	**2008 DKK ' 000**
Pension costs for the year	215	1.311
Total	**215**	**1.311**

Specification of pension obligation recognised in the balance sheet:

	Group	
	2009 DKK ' 000	**2008 DKK ' 000**
Present value of funded pension obligations	3.889	5.289
Fair value of plan assets	(3.574)	(4.528)
Unfunded pension obligations	**315**	**761**
Unrecognised actuarial gains and losses	-	-
Unrecognised pension cocsts concerning prior years	-	-
Total	**315**	**761**

The pension obligations are calculated on the basis of the following actuarial assumptions:

Average discount factor	3,50%	3,60%
Expected return on plan assets	3,80%	4,17%
Expected wage increases	2,00%	2,00%
Expected increases in pensions	0,25%	0,25%

Specification of plan assets measured at fair value:

Shares	21%	18%
Listed bonds	58%	61%
Real property	10%	10%
Other	11%	11%
Total	**100%**	**100%**

None of the plan assets are related to the Group´s businesses in the form of treasury shares, rental property, loan or the like.

TopoTarget expects to pay in total DKK 0.1 million into the schemes during the coming fiscal year.

The most recent actuarial calculation of the pension obligations was made as at 30 June 2009 by the pension insurance company Zürich, Lausanne.

Note 18 Financial Instruments

Capital risk management

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

The group manages its capital with a view to ensuring at all times that all group entities can meet their payment obligations and give investors the best possible return on their investment through the best possible ratio of debt to equity. The group's overall strategy is still primarily focused on belinostat. The Group will however, during the course of 2010, be further evaluating those other projects in its pipeline for potential further development and/or partnering in 2011 and beyond.

The group's capital structure is composed of debt, as appears from the liabilities stated in the balance sheet with the exception of deferred tax, cash and cash equivalents and securities and equity, comprising both share capital, reserves and retained losses.

The carrying amount of financial assets and financial liabilities equals the fair value of such assets and liabilities.

Cash, cash equivalents and securities relative to equity
The company is a development-stage company generating income from the sale of Savene®/Totect® and from the sale of services. The company has a net cash outflow.

Group management regularly reviews the company's capital structure and, in this respect, takes into account both the price of capital and the risk related to the capital.

The company has cash and cash equivalents to fund the day-to-day cash requirements of the business. Cash, cash equivalents and securities amounted to DKK 130.1 million at 31 December 2009. At the same time in 2008, the value of cash and cash equivalents and securities was DKK 108.0 million.

Since that date the company's financial resources have been further strengthened through the sign-on fee of USD 30 million and the 70:30 cost sharing arrangement under the Spectrum deal in February 2010 and the EUR 5 million cash component received from the Savene sale in March 2010.

Significant accounting policies
Note 1 to the financial statements sets out the significant accounting policies and the methods applied, including policies on recognition and measurement.

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

Financial risk management areas
The company monitors and reports on financial risk areas, including movements in exchange rates, interest rates and liquidity. The company does not use financial hedging instruments.

No changes were made to the group's risk exposure or to the way in which risks are monitored compared with 2008.

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

In its management reporting, the company quantifies the interest rate risk by calculating a change in financial results and equity in case of a 50 basis point change in interest rates. Such a change is considered to be within a likely range.

The company's interest rate exposure at 31 December is stated below:

	Group		Parent	
	2009 DKK ' 000	2008 DKK ' 000	2009 DKK ' 000	2008 DKK ' 000
Cash - demand deposit	30.067	72.580	20.945	60.205
Average interest	0,49%	2,85%	0,67%	3,27%
Cash - deposit	100.078	123	100.000	0
Average interest	1,28%	4,02%	1,28%	4,02%
Total cash	**130.145**	**72.703**	**120.945**	**60.205**
Short-term securities	0	35.295	0	35.295
Average interest	0,00%	4,00%	0,00%	4,00%
Inter-company balances	0	0	121.127	118.414
Average interest	0	0	2,00%	2,00%
In case of a 50 basis point change in nominal interest rates, results and equity would be impacted by	651	540	605	478

The interest exposure is believed to be insignificant compared to the group´s overall operations.

Risk management – exchange rates

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

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

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

		Group		Parent	
		2009 DKK '000	2008 DKK '000	2009 DKK '000	2008 DKK '000
Currency	Payment/expiry				
Receivables:					
GBP	0-12 months	626	5.684	390	542
	More than 12 months	0	0	0	0
USD	0-12 months	864	13.168	61.445	56.449
	More than 12 months	0	0	0	0
EUR	0-12 months	3.241	3.437	2.881	2.938
	More than 12 months	0	0	0	0
SEK	0-12 months	65	213	65	213
	More than 12 months	0	0	0	0
NOK	0-12 months	70	133	70	133
	More than 12 months	0	0	0	0
CHF	0-12 months	1.179	773	121.049	81.898
	More than 12 months	0	0	0	0
Total receivables		**5.975**	**23.407**	**185.900**	**142.173**
Payables:					
GBP	0-12 months	4.903	6.055	946	618
	More than 12 months	0	0	0	0
USD	0-12 months	31.387	47.175	23.600	41.002
	More than 12 months	11.386	0	11.386	0
EUR	0-12 months	7.761	7.306	7.333	63.254
	More than 12 months	58.255	60.596	58.255	0
SEK	0-12 months	148	105	148	12
	More than 12 months	0	0	0	0
CHF	0-12 months	3.925	3.672	0	0
	More than 12 months	1.634	0	0	0
CAD	0-12 months	0	5	0	5
	More than 12 months	0	0	0	0
NOK	0-12 months	0	0	0	0
	More than 12 months	0	0	0	0
THB	0-12 months	2	120	2	120
	More than 12 months	0	0	0	0
Total payables		**119.401**	**125.034**	**101.670**	**105.011**

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

GBP	428	37	56	8
USD	4.191	3.401	2.646	1.545
EUR	6.277	6.446	6.271	6.032
CHF	438	290	12.105	8.190

The risk in USD has increased during 2009 as compared to 2008. This is caused by increased sales of Totect® and at the same time the costs have been reduced thus increasing the USD exposure.

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

Credit risk management

The company's credit risk relates primarily to trade receivables from the sale of Savene®/Totect®. Customers are primarily public institutions or private businesses guaranteed by a public sector enterprise.

Customer payment compliance is carefully monitored, and any late payments are followed up immediately.

The company has trade receivables with sales spread among many customers and in many territories, thereby diversifying and reducing the risk exposure.

The company finds that there are no material credit risks.

Liquidity risk management

The Board of Directors is ultimately responsible for the company's risk management. The Board of Directors has defined appropriate limits for how the company may procure adequate liquidity in the long term and in the short term to cover its ongoing activities. The company regularly monitors the liquidity requirements through renewed calculation of expected cash flows based on the cash flows realised.

All receivables and payables recognised in the balance sheet fall due within 12 months except the conditioned liabilities in relation to belinostat and APO866. Other obligations falling due after 12 months are listed in note 21. Other commitments.

19. 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 be specified as follows:

	Group		Parent	
	2009 DKK ' 000	2008 DKK ' 000	2009 DKK ' 000	2008 DKK ' 000
Minimum lease payment				
Up to one year	-	319	-	319
One to five years	-	-	-	-
Total	**-**	**319**	**-**	**319**
Financing component	-	(4)	-	(4)
Total	**-**	**315**	**-**	**315**
Current value of payments				
Up to one year	-	315	-	315
One to five years	-	-	-	-
Total	**-**	**315**	**-**	**315**

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

The carrying amount of lease commitments generally equals fair value.

20. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Included in other long term debt is the liability towards the former shareholders of Apoxis S.A. to pay the expected milestone concerning the APO866 project. The value is the discounted value of the expected milestone payment. The calculation of the discounted value is based on an interest rate of 15% p.a. The nominal value of the loan is EUR 10.0 million. The carrying value of the liability as at 31 December 2009 amounts to DKK 58.3 million (2008: DKK 59.0 million), which is equivalent to estimated fair value.

Also included in the long term debt is the potential payment of USD 3.0 million to CuraGen in relation to the purchase of the full belinostat rights in April 2008. In short term debt is included the remaining USD 3.0 million in relation to the belinostat reights. For further explanation see "Financial review" the section "Consolidated balance sheet".

The carrying value of other financial assets and financial liabilities, is equivalent to the same assets´ and liabilities´ fair value.

21. OTHER COMMITMENTS

	Group		Parent	
	2009 DKK ' 000	**2008 DKK ' 000**	**2009 DKK ' 000**	**2008 DKK ' 000**
A lease agreement has been concluded with notice of termination of 6 months equivalent to	3.457	6.505	3.457	6.505
Other lease contracts	2.963	6.396	0	0
Lease commitment, operational lease	593	878	498	684
Purchase obligations	150	820	0	492
Total	**7.163**	**14.599**	**3.955**	**7.681**
Other obligations are due as follows:				
Up to one year	5.063	10.374	3.826	7.337
One to five years	2.100	4.225	129	344
More than five years	0	0	0	0
Total	**7.163**	**14.599**	**3.955**	**7.681**

Inflammasome-milestone:

If TopoTarget/Apoxis sells or outlicenses any part of research and development project relating to, or derived from, Inflammasome, TopoTarget has to pay the sellers a share of the value of the received amount.
The commitment is included in the balance sheet as at 31 December 2009 with the value DKK 0. (2008: DKK 0).

The parent has an obligation to secure TopoTarget Switzerland S.A.´s cash-burn for a period of 12 months after the balance sheet date.

22. RELATED PARTIES

Related parties include the following:

Group and Parent:

Shareholders
BankInvest, Copenhagen, cf note 23
2009 No transactions
2008 No transactions

HealthCap, Stockholm, cf note 23
2009 No transactions
2008 No transactions

The company's Board of directors and senior management
2009 Renumeration and salaries, cf. note 5
2009 Shares and Warrants, see the table in "Corporate Governance" and note 16
2008 Renumeration and salaries, cf. note 5
2008 Shares and Warrants, see the table in "Corporate Governance" and note 16

Other related paties
2009 Related parties to the board of directors and the executive management have received remuneration of TDKK 761 and warrants of TDKK 75.
2008 Related parties to the board of directors and the executive management have received remuneration of TDKK 1,062 and warrants of TDKK 118.

For the parent company:
The subsidiary TopoTarget UK Limited
2009 Intra-group balance of TDKK 76 and interest on the intra-group balance of TDKK 395
2008 Intra-group balance of TDKK (41) and interest on the intra-group balance of TDKK 313

The subsidiary TopoTarget Germany AG
2009 Intra-group balance of TDKK (261) and interest on the intra-group balance of TDKK 55
2008 Intra-group balance of TDKK (1,716) and interest on the intra-group balance of TDKK (32)

The subsidiary TopoTarget USA, Inc.
2009 Intra-group balance of TDKK 61,445 and interest on the intra-group balance of TDKK 3,267
2008 Intra-group balance of TDKK 48,746 and interest on the intra-group balance of TDKK 2,282

The subsidiary TopoTarget Schwitzerland S.A.
2009 Intra-group balance of TDKK 121,049 and interest on the intra-group balance of TDKK 2,508
2008 Intra-group balance of TDKK 116,964 and interest on the intra-group balance of TDKK 1,936

The subsidiary TopoTarget Netherlands B.V.
2009 Intra-group balance of TDKK (46) and interest on the intra-group balance of TDKK (7)
2008 Intra-group balance of TDKK (370) and interest on the intra-group balance of TDKK 0

23. OWNERSHIP

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

	Ownership
- BankInvest, København *	9,66%
- HealthCap 1999 KB, Stockholm **	13,01%

* The BankInvest funds, that hold shares in the company are, BI Biomedicinsk Venture III P/S, K/S BI Biomedical Venture Annex II and K/S BI Biomedical Venture Annex III

** The HealthCap funds, that hold shares in the company are, HealthCap 1999 KB, HealthCapKB, HealthCap 1999 GbR, HealthCap III Sidefund KB, OFCO Club III Sidefund, HealthCap IV LP, HealthCap IV BisLP, HealthCap IV KB, OFCO Club 1999 and OFCO Club IV

24. WORKING CAPITAL CHANGES

	Group		Parent	
	2009 DKK ' 000	2008 DKK ' 000	2009 DKK ' 000	2008 DKK ' 000
Changes in current assets	10.292	7.165	5.367	3.491
Changes in current liabilities	(12.342)	2.026	(3.215)	7.990
Total	**(2.050)**	**9.191**	**2.152**	**11.481**
Changes in non-current liabilities	-	-	-	-
Total	**(2.050)**	**9.191**	**2.152**	**11.481**

25. NON-CASH TRANSACTIONS

The company has had no non-cash transactions during 2009.
The company has on 7 May 2008 issued 5,000,000 shares at a total value of TDKK 55,500 in connection with the repurchase of the global rights to belinostat.

26. PROCEEDS FROM CAPITAL INCREASES

On 2 July 2009 TopoTarget issued 66,304,510 new shares through a rights issue.
The cash proceeds after deduction of costs related to the capital increase amounted to DKK 119,094,860.

No cash proceeds in 2008.

27. FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

	Group		Parent	
	2009 DKK ' 000	2008 DKK ' 000	2009 DKK ' 000	2008 DKK ' 000
Statutory audit services	470	520	400	400
Other assurence engagements	750	185	750	185
Tax services	0	0	0	0
Other services	881	1.548	807	1.340
Total	**2.101**	**2.253**	**1.957**	**1.925**

Separate audit of the TopoTarget Germany AG has not been carried out as the company is not subject to mandatory audit.
Separate audit of the TopoTarget USA, Inc. has not been carried out as the company is not subject to mandatory audit.
As the operations in the Dutch company were not material to the consolidated financial statements in 2009, this company has not been audited.
Separate audit of the TopoTarget Switzerland S.A. has not been carried out as the company is not subject to mandatory audit.

28. ACCOUNTING POLICIES

In addition to the description in note 1, the accounting policies are as described in the following.

Consolidated financial statements

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

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

The financial statements used for consolidation are prepared in accordance with the Group's accounting policies.

Acquisitions of subsidiaries are accounted for using the purchase method. Costs related to an acquisition are measured at the fair value of remuneration in the form of assets, the equity instruments granted and the liability incurred at the date of acquisition with the addition of costs directly connected to the takeover.

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.

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.

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.

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® and Totect® 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 such 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 significant risks and rewards of ownership of the goods and services included in the transaction have been transferred to the buyer. If all risks and benefits have not been transferred, the revenue is recognised as deferred income until all components in the transaction have been completed.

Production costs

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

Research and development costs

Research costs comprise salaries, contributions to pension schemes, costs of share-based payments and other costs, including patent costs, as well as depreciation and 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, sales and 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.

Research and development costs also comprise any impairment write-down on acquired research and development projects made before the time when the project is available for use.

Sales and distribution costs

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

Administrative expenses

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

Financial income and expenses
These items comprise interest income and expenses, interest on capitalised milestone payments, 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 in the comprehensive income statement as regards the amount that is included in the comprehensive income statement. 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 segment information has been prepared in accordance with the Group's accounting policies and is based on the Group's internal management reporting.

Segment income and segment expenses comprise those items that are directly attributable to individual segments or that can be allocated to individual segments on a reasonable basis. Items not allocated primarily comprise income and expenses that are related to the Group's administration, investment activities, income taxes etc.

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

There are no transactions between the segments.

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 recognised together with the remaining cost, and the balancing item is taken directly to equity to the reserve for share-based payment. Where warrants are issued as incentive 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 the anticipated exercise of the warrants granted. On each balance sheet date, TopoTarget estimates the anticipated number of warrants that will vest. Any change to the original estimates of number of warrants will result in a change of the expensed cost over the remaining vesting period. Prior year changes are 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. Write-downs are recognised in the income statement.

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

Property, plant and equipment
Other fixtures and fittings, tools and equipment as well as assets held under finance leases are measured at 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 and indirect 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
In the period until a marketing approval has been obtained, the acquired research and development project is tested for impairment annually. After marketing approval has been obtained, an impairment test is performed when events or other circumstances indicate that the carrying amount may not be recoverable.

The carrying amount of other intangible assets, property, plant and equipment as well as non-current asset investments is reviewed for impairment when events or changed conditions indicate that the carrying amount may not be recoverable. Where such an indication exists, an impairment test is made. An impairment loss is recognised in the amount by which the carrying amount exceeds the recoverable amount of the asset, which is the higher of the net present value and the net selling price. In order to assess the impairment, the assets are grouped on the least identifiable group of assets that generates cash 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 (Parent Company)
Investments in subsidiaries are recognised and measured according to the equity method. This means that the investments are measured at the proportionate share of the companies' equity value after addition or deduction of any unamortised positive or negative goodwill, respectively, and after deduction or addition of unrealised intra-group gains and losses.

The parent company's share of the subsidiaries' profits or losses after tax and after elimination of unrealised intra-group gains and losses and with the deduction or addition of amortisation of positive, or negative, goodwill is recognised in the income statement.

Subsidiaries with a negative net asset value are recognised at DKK nil, and any receivable amount from these companies is written down, to the extent it is deemed to be irrecoverable, by the parent company's share of the negative net asset value. Where the negative net asset value exceeds the amount receivable, the residual amount is recognised under provisions to the extent that the parent company has a legal or constructive obligation to cover the relevant company's obligations.

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

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

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.

Financial assets
The Group and the parent company classify their financial assets in the following categories:

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

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

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

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

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

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

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at 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.

Pension obligations
Under the defined contribution plans, regular and fixed contributions are paid to independent pension companies or similar institutions. The contributions are recognised in the income statement during the period in which the employees rendered the related service. Payments due are recognised as a liability in the balance sheet.

In respect of defined benefit plans, the Group is required to pay an agreed benefit in connection with the retirement of the employees covered by the plan, e.g. in the form of a fixed amount or a percentage of the salary at retirement.

For defined benefit plans, an annual actuarial assessment is made of the net present value of future benefits to which the employees have earned the right through their past service for the Group and which will have to be paid under the plan. The Projected Unit Credit Method is applied to determine value in use. The net present value is calculated based on assumptions of the future developments of salary, interest, inflation, mortality and disability rates.

The net present value of pension liabilities is recognised in the balance sheet, after deduction of the fair value of any assets attached to the plan, as either plan assets or pension liabilities, depending on whether the net amount is an asset or a liability, cf. below, however.

If the assumptions made with respect to discount factor, inflation, mortality and disability are changed or if there is a discrepancy between the expected and realised return on plan assets, actuarial gains or losses occur. These gains or losses are only recognised if the accumulated gains and losses at the beginning of a financial year exceed the higher numerical value of 10% of the pension liabilities or 10% of the fair value of plan assets (the corridor method). If this is the case, the excess amount is recognised in the income statement, distributed on the expected remaining average working life of the employees covered by the plan.

If the pension plan represents a net asset, the asset is only recognised to the extent that it does not exceed the sum of unrecognised actuarial losses, unrecognised past service costs and the present value of any refunds from the plan or reductions in future contributions to the plan.

If the benefits relating to the employee's service in prior periods change, this results in a change to the actuarial net present value which is considered a past service cost. If the employees covered by the plan have already earned the right to the changed benefits, the change is taken to the income statement immediately. Otherwise, the change is recognised in the income statement over the period during which the employees earn the right to the benefits.

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

Lease commitments
Lease commitments relating to assets held under 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 NASDAQ OMX Copenhagen stock exchange at the balance sheet date or at the most recent trading date prior to the balance sheet date.

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

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