ANNUAL REPORT **2007**

TOPOTARGET IS A BIOTECH COMPANY DEDICATED TO FINDING "ANSWERS FOR CANCER"

TOPOTARGET

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MANAGEMENT'S REVIEW

Building on success

Letter from the CEO

2007 was a transformational year for TopoTarget with major achievements in our business. In 2007 a total of 293 patients were treated with drugs from TopoTarget's pipeline. In addition 233 hospitals will now be able to treat their cancer patients with Savene®/Totect™ when an accident with anthracycline extravasation has occurred. More than 450 patients have participated in trials with belinostat since the product entered the clinic. We believe belinostat has a major role to play in haematological diseases and has large potential to help patients with solid tumours – I strongly believe belinostat will be our second drug on market.

In 2007 we achieved one of the most important milestones in biotech bringing our clinical success into the market place to the direct benefit of patients. In Europe, Savene® is now available in many hospitals should an anthracycline extravasation accident occur, patients can avoid a delay in chemotherapy, pain, and disfigurement. Savene® was launched under the name Totect™ in the US in October and we are building a strong sales team in both markets.

We are proud of our regulatory team who have proved their strong skills in successfully navigating a product through the stringent regulatory environments of both the Food and Drugs Administration (FDA) in the US and the European Medicines Agency (EMEA). This is even more impressive in the light of the fact that the FDA approved just nineteen new products in 2007 – the lowest number in 24 years.

In 2007 we achieved a number of good results with belinostat. Like Savene®/Totect™, belinostat was selected after rigorous testing in our predictive cancer model technology. I am proud to see that our models again bore fruit. During the year our clinical team demonstrated impressive results in cutaneous T-cell lymphoma (CTCL) and in the summer of 2007 we showed that the product also worked in peripheral T-cell lymphoma (PTCL), a disease difficult to treat and where no approved treatment exists. At the end of 2007 we demonstrated positive data from a study treating patients with ovarian cancer with belinostat combined with carboplatin and paclitaxel, the so-called BelCaP combination. These achievements have considerably moved forward our clinical development programme for belinostat and we have high expectations of further successes in the year ahead. Our major milestone in 2008 will be the expected launch of a belinostat pivotal trial, the last stage before market. With its strong and unique competitive profile I am confident of the role belinostat can potentially play in treating a range of different cancers.

As well as these considerable achievements marketing Savene®/Totect™, and moving the belinostat programme forward, if we are to build a strong biotech company we know we also need to have a robust clinical pipeline of potential future products. Our acquisition of Apoxis in 2007 was an example of our ability to fuel our pipeline with promising candidates. Apoxis had two products, APO010 and APO866, that were not only active in our experimental tumours but also exhibited activity in a range of drug resistant cancer cell lines. Again an important step in building a fully-operational European oncology engine.

The acquisition, followed by the successful synergistic integration of Apoxis, was only possible with the support from our investors and in June 2007 we successfully raised 360 million DKK in gross proceeds. The importance of this successful capital expansion became even more apparent when the credit crunch occurred during the fourth quarter of 2007. The contraction of liquidity in the global equity markets affected mid cap and small cap biotech companies as investors became more risk averse during a time of turbulent markets. Despite this backdrop, we have the financing to continue our work to bring our products through the development process so that we ultimately can succeed in reaching our goal of providing "Answers for Cancer".

I want to thank TopoTarget's shareholders for the opportunity you provide for us to build a strong and profitable business in order to develop new treatments for the benefit of cancer patients.

Peter Buhl Jensen
CEO

FINANCIAL HIGHLIGHTS AND RATIOS

DKK ' 000	2007	2006	2005	2004	2003
Financial highlights and ratios *)					
Consolidated financial highlights and ratios					
Revenue	44,890	45,730	79,039	17,702	0
Research and development costs	(129,111)	(111,843)	(69,361)	(54,271)	(41,543)
Sales and distribution costs	(57,722)	(29,668)	0	0	0
Operating loss	(219,801)	(167,903)	(43,433)	(67,602)	(57,581)
Net financials	5,754	5,438	3	(240)	(537)
Net loss for the year	(211,600)	(155,003)	(31,925)	(67,842)	(58,118)
Basic and diluted EPS	(3.92)	(3.76)	(1.00)	(6.08)	(11.76)
Consolidated balance sheets					
Cash, cash equivalents and securities	403,617	271,610	298,279	26,559	8,687
Equity	665,068	430,650	440,451	11,101	49,193
Total assets	834,175	476,184	496,045	98,659	62,788
Investment in property, plant and equipment (net)	(7,965)	(6,019)	(3,654)	(3,244)	(3,493)
Consolidated cash flow statements					
Cash flows from operating activities	(208,932)	(144,558)	(43,860)	(38,035)	(53,407)
Cash flows from investing activities	25,665	116,168	(274,508)	(18,342)	(3,498)
Cash flow from financing activities	332,026	135,517	323,035	74,249	8,239
Consolidated ratios					
Number of fully paid shares, year end	61,304,510	45,684,880	39,940,391	15,935,904	14,169,444
Average number of shares for the period	53,955,186	41,260,562	31,973,878	11,152,415	6,015,600
Assets/equity	1.2	1.1	1.1	8.9	1.3
Market price, year end (DKK)	16.76	36.20	23.36	-	-
Net asset value per share (DKK)	10.85	9.43	11.03	0.70	3.47
Average number of full-time employees	141	98	73	50	39

*) The group was formed in May 2002 on the formation of TopoTarget UK Limited. Figures for 2005 include TopoTarget Germany AG from 25 February 2005 and figures for 2006 include TopoTarget USA, Inc. from 12 July 2006. The figures for 2007 also include TopoTarget Switzerland S.A. from 27 June 2007.

The financial highlights and ratios have been restated to reflect the adjusted structure for recognition of acquired research and development projects. A more detailed description is provided in note 1 to the financial statements.

TOPOTARGET A/S - AN OVERVIEW

- Biotech company formed in 2000 by leading oncologists and scientists
- Extensive predictive cancer model technology for evaluating anti-cancer therapeutics
- Listed on the OMX Nordic Exchange Copenhagen 2005
- Headquartered in Copenhagen, Denmark with subsidiaries in New Jersey, USA; Frankfurt, Germany; Lausanne, Switzerland and Oxford, United Kingdom
- 146 dedicated employees with expertise in clinical development, research and development, regulatory affairs, sales and marketing, business development, finance and administration
- Marketed product in the US and EU: Savene®/Totect™ for the prevention of tissue damage caused by accidents with chemotherapy
- Belinostat is lead product in clinical development (pivotal trial expected to begin H2 2008) plus eight further products in Phase I and Phase II clinical development
- Broad preclinical pipeline of drug candidates, from in-house research and development and in-licensed anti-cancer drug programmes

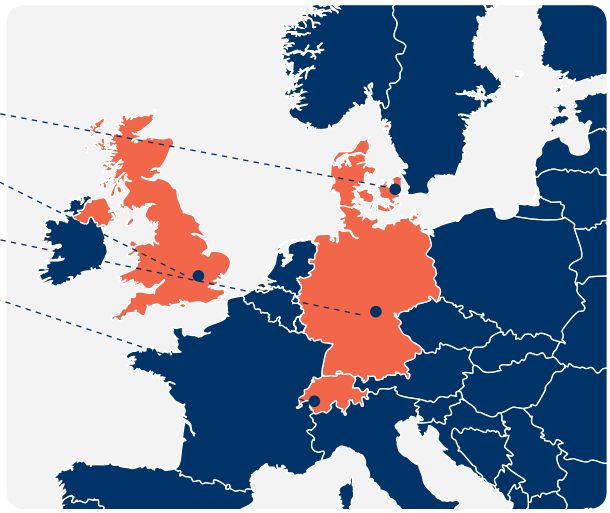
TOPOTARGET IN EUROPE

TopoTarget A/S, Copenhagen, Denmark

TopoTarget UK Limited, Oxford, United Kingdom

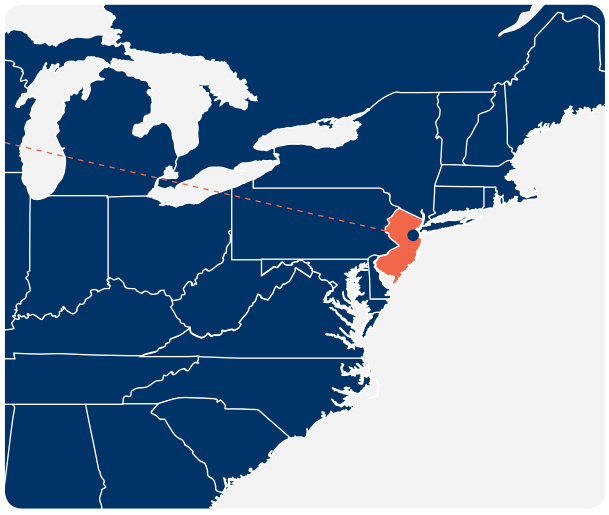
TopoTarget Germany AG, Frankfurt, Germany

TopoTarget Switzerland S.A., Lausanne, Switzerland



TOPOTARGET IN USA

TopoTarget USA, Inc., New Jersey



PRINCIPAL ACTIVITIES

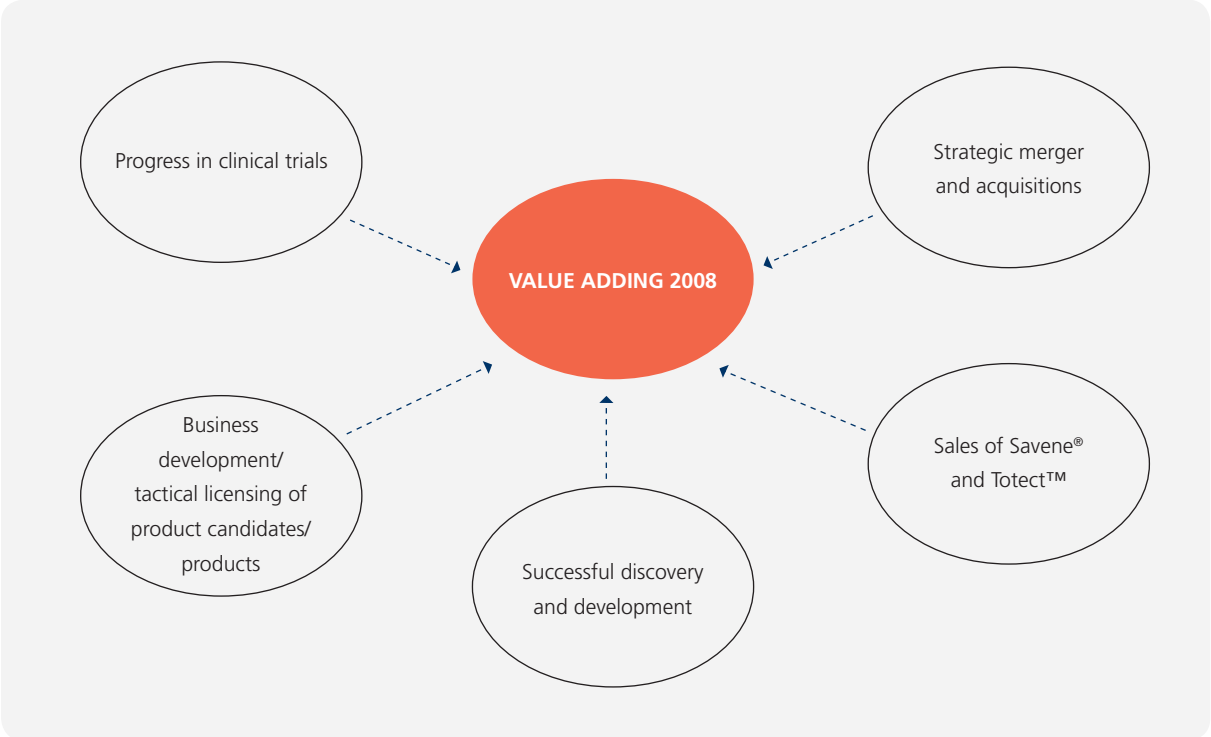
TopoTarget is a biotech company dedicated to finding ''Answers for Cancer" and developing improved cancer therapies.

TopoTarget's activities build on extensive knowledge of the mechanisms that cause a healthy cell to develop into a cancer cell. The company focuses on the identification of new drugs that work when existing therapies fail. Key targets include HDACi, NAD+, mTOR, FasLigand, topoisomerase II inhibitors and Sigma 2.

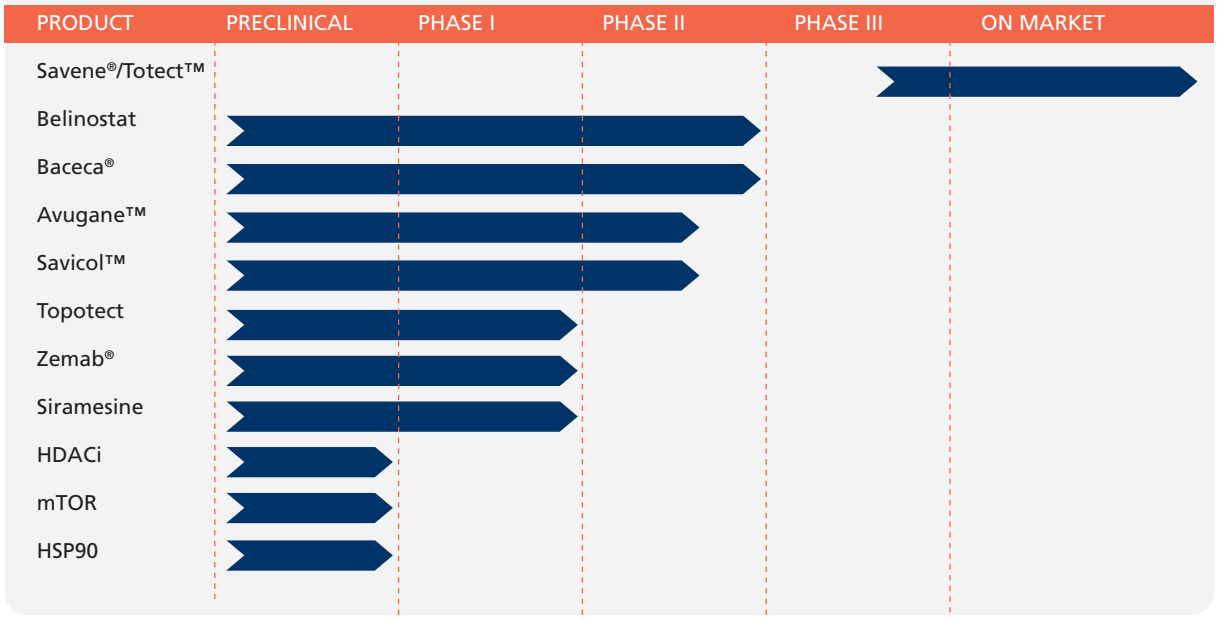
The company's strength lies in effective use of predictive cancer models giving guidance to the clinically targeted development of new pharmaceuticals. As a result of using its own technology (cancer models), six years after its inception, TopoTarget was granted marketing approval in Europe for its first proprietary drug, Savene®, for the prevention of tissue damage caused by extravasation accidents in connection with chemotherapy. A year later a similar approval for Totect™ was given by the FDA.

With these approvals TopoTarget has taken the final step in building a fully integrated biotech company and TopoTarget today has a successful sales and marketing organisation with dedicated oncology specialists both in Europe and the US.

TopoTarget has always been able to attract top scientists and skilled staff from the different aspects of drug development. As part of the strategy to optimise its chances for success, TopoTarget has since inception pursued a strategy of bringing in-house products from other companies or organisations that exhibit good activity in our resistant cell-lines in addition to being more toxic to the tumour than to the patient. This strategy has led to the acquisition of three companies with such products under development. Since inception we have built an impressive team of professionals who can advance these projects through the various stages of clinical development and regulatory processes to make products available to patients who need them. Few cancer agents that appear promising in early stage development will make it through the rigorous clinical process. It is therefore extremely important for TopoTarget to maintain a broad and robust pipeline allowing us to carefully select from a range of opportunities. That is why we continually monitor the other companies field so that we can pursue a progressive in-licensing and acquisition strategy for companies, technologies and promising drug candidates. Thus, TopoTarget's pipeline today consists of the combined assets from four European companies; all originally companies that were spin-outs from thriving research environments in universities in Switzerland, Germany, United Kingdom and Denmark.



PRODUCT, PRECLINICAL AND CLINICAL PIPELINE



HIGHLIGHTS OF 2007

1. Excellent results with belinostat

A significant achievement in 2007 was the continued successful development of our most advanced anti-cancer drug belinostat. An important finding in 2007 was proof-of-concept in peripheral T-cell lymphoma (PTCL) which is an aggressive, difficult to treat cancer. Here in some patients we have seen long-lasting complete remissions, where the tumour was eradicated following belinostat monotherapy. 2007 also gave us additional proof in cutaneous T-cell lymphomas (CTCL). We were also able to show positive results in treating solid tumours using BelCaP - belinostat in combination with carboplatin and paclitaxel, a standard treatment of ovarian cancer. Our data showed tumour reductions in 15 out of 16 patients with ovarian cancer. This activity was seen both in platinum sensitive and platinum resistant patients. More than 450 patients have now been treated with belinostat and the product appears to be very safe, with limited bone marrow toxicity. Belinostat also provides a unique flexibility in it's dosing regime, as it can be administered intravenously (i.v.) as well as orally. The i.v. product can be easily administered while patients receive modern i.v. chemotherapy and the oral product can be administered outside the hospital setting.

2. Totect™ on the market

Following the approval by EMEA of Savene® in 2006, we gained approval for the product in the US in October 2007 and launched the product under the name Totect™ in the fourth quarter of 2007. The FDA approval and Savene® sales provide the company with invaluable experience that will be instrumental in future efforts to register and market product candidates from our extensive pipeline.

John Parsons Jr., President of TopoTarget USA, Inc. was in 2007 appointed Chief Commercial Officer with responsibility for TopoTarget's global sales and marketing efforts. John has more than 30 years of experience as an international marketeer and will use his competences and experiences to streamline TopoTarget's sales force.

3. Other important events

In addition, TopoTarget reached a number of other clinical, financial and commercial goals in 2007. The most important of these milestones were:

- **Belinostat initial regulatory strategy announced.** Together with its partner CuraGen, TopoTarget expects to launch a pivotal study in peripheral T-cell lymphoma during the second half of 2008.

- **Successful completion of a capital expansion and acquisition of the private Swiss company Apoxis S.A.** Two products, APO866 in Phase II for the treatment of various cancers and APO010 in Phase I were added to the pipeline. Apoxis is now successfully integrated into the company as TopoTarget Switzerland S.A.

- **Encouraging Baceca® data announced from a Phase II trial to treat basal cell carcinoma (BCC).** In a Danish trial a 69% clinical and pathological remission was obtained at three months after the end of 16 weeks with combination treatment. Clear anti-cancer activity was observed in a Russian study when Baceca® was used alone.

- **Siramesine, a new and promising mechanism in cancer therapy, in-licensed from Lundbeck.** The product, a sigma 2 receptor modulator, showed strong results in preclinical studies carried out by the Danish Cancer Society. The studies showed that siramesine kills cancer cells via a new and promising mechanism. Siramesine was originally developed by Lundbeck for the treatment of diseases of the central nervous system (CNS) and has completed Phase I studies. TopoTarget is currently testing the product in its cancer models.

- **Belinostat Phase II trial to treat thymoma and thymic carcinoma initiated in collaboration with the National Cancer Institute (NCI).** It is expected that 33 patients with either thymoma or thymic carcinoma who have received at least one prior platinum-containing chemotherapy regimen will be enrolled.

FINANCIAL PERFORMANCE – SUMMARY

The Group recorded a loss after tax of DKK 211.6 million compared with a loss of DKK 155.0 million in 2006.

In view of the activities carried out during the year, the financial performance is considered satisfactory. The higher loss was due to significantly higher costs of research and development activities in 2007 relative to 2006 as a result of the new activities in TopoTarget Switzerland S.A. following the acquisition of Apoxis in June 2007 and higher sales and distribution costs associated with sales and marketing activities in Europe concerning Savene® and in the US concerning Totect™.

TopoTarget has strong financial resources consisting of cash deposits, fixed-term deposits and securities that can easily be converted into cash at short notice. At 31 December 2007, TopoTarget's securities, fixed-term deposits and cash deposits totalled DKK 403.6 million, as compared with DKK 271.6 million at 31 December 2006.

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

Facts about cancer

- 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[1]
- Cancer is close to overtaking the position of cardiovascular diseases as the disease with the highest mortality rates in the western world
- Cancer represents a very large unmet medical need
- In the western world, the most common forms of lethal cancer are prostate cancer, breast cancer, lung cancer and colorectal cancer.

Cancer is no longer an enigma

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

[1] WHO fact sheet No. 297

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. Hallmarks of cancer are outlined below. Each of these hallmarks pursues routes for new anti-cancer drug development.

WHAT HAPPENS IN THE CELL WHEN YOU GET CANCER?

AREA	DAMAGE	DRUGS	INHIBITOR
Oncogenes	Cell growth is stimulated	**TopoTarget active**	**TOPOII, HER2, mTOR**
Supressor genes	Control of cell division malfunctioning	**TopoTarget active**	**HDAC**
Apoptosis	The cell's programme for controlled cell death is turned off	**TopoTarget active**	**HDAC, FAS, NAD+, Sigma 2**
Telomerase	Reactivated → cells can divide indefinitely	No significant discovery	
Proliferation and invasion	Activated	Too many side effects	
Angiogenesis	Formation of blood vessels is activated	**TopoTarget active**	**HDAC, mTOR, APO866**

- **Oncogenes (growth factors) are activated**
  A change occurs in one or more of the growth factors that normally send a cell division signal, resulting in a high frequency of cell division messages. Metaphorically speaking, "the accelerator is stuck".

- **Suppressor genes are inactivated**
  The genes intended to prevent too rapid cell division shut down, which means that there are no mechanisms to offset the growth factors abnormally activated by the cancer cell. In other words, the cell's normal brake system malfunctions.

- **The apoptosis mechanism is inactivated**
  The revision that normally occurs in cells to ensure that everything works the way it should and that each individual cell acts the way it is supposed to is inactivated in cancer cells. Uncontrolled cell growth, which is the result of over activated growth factors combined with inactivated suppressor genes, is therefore allowed to continue. The cell's normal built-in control mechanism, intended to ensure that abnormal cells are not allowed to proliferate and subsequently die, malfunctions. The apoptosis programme shuts down.

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

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

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

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

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

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

The greater understanding of the genetic characteristics of cancer and the resulting deeper insight into the types of DNA changes that accumulate in cancer cells has provided a number of new medical targets. This progress has opened up for developing more targeted and, by extension, less toxic cancer therapies. These more targeted therapies are used in combinations with traditional anti-cancer drugs. These new and more specific cancer therapies are grouped on the basis of the six main types of DNA changes shown on page 9.

TopoTarget's approach to developing new and improved cancer therapeutics is based on a conviction that chemotherapy and radiotherapy will remain the mainstays in can-

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

Cancer represents the fastest growing pharmaceutical market

According to Bear Stearns "Oncology: Market Size, Competition and Pricing" the 2006 global oncology expenditure for 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.[2]

[2] Bear Stearns Oncology: Market size, Competition and Pricing

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

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

Savene®/Totect™ is the only proven and approved antidote to anthracycline extravasation verified by fluorescence-positive biopsy and currently there are no other drugs marketed which are indicated for the treatment of anthracycline extravasations.

MARKETED PRODUCTS

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

Savene® was launched at the international congress, European Society for Medical Oncology (ESMO) in October 2006.

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

Totect™, the brand name for Savene® in the US was approved by the FDA on 6 September 2007. Totect™ was launched on the market in the US on 16 October 2007 and we have seen widespread interest in the product and sales are developing as expected.

TopoTarget has completed two registration studies of Savene®/Totect™ for extravasation, demonstrating an overall 98,2% success rate. Savene®/Totect™ must be administered within six hours of the extravasation to be effective. Consequently, the product has been developed as a single patient emergency treatment kit which contains the full three day treatment. This must be available and ready to use on cancer and haematology wards that provide treatments with anthracyclines.

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

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

At the beginning of 2008 the European Oncology Nurses Society included Savene® in the society's guidelines as the recommended treatment for anthracycline extravasations.

Savene®/Totect™ was granted Orphan Drug status in Europe in 2001 and in the US in 2004. Orphan Drug status indicates that Savene®/Totect™ is a niche product and the only marketed product approved for the treatment of anthracycline extravasation. This status secures market exclusivity for 10 years in Europe and seven years in the US unless a more effective treatment alternative is launched. TopoTarget believes that Savene®/Totect™, having demonstrated a 98.2% therapeutic effect, holds a position of competitive strength. Extravasation affects one in every thousand anthracycline treatments. Since most patients receive several anthracycline treatments, the risk is increased. The market for Savene®/Totect™ consists of oncology and haematology clinics which are expected to carry the Savene®/Totect™ kit in stock locally in the event of an extravasation accident.

Savene® is launched in individual European countries as the product receives approval in terms of pricing and is recommended for reimbursement from the public reimbursement schemes. TopoTarget continues to expand its sales force, and as of 31 December 2007, eight of the 10 planned specialist sales people were recruited in Europe and 10 specialist sales people were employed in the US.

Due to the lack of a recognised treatment before the launch of Savene®, treatment guidelines differed from country to country and from hospital to hospital. TopoTarget's task is now, through scientific publications, international guidelines and education, to ensure that Savene® is known as the only evidence-based medical treatment which is "good medical practice". One focus for the sales force is to help institute a change in national and local guidelines changed. We expect that such an update of guidelines should translate into sales. Guidelines in a number of clinics in Europe have already been changed and in 2007, a total of 290 Savene® kits were sold in eight countries and the sales for 2007 totalled DKK 19.0 million (approx. EUR 2.6 million).

TopoTarget established agreements with partners for the marketing of Savene® in Greece, Spain, Portugal and Italy.

Totect™ (brand name for Savene® in the US)
On 6 September 2007 TopoTarget received an approval letter for Totect™ from the FDA. Totect™ was launched on the US market on 16 October 2007.

In July 2007 the US sales force was expanded to 10 Oncology Specialists covering the major cancer centres and private treatment clinics in the US. TopoTarget has identified experienced and talented individuals from the major cancer focused companies in the US to sell Totect™ and the follow-on products in the oncology market.

As a major investment of the Totect™ programme, TopoTarget is committed to supporting the educational needs of healthcare providers. The plans for the educational strategy were developed at a meeting with the Clinical Advisory Board (CAB) comprised of Key Opinion Leaders (KOL) in oncology including physicians, nurses, and pharmacists. The first meeting was held in January 2007 in Orlando, Florida with a follow-up meeting in Washington, DC in June 2007. The expressed objective of the CAB was to raise the awareness of TopoTarget, the company's research and development oncology pipeline and the future treatment for anthracycline extravasations with Totect™ in the US. The CAB members were selected from key cancer centres in the US and continue to provide critical intelligence and guidance for the US commercial initiative. The CAB members responded positively to Totect™.

Totect™ has exceeded expectations in establishing the efficacy and safety in the US of treating anthracycline extravasations with a combined clinical efficacy of 98.2%. Sales are on forecast and the support from the oncology community for treating this tragic situation for patients is above expectations.

TopoTarget has built an impressive team of professionals who can advance the projects through the stages of clinical development and regulatory processes to make products available to patients.

Clinical advancement of TopoTarget's potent cancer therapeutics

TopoTarget has a total of nine drug candidates in clinical development including belinostat.

TopoTarget's cancer drug candidates are in various stages of clinical testing in patients with different malignancies, and clear clinical efficacy has already been established in multiple malignant indications. Histone deacetylase inhibitors (HDACi) feature prominently in our pipeline. Histone deacetylases is one of the new targets for novel cancer therapies; a result of recent years' advancement in our understanding of the molecular function of cancer cells.

Histone deacetylase inhibitors (HDACi)

Cromatin and cell cycle control
DNA, the substance within the human cell that contains the cell's programme files, is tightly packed with a number of proteins (primarily proteins termed histones) into a compact form known as chromatin. The DNA is wrapped around the histone proteins to form structures known as nucleosomes, which in turn are compacted to form chromosomes.

In a tightly packed form, DNA, and those genes hidden within the packed structure, are inactive. However, chemical modification of the histones may alter how tightly they are packed and, by extension, their interaction with the DNA and gene regulation and activity.

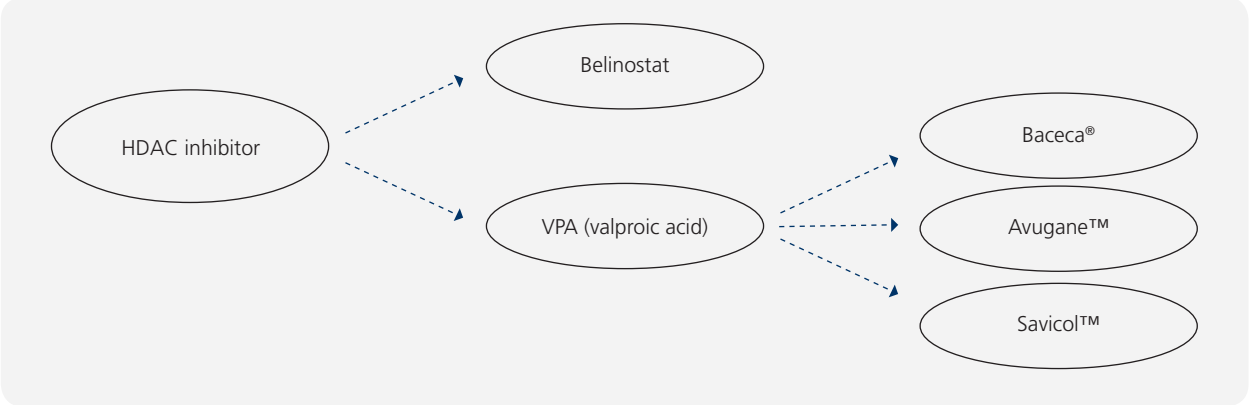
One such modification is termed histone acetylation where an acetyl group is added to the histone proteins by enzymes called histone acetylases. This modification loosens the interaction of the histones with the DNA and allows active gene expression.

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 more activity of instance 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 potential therapeutics induce growth arrest and apoptosis (cell death) in order to halt inappropriate cell proliferation.

Belinostat

Belinostat - an HDAC inhibitor for the treatment of blood malignancies and solid tumours
Belinostat is TopoTarget's lead clinical candidate and is currently in Phase II clinical development. It is an i.v. and oral class I and II HDAC inhibitor for the treatment of both solid tumors and haematological malignancies. Intravenously and orally administered belinostat is currently evaluated in



17 clinical studies run by TopoTarget, CuraGen, and the National Cancer Institute (NCI), USA. In preclinical models belinostat has proved able to arrest cancer cell growth by inhibiting cell division and reactivate programmed cell death (apoptosis). This ability has been demonstrated both in cell lines in vitro and in preclinical in vivo studies in various tumour types.

In Phase I monotherapy dose-finding studies a tolerable dose has been determined for a 5-day intravenously administered regime with belinostat repeated every third week. In these initial studies, belinostat demonstrated its ability to lead to long-term tumour control in patients with widely different cancers. Phase Ib studies to determine schedules/doses of intravenous belinostat in combination with other therapies has been concluded, or are still ongoing. In Phase II trials belinostat is tested as both a single agent and in combination with existing broadly-used therapies and against several different types of solid tumours and blood malignancies.

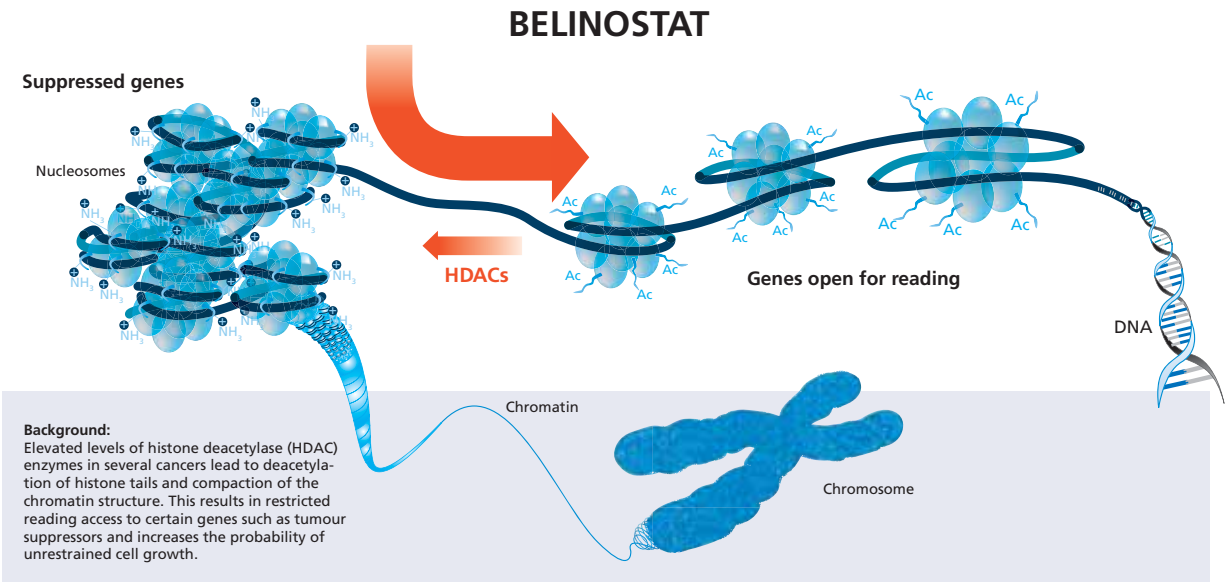
A further line of development is that oral belinostat has shown to be safe and well-tolerated in an ongoing phase I study which may add flexibility to complement the intravenous formulation. In the oral phase I study belinostat is evaluated in different dosing schedules including continuous treatment.

Belinostat newsflow during 2007

Regulatory strategy: In an initial regulatory strategy update at the end of 2007 TopoTarget announced that we expect the first pivotal trial using belinostat to be launched during the second half of 2008 treating peripheral T-cell lymphoma. Discussions are ongoing with the FDA for a special protocol assessment (SPA) for this study and we anticipate the trial will be an uncontrolled, open-label clinical study with around 100 patients with a primary endpoint of objective response rate and secondary endpoints including duration of response, progression free survival, and overall survival. We expect our partner CuraGen to submit this protocol to the FDA by the end of the first half of 2008.

T-cell lymphoma: Belinostat has achieved proof-of-concept in T-cell lymphoma and during 2007 we announced positive updated data on a total of 32 patients from our ongoing Phase II study treating patients with refractory cutaneous T-cell lymphoma (CTCL) and peripheral T-cell lymphoma (PTCL). In the PTCL arm of the study two out of 10 evaluable patients achieved a complete reponse (CR), and four additional patients had stable disease (SD) lasting a median of 14 weeks (range 12-23 weeks). The CRs are ongoing with durations of 18 and 21 weeks at the time of presentation. In the CTCL arm of the study three of 19 evaluable patients achieved an objective response, including one complete response (CR) and two partial responses

BELINOSTAT MECHANISM OF ACTION



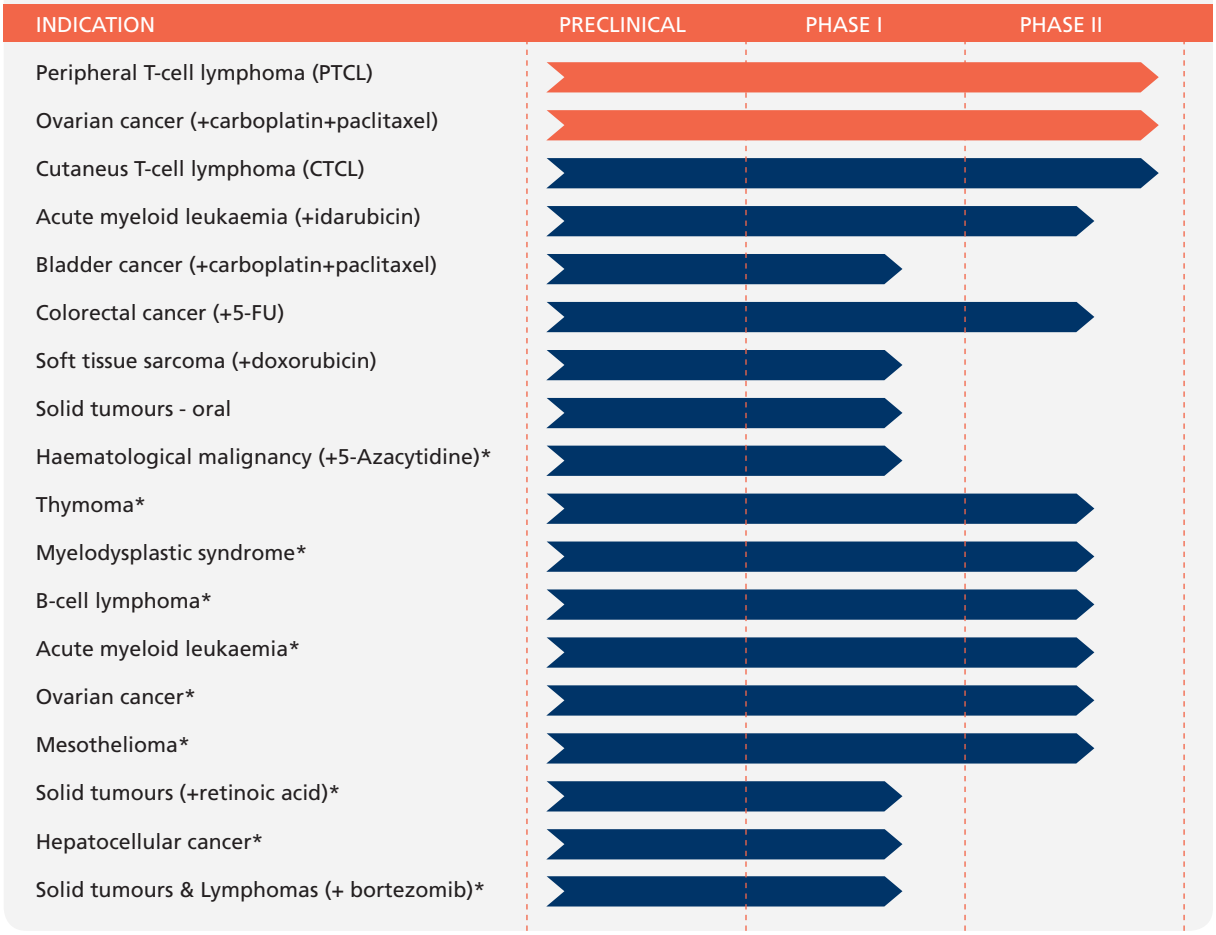
By inhibiting the activity of HDACs, belinostat re-establishes reading access to certain genes involved in tumour suppression, cell cycle regulation, apoptosis and deifferentiation. This ultimately leads to inhibition of tumour growth and tumour cell death.

(PR), and an additional eight patients had SD. The CR is ongoing beyond 55 weeks. Enrollment is continuing in the study with a target of approximately 34 patients for each arm of the study. In more than 70% of the evaluable patients we have observed a reduction in tumour size and severity as measured by SWAT score. Furthermore significant relief was seen in six out of seven patients with pruritus.

Ovarian cancer: Positive results from a phase II trial of belinostat in combination with carboplatin and paclitaxel (BelCaP) treating women with relapsed ovarian cancer were presented at the AACR-NCI-EORTC meeting in San Francisco in October. The data showed BelCaP to be well-tolerated and 15 out of 16 evaluable patients experienced reduction in tumour size as measured by radiologic assessment. The study has progressed to stage II in the Simon two-stage design based on three objective responses among the initial patients recruited. Data from a Phase Ib trial using the BelCaP combination were presented earlier in the year at ASCO showing the BelCaP combination to be well-tolerated and clinically active.

Additionally in ovarian cancer, data from a NCI-sponsored Phase II trial evaluating the activity of intravenous belinostat monotherapy in two ovarian tumour populations (pre-treated with up to three prior chemotherapies) was also presented at the AACR-NCI-EORTC meeting. To date a total of 12 patients with micropapillary/borderline (LMP) ovarian tumours have been treated, including one patient achieving a partial response, and one showing a CA125 response. Nine patients achieved stabilization of disease. In 18 patients with epithelial ovarian cancers (recurrent platinum resistant) nine patients achieved stabilization of disease, five had progressive disease, and four were

BELINOSTAT CLINICAL PIPELINE



Extensive trial programme in collaboration with CuraGen and NCI

* NCI sponsored trials

non-evaluable. Intravenously administered belinostat was considered safe and generally well-tolerated in these two ovarian tumour populations.

Oral administration: At the AACR-NCI-EORTC meeting data was also presented from a Phase I study on oral administration of belinostat treating patients with advanced solid tumours. The data showed orally administrated belinostat to be safe and well-tolerated and included a thorough evaluation of cardiac safety (no grade 3 or 4 QTc changes noted in more than 2400 ECGs). Investigators concluded that oral belinostat has been safe and well-tolerated at doses that may provide flexibility to complement the intravenous formulation of belinostat which is currently in Phase II development.

NCI combination trial: Data from an NCI-sponsored phase I trial of intravenously administered belinostat in combination with bortezomib in patients with advanced solid tumours and lymphoma refractory to standard therapies or where no standard treatment exists was also announced. Based on 17 patients (14 evaluable) the investigators concluded that intravenous belinostat and bortezomib were well-tolerated in combination at doses up to 600 mg/m2 belinostat and 1.3 mg/m2 bortezomib.

During 2008, preliminary clinical trial results from ongoing company sponsored studies evaluating belinostat are expected to be announced:

- Pivotal trial expected to be initiated during H2 2008 treating patients with peripheral T-cell lymphoma (PTCL)
- Final Phase II results of intravenous belinostat in combination with carboplatin and paclitaxel (the BelCaP combination) for advanced ovarian cancer in H1 2008
- Updates of Phase II results of intravenous belinostat for cutaneous T-cell lymphoma (CTCL) and peripheral T-cell lymphoma (PTCL) at relevant conferences during 2008
- Updates of Phase I results of oral belinostat in advanced solid tumours (multiple schedules to be tested in large Phase I) at relevant conferences during 2008
- Initial Phase Ib results of standard 5-day, or continuous infusion, belinostat in combination with idarubicin for AML during H2 2008
- Initial Phase Ib results of intravenous belinostat in combination with doxorubicin for solid tumours/soft tissue sarcoma during H2 2008.

Commercial potential

In 2007, belinostat monotherapy achieved proof of concept in patients with T-cell lymphoma. Each year in the EU and USA alone about 11,000 new patients are diagnosed with peripheral T-cell lymphoma and another approximately 5,000 people are diagnosed with cutaneous T-cell lymphoma. New and comparable compounds such as Averstin, Erbitux and Zolinza cost about USD 50,000-100,000 per patient, so in T-cell lymphomas alone there is a fair earnings potential, but this would only be the first step for belinostat. In a number of other cancers, belinostat has demonstrated very promising results as monotherapy and not least in combination with other agents. There is much to indicate that belinostat has a synergistic effect together with multiple best-selling compounds such as idarubicin, 5-FU, doxorubicin, 5-Aza and Velcade. The most advanced combination in clinical studies is BelCaP – belinostat combined with carboplatin and paclitaxel. In 2007, BelCaP showed strong data in patients with ovarian cancer. In the EU and USA alone, 65,000 new patients are each year diagnosed with ovarian cancer – a cancer for which the carboplatin and paclitaxel combination is the first-line treatment (and often also second- and third-line treatment). Moreover, it is obvious that BelCaP may also have a beneficial effect in the many other cancers for which the carboplatin/paclitaxel combination is currently used, including in non-small cell lung cancer, with which about 377,000 new patients in the EU and USA are diagnosed each year.

In October 2006, Zolinza™, for the treatment of cutanous T-cell lymphoma, was approved by the FDA as the first HDAC inhibitor. TopoTarget believes the Zolinza™ approval underpins the value of HDAC inhibitors, such as belinostat, in the treatment of cancer. Besides Merck & Co., Inc , a number of other companies are also involved in the development of HDAC inhibitors for the treatment of different types of cancer. TopoTarget however, is confident belinostat has a competitive edge for the treatment of cancer, among other things due to its diversified profile compared to competing products. Belinostat has the flexibility of both an intravenous and an oral formulation and has a positive safety profile with little bone marrow toxicity and a very good cardiac profile. Belinostat also has the potential to be used in combination with full dose chemotherapy and has shown to be safe and well-tolerated in over 450 patients.

Belinostat is developed in collaboration with CuraGen (see "Collaboration partners"). In addition, by an important and broad collaboration clinical trials with belinostat are also sponsored by the National Cancer Institute, USA.

Baceca®

For the topical treatment of basal cell carcinoma (BCC)
Baceca® is based on a novel, patented drug formulation of the histone deacetylase inhibitor valproic acid (VPA) for the topical treatment of basal cell carcinoma (BCC), the most common form of skin cancer. VPA primarily targets HDAC class I enzymes, which are involved in excessive cell proliferation and tumourigenesis. In November 2007 TopoTarget completed two Phase II clinical trials of Baceca® in combination with two different vitamin A like products for the treatment of BCC.

The first trial was performed in Denmark as a double-blind, randomised and placebo-controlled study to evaluate the efficacy and tolerability of Baceca® in combination with the retinoid tazarotene. The preliminary results showed a 69% clinical and pathological complete remission obtained at three months after the end of the 16 weeks treatment period with the combination treatment. This response rate confirmed the positive results of an earlier Italian pilot study with this combination, in which clinical responses in all 10 patients treated were obtained, of which seven patients displayed a regression of greater than 50% of their cancer tumour. This drug combination is expected to build the basis for further development.
A second trial was performed in Russian centers as a randomized, placebo-controlled study, limited to an eight week treatment course, exploring the combination with another retinoid. In this study Baceca® showed clear anti-cancer efficacy by itself (response rate of approximately 50% with 20% pathological CR) but there was no further improvement of these results by combining with this particular retinoid.

Commercial potential
BCC represents the most frequently diagnosed human[3] cancer with approximately 0.8 million newly diagnosed patients each year in the US alone. Small BCC lesions are frequently removed by being scraped and burned from the outer skin layer, while large tumours must be removed by surgery; However, there is a substantial recurrence rate. In addition to BCC, the potential therapeutic areas for Baceca® also includes hyperproliferative (involving unnaturally high cell proliferation) skin diseases, such as the pre-cancerous condition actinic keratosis. TopoTarget expects to out-license the development of Baceca® to a partner with experience and marketing competencies in the dermatological area (skin diseases).

Avugane™

For the topical treatment of acne, etc.
Avugane™ is a new, proprietary formulation of valproic acid (VPA), which is a mild HDAC inhibitor for topical treatment of inflammatory skin disorders, including acne vulgaris (common acne), psoriasis and atopic dermatitis (children's eczema or asthmatic eczema). In 2006, first promising data from a randomised, double-blind Phase II study including 34 patients were released, showing that Avugane™ had comparable efficacy but advantageous tolerability compared with a standard, marketed retinoid therapy. Furthermore, Avugane™ showed indications of an acceleration of the clinical response. To further analyse the efficacy of Avugane™, TopoTarget started a next randomized and placebo-controlled Phase II trial which will include 72 patients and will test different dose strengths of Avugane™ for the treatment of mild to moderate acne vulgaris. Results from this trial are anticipated towards the middle of 2008.

Commercial potential
Acne vulgaris is the most common inflammatory dermatose among adolescents. Approximately 80% of all adolescents show signs of acne in various degrees and 15% of adolescents suffer from clinically relevant acne. Many patients fail to respond adequately to available treatments or suffer from adverse effects associated with such treatments. For a number of years only new formulations (gels, foams etc.) of existing drugs have been marketed for the treatment of acne. If Avugane™ reaches the market; patients can be offered treatment that has a new mechanism of action. The global sales of topical therapies for acne are estimated at USD 1.65 billon (DKK 9.3 billion) in 2005 and are expected to grow to annual sales of USD 1.83 billion (DKK 10.4 billion) in 2008.[4] TopoTarget intends to partner Avugane™ following completion of Phase II clinical trials.

[3] American Cancer Society; Cancer Facts & Figures 2007; USA

[4] Business insight, The Demartology Market Outlook to 2011 by Fox Analytic

Savicol™

For the treatment of
FAP (Familial Adenomatous Polyposis)

Savicol™ (previously named PEAC®) is based on a novel and patented, orally available formulation of the histone deacetylase (HDAC) inhibitor valproic acid (VPA). The formulation in Savicol™ builds on a new principle that allows a specific pharmacokinetic release pattern of valproic acid expected to inhibit certain HDAC enzymes more effectively. The HDAC inhibitory effect of VPA has already been established in Phase I studies based on monitoring of histone acetylation. In 2006, TopoTarget initiated a pivotal Phase II study with Savicol™ for the treatment of colorectal polyps in patients with FAP (genetic predisposition to develop colorectal cancer). The study is conducted at centres in Germany, Russia and Denmark and will primarily investigate the drug's therapeutic influence on the growth and the polyp burden in the colon of approximately 60 patients, and has recruited 46 patients by the end of 2007. Results from this trial are expected during H2 2008.

In addition, Savicol™ has been tested for its detailed pharmacokinetics (PK) characteristics and has been shown to be safe and well-tolerated. In summary, in two clinical PK studies with 36 healthy volunteers the absolute bioavailability of oral Savicol™ after fasting and with concomitant food intake in comparison to an intravenously applied comparator was assessed and was observed to be close to 100%. Furthermore, serum level values of Savicol™ were recorded to follow a dose proportional pattern at the investigated doses. In addition, a linear pharmacokinetics for the examined dose range was observed. The single and multiple doses of Savicol™ applied were in general well-tolerated.

Commercial potential

Familial Adenomatous Polyposis (FAP) is a hereditary disease characterised by hundreds of colorectal polyps. The prevalence of FAP is 1 in 10,000 and the disease is a predisposition to develop colorectal cancer. Savicol™ has been granted Orphan Drug status both in Europe and the US for the treatment of FAP. If the ongoing Phase II study in FAP produces positive data, TopoTarget expects to initiate studies of Savicol™ as a new treatment of colorectal cancer. FAP is a niche indication with an incidence of approximately 20,000-25,000 patients in the US and the EU.[5]

[5] The Danish Polyposis Registry; see also: S.Bülow, GUT.2003 May; 52 (5):741-6

Zemab®

Zemab® represents an antibody-toxin for the treatment of specific types of cancers. This recombinant protein targets the HER2 receptor, which plays a central role predominantly in the development of breast cancer, but is also believed to be involved in selected other cancer indications, such as head and neck cancer. Initial studies have demonstrated a reduction in tumour size in six out of ten patients after injection of Zemab® directly into HER2-positive tumours. Following a currently ongoing development of a new "good manufacturing practice" (GMP) compliant production of Zemab® in which new intellectual property for the extended protection of this product could be generated, next clinical studies are expected to be prepared in 2008. TopoTarget holds a worldwide and exclusive license to develop Zemab® from Novartis Pharma, Switzerland.

Commercial potential

Therapies targeting the ErbB2 (also called HER2 or NEU) signaling pathway like Zemab® are primarily aiming at the treatment of breast cancer, but may possibly also be used for other cancers which express this antigen significantly. Therefore, the most relevant direct competing product for Zemab® is Herceptin™ (Genentech/Roche) with the difference between the two products that a cell-killing toxin is addionally attached to Zemab®.

Thus, the market estimates for Zemab® may be calculated primarily for its use in breast cancer therapy. 2007 sales for the competing product Herceptin™, which is marketed for metastatic breast cancer, were USD 4.5 million.[6] 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.

APO866; a first-in-class anti-cancer drug in clinical Phase II 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 was licensed from Astellas, by Apoxis, in October 2005. APO866 exhibits broad antineoplastic activity in preclinical 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 preclinical development in combination with other chemotherapeutic compounds and with radiotherapy. A Phase I study using APO866 administered as a 96-hour continuous intravenous infusion was completed by Astellas in January 2004. Treatment was well-tolerated and safe; the only dose-limiting toxicity (DLT) was thrombocytopenia. At dose levels higher than 0.036 mg/m2/hr, CTC grade III lymphocytopenia, albeit not considered clinically relevant, preceded all other toxicities.

An ongoing clinical Phase II study is evaluating the potential of APO866 for the treatment of cutaneous T-cell lymphoma (CTCL). To date the trial has recruited six evaluable patients; one patient is not evaluable because the first cycle of treatment was not completed, and in another patient tumour assessment was not performed before the patient left the study. Interim analysis will occur following recruitment of 11 evaluable patients. A second clinical Phase II study is evaluating the potential of APO866 as a treatment for advanced melanoma. The trial has recruited 24 patients, and interim data analysis is underway. A clinical Phase I/II clinical study is evaluating the potential use of APO866 as a treatment for refractory B-chronic lymphocytic leukaemia ("B-CLL") patients not amenable to haematopoietic stem cell transplantation. The trial has recruited 10 patients and preliminary data analysis will be performed once all patients have matured.

Commercial potential

The widespread anti-tumour efficacy of APO866 noted in preclinical 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.

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

APO010, also called mega-FasLigand, is a recombinant fusion protein derived from the pro-apoptotic human Fas-Ligand (FasL) protein, a member of the TNF protein family. APO010 targets Fas (also known as CD95 or Apo1) receptors on the surface of cancer cells, and induces cell death via a mechanism of cell suicide termed apoptosis. The product is a fusion protein consisting of three human

[6] Annual Report 2007, Roche

FasL extracellular domains linked to a protein backbone comprising the dimer-forming collagen domain of human adiponectin. The natural trimerising property of the FasL extracellular domains, combined with the dimerising property of the collagen domain of the adiponectin backbone, results in a hexameric product. 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 multimeric structure of APO010. The recombinant human protein product is produced using a GMP compliant manufacturing process developed by Apoxis. 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 I 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 using weekly intravenous bolus injection for up to four weeks. To date, dose escalation has continued in the absence of side effects.

Commercial potential

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 US that comprises approximately 1% of all cancers. MM is a haematological malignancy formed by malignant plasma cells. Normal plasma cells are an important part of the immune system. The role of plasma cells is to produce and release proteins called antibodies (or immunoglobulins) to attack and help kill infectious agents such as bacteria, viruses and parasites. When plasma cells grow out of control, they can produce a malignant bone marrow disease, which when localized is called a plasmacytoma and when generalized in bone marrow and peripheral blood is called myeloma or multiple myeloma. 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.

Topotect

Topoisomerase II inhibitors – DNA damage and control

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

A topoisomerase II inhibitor for the treatment of brain metastases

Topotect is a topoisomerase inhibitor based on the same active compound as Savene®, and the treatment builds on the same protective principle. Topotect is currently in Phase I/II trials for the treatment of brain tumours and brain metastases, which commonly occur in patients whose cancer has metastasised. Brain metastases are often associated with short survival periods, as cancer cells in the brain are protected from the effect of chemotherapeutics, which can barely pass through the blood brain barrier. Topotect is able to protect cells from the effect of chemotherapeutics such as etoposide, which attacks rapidly proliferating cells. Topotect cannot pass through the blood brain barrier. The intention of Topotect therapy is thus to open up for systemic administration of higher doses of etoposide chemotherapeutics, as the body cells can be protected

while allowing sufficiently effective quantities of chemotherapeutics to pass through the blood brain barrier and kill the cancer cells in the brain. Ongoing Phase I studies aim to define the optimum dose level and the risk involved in a combination of Topotect and etoposide. A number of centres in Denmark, Israel, France and Spain take part in the study. The first results are expected to be announced in 2008.

Commercial potential

The most common primary tumours that metastasise to the brain are small cell lung cancer and breast cancer. According to studies published in cancer journals, patients with small cell lung cancers that can be effectively treated outside the brain will have an approximately 60% chance of developing central nervous system metastases within two to three years. The most common primary cancers metastasising to the brain are lung cancer (50%), breast cancer (15%-20%), unknown primary cancer (10%-15%), melanoma (10%), and colon cancer (5%).[7]

The company will seek to develop Topotect as a prophylactic treatment to be taken when patients are first diagnosed with cancers commonly linked to brain metastases. The company is also seeking to develop Topotect as a palliative treatment following diagnosis with brain metastases. If the product receives marketing authorization, it will most likely be marketed under another name than Topotect.

[7] NCI, USA www.cancer.org

PRECLINICAL ACTIVITIES

TopoTarget's preclinical activities are progressing well. The company is continuously searching for and evaluating new targets and compounds for the treatment of cancer. The most important preclinical activities can be divided into development support, discovery programmes and compounds under evaluation.

Development support

TopoTarget carries out a streamlined programme of developmental support for the products in the company's clinical pipeline. Preclinical support programmes are on-going for belinostat, NMPRT (APO866), Zemab® and APO010.

Discovery programmes

HSP90

Heat-shock protein 90 (HSP90) is an exciting new cancer target with several compounds in early clinical trials. HSP90 is an over-expressed protein that represents 1-2% of the protein of the entire cell. Being a so-called chaperone protein, HSP90 helps to ensure that other proteins, client proteins, fold correctly. HSP90 plays a key role in the response to cellular stress, as well as conformational maturation and activation of client proteins under normal conditions. TopoTarget is one of the companies currently seeking to identify small molecule drugs that inhibit HSP90, and thus promote apoptosis in cancer cells. Using our panel of validated biochemical and cellular assays, TopoTarget has been able to identify HSP90 inhibitors in several chemical classes. Using in-house computational and medicinal chemistry expertise, we have in the last year been able to improve these compounds into promising lead compounds. Our presently most promising compounds exhibit HSP90 inhibition and cancer cell kill in nano-molar concentrations. Patent applications have been submitted to protect these novel compounds. Further optimization and evaluation in preclinical tests are currently ongoing.

mTOR

In May 2006, TopoTarget acquired the full rights to an mTOR discovery programme from BioImage, a Danish biotech company. The programme covers a novel class of small molecules 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 preclinical 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.

Novel HDAC inhibitors

We are developing a library of compounds, in addition to belinostat, that also have the potential to inhibit HDAC activity. The objective is to identify novel compounds with properties distinct from belinostat, such as different chemical class, physicochemical properties and/or different HDAC isoform specificities. Our goal is to remain at the forefront of HDACi research, both in order to secure maximum scientific input to the development of belinostat, as well as to create a state of the art portfolio of novel HDACi for use in cancer treatment and other therapeutic indications.

A number of our HDACis are being investigated for application in non-oncological fields including, but not limited to, malaria, rheumatoid arthritis, anti-fungal and CNS disorders. In collaboration with the World Health Organisation (WHO), several HDACis have been shown to have activity as potential anti-malaria drug candidates using both in vitro and in vivo assays.

Compounds under evaluation

Siramesine

In October 2007, TopoTarget signed an agreement with Lundbeck to develop siramesine, a selective sigma2 receptor agonist. Siramesine was originally developed by Lundbeck as an anxiolytic compound, and Phase I and IIa clinical trials with siramesine demonstrated that the compound is well tolerated in humans. Data from the Danish Cancer Society has demonstrated promising preclinical anti-cancer activity of the compound. TopoTarget is thus currently evaluating siramesine in its preclinical anti-cancer models with a view to progress the compound into clinical trials in oncology. This evaluation is expected to be finalized in 2008.

PATENT STRATEGY AND STATUS

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

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

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

- **Belinostat** – In the US, a patent covering belinostat and related compounds, and compositions containing these compounds, and methods of treatment (including treatment of proliferative and neurodegenerative conditions) employing these compounds has been issued in May 2005. Applications are pending in other territories including Europe and Japan. An application covering the novel formulation of belinostat is pending worldwide. Furthermore, there are two pending applications covering combinations of PXD101 with other chemotherapeutic agents: one of these is in the PCT phase and the other has been nationalized in major territories. Finally, an application has been filed covering the synthetic route for belinostat.

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

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

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

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

- **Zemab®** – Patents are granted in all major territories and administered by the licensor Novartis. An application claiming a novel improved form of Zemab® has been filed by TopoTarget.

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

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

- **HSP90 inhibitors** - A compound patent application covering a class of HSP90 inhibitors, primarily as anti-cancer agents, has been filed.

- **APO866** - A family of licensed patents and applications has been in-licensed from Astellas and concerns the APO866 molecule, composition and medical uses. Patents were granted in Australia, China, the Czech Republic, Europe, Hong Kong, Israel, Mexico, Russia, South Africa and South Korea, and are pending in other major territories. Other applications licensed from Astellas include a method of action patent for APO866, claiming inhibitors of the enzyme nicotinamide phosphoribosyltransferase (NMPRT) as anti-cancer agents: this has been granted in the US and is pending elsewhere.

  TopoTarget, in collaboration with the Free University of Brussels, has a pending PCT application covering the use of molecules like APO866 for the treatment of inflammatory diseases such as rheumatoid arthritis and septic shock.

- **APO010** - The first family of patents and applications concerns the APO010 molecule with claims on a composition of matter, its production and various uses for APO010 and related products. Patents were granted in Australia, South Africa, Singapore and South Korea, and are pending in major territories.

  The second family concerns a specific mode of administration of APO010 and was filed in three areas: Europe (EP), Japan and the US. This application has been granted in Europe.

  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. There is one patent family which has been nationalized and is pending in major territories.

- **APO200** - This fusion protein is claimed in a composition of matter application which is currently pending in the US and Europe.

- **Siramesine** - This sigma receptor ligand is claimed for use in cancer in an application which is pending in major territories. The drug substance siramesine hydrochloride is claimed in a patent which has been granted in all major territories. These patents are administered by the licensor Lundbeck.

TOPOTARGET'S PATENT STRATEGY

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

COLLABORATION PARTNERS

CuraGen Corporation

On 3 June 2004, TopoTarget entered into a license and collaboration agreement with CuraGen Corporation. (Nasdaq; CRGN). The agreement provided for the parties to collaborate with respect to the research, development and commercialisation of small molecules that inhibit HDAC enzymes and that have shown potential for use in the prevention, diagnosis, control or treatment of cancer and other serious diseases. CuraGen funded TopoTarget's research programme budget up to a maximum of USD 6 million over a three-year term which ended in June 2007. The agreement now covers belinostat and one other HDAC inhibitor (PX106491) currently being evaluated by CuraGen. CuraGen funds a development plan, including all clinical trials of belinostat. TopoTarget has the right to conduct further clinical trials at its own cost. CuraGen may commercialize collaboration products outside Europe (CuraGen Territory) but must pay the company royalties. TopoTarget may commercialize collaboration product in Europe (Company Territory) but must pay CuraGen royalties.

Astellas

On 27 October 2005, TopoTarget (then Apoxis) 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 II clinical trial of APO866 with data sufficient to substantiate commencement of a Phase III 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 "license-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-license 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 the company an exclusive license 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 commercialized. Novartis retains both a buy-back right up to the end of Phase II and a first right of negotiation at any time.

Baylor

Effective as of 31 January 2003, TopoTarget (then Apoxis) 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 diysplasia 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 milestone payments (totalling a triple digit number of thousands of USD), the next of which is payable on the signing of an agreement with a development partner. 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 and artificial skin replacement, 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. TopoTarget has been granted, under a separate agreement with Baylor, an exclusive option to take an exclusive license under the above-mentioned patent rights in further additional fields. The exclusive option expires on 31 January 2009.

Mochida
Effective as of 30 October 2003, TopoTarget (then Apoxis) was granted by Mochida a non-exclusive worldwide license under certain patents and patent applications to use Fas/FasL in TopoTarget's Mega technology, which is designed to engineer highly active Fas/FasL. This technology is utilised in TopoTarget's 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 milestone 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.

LEO Pharma A/S
In November 2006 TopoTarget entered into an exclusive worldwide license agreement with LEO Pharma, a Danish dermatology company, in respect of a preclinical HDAC inhibitor for which TopoTarget received a non-refundable upfront payment of EUR 2 million which it was obliged to share 50:50 with CuraGen under the terms of the existing agreement between TopoTarget and CuraGen. LEO Pharma has formally advised TopoTarget that it shall cease development of the licensed compound effective April 2008, when all rights shall revert to TopoTarget.

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

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

National Cancer Institute (NCI), USA
TopoTarget is party to a Cooperative Research and Development Agreement ("CRADA") with the NCI. Under the CRADA the NCI and TopoTarget collaborate to conduct preclinical and non-clinical studies on belinostat in order to better understand the anti-tumour activity of belinostat and to provide supporting information for clinical trials. An additional goal is to select the best next generation of HDAC inhibitors from TopoTarget's library of HDAC inhibitors for clinical development. TopoTarget also receives the benefit of a Clinical Trial Agreement entered into between CuraGen and the NCI under which the NCI sponsors a number, at the end of 2007 eight, 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.

H Lundbeck A/S
In October 2007 the company entered into a development and license agreement with Lundbeck where TopoTarget obtained the rights to develop Lundbeck's sigma receptor ligand siramesine for the treatment of cancer. Any future income will be evenly divided between TopoTarget and Lundbeck.

Rigshospitalet
On 26 July 2005, the company entered into a research collaboration agreement with Rigshospitalet, Denmark, concerning research regarding Topotect for brain metastases. Under the research collaboration agreement, Rigshospitalet granted the company 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% 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 license or upfront payment, milestone payments and royalty payments from license agreements after deduction of direct costs. If the company instead were to sell Topotect to a third party, Rigshospitalet would be entitled to 4% of the net purchase sum payable to the company 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 TopoTarget 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.

George-Speyer-Haus
The patent rights for using VPA in certain specified cancers, including Baceca® in skin cancer, have been in-licensed, on an exclusive basis, from the German Biomedical Research Institute Georg-Speyer-Haus. Under the license agreement TopoTarget is obliged to pay low, single-digit percentage royalties based on net sales of future products derived from the patent.

Latvian Institute of Organic Synthesis
TopoTarget has entered into a three year renewable agreement with the Latvian Institute of Organic Synthesis for the design and synthesis of compounds with therapeutic potential against certain oncological targets. The agreement comprises a work force of up to 12 chemists.

a VIPharma, Grupo Ferrer and Adienne Pharma
TopoTarget has entered into distribution agreements with the following European companies who are responsible for the marketing, sale and distribution of Savene® in their respective territories: a VIPharma (Greece), Grupo Ferrer (Spain and Portugal) and Adienne Pharma (Italy).

BioPro and 4G
TopoTarget has entered into license agreements with the following companies who are responsible for obtaining registration, marketing, sale and distribution of Savene® in their respective territories: BioPro (Far East) and 4G (Middle East and Turkey).

TopoTarget has a total of nine drug candidates in clinical development including belinostat.

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. TopoTarget Switzerland S.A. was acquired on 27 June 2007 and is consolidated with effect from this date.

The consideration paid for TopoTarget Switzerland S.A. is calculated as the value of shares in TopoTarget issued in connection with the acquisition, and value in use and expected milestone payments.

The company has decided to adjust the structure for recognition and measurement of research and development costs acquired from third parties. In the balance sheet, such intangible assets have so far been recognised under "Licenses and rights" and amortised from the date of acquisition.

As a result of this decision, such intangible assets will henceforth be recognised in the balance sheet as "Acquired research and development projects" and amortised over the expected economic life of the project from the time when the project is ready for use (marketing approvals have been obtained). In the period until marketing approvals have been obtained the acquired research and development are annually undergoing impairment tests. After marketing approval has been obtained impairment test is prepared if events or circumstances indicate that the carrying amount may not be recoverable.

Consolidated financial statements

Consolidated income statement

The Group recorded a loss after tax of DKK 211.6 million compared with a loss of DKK 155.0 million in 2006.

In view of the activities carried out during the year, the financial performance is considered satisfactory. The higher loss was due to significantly higher costs of research and development activities in 2007 relative to 2006 as a result of the new activities in TopoTarget Switzerland following the acquisition of Apoxis in June 2007 and higher sales and distribution costs associated with sales and marketing activities in Europe concerning Savene® and in the USA concerning Totect™.

Revenue amounted to DKK 44.9 million compared with DKK 45.7 million in 2006. The lower revenue was due to a number of factors.

In 2007, research and development reimbursements from third parties amounted to DKK 18.4 million against DKK 33,5 million in 2006 and milestone payments were DKK 4.9 million in 2007 compared with DKK 10.2 million in 2006.

TopoTarget's first marketed product, Savene®, was launched in October 2006.
Sales grew considerably during 2007 to revenue of DKK 19.0 million in 2007 against DKK 2.0 million in 2006.

On 4 October 2007, TopoTarget launched Savene® in the USA under the Totect™ brandname. Revenue in the fourth quarter of 2007 amounted to DKK 2.6 million.

Production costs amounted to DKK 25.8 million in 2007 against DKK 22.7 million in 2006.

The increase was primarily due to higher cost of goods and a license payment to the manufacturer of Savene®, in line with increased volume of goods sold.

Research and development costs amounted to DKK 129,1 million in 2007 against DKK 111.8 million in 2006, an increase of 15%.
The increase was driven by a number of factors. TopoTarget has continued its efforts in its preclinical and clinical programmes, encompassing belinostat, Topotect, Baceca®, Avugane™, Savicol™ and TOP216, and with effect from H2 2007 also the programmes acquired through Apoxis (TopoTarget Switzerland S.A.). A corresponding increase in research and development staff pushed up staff costs by DKK 12.5 million. TopoTarget Switzerland represented research and development costs totalling DKK 24.1 million in 2007.

Sales and distribution costs amounted to DKK 57.7 million in 2007, up from DKK 29.7 million in 2006.
Sales and distribution costs were incurred partly due to the launch of Totect™ in the US market in October 2007, partly as part of the launch of Savene® in TopoTarget's new markets in Europe and the continued marketing of Savene® in the company's existing European markets.
In the US market, the company recruited 10 sales representatives by the end of 2007, focusing on the states that offer the greatest potential for oncology products. TopoTarget also focused on disseminating knowledge about Totect™ and educating medical decision makers.
TopoTarget strengthened its resources and initiatives in the company's new and large markets in Europe In addition, the company established agreements with partners on the marketing of Savene® in Greece, Spain, Portugal and Italy.

Administrative expenses totalled DKK 52.0 million in 2007 as compared with DKK 49.4 million in 2006.
Administrative expenses accounted for 20% of total costs in 2007 as compared with 23% in 2006.

The company has maintained the same level of administrative expenses, except for the incremental costs associated with TopoTarget Switzerland. TopoTarget has continued its business development initiatives and communication with the equity market with a view to providing the market with optimum knowledge about the company, including pipeline development.

Financial income and expenses represented a net income of DKK 5.8 million in 2007 against net income of DKK 5.4 million in 2006.
The change was due primarily to higher interest income from the securities portfolio, amortisation of debt concerning milestone payment in relatin to the acquisition of TopoTarget Switzerland S.A. and incremental costs for exchange rate adjustments due to fluctuations in the foreign exchange market.

Income taxes amounted to an income of DKK 2.4 million as compared with DKK 7.5 million in 2006.
The tax income in 2007 consists of the recognition of tax refunds for research and development costs in TopoTarget UK in the amount of DKK 2.4 million. In 2006 income taxes consisted of the recognition of tax refunds for research and development costs in TopoTarget UK of DKK 3.2 million and income taxes of DKK 4.2 million were reversed deferred tax in TopoTarget Germany.

Consolidated balance sheet
Total assets amounted to DKK 834.2 million at 31 December 2007 as compared with DKK 476.2 million at 31 December 2006.
The Group's assets consist primarily of acquired research and development projects securities and cash, while the Group's liabilities mainly comprise equity and deferred tax concerning TopoTarget Switzerland and debt in connection with milestone payment for APO866.

In the 2007 financial year, the company acquired research and development projects for DKK 199.8 million, as TopoTarget acquired the Swiss company TopoTarget Switzerland S.A., previously Apoxis S.A., in June 2007.

TopoTarget has strong financial resources consisting of cash deposits, fixed-term deposits and securities that can easily be converted into cash at short notice. At 31 December 2007, TopoTarget's securities, fixed-term deposits and cash deposits totalled DKK 403.6 million, as compared with DKK 271.6 million at 31 December 2006.
The Group's capital resources were thus increased during the year because the cash capital increase in June 2007 more than covered the Group's cash outflows from operating and investing activities.

Consolidated equity
Equity amounted to DKK 665.1 million at 31 December 2007, against DKK 430.7 million at 31 December 2006.
The change in equity consists of net proceeds from the June capital increase of DKK 332.0 million, increase in connection with the acquisition of Apoxis of DKK 107.9 million, capital increase from employees exercising warrants of DKK 0.5 million and the loss for the year of DKK 211.6 million.
Also included is the DKK 6.9 million increase concerning share-based payment and adjustment of unrealised net losses on securities in the amount of DKK 1.3 million.

Comparing the actual financial performance with financial guidance
The Group recorded a pre-tax loss of DKK 214.0 million in 2007 against an expected pre-tax loss of approximately DKK 255-275 million, forecast at the publication of the interim report for the third quarter of 2007. Had the company's decision on changing the structure for recognition and measurement of research and development projects acquired from third party, been made before the disclosure of the interim report for Q3 2007, the expected pre-tax loss should be changed to DKK 229-249 million.

The differences in pre-tax loss is due primarily to cost benefits of integrating TopoTarget Switzerland and minor timing differences in production costs for trial medication.

TopoTarget's cash-burn for 2007 amounted to DKK 221.9 million, consisting of cash flows from operating and investing activities excluding the buying and selling of securities and exclusive cash and cash equivalence added at the acquisition of TopoTarget Switzerland S.A.

Parent company financial statements
The parent company recorded a loss of DKK 110.7 million for 2007 compared with a loss of DKK 104.5 million in 2006.
The higher loss was primarily due to an increase in sales and distribution costs as a result of sales and marketing activities in Europe for Savene®.

The parent company's equity amounted to DKK 924.3 million at 31 December 2007 compared with DKK 589.0 million at the same time in 2006. The change in equity consists of net proceeds from the June capital increase of DKK 332.0 million, a capital increase in connection with the acquisition of Apoxis of DKK 107.9 million, a capital increase from employees exercising warrants of DKK 0.5 million and the loss for the year of DKK 110.7 million.
Also included is the DKK 6.9 million increase concerning share-based payment and adjustment of unrealised net losses on securities in the amount of DKK 1.3 million.

Outlook for 2008

The company forecasts a pre-tax loss of approximately DKK 175 - 195 million in 2008.
The lower loss relative to 2007 is due to expectations of an increase in sales, higher research and development costs and continued cost benefits from improved efficiency and collaboration between the organisation's various country activities.

Treatment of loss

The Board of Directors proposes that the loss for the year of DKK 110.7 million be carried forward to next year.

TopoTarget achieves its goals by maintaining a full-scale and experienced medical department.

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. Below is a summary of TopoTarget's main risk areas and a summary of how the company seeks to minimise 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
The success of TopoTarget's activities depends 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, TopoTarget Switzerland and TopoTarget, US. At the time being the company will not perform currency hedging of ongoing cash flows to the subsidiaries.

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

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 by the large representation of medical expertise in the company, TopoTarget ensures bridge building between science and the treatment of patients.
- The company seeks to maintain a broad pipeline to increase the likelihood of obtaining marketing authorisation for its product candidates.
- Many of the drug candidates in TopoTarget's pipeline are based on the repurposing of compounds already on the market but targeting other diseases. This means that some of the work involved in demonstrating the safety of the therapeutics has already been performed and approved by physicians and health authorities. Accordingly, these products are more likely to make it to market at a faster pace.
- In October 2007 TopoTarget launched Totect™ in the US market so that the company now markets a product in the two most important markets, Europe and the US.
- TopoTarget is a professional organisation which at all times seeks to remain informed about and comply to every law affecting the company's activities.

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

A full description of TopoTarget's risk profile is provided in the offering circular dated June 2007, which is available from our website www.topotarget.com.

EMPLOYEES AND ORGANISATION

Specialist sales team

Throughout 2007 TopoTarget strengthened its sales team and built sales and marketing capabilities under the management of the company's Chief Commercial Officer John Parsons (also President of TopoTarget Inc., USA). During 2007 the sales team in the US added an additional eight specialist sales people to result in a total team of 10 people covering the most important demographic areas in the US.

In order to achieve a greater degree of control over the European sales force the team was brought in-house. By the end of the year there were eight active specialist sales people in Europe and TopoTarget anticipates further recruitment during the start of 2008 in order to achieve a sales team of 10 people in Europe.

The company has decided to bring the sales team in-house and to build sales competencies in the US to launch Totect™ on the US market. TopoTarget's sales and marketing division has, due to building the US sales and marketing organisation, experienced the most growth during 2007 compared to the rest of the group.

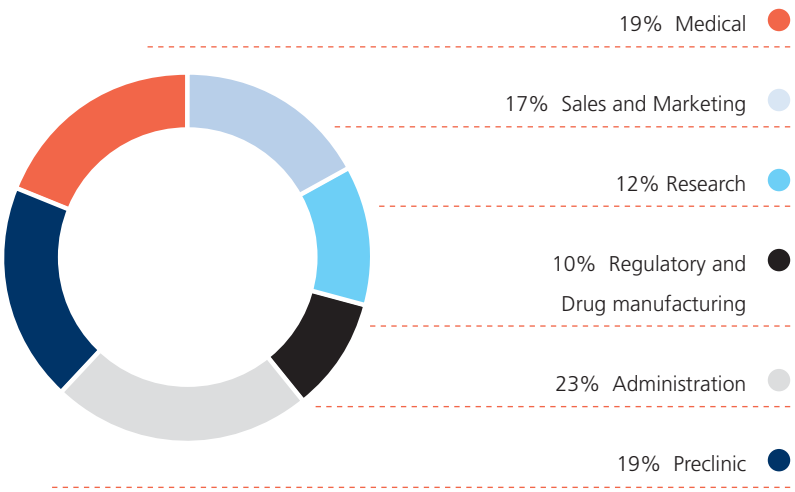
The number of employees in the company also grew following the acquisition of TopoTarget Switzerland S.A. and the integration of the 21 members of the team in Switzerland. These employees work in preclinical, clinical trials, regulatory affairs and business development (out-licensing) and general and administration.

The acquisition of TopoTarget Switzerland S.A. also led to the streamlining of the company's resources, so that employees working with biology and in vivo studies are now located in Copenhagen.

Including TopoTarget Switzerland's 21 employees, the entire group had 146 employees at the end of 2007.

Employee warrant programme
To strengthen interest in co-ownership of TopoTarget and as an incentive for employees, we offer a warrant programme to our employees. The most recent programme was granted in the autumn of 2007 and included a total of 1.13 million warrants.

EMPLOYEES AND ORGANISATION



TopoTarget's combined activities require well-educated and highly motivated employees.

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TopoTarget is fully committed to participate in the fight against cancer. We take the responsibility of combining our commitment with our energy and pursuit of employee development.

BOARD OF DIRECTORS

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

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

Jeffrey H. Buchalter (born 1957)
Board member since 2006.
Jeffrey Buchalter is currently President and Chief Executive Officer of Enzon Pharmaceuticals, Inc., a US biopharmaceutical company, and serves as Chairman of Enzon's Board of Directors. Mr. Buchalter was previously President, CEO and a Board Director of Ilex Oncology, Inc. and Group Vice President and Global Head of the Worldwide Oncology Franchise at Pharmacia Corporation. During his career, Mr. Buchalter has also held positions at Wyeth and Schering-Plough Corporation. Mr. Buchalter also serves as a Board Trustee for CureSearch, a childhood cancer foundation, and was elected by MacroGenics, Inc. to serve as Chairman of the company's Board of Directors in September 2007. Mr. Buchalter received his B.S. in finance from Seton Hall University, and a M.B.A. in marketing from Temple University.

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

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

Torbjörn Bjerke (born 1962)
Board member since 2006.
Dr. Torbjörn Bjerke became President and Chief Executive Officer of Orexo AB in November 2007. Dr Bjerke was previously President and Chief Executive Officer of Biolipox AB which was acquired by Orexo. Prior to joining Biolipox Dr. Bjerke was Executive Vice President R&D at ALK-Abelló A/S, a world leading company within allergy immunotherapy, where he was responsible for building the R&D organisation and pipeline. Prior to joining ALK-Abelló A/S, he was Head of Inflammation Pharmacology at AstraZeneca plc in Lund. In addition, Dr. Bjerke was involved in the establishment of Action Pharma A/S, a Danish biotech company, where he today is on the Board of Directors as Vice Chairman. Dr. Bjerke is also a member of the Boards of Directors of DBV Technologies, France and NeuroSearch A/S, Denmark. Dr. Bjerke holds an M.D. from Aarhus University in Denmark.

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

MANAGEMENT

Peter Buhl Jensen (born 1955)
Chief Executive Officer
Co-founder of TopoTarget. MD University of Copenhagen. Gold Medal, Specialist, internal medicine, Ph.D. in preclinical cancer therapeutics evaluation. Dr. Jensen has 15 years of management experience in cancer research and translational drug development. He previously served as Chief of The Laboratory of Experimental Medical Oncology and is a Consultant Medical Oncologist at The National University Hospital, Copenhagen. Dr. Jensen is a member of the Scientific Committee of the Danish Cancer Research Fund and a member of the Danish Lung Cancer Group. He has published more than 80 papers on cancer and its treatment. Dr. Jensen serves on the Boards of Directors of AntiAnthra ApS, LiPlasome A/S Symbion Fonden and Medicon Valley Alliance. Dr. Jensen has been employed with TopoTarget since its foundation in 2000. In 2007 Dr. Jensen was appointed Honorary Professor of Clinical Oncology at the University of Copenhagen.

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

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

Tim Corcoran (born 1953)
Executive Vice President Corporate Affairs
Mr Corcoran was appointed Executive Vice President Corporate Affairs in 2007 and was previously Chief Operations Officer. He served as CFO of Prolifix, now TopoTarget UK Limited, from 1999. He has a law degree from Canterbury University, Christchurch, New Zealand (NZ) and practiced as a barrister and solicitor of NZ High Court. He spent four years as General Manager of Brittco Group, the NZ commercial property and light engineering firm. He has also worked for the international firm of accountants Deloitte.

Steven Butcher (born 1959)
Chief Operating Officer
Dr. Butcher joined TopoTarget in 2006 with over 16 years experience in the pharmaceutical and biotech sector. He has a Ph.D. 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 for Pharmacia AB in Sweden. He joined Gemini Genomics, Cambridge, UK, in 2000 as VP, Research, and was CSO for Synaptica (2001-2003), and then BioImage A/S (Denmark) from 2003-2006. (2001-2003), and then BioImage A/S (Denmark) from 2003-2006.

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

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

Anette Heymann (born 1963)
International Marketing Director
Anette Heymann joined TopoTarget in November 2005 and has 15 years of experience in international Marketing and Sales within the pharmaceutical industry (Novo Nordisk A/S, LEO Pharma, Nycomed) where she played a key role in the successful preparation of the international launches of products within surgery, post-menopausal therapy, psoriasis and osteoporosis. Furthermore, she held a position as International Sales and Marketing Manager at Leo Medico (LEO Pharma) responsible for the successful launch of Leo Medico's products. She received her M.Sc. in Pharmacy at DFU and a bachelor degree in International Marketing and Economics (HD-A) at CBU, Copenhagen, Denmark.

John L. Parsons, Jr. (born 1947)
Chief Commercial Officer and President of TopoTarget USA, Inc.
John Parsons joined TopoTarget in 2006, and was recently named Chief Commercial Officer, with oversight for global commercial management in addition to his US responsibilities. Mr. Parsons has more than 30 years experience in 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 positions at Innovex, a division of Quintiles, and BASF Pharma (Knoll), where he was the commercial business leader and a member of the Executive Committee. John 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.

CORPORATE GOVERNANCE

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

The company considers the combined corporate governance rules and recommendations as a dynamic set of rules as, to the extent necessary, they should be aligned to the future needs and demands of the shareholders and the rest of the stock market and to the needs originating from TopoTarget's operations in 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.

TopoTarget's shareholders, future shareholders and other stakeholders have different requirements in terms of corporate information and rely on the quality of such information. Openness and transparency are therefore pivotal for evaluating the company and its prospects. And we seek 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 TopoTarget that the board of directors maintains an appropriate composition so that board members with a professional background and expertise can act as a constructive, inspiring and controlling sounding board to the company's management.

Members of the board are elected for terms of one year by the shareholders at the annual general meeting upon the board's recommendations. Relevant knowledge and professional experience are key parameters when recommending board members.

Procedures are in place to avoid conflict of internal board members professionel duties.

Pursuant to the company's articles of association, a maximum of seven members can serve on the board. The company seeks to ensure that most of the board members are independent of special interests. TopoTarget's CEO Peter Buhl Jensen is a member of the board of directors and is not considered independent. Having the CEO as a board member is due to TopoTarget's international approach and

REMUNERATION OF BOARD MEMBERS AND THEIR SHARES AND WARRANTS IN THE COMPANY, INCLUDING CHANGES DURING THE FINANCIAL YEAR:

Board member	Remuneration	Number of shares, year-end	Change in portfolio in the financial year	Number of warrants, year-end	Change in portfolio in the financial year
Håkan Åström	* EUR 50.000	17.000	17.000	187.000	30.000
Jesper Zeuthen	* EUR 35.000	0	0	15.000	15.000
Jeffrey Buchalter	*** EUR 45,000	0	0	65,000	15,000
Anders Gersel Pedersen	* EUR 35,000	5,000	0	65,600	15,000
Ingelise Saunders	** EUR 25,000	0	0	50,600	15,000
Torbjørn Bjerke	** EUR 25,000	0	0	30,000	15,000
Peter Buhl Jensen	0	**** 696,119	14,010	324,000	50,000

* Of which EUR 20,000 for committee work

** Of which EUR 10,000 for committee work

*** Of which EUR 10,000 for committee work in the US

**** Directly held by Peter Buhl Jensen and indirectly via AntiAnthra ApS and Buhl Krone Holding ApS

presence in European countries and the US where the CEO in many cases is a commonly member of the board to ensure efficient coordination between the organisation and the board in setting the strategic plans and objectives for the company.

The board members are evaluated by the board on a yearly basis.

Board members must retire after their 70th birthday.

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

The company has entered into employment agreements with the CEO and other members of the management team with termination clauses between three and 12 months. In the event of redundancy there are no agreement with management.

Warrants are generally issued pursuant by authorization to the board by the General Meeting on a yearly basis. Warrants are granted managers, employees, consultants and board member. The exercise price, number of warrants and other terms will be decided when the warrants are granted.

Board members can be granted warrants because of TopoTarget's international approach and presence and in order to attract and keep 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 50% of the allocated warrants vest after 36 months.

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

The Board of Directors is until 1 May 2010 authorized at one or more times to increase the Company's share capital with 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 share 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 2008.

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 29 meetings, the Remuneration Committee two meetings and the Audit Committee three meetings in 2007. The additional committees held one meeting each within the financial year.

SHAREHOLDER INFORMATION

TopoTarget's shares were listed on the Copenhagen Stock Exchange (now the OMX Nordic Exchange in 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 2007 was DKK 17, which was a decrease of around 56% on the company's share price of DKK 39.20 at year-end 2006.

The average daily trading volume for the company's shares in 2007 was 123,916 shares, corresponding to DKK 3.49 million.

Since 1 January 2007, the company has issued a total of 21.600 new shares of DKK 1 nominal value in connection with the exercise of employee warrants. In addition, TopoTarget carried out a capital increase on 21 June 2007, selling 12,000,000 new shares of DKK 1 nominal value at a price of DKK 30 each. The company received gross proceeds of approximately DKK 360 million from the capital increase. At 31 December 2007, TopoTarget's share capital was DKK 61,304,510, corresponding to 61,304,510 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 2007, TopoTarget had 6,356 registered shareholders, who held 86% of the share capital compared to 5319 registered shareholders at the end of 2006.

At 31 December 2007, the company's 20 largest shareholders held 67,4% of the total share capital, and the following investors have informed TopoTarget that they hold more than 5% of the shares:

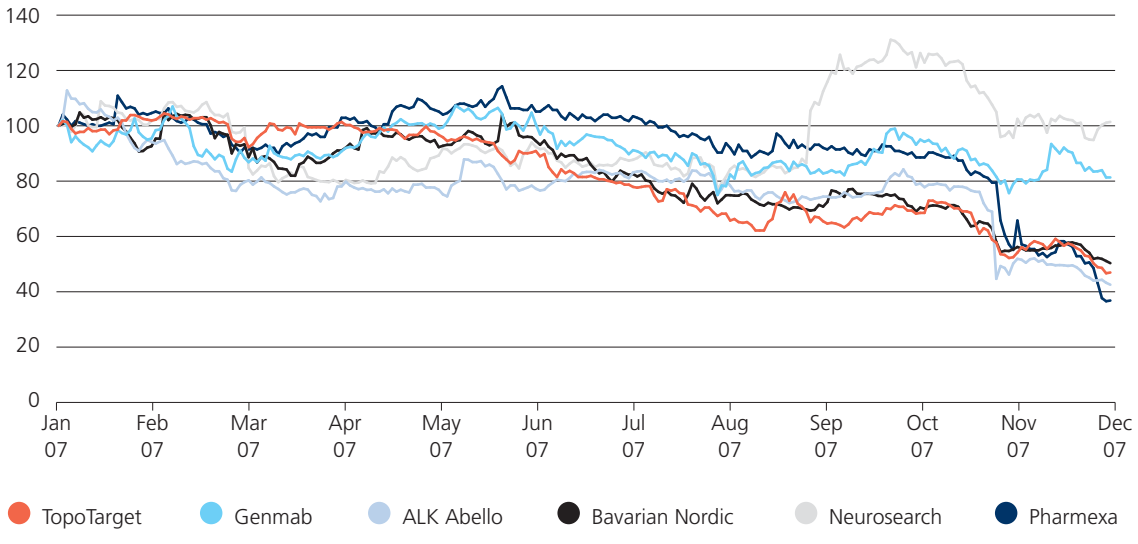
- BankInvest funds[8]
- HealthCap funds[9]
- Massachusetts Financial Services Company[10]
- Pension Danske Noterede Aktier I/S, c/o PKA A/S

[8] The BankInvest funds that hold Shares in the Company are BI Biomedicinsk Udvikling II A/S, BI Biomedicinsk Venture III P/S, K/S BI Biomedical Venture Annex II and K/S BI Biomedical Venture Annex III.

[9] The HealthCap funds that hold Shares in the Company are HealthCap 1999 KB, HealthCap CoInvest KB, HealthCap KB, HealthCap 1999 GbR, OFCO Club, OFCO Club Annex Fund I-II, HealthCap Annex Fund I-II KB, HealthCap III Sidefund KB and OFCO Club III Sidefund.

[10] The Massachusetts Financial Services Company funds that hold Shares in the Company are: MFS International Ltd., MFS International (U.K) Ltd., MFS Investment Management (Lux) S.A. and MFS Institutional Advisors Inc.

TOPOTARGET SHARE DEVELOPMENT COMPARED TO OTHER OMX LISTED BIOTECH COMPANIES



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, TopoTarget A/S 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 the OMX Nordic Exchange, TopoTarget A/S 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 A/S 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 the OMX Nordic Exchange. Such publication will be made immediately after the transaction.

TopoTarget A/S 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.

Join the mailing list

TopoTarget A/S 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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FINANCIAL CALENDAR

IN 2008, TOPOTARGET EXPECTS TO PUBLISH ITS FINANCIAL ANNOUNCEMENTS ACCORDING TO THE FOLLOWING CALENDAR:

12 March 2008	Annual report for 2007
14 May 2008	Financial report for the first quarter of 2008
19 August 2008	Financial report for the first half of 2008
12 November 2008	Financial report for the third quarter of 2008

The annual general meeting will be held on 10 April 2008 4.00 pm at Axelborg, Vesterbrogade 4A, DK-1620 Copenhagen V, Denmark.

ANNOUNCEMENTS AND INVESTOR NEWS

During 2007, TopoTarget released 47 company announcements and 3 investor news announcements.

DATE	STOCK EXCHANGE ANNOUNCEMENT
19 December 2007	TopoTarget provides update on Savicol™ pivotal Phase II study for the treatment of FAP and results from two pharmacokinetic (PK) studies
19 December 2007	TopoTarget and CuraGen announce initiation of an NCI-sponsored Phase II clinical trial of belinostat for thymoma and thymic carcinoma
18 December 2007	TopoTarget announces patents relating to APO010 granted in Europe
17 December 2007	AntiAnthra ApS transferring shares to Prospero Limited
10 December 2007	TopoTarget and CuraGen report belinostat results presented at ASH and provide regulatory update following end-of-Phase II meeting with FDA
6 December 2007	Report pursuant to the Danish Securities Trading Act, Section 28a
6 December 2007	TopoTarget announces award of two key patents
29 November 2007	TopoTarget announces encouraging clinical results from Phase II trial of topical Baceca® in combination with Retinoid for the treatment of the skin cancer Basal Cell Carcinoma
26 November 2007	TopoTarget and CuraGen announce presentations on belinostat at the upcoming American Society of Hematology 49th Annual Meeting
7 November 2007	Interim report for the nine months ended 30 September 2007
25 October 2007	TopoTarget and CuraGen announce presentation of belinostat clinical trial results at the AACR-NCI-EORTC International Conference
16 October 2007	TopoTarget launches Totect™ in the US
4 October 2007	TopoTarget and Lundbeck sign agreement for siramesine - a new and promising mechanism in cancer therapy
27 September 2007	TopoTarget issues warrants to employees, management and the Board of Directors
18 September 2007	Report pursuant to the Danish Securities Trading Act, Section 28a
7 September 2007	Totect™ approved in the United States
28 August 2007	TopoTarget and CuraGen initiate Phase I/II clinical trial of belinostat (PXD101) combination therapy for Acute Myeloid Leukemia
15 August 2007	Interim report for the six months ended 30 June 2007
7 August 2007	Update on clinical trials of belinostat
31 July 2007	TopoTarget - End of stabilisation period
11 July 2007	Major shareholder announcement
11 July 2007	Major shareholder announcement
29 June 2007	Report on share capital and share rights for TopoTarget A/S
27 June 2007	TopoTarget completes the capital increase and the acquisition of Apoxis S.A.
26 June 2007	Report pursuant to the Danish Securities Trading Act, Section 28a
21 June 2007	TopoTarget A/S completes offering of new shares
21 June 2007	Offering closed for applications for shares
4 June 2007	TopoTarget announces offering circular in connection with the offering of new shares and issuance of consideration shares to the owners of Apoxis S.A.
1 June 2007	Report on share capital and share rights for TopoTarget A/S
31 May 2007	TopoTarget elaborates on the specific initiatives to obtain FDA approval of Totect™
30 May 2007	TopoTarget has received an approvable letter for Totect™
9 May 2007	Interim report for the three months ended 31 March 2007
2 May 2007	TopoTarget and CuraGen initiate Phase I/II clinical trial of belinostat (PXD101) combination therapy for Soft Tissue Sarcomas
1 May 2007	Proceedings at the extraordinary general meeting of TopoTarget A/S
24 April 2007	TopoTarget announces next Phase II clinical placebo controlled trial with Avugane™ in acne vulgaris
19 April 2007	TopoTarget A/S convenes an Extraordinary General Meeting

DATE	STOCK EXCHANGE ANNOUNCEMENT
19 April 2007	CuraGen and TopoTarget present new clinical results with belinostat at the Annual Meeting in ASCO and at the conference "2007 Pan Pacific Lymphoma"
12 April 2007	TopoTarget announces new pre-clinical results with belinostat to be presented at the AACR Annual Meeting
12 April 2007	Proceedings at the Annual General Meeting of TopoTarget A/S
11 April 2007	TopoTarget enters into share purchase agreement for the acquisition of Apoxis S.A. and plans to raise new capital through an offer of new shares
30 March 2007	TopoTarget increases its share capital as a result of employee warrant exercise
27 March 2007	TopoTarget and CuraGen initiate Phase II trial of belinostat (PXD101) in combination with Velcade® for Refractory Multiple Myeloma
26 March 2007	Notice of the Annual General Meeting
14 March 2007	TopoTarget announces its results for 2006
12 March 2007	TopoTarget executes its licensing option for the development of Zemab® for breast cancer
21 February 2007	Savene™ is selling
9 January 2007	TopoTarget publishes Financial Calendar for 2007

DATE	INVESTOR NEWS
12 October 2007	TopoTarget expands Investor and Public Relations Department
11 October 2007	TopoTarget strengthens sales and marketing organisation
8 October 2007	TopoTarget's CEO Peter Buhl Jensen appointed Honorary Professor of Clinical Oncology at the University of Copenhagen

STATEMENT BY THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Today, we considered and adopted the annual report for 2007 of TopoTarget A/S.

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

In our opinion, the accounting policies applied are appropriate, and the annual report gives a true and fair view of the Group's and the parent company's assets, liabilities, and financial position at 31 December 2007 and of the results of the group's and the parent company's operations and cash flow for the financial year ended 31 December 2007.

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

Copenhagen, 12 March 2008

Executive Management

Håkan Åström, Chairman	Jesper Zeuthen	Jeffrey Buchalter
Anders Gersel Pedersen	Ingelise Saunders	Torbjörn Bjerke
Peter Buhl Jensen		

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Topo Target A/S

We have audited the annual report of Topo Target A/S for the financial year 1 January to 31 December 2007, which comprises the statement by Management on the annual report, Management's review, income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as the Parent. The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

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

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

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

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the annual report gives a true and fair view of the Group's and the Parent's financial position at 31 December 2007, and of their financial performance and their cash flows for the financial year 1 January to 31 December 2007 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

Copenhagen, 12 March 2008

Deloitte
Statsautoriseret Revisionsaktieselskab

Jens Sejer Pedersen
State Authorised
Public Accountant

Jørgen Holm Andersen
State Authorised
Public Accountant

INCOME STATEMENTS

		Group		Parent	
		2007	**2006**	**2007**	**2006**
	Note	DKK '000	DKK '000	DKK '000	DKK '000
Revenue	2,3	44,890	45,730	35,932	29,726
Production costs	4,5	(25,838)	(22,683)	(15,664)	(14,022)
Research and development costs	4,5	(129,111)	(111,843)	(68,361)	(69,547)
Sales and distribution costs	4,5	(57,722)	(29,668)	(33,617)	(25,956)
Administrative expenses	4,5	(52,020)	(49,439)	(34,627)	(31,753)
Operating loss		**(219,801)**	**(167,903)**	**(116,337)**	**(111,552)**
Financial income	6	14,698	7,164	17,269	8,735
Financial expenses	7	(8,944)	(1,726)	(11,633)	(1,714)
Loss before tax		**(214,047)**	**(162,465)**	**(110,701)**	**(104,531)**
Tax on profit/(loss) for the year	8	2,447	7,462	0	0
Net loss for the year		**(211,600)**	**(155,003)**	**(110,701)**	**(104,531)**
Basic and diluted EPS (DKK)	9	(3.92)	(3.76)	(2.05)	(2.53)

BALANCE SHEET - ASSETS

		Group		Parent	
		2007	**2006**	**2007**	**2006**
	Note	DKK '000	DKK '000	DKK '000	DKK '000
Acquired research- and development projects		370,639	167,873	24,477	25,977
Intangible assets	4,10	**370,639**	**167,873**	**24,477**	**25,977**
Other fixtures and fittings, tools and equipment		18,415	10,990	12,411	9,520
Property, plant and equipment	4,11	**18,415**	**10,990**	**12,411**	**9,520**
Investments in subsidiaries		0	0	467,366	307,429
Receivables from subsidiaries		0	0	109,453	5,284
Other receivables		1,657	1,136	1,472	1,136
Non-current investments	12	**1,657**	**1,136**	**578,290**	**313,849**
Non-current assets		**390,711**	**179,999**	**615,179**	**349,346**
Inventories - raw materials		1,150	1,439	1,150	1,439
Inventories - saleable goods		2,160	245	2,160	245
Inventories		**3,310**	**1,684**	**3,310**	**1,684**
Trade receivables	13	16,490	3,399	8,489	1,691
Other receivables		4,838	5,245	4,149	4,212
Income taxes receivable		7,447	5,625	0	0
Prepayments		7,762	8,622	5,470	3,752
Receivables		**36,537**	**22,891**	**18,108**	**9,655**
Securities	14	**116,505**	**133,257**	**116,505**	**133,257**
Cash and cash equivalents		**287,112**	**138,353**	**265,630**	**124,558**
Current assets		**443,464**	**296,185**	**403,553**	**269,154**
Assets		**834,175**	**476,184**	**1,018,732**	**618,500**

BALANCE SHEET - EQUITY AND LIABILITIES

		Group		Parent	
		2007	**2006**	**2007**	**2006**
	Note	DKK '000	DKK '000	DKK '000	DKK '000
Share capital	15	61,304	45,685	61,304	45,685
Share-based payments	16	17,332	10,668	17,332	10,668
Retained earnings		586,432	374,297	845,692	532,658
Equity		**665,068**	**430,650**	**924,328**	**589,011**
Deferred income tax	8	45,741	0	0	0
Lease commitments	19	315	780	315	780
Pension commitments	17	2,599	0	0	0
Non-current liabilities		**48,655**	**780**	**315**	**780**
Lease commitments	19	499	511	499	511
Trade payables		38,256	33,439	20,815	20,273
Other payables	21,25	75,612	6,254	72,775	4,435
Deferred income	20	6,085	4,550	0	3,490
Current liabilities		**120,452**	**44,754**	**94,089**	**28,709**
Liabilities		**169,107**	**45,534**	**94,405**	**29,489**
Equity and liabilities		**834,175**	**476,184**	**1,018,732**	**618,500**

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CASH FLOW STATEMENTS

	Note	Group 2007 DKK '000	Group 2006 DKK '000	Parent 2007 DKK '000	Parent 2006 DKK '000
Operating loss		(219,801)	(167,903)	(116,338)	(111,552)
Reversal of share-based payments		6,862	8,029	5,115	5,808
Depreciation and impairment losses		7,331	3,482	5,404	2,845
Working capital changes	26	(12,799)	2,000	(9,579)	8,464
Cash flows from operating activities before interest		**(218,407)**	**(154,389)**	**(115,398)**	**(94,435)**
Interest income etc. received		12,774	8,332	15,345	9,903
Interest expenses etc. paid		(3,300)	(1,726)	(6,561)	(1,714)
Refunded income taxes		0	3,225	0	0
Cash flows from operating activities		**(208,932)**	**(144,558)**	**(106,614)**	**(86,246)**
Purchase of intangible assets		(4,451)	(11,276)	0	(11,276)
Purchase of property, plant and equipment		(8,577)	(6,184)	(7,151)	(5,673)
Sale of property, plant and equipment		612	165	356	122
Acquisition of subsidiary net of cash	25	23,127	0	(4,458)	0
Change of loan to subsidiary		0	0	(88,218)	(54,484)
Purchase of investments		(510)	(345)	(336)	(345)
Purchase of securities		(44,051)	(46,409)	(44,051)	(46,409)
Sale of securities		59,516	180,217	59,516	180,217
Cash flows from investing activities		**25,665**	**116,168**	**(84,342)**	**62,152**
Instalment on loans		(476)	(478)	(476)	(478)
Proceeds from the issuance of shares	28	332,502	135,995	332,502	135,995
Cash flows from financing activities		**332,026**	**135,517**	**332,026**	**135,517**
Increase/decrease in cash and cash equivalents		148,759	107,127	141,072	111,423
Cash and cash equivalents at 1 January		138,353	31,226	124,558	13,135
Cash and cash equivalents at 31 December		**287,112**	**138,353**	**265,630**	**124,558**
Non-cash transactions	27				
Cash and cash equivalents comprise:					
Deposit on demand and cash		287,067	48,308	265,630	34,558
Special-term deposits		45	90,045	0	90,000
Total		**287,112**	**138,353**	**265,630**	**124,558**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2007

	Group					
	Number of shares	Share capital DKK '000	Share premium account DKK '000	Share based payments DKK '000	Retained earnings DKK '000	Total DKK '000
Equity at 1 January 2007	**45,684,880**	**45,685**	**0**	**10,668**	**374,297**	**430,650**
Fair value adjustment of available-for-sale financial assets	0	0	0	0	(1,287)	(1,287)
Recognised directly in equity	**0**	**0**	**0**	**0**	**(1,287)**	**(1,287)**
Net loss for the year	0	0	0	0	(211,600)	(211,600)
Total net income	**0**	**0**	**0**	**0**	**(212,887)**	**(212,887)**
Recognition of share-based payment	0	0	0	6,862	0	6,862
Exercise of share-based payment	0	0	0	(198)	198	0
Share capital increase through exercise of warrants	21,600	21	500	0	0	521
Share capital increase through cash payment	12,000,000	12,000	319,981	0	0	331,981
Share capital increase through non-cash payment	3,598,030	3,598	104,343	0	0	107,941
Share premium account transferred to "Retained earnings"	0	0	(424,824)	0	424,824	0
Other transactions total	**15,619,630**	**15,619**	**0**	**6,664**	**425,022**	**447,305**
Equity at 31 December 2007	**61,304,510**	**61,304**	**0**	**17,332**	**586,432**	**665,068**

Expenses relating to the capital increase on 21 June 2007 have been deducted in "share premium account" in the amount of TDKK 28,019.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2006

	Group					
	Number of shares	Share capital DKK '000	Share premium account DKK '000	Share based payments DKK '000	Retained earnings DKK '000	Total DKK '000
Equity at 1 January 2006	**39,940,391**	**39,940**	**364,898**	**9,115**	**0**	**413,953**
Effect of adjusted recognition and measurement of acquired research and development projects	0	0	0	0	26,498	26,498
Adjusted equity at 1 January 2006	**39,940,391**	**39,940**	**364,898**	**9,115**	**26,498**	**440,451**
Transferred to Retained earnings, beginning of year	0	0	(364,898)	0	364,898	0
Fair value adjustment of available-for-sale financial assets	0	0	0	0	1,178	1,178
Recognised directly in equity	**0**	**0**	**(364,898)**	**0**	**366,076**	**1,178**
Net loss for the year	0	0	0	0	(155,003)	(155,003)
Total net income	**0**	**0**	**(364,898)**	**0**	**211,073**	**(153,825)**
Recognition of share-based payment	0	0	0	8,029	0	8,029
Exercise of share-based payment	0	0	0	(6,476)	6,476	0
Share capital increase through exercise of warrants	1,591,319	1,592	12,700	0	0	14,292
Share capital increase through cash payment	4,153,170	4,153	117,550	0	0	121,703
Share premium account transferred to "Retained earnings"	0	0	(130,250)	0	130,250	0
Other transactions total	**5,744,489**	**5,745**	**0**	**1,553**	**136,726**	**144,024**
Equity at 31 December 2006	**45,684,880**	**45,685**	**0**	**10,668**	**374,297**	**430,650**

Expenses relating to the private placement in November 2006 have been deducted in "share premium account" in the amount of TDKK 4,964.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2007

	Parent					
	Number of shares	Share capital DKK '000	Share premium account DKK '000	Share based payments DKK '000	Retained earnings DKK '000	Total DKK '000
Equity at 1 January 2007	**45,684,880**	**45,685**	**0**	**10,668**	**532,658**	**589,011**
Fair value adjustment of available-for-sale financial assets	0	0	0	0	(1,287)	(1,287)
Recognised directly in equity	**0**	**0**	**0**	**0**	**(1,287)**	**(1,287)**
Net loss for the year	0	0	0	0	(110,701)	(110,701)
Total net income	**0**	**0**	**0**	**0**	**(111,987)**	**(111,987)**
Recognition of share-based payment	0	0	0	6,862	0	6,862
Exercise of share-based payment	0	0	0	(198)	198	0
Share capital increase through exercise of warrants	21,600	21	500	0	0	521
Share capital increase through cash payment	12,000,000	12,000	319,981	0	0	331,981
Share capital increase through non-cash payment	3,598,030	3,598	104,343	0	0	107,941
Share premium account transferred to "Retained earnings"	0	0	(424,824)	0	424,824	0
Other transactions total	**15,619,630**	**15,619**	**0**	**6,664**	**425,022**	**447,305**
Equity at 31 December 2007	**61,304,510**	**61,304**	**0**	**17,332**	**845,692**	**924,328**

Expenses relating to the capital increase 21 June 2007 have been deducted in "share premium account" in the amount of TDKK 28,019.

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

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2006

	Parent					
	Number of shares	Share capital DKK '000	Share premium account DKK '000	Share based payments DKK '000	Retained earnings DKK '000	Total DKK '000
Equity at 1 January 2006	**39,940,391**	**39,940**	**428,156**	**9,115**	**66,802**	**544,013**
Effect of adjusted recognition and measurement of acquired research and development projects	0	0	0	0	4,327	4,327
Adjusted equity at 1 January 2006	**39,940,391**	**39,340**	**428,156**	**9,115**	**71,129**	**548,340**
Transferred to Retained earnings, beginning of year	0	0	(428,156)	0	428,156	0
Fair value adjustment of available-for-sale financial assets	0	0	0	0	1,178	1,178
Recognised directly in equity	**0**	**0**	**(428,156)**	**0**	**429,334**	**1,178**
Net loss for the year	0	0	0	0	(104,531)	(104,531)
Total net income	**0**	**0**	**(428,156)**	**0**	**324,803**	**(103,353)**
Recognition of share-based payment	0	0	0	8,029	0	8,029
Exercise of share-based payment	0	0	0	(6,476)	6,476	0
Share capital increase through exercise of warrants	1,591,319	1,592	12,700	0	0	14,292
Share capital increase through cash payment	4,153,170	4,153	117,550	0	0	121,703
Share premium account transferred to "Retained earnings"	0	0	(130,250)	0	130,250	0
Other transactions total	**5,744,489**	**5,745**	**0**	**1,553**	**136,726**	**144,024**
Equity at 31 December 2006	**45,684,880**	**45,685**	**0**	**10,668**	**532,658**	**589,011**

Expenses relating to the private placement in November 2006 have been deducted in "share premium account" in the amount of TDKK 4,964.

The share capital is an undistributable reserve, while the other reserves are distributable for dividend purposes

1. ACCOUNTING POLICIES

Basis of preparation

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

Changed structure for recognition and measurement and acquired research and development projects

The company has decided to adjust the structure for recognition and measurement of research and development projects acquired from third parties. In the balance sheet, such intangible assets have so far been recognised under "Licenses and rights" and amortised from the date of acquisition.

As a result of this decision, such intangible assets will henceforth be recognised in the balance sheet as "Acquired research and development projects" and amortised over the expected economic life of the project from the time when the project is ready for use (marketing approvals have been obtained). In the period until marketing approvals have been obtained the acquired research and development are annually undergoing impairment tests. After marketing approval has been obtained impairment test is prepared if events or circumstances indicate that the carrying amount may not be recoverable.

The impact on the Group's and the parent company's equity at 1 January 2006 is shown in the statement of changes in equity.

The effect on the income statement for 2006 is as follows:

	Group	Parent company
	DKK'000	DKK'000
Increase of production costs	(375)	(375)
Reduction of research an development costs	17,322	2,004
Increase in recognised deferred tax	2,752	0
Effect on profit/loss for the year	**19,709**	**1,629**
Basic and diluted EPS	0.47	0.04

Effect on balance sheet items at 31 December 2006:

	Group	Parent company
	DKK'000	DKK'000
Acquired research and development costs (increased)	46,207	5,956
Deferred tax	0	0
Effect on equity (increased)	**46,207**	**5,956**

Financial highlights and ratios overview has been adjusted accordingly.

Implementation of new and revised standards and interpretations

The annual report for 2007 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 2007.

Standards and interpretations which have come into force

- IFRS 7, Financial instruments: Disclosures
- IAS 1, Presentation of financial statements (updated 2005)
- IAS 32, Financial Instruments: Presentation (updated 2005)
- IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies
- IFRIC 8, Scope of IFRS 2
- IFRIC 9, Reassessment of embedded derivatives
- IFRIC 10, Interim financial reporting and impairment

The implementation of the new and revised standards and interpretations in the annual report for 2007 has not resulted in changes to accounting policies but exclusively affected the scope and nature of note disclosures in the annual report.

Standards and interpretations not yet in force

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

- Revised IFRS 2, Share-based payment. The standard comes into force for financial years starting on or after 1 January 2009. The standard has not yet been adopted for use in the EU.
- Revised IFRS 3, Business combinations. The standard comes into force for financial years starting on or after 1 July 2009. The standard has not yet been adopted for use in the EU.
- IFRS 8, Operating segments. The standard comes into force for financial years starting on or after 1 January 2009.
- Revised IAS 1, Presentation of financial statements. The revised standard comes into force for financial years starting on or after 1 January 2009. The standard has not yet been adopted for use in the EU.
- Revised IAS 23, Borrowing costs. The revised standard comes into force for financial years starting on or after 1 January 2009. The standard has not yet been adopted for use in the EU.
- Revised IAS 27, Consolidated and separate financial statements. The revised standard comes into force for financial years starting on or after 1 July 2009.
- IFRIC 11, Group and treasury share transactions. The interpretation comes into force for financial years starting on or after 1 March 2007.
- IFRIC 12, Service concession arrangements. The interpretation comes into force for financial years starting on or after 1 January 2008. The interpretation has not yet been adopted for use in the EU.
- IFRIC 13, Customer loyalty programmes. The interpretation comes into force for financial years starting on or after 1 August 2008. The interpretation has not yet been adopted for use in the EU.
- IFRIC 14, The limit on a defined benefit asset, minimum funding requirements and their interaction. The interpretation comes into force for financial years starting on or after 1 January 2008. The interpretation has not yet been adopted for use in the EU.

The adoption of the revised IFRS 3, Business combinations, entails that, as from the financial year 2010, the Group must recognise acquisition costs and changes to contingent consideration on company acquisitions directly in the income statement.

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

Recognition and measurement

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

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

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

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

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

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

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

For assets classified as assets held for sale, unrealised loss and profit is recognised directly to the equity.

Consolidated financial statements

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

Basis of consolidation

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

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

Acquisitions of companies 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.

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

Production costs
Production costs comprises costs incurred to generate the revenue. Production costs comprises cost of goods sold, transport costs, cost of inventories, salaries, contributions to pension schemes, costs of share-based payments and other costs including depreciation, impairment writedown 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 writedown 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 capitalized milestone payment, the interest element of finance lease payments, realised gains and losses on marketable securities and realised and unrealised gains and losses on payables and transactions in foreign currencies.

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

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

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

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

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

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

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

Transactions between geographical segments are made at market value.

Derivative financial instruments
On initial recognition, derivative financial instruments are measured at the fair value on the settlement date. Directly attributable costs related to the purchase or issuance of the individual financial instruments (transaction costs) are added to the fair value on initial recognition unless the financial asset or the financial liability is measured at fair value with recognition of fair value adjustments in the income statement.

Subsequently, the derivative financial instruments are measured at fair value at the balance sheet date. Positive and negative fair values of derivative financial instruments are recognised under other receivables and other payables respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as effective hedges of future transactions are recognised directly in equity. The ineffective portion is recognised immediately in the income statement. When the hedged transactions are realised, cumulative changes are recognised as part of the cost of the transactions in question.

Changes in the fair value of derivative financial instruments used to hedge net investments in foreign subsidiaries are recognised in the consolidated financial statements directly in equity to the extent that the hedge is effective. The ineffective portion is recognised immediately in the income statement. On disposal of the foreign subsidiary in question, the cumulative value changes are transferred to the income statement.

Derivative financial instruments that do not qualify for hedge accounting are considered trading portfolios and are measured at fair value. Any fair value changes are recognised in the income statement under financial items as they occur.

Certain contracts include terms and conditions that are similar to derivative financial instruments. To the extent that the embedded derivative financial instruments differ significantly from the overall contract, they are recognised and measured as separate instruments at fair value, unless the contract in question in its entirety is recognised and measured at fair value.

Share-based payment

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

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

Balance sheet

Goodwill

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

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

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 economi lives from the time when the project is ready for use (marketing approvals have been obtained). In the period until marketing approvals have been obtained the acquired research and development are annually undergoing impairment tests. After marketing approval has been obtained impairment test is prepared if events or 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 marketing approvals have been obtained the acquired research and development costs are annually undergoing impairment tests. After marketing approval has been obtained impairment test is prepared if events or circumstances indicate that the carrying amount may not be recoverable.

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

Investments in subsidiaries

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

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

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

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

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

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 expected losses.

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

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 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 yearend

The yearend share price is determined as the average trading price (all trades) of the company's shares on the Copenhagen Stock Exchange at the balance sheet date or at the most recent trading date prior to the balance sheet date.

Assets/equity

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

Net asset value per share

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

Management's significant accounting assumptions and estimates

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. 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.

Revenue recognition

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

In June 2004, the group entered into a license and collaboration agreement with CuraGen Corporation. The license fee under the agreement involves multiple components that cannot be separated. As a result, only the part of the license fee that corresponds to the period of time the research agreement has been in effect has been recognised in the income statement, while the remaining part is recognised under deferred income. The last part of the license payment has been taken to income in the financial year 2007.

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 permissions 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 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 2007.

Impairment test of acquired research and development projects

Acquired research and development projects consist of the research and development costs recognised in conjunction with the acquisition of TopoTarget UK in 2002, on acquisition of Savene® for extravasation in 2004, in conjunction with the acquisition of TopoTarget Germany in 2005 and later additions, on acquisition of TOP216 in 2006 and research and development costs in conjunction with the acquisition of TopoTarget Switzerland S.A. in 2007. In the period until marketing approvals have been obtained, the acquired research and development projects are 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. Assumptions applied when testing for impairment of these assets are based on significant estimates, especially with respect to uncertainty that the ongoing project cannot be completed, and estimates of costs associated with the completion, obtaining marketing approval, expected market size and pricing, which may affect the value of the amounts recognised.

Value of participating interests in subsidiaries in the parent company's financial statements

At 31 December 2007, the carrying amount of participating interests in subsidiaries exceeds the net assets in the subsidiaries. In such a situation, management estimates whether there are any events or other circumstances that indicate that the carrying amount may not be recoverable. The management of the company has estimated that the value of non-recognised intangible assets related to the subsidiaries corresponds at least the amount by which the cost of the subsidiaries exceeds the carrying amount of their net assets, and management has therefore assessed that no need for impairment test exists. The conclusion is based on an estimate which in respect of TopoTarget USA Inc. relates to market developments, and with respect to other subsidiaries relates to circumstances as addressed in "Impairment test of acquired research and development projects".

Consideration paid for TopoTarget Switzerland S.A.

In June 2007, TopoTarget acquired the company Apoxis S.A. – now TopoTarget Switzerland S.A. The consideration is paid in three tranches, the first of which was paid on completion of the acquisition in the form of shares in TopoTarget. The second tranche (the APO866 milestone) and the third tranche (the Inflammasone milestone) are contingent upon the occurrence of certain events. Based on management's assessment of the circumstances which the milestone payments are contingent upon, the consideration was calculated on the basis of an estimate that the value in use of the APO866 milestone can be calculated at DKK 61.7 million using a calculation factor of 15%, and that the Inflammasone milestone can be calculated at DKK nil. A more detailed description is provided in note 25 to the financial statements.

2. REVENUE

	Group		Parent	
	2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
Sale of goods	21,613	2,018	23,464	2,018
Sale of services	18,404	33,488	8,642	20,040
Milestone payments	4,873	10,224	3,826	7,668
Total	**44,890**	**45,730**	**35,932**	**29,726**

3. SEGMENT INFORMATION

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

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

	Revenue	
	2007 DKK ´000	**2006** DKK ´000
Denmark	966	7,776
Europe	18,782	1,698
USA	25,142	36,256
Total	**44,890**	**45,730**

The group's assets and additions to acquired research and development projects plus other fixtures and fittings, tools and equipment are divided into the following secondary geographical segments:

	Assets		Additions to acquired research and development projects plus other fixtures and fittings, tools and equipment	
	2007 DKK ´000	**2006** DKK ´000	**2007** DKK ´000	**2006** DKK ´000
Denmark	441,913	300,788	7,151	17,328
Europe	381,358	170,180	207,302	132
USA	10,904	216	426	0
Total	**834,175**	**476,184**	**214,879**	**17,460**

4. DEPRECIATION AND IMPAIRMENT

	Group		Parent	
	2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
Acquired research- and development projects	1,500	375	1,500	375
Other fixtures and fittings, tools and equipment	5,659	3,111	3,871	2,469
Gain/loss from sale of property and equipment	172	49	33	49
Total	**7,331**	**3,535**	**5,405**	**2,893**
Allocated by function:				
Production costs	1,500	375	1,500	375
Research and development costs	4,963	2,649	3,143	2,239
Sales and distribution costs	305	0	220	0
Administrative expenses	563	511	542	279
Total	**7,331**	**3,535**	**5,405**	**2,893**

5. STAFF COSTS

	Group		Parent	
	2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
Wages and salaries	86,877	60,725	52,607	45,150
Share-based payments	6,862	8,029	5,115	5,808
Pension contributions	8,804	5,240	6,865	4,488
Other social security costs	2,875	1,485	288	390
Total	**105,418**	**75,479**	**64,875**	**55,836**
Allocated by function:				
Production costs	4,172	5,146	4,172	5,146
Research and development costs	51,022	38,479	34,665	29,866
Sales and distribution costs	18,478	6,102	5,651	5,372
Administrative expenses	31,746	25,752	20,387	15,452
Total	**105,418**	**75,479**	**64,875**	**55,836**
Remuneration to Board of Directors *	2,951	3,179	2,877	3,179
Remuneration to Management *	4,160	4,267	4,160	4,267
Average number of full-time employees	**141**	**98**	**82**	**69**

* Of this share-based payments to Board of Directors, TDKK 1,348 and Executive Management, TDKK 708 in 2007 and to Board of Directors, TDKK 1,627 and Executive Management, TDKK 722 in 2006.

6. FINANCIAL INCOME

	Group		Parent	
	2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
Financial income from subsidiaries	0	0	2,492	1,536
Fair value adjustments transferred from equity concerning divested available-for-sale financial assets	1,168	0	1,168	0
Financial income from securities and bank deposits	13,530	7,164	13,609	7,199
Total financial income	**14,698**	**7,164**	**17,269**	**8,735**

7. FINANCIAL EXPENSES

	Group		Parent	
	2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
Exchange rate adjustment of payables and receivables in foreign currencies	(3,872)	(357)	(6,561)	(248)
Fair value adjustments transferred from equity concerning divested available-for-sale financial assets	0	(806)	0	(806)
Amortisation of debt concerning milestone payment	(5,072)	0	(5,072)	0
Other financial expenses	0	(563)	0	(660)
Total financial expenses	**(8,944)**	**(1,726)**	**(11,633)**	**(1,714)**

8. TAX ON LOSS FOR THE YEAR

	Group		Parent	
	2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
Current tax	(2,447)	(3,225)	0	0
Adjustment of deferred tax	0	(4,237)	0	0
Tax on loss for the year	**(2,447)**	**(7,462)**	**0**	**0**
Deferred tax asset, net	**108,445**	**107,712**	**77,678**	**55,938**
Temporary differences are attributable to the following terms:				
Intangible assets	(340,692)	(151,104)	(13,385)	(11,469)
Property, plant and equipment	17,725	14,950	7,148	3,930
Other temporary differences	4,806	17,062	1,138	16,990
Tax losses carried forward	690,660	490,285	316,013	190,328
Total	**372,499**	**371,193**	**310,714**	**199,779**
Tax asset, net	**108,445**	**107,712**	**77,678**	**55,938**
Deducted liability related to intangible assets	45,741	0	0	0
Tax asset, not recognised, gross	**154,186**	**107,712**	**77,678**	**55,938**
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 consided loss to be carried forward (DKK 690.7 million), DKK 203.8 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 year before tax	**(214,047)**	**(162,465)**	**(110,701)**	**(104,531)**
Calculated tax	**(58,564)**	**(47,063)**	**(27,675)**	**(29,269)**
Effect of changes tax rate in Denmark, not recognized	5,965	0	5,965	0
Changes in tax losses carried forward, not recognized	54,159	46,165	25,973	31,714
Changes in tax assets, not recognized	(3,864)	(9,821)	(3,971)	(5,681)
Other adjustments, not deductable costs/revenue	(143)	3,257	(292)	3,236
Total	**(2,447)**	**(7,462)**	**0**	**0**
Tax rate	1.1%	4.6%	-	-

9. BASIC AND DILUTED EPS IN DKK

Basic EPS
Basic EPS is calculated as the net result of the year'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 year'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 converted into ordinary shares.

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

Basic and diluted EPS are as follows:

	Group		Parent	
	2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
Loss for the year attributable to equity holder of the parent	(211,600)	(155,003)	(110,701)	(104,531)
Weighted average number of ordinary outstanding shares	53,955,186	41,260,562	53,955,186	41,260,562
Basic and diluted EPS (DKK)	**(3.92)**	**(3.76)**	**(2.05)**	**(2.53)**

10. INTANGIBLE ASSETS

	Group		Parent	
	2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
Acquired research- and development projects still in progress				
Cost at 1 January	153,172	156,972	11,276	15,076
Transferred to acquired research and development projects	0	(15,076)	0	(15,076)
Addition on acquisition of a subsidiary	199,815	0	0	0
Additions	4,592	11,276	0	11,276
Disposals	(141)	0	0	0
Cost at 31 December	**357,438**	**153,172**	**11,276**	**11,276**
Amortisation at 1 January	0	(29,252)	0	(4,350)
Effect of adjusted recognition and measurement of acquired research and development projects	0	29,252	0	4,350
Amortisation at 31 December	**0**	**0**	**0**	**0**
Carrying amount at 31 December	**357,438**	**153,172**	**11,276**	**11,276**
Acquired research and development projects – available for use				
Cost at 1 January	15,076	0	15,076	0
Transferred from acquired research and development projects still in progress	0	15,076	0	15,076
Cost at 31 December	**15,076**	**15,076**	**15,076**	**15,076**
Amortisation at 1 January	(375)	0	(375)	0
Amortisation	(1,500)	(375)	(1,500)	(375)
Amortisation at 31 December	**(1,875)**	**(375)**	**(1,875)**	**(375)**
Carrying amount at 31 December	**13,201**	**14,701**	**13,201**	**14,701**
Total acquired research and development projects	**370,639**	**167,873**	**24,477**	**25,977**
The weighted average residual term of acquired research and development projects – available for use is approximately (number of years)	8.75	9.75	8.75	9.75

As described in note 25, Astellas has a buyback option concerning a part of the acquired research and development projects acquired through the acquisition of TopoTarget Switzerland S.A.

11. PROPERTY, PLANT AND EQUIPMENT

	Group		Parent	
	2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
Other fixtures and fittings, tools and equipment				
Cost at 1 January	21,294	15,375	16,053	10,578
Addition on acquisition of a subsidiary	5,292	0	0	0
Additions	8,577	6,184	7,151	5,673
Disposals	(1,358)	(265)	(615)	(198)
Cost at 31 December	**33,805**	**21,294**	**22,589**	**16,053**
Depreciation at 1 January	(10,304)	(7,293)	(6,533)	(4,140)
Depreciation	(5,659)	(3,111)	(3,871)	(2,469)
Depreciation regarding disposals for the year	573	100	226	76
Depreciation at 31 December	**(15,390)**	**(10,304)**	**(10,178)**	**(6,533)**
Carrying amount at 31 December	**18,415**	**10,990**	**12,411**	**9,520**
Carrying amount at 31 December of assets held under finance leases included in the above amounted to	458	1,291	458	1,291

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

12. NON-CURRENT INVESTMENTS

			Parent	
			2007	2006
			DKK '000	DKK '000
Investments in subsidiaries				
Cost at 1 January			**307,429**	**227,794**
Addition through capital increase			59,423	79,635
Addition on acquisition			100,380	0
Addition through establishment			134	0
Cost at 31 December			**467,366**	**307,429**
Net impairment at 1 January			0	0
Net impairment at 31 December			**0**	**0**
Value at 31 December			**467,366**	**307,429**
Investments in subsidiaries comprise:				
Name	**Ownership interest**	**Share capital**		
TopoTarget UK Limited, England	100%	1.086.000 GBP	226,617	185,806
TopoTarget Germany AG, Germany	100%	98.312 EUR	140,235	121,623
TopoTarget USA, Inc., USA	100%	1 USD	0	0
TopoTarget Switzerland S.A., Switzerland	100%	685.058 CHF	100,380	0
TopoTarget Netherlands B.V., The Netherlands	100%	18.000 EUR	134	0
Total			**467,366**	**307,429**

TopoTarget Netherlands B.V. is a newly incorporated company without activity.

Receivables from subsidiaries		
Cost at 1 January	**12,226**	**35,850**
Addition on acquisition of a subsidiary	73,760	0
Additions	70,438	33,837
Disposals	(36,684)	(57,461)
Cost at 31 December	**119,740**	**12,226**
Net impairment at 1 January	(6,942)	(7,636)
Exchange rate adjustments etc.	(3,345)	694
Net impairment at 31 December	**(10,287)**	**(6,942)**
Value at 31 December	**109,453**	**5,284**

Of the receivable from subsidiaries, an amount of TDKK 74,040 is granted as subordinated loan capital.

12. NON-CURRENT INVESTMENTS - CONTINUED

Other receivables	Group		Parent	
	2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
Cost at 1 January	**1,136**	**791**	**1,136**	**791**
Additions	521	345	336	345
Disposals	0	0	0	0
Cost at 31 December	**1,657**	**1,136**	**1,472**	**1,136**
Net impairment at 1 January	0	0	0	0
Exchange rate adjustments etc.	0	0	0	0
Net impairment at 31 December	**0**	**0**	**0**	**0**
Value at 31 December	**1,657**	**1,136**	**1,472**	**1,136**

13. TRADE RECEIVABLES

	Group		Parent	
	2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
Trade receivables	16,490	3,399	8,489	1,691
Provision for doubtful debts	0	0	0	0
Total	**16,490**	**3,399**	**8,489**	**1,691**

The average credit period for trade receivables is 63 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' 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 the customers, which are primarily public sector enterprises, pay the full amount.

The company only deals with customers who are considered creditworthy. The company's partner, CuraGen, is the only customer that represents more than 5% of the company's total trade receivables.

Trade receivables include an amount of TDKK 10,999, which is due for payment. The company is in ongoing dialogue with the customers in question and expects to receive payment within long. The average age of these receivables was 75 days in 2007 and 51 days in 2006.

13. TRADE RECEIVABLES - CONTINUED

The table below shows the due dates of trade receivables:

	Group		Parent	
	2007	**2006**	**2007**	**2006**
	DKK '000	DKK '000	DKK '000	DKK '000
Undue	5,491	2,518	3,957	1,487
Falling due within 90 days	9,399	868	2,932	191
Falling due after more than 90 days	1,600	13	1,600	13
Total	**16,490**	**3,399**	**8,489**	**1,691**

14. SECURITIES

Securities comprise:

		Group		Parent	
		2007	**2006**	**2007**	**2006**
		DKK '000	DKK '000	DKK '000	DKK '000
Callable bonds	DKK	70,135	62,290	70,135	62,290
Non callable bonds	DKK	46,370	70,967	46,370	70,967
Total		**116,505**	**133,257**	**116,505**	**133,257**
Securities expire:					
Up to one year		13,493	15,508	13,493	15,508
One to five years		15,919	13,988	15,919	13,988
More than five years		87,093	103,761	87,093	103,761
Total		**116,505**	**133,257**	**116,505**	**133,257**

All bonds are mortgage or government bonds with low risk and a fixed nominal interest of between 4 and 9 % p.a. (2006: 2-10 % p.a.). Portfolio management agreements have been signed with two recognised banks in respect of yielding the best possible return within conservative limits.

15. SHARE CAPITAL

The share capital consists of 61,304,510 ordinary shares of 1 DKK each.

Each share carries one vote.

Changes in share capital in 2006 and 2007:

	Dato	Total DKK
Share capital	**01.01.2006**	**39,940,391**
Share issue through warrant exercise	18.01.2006	496,860
Share issue through warrant exercise	07.04.2006	236,956
Share issue through warrant exercise	16.08.2006	452,088
Share issue through warrant exercise	01.09.2006	405,415
Share issue through private placement	27.11.2006	4,153,170
Share capital	**01.01.2007**	**45,684,880**
Share issue through warrant exercise	30.03.2007	21,600
Share issue through private placement	21.06.2007	12,000,000
Share issue through non-cash payment	27.06.2007	3,598,030
Share capital	**31.12.2007**	**61,304,510**

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 members of the board, 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	Oustanding warrants	Exercise price 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
Programme 2*	2003	891,084	26 March 2003 or later	March and August 2006-2012 and March 2013	N/A	399,195	491,889	16.83
Programme 3**	2005, March	452,088	11 March 2005	August and November 2006, March, May, August and November 2007-2012 and March 2013	5,879	452,088	0	1.00
Programme 4	2005, September	576,176	16 September 2005	August 2006 and March and August 2007-2012	5,288	80,000	496,176	24.14
Programme 4	2005, September	500,000	16 September 2005	March and August 2007-2012 and March 2013	4,589	6,600	493,400	24.14
Programme 5	2006, October	217,500	4 Oktober 2006	March and August 2008-2013 and March 2014	2,692	0	217,500	32.77
Programme 5	2006, October	217,500	4 Oktober 2006	March and August 2009-2013 and March 2014	2,692	0	217,500	32.77
Programme 5	2006, October	435,000	4 Oktober 2006	March and August 2010-2013 and March 2014	5,385	0	435,000	32.77
Programme 5	2007, September	282,500	27 September 2007	March and August 2009-2014 and March 2015	2,976	0	282,500	23.99
Programme 5	2007, September	282,500	27 September 2007	March and August 2010-2014 and March 2015	2,976	0	282,500	23.99
Programme 5	2007, September	565,000	27 September 2007	March and August 2011-2014 and March 2015	5,953	0	565,000	23.99

* The holders have earned complete and final rights.

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

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 conditioned on the warrantholder being employed with or acting as a consultant to the company or being member of the company's Board of Directors. If an employee/consultant/board member resigns, the person in question is obliged to exercise the warrants in the first coming exercise period after the date of resignation.

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

16. WARRANTS - CONTINUED

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.

Warrants issued in the financial year and the comparative year were issued in connection with the incentive programmes adopted in October 2006 and September 2007.

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

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

	Group	
	2007	**2006**
Weighted average share price (DKK per share)	23.20	32.40
Weighted average exercise price (DKK per share)	23.99	32.77
Expected volatility (%)	40.29	39.85
Risk-free interest rate (%)	4.35	3.72
Expected dividend payout ratio (%)	0.00	0.00
Period until expiry (number of years)	7	5

In 2007 and 2006 the expected volatility was calculated based on historic volatility on the share price of the parent company's shares during the period from the IPO in June 2005.

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			
	2007	**2007** DKK '000	**2006**	**2006** DKK '000
	Number of warrants	Weighted average exercise prices	Number of warrants	Weighted average exercise prices
Outstanding warrants 1 January	2,868,017	22.95	3,589,336	14.24
Granted in the financial year	1,130,000	23.99	870,000	32.77
Exercised in the financial year	(21,600)	24.14	(1,591,319)	8.98
Expired in the financial year	0	0	0	0
Outstanding warrants, 31 December	**3,976,417**	**23.11**	**2,868,017**	**22.95**

16. WARRANTS - CONTINUED

The weighted average remaining contractual maturity was 5.2 years at 31 December 2007 and 5.3 years at 31 December 2006. Of the total outstanding warrants, 2,193,917 are earned and not exercised at 31 December 2007 (at 31 December 2006: 1,998,017).
The market price at the time when warrants were exercised in 2007 was DKK 35.70 on 30 March 2007.

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	
	2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
Recognised share-based payment, equity schemes	6,862	8,029	5,115	5,808
Total	**6,862**	**8,029**	**5,115**	**5,808**

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 its employees.

Under the defined contribution plans, TopoTarget pays regular pension contributions to an independent pension company or similar institution and carries no risk in respect of future developments in interest rates, 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.

TopoTarget Switzerland S.A. is included in the Group from 27 June 2007. In 2006 the Group only had contribution based pension schemes.

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 corresponding 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
	2007 DKK '000
Pension costs for the year	768
Total	**768**

17. PENSION PLANS - CONTINUED

Specification of pension obligation recognised in the balance sheet:

	Group
	2007
	DKK '000
Present value of funded pension obligations	13,585
Fair value of plan assets	(10,986)
Unfunded pension obligations	2,599
Unrecognised actuarial gains and losses	0
Unrecognised pension costs concerning prior years	0
Total	**2,599**

The pension obligations are calculated on the basis of the following actuarial assumptions:	
Average discount factor	3,60 %
Expected return on plan assets	4,17 %
Expected wage increases	2,00 %
Expected increases in pensions	0,25 %

Specification of plan assets measured at fair value:	
Shares	15 %
Listed bonds	64 %
Real property	10 %
Other	11 %
Total	**100 %**

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

TopoTarget expects to pay in total DKK 0.8 million into the schemes during the coming fiscal year.

The most recent actuarial calculation of the pension obligations was made as at 31 December 2007 by Mercer, Zürich.

18. FINANCIAL INSTRUMENTS

Capital risk management
It is group policy to minimise 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 unchanged from 2006.

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 and a securities portfolio to fund the day-to-day cash requirements of the business. Cash, cash equivalents and securities amounted to DKK 403.6 million at 31 December 2007. At the same time in 2006, the value of cash and cash equivalents and securities was DKK 271.6 million.

The group has defined a target of net capital representing a value of at least 15-18 months of net cash-burn. To complement regular income, management will seek the necessary funding by way of equity or debt financing, collaborative agreements with commercial partners, or from other sources.

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 2006.

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.

18. FINANCIAL INSTRUMENTS - CONTINUED

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

	Group		Parent	
	2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
Cash - demand deposit	287,067	48,308	265,630	34,558
Average interest	3.84%	2.77%	4.04%	2.95%
Cash - fixed-term deposit	45	90,045	0	90,000
Average interest	4.02%	3.80%	4.02%	3.80%
Total cash	**287,112**	**138,353**	**265,630**	**124,558**
Short-term securities	116,505	133,357	116,505	133,357
Average interest rate	3.63%	3.25%	3.63%	3.25%
Inter-company balances	0	0	109,453	5,284
Average interest	0	0	2.00%	6.00%
In case of a 50 basis point change in nominal interest rates, results and equity would be impacted by	2,018	1,359	1,911	1,290

The company's portfolio of securities comprises bonds with a high level of security and short duration. The duration has been calculated by the professional portfolio managers at and ranged from 1.6 to 4.0 at 31 December 2007.

The company's interest rate risk was reduced from 2006 to 2007, as a greater proportion of its overall cash is deposited in a demand deposit account, thereby reducing the risk of capital losses due to higher interest rates.

The interest rate 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.

18. FINANCIAL INSTRUMENTS - CONTINUED

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

		Group		Parent	
		2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
Currency	Payment/expiry				
Receivables:					
GBP	0-12 months	9,543	11,869	253	1,196
	More than 12 months	0	0	0	0
USD	0-12 months	13,288	1,762	35,515	3,624
	More than 12 months	0	0	0	0
EUR	0-12 months	7,372	1,771	7,738	2,682
	More than 12 months	0	0	0	0
SEK	0-12 months	217	0	217	0
	More than 12 months	0	0	0	0
CHF	0-12 months	1,320	0	78,898	0
	More than 12 months	0	0	0	0
Total receivables		**31,740**	**15,402**	**122,621**	**7,502**
Payables:					
GBP	0-12 months	4,250	7,538	2,234	678
	More than 12 months	0	0	0	0
USD	0-12 months	10,844	3,381	2,674	0
	More than 12 months	0	0	0	0
EUR	0-12 months	78,511	6,356	73,292	2,668
	More than 12 months	1,516	0	0	0
SEK	0-12 months	269	1,849	44	20
	More than 12 months	0	0	0	0
CHF	0-12 months	9,340	53	0	53
	More than 12 months	0	1,456	0	0
CAD	0-12 months	0	29	0	0
	More than 12 months	0	0	0	0
NOK	0-12 months	12	0	12	0
	More than 12 months	0	0	0	0
Total payables		**104,742**	**20,662**	**78,256**	**3,419**

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 in the exchange rate at 31 December will have the following impact on results and equity figures:

GBP	529	433	198	52
USD	244	162	3,284	362
EUR	7,113	458	6,555	0
CHF	802	151	7,890	0

18. FINANCIAL INSTRUMENTS - CONTINUED

The risk related to GBP and USD was reduced in 2007 relative to 2006. For GBP, the lower risk was due to a lower level of activity towards the end of 2007, as the activities were concentrated in Denmark during the year. For USD, the lower risk is attributable to the commencement of Totect™ sales and therefore income in USD, which partly reduces 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 on 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 determination of expected cash flows based on the cash flows realised.

All receivables and payables recognised in the balance sheet fall due within 12 months. The only obligations falling due after 12 months are listed in note 22. 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 agreements is recognised in the balance sheet. The future minimum payments and the current value can be specified as follows:

	Group		Parent	
	2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
Minimum lease payment				
Up to one year	540	568	540	568
One to five years	322	848	322	848
Total	**862**	**1,416**	**862**	**1,416**
Financing component	(48)	(125)	(48)	(125)
Total	**814**	**1,291**	**814**	**1,291**
Current value of payments				
Up to one year	499	511	499	511
One to five years	315	780	315	780
Total	**814**	**1,291**	**814**	**1,291**

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

The company has signed a license and collaboration agreement concerning research and development of the company's HDACi portfolio. The license payment is part of a contract comprising multiple component, and the amount received of DKK 30.6 million (USD 5.0 million) is recognised over a period of 36 months from 1 June 2004. The final recognition was made in May 2007.
At year-end, this item included a prepayment received from the Group's US distributor.

21. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Included in other short terms 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 2007 amounts to DKK 66.8 million, which is equivalent to the estimated fair value. The carrying value of other financial assets and financial liabilities, is equivalent to the same assets' and liabilities' fair value.

22. OTHER COMMITMENTS

	Group		Parent	
	2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
A lease agreement has been concluded with notice of termination of 6 months equivalent to	3,980	2,067	3,980	2,067
TopoTarget UK Limited concluded a 10-year lease in 2002 for which TopoTarget A/S is liable in an amount equivalent to	12,179	13,810	12,179	13,810
Other property leases	5,293	0	0	0
Lease commitment, operational lease	799	370	502	8
Purchase obligations	1,521	7,497	915	0
Total	**23,772**	**23,744**	**17,576**	**15,885**
Other obligations are due as follows:				
Up to one year	10,411	7,461	7,488	4,377
One to five years	13,361	13,832	10,088	9,206
More than five years	0	2,451	0	2,302
Total	**23,772**	**23,744**	**17,576**	**15,885**

23. RELATED PARTIES

Related parties include the following:

Group and Parent:

Shareholders
BankInvest, Copenhagen, cf. note 24
2007 Warrants granted indirectly through board member Jesper Zeuthen, 15.000 granted with warrants
2006 No transactions

HealthCap, Stockholm, cf. note 24
2007 No transactions
2006 No transactions

The company's Board of Directors and Executive Management
2007 Remuneration and salaries, cf. note 5
2007 Shares and warrants, see the table in "Corporate governance" and note 16
2006 Remuneration and salaries, cf. note 5
2006 Warrants, cf. note 16

Other related parties
2007 Related parties to the Board of Directors and the Executive Management have received remuneration of TDKK 1,269 and warrants of TDKK 70.
2006 Related parties to the Board of Directors and the Executive Management have received remuneration of TDKK 863 and warrants of TDKK 46

For the parent company:
The subsidiary TopoTarget UK Limited
2007 Intra-group balance of TDKK 51 and interest on the intra-group balance of TDKK 1,250
2006 Intra-group balance of TDKK 1,195 and interest on the intra-group balance of TDKK 758

The subsidiary TopoTarget Germany AG
2007 Intra-group balance of TDKK 640 and interest on the intra-group balance of TDKK 63
2006 Intra-group balance of TDKK 1,150 and interest on the intra-group balance of TDKK 428

The subsidiary TopoTarget USA, Inc.
2007 Intra-group balance of TDKK 29,722 and interest on the intra-group balance of TDKK 692
2006 Intra-group balance of TDKK 2,939 and interest on the intra-group balance of TDKK 0

The subsidiary TopoTarget Switzerland S.A.
2007 Intra-group balance of TDKK 78,897 and interest on the intra-group balance of TDKK 559

24. OWNERSHIP

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

	Owner ship
- BankInvest, Copenhagen*	18.26%
- HealthCap, Stockholm**	11.53%
- Pension Danske Noterede Aktier I/S, Copenhagen	6.90%
- Massachusetts Financial Services Company***	6.95%

* The BankInvest funds that hold Shares in the Company are BI Biomedicinsk Udvikling II A/S, 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, HealthCap CoInvest KB, HealthCap KB, HealthCap 1999 GbR, OFCO Club, OFCO Club Annex Fund I-II, HealthCap Annex Fund I-II KB, HealthCap III Sidefund KB and OFCO Club III Sidefund.

*** The Massachusetts Financial Services Company funds that hold Shares in the Company are: MFS International Ltd., MFS International (U.K) Ltd., MFS Investment Management (Lux) S.A. and MFS Institutional Advisors Inc.

25. COMPANY ACQUISITION

On 27 June 2007, TopoTarget acquired 100 % of the share capital of Apoxis S.A. The company is involved in the discovery and development of novel drugs for the treatment of cancer and inflammatory disorders. Apoxis has focused its internal research and development effort on the design of human recombinant proteins using its MegaLigand™ proprietary protein research technology platform, and on evaluating the potential use of MegaLigand™-based products for the treatment of human diseases, including cancer. The purchase price for the acquisition is payable in three separate tranches, the second and third of which are contingent upon the occurrence of certain specified events as further described below. The tranches are as follows:

1. The equivalent in shares of DKK 107.9 million (EUR 14.5 million), payable by the issue of consideration shares on 27 June 2007
2. APO866 milestone
3. Inflammasone milestone

APO866 milestone

TopoTarget will pay the vendors the APO866 milestone (in cash or, at TopoTarget's option, TopoTarget shares calculated by reference to the share price on the business day immediately following the day on which the APO866 milestone is achieved). If:

1. APO866 meets certain specified clinical endpoints in a Phase II clinical trial, the APO866 milestone shall be DKK 74.4 million (EUR 10.0 million); or if
2. Astellas exercises its by-back option under the agreement dated 27 October 2005 between Astellas and Apoxis (the "Astellas Agreement"), the APO866 milestone shall be DKK 74.4 million (EUR 10.0 million) plus 50% of that part of the payment from Astellas, that exceeds DKK 74.4 million (EUR 10.0 million) (the "Excess").

Apoxis has retained a "license-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 Apoxis 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 Apoxis on reasonable terms to be agreed within certain pre-agreed limits; and (ii) an exclusive "right of first negotiation" should Apoxis decide to out-license a product for any indication at any time.

25. COMPANY ACQUISITION - CONTINUED

Inflammasome milestone
On the sale or licence by TopoTarget/Apoxis of any rights in respect of, or any products derived from Inflammasone, TopoTarget will pay the vendors a proportion of the received amount.

The transaction has been recognised applying the purchase method.

The net assets acquired in the transaction are as follows:

	Carrying amount net assets 27 June 2007	**Fair value adjustments**	**Fair value**
	DKK '000	DKK '000	DKK '000
Acquired research and development projects	4,952	194,863	199,815
Other non-current assets	5,301	0	5,301
Receivables	3,789	0	3,789
Cash	27,585	0	27,585
Deferred tax liabilities	0	(45,793)	(45,793)
Other commitments	(16,558)	0	(16,558)
Total	**25,069**	**149,070**	**174,139**
Total purchase price			174,139
Off which:			
- Issuance of shares at acquisition			(107,941)
- Discounted value of milestone payment			(61,740)
Paid in cash (acquisition cost)			4,458
Paid in cash (acquisition cost)			(4,458)
Cash and securities acquired			27,585
Cash effect in connection with acquisition (addition)			**23,127**

Of the total consideration of TDKK 174,139, TDKK 100,380 has been recognised as investments in subsidiaries and TDKK 73,760 has been recognised as receivables from subsidiaries, as TopoTarget took over the seller's subordinated loan capital in Apoxis in connection with the company acquisition.
The discounted value of the APO866 milestone in connection with the positive completion of the Phase II studies has been determined using a calculation factor of 15 % p.a. The Inflammasone milestone has been fixed at DKK nil.
The number of consideration shares issued at the acquisition was 3,598,030 at a price of DKK 30, which is the same price as that used in the cash issue without preemptive rights completed on 21 June 2007.
Apoxis S.A. reported a loss of DKK 26.6 million from the take over date until the balance sheet date.
Pro forma recognition of Apoxis S.A. in the consolidated financial statements from 1 January 2007 would result in a loss for the Group of DKK 253.4 million.

In determining the pro forma results if Apoxis S.A. had been acquired 1 January 2007, TopoTarget's management has:
* calculated depreciation and amortisation of acquired rights and operating equipment on the basis of fair values in the initial recognition for the combined enterprise and not based on the carrying amounts in the financial statements from before the business combination; and
* recognised financing costs concerning the discounted value of milestone payments.

There were no company acquisitions in 2006.

26. WORKING CAPITAL CHANGES

	Group		Parent	
	2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
Changes in current assets	(7,738)	7,346	(8,157)	4,831
Changes in current liabilities	(4,697)	(968)	(1,422)	7,467
Total	**(12,435)**	**6,378**	**(9,579)**	**12,298**
Changes in non-current liabilities	(364)	(4,378)	0	(3,834)
Total	**(12,799)**	**2,000**	**(9,579)**	**8,464**

27. NON-CASH TRANSACTIONS

Postponed payment in connection with the acquisition of TopoTarget Switzerland (formerly Apoxis) with a discounted principal corresponding to TDKK 61,741 and interest of TDKK 5,072.
On 27 June 2007, the company issued 3,598,030 shares at a combined market value of TDKK 107,941 in connection with the acquisition of TopoTarget Switzerland.

28. PROCEEDS FROM CASH CAPITAL INCREASES

On 18 January 2006, TopoTarget issued 496,860 new shares in connection with warrant holders exercising warrants.
The cash proceeds amounted to DKK 4,138,844.
On 7 April 2006, TopoTarget issued 236,956 new shares in connection with warrant holders exercising warrants.
The cash proceeds amounted to DKK 3,300,830.
On 16 August 2006, TopoTarget issued 452,088 new shares in connection with warrant holders exercising warrants.
The cash proceeds amounted to DKK 452,088.
On 1 September 2006, TopoTarget issued 405,415 new shares in connection with warrant holders exercising warrants.
The cash proceeds amounted to DKK 6,400,548.
On 28 November 2006, TopoTarget issued 4,153,170 new shares in connection with a private placement.
The cash proceeds amounted to DKK 121,703,169 after deduction of expenses related to the capital increase.
On 30 March 2007, TopoTarget issued 21,600 new shares in connection with warrant holders exercising warrants.
The cash proceeds amounted to DKK 521,424.
On 27 June 2007, TopoTarget issued 12,000,000 new shares in connection with a share issue.
The cash proceeds after deduction of costs related to the capital increase amounted to DKK 331,980,977.

29. FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

	Group		Parent	
	2007 DKK '000	**2006** DKK '000	**2007** DKK '000	**2006** DKK '000
Deloitte	547	376	380	265
Ernst & Young	112	119	0	0
Total audit	**659**	**495**	**380**	**265**
Deloitte	2,815	772	2,650	301
PricewaterhouseCoopers	0	327	0	327
Total advice and assistance	**2,815**	**1,099**	**2,650**	**628**

The company's German subsidiary has been audited by Ernst & Young, Frankfurt.
Separate audit of the TopoTarget USA, Inc. has not been carried through as the company not is subject to mandatory audit.
As the operations in the Dutch subsidiary were not material to the consolidated financial statements in 2007, this company has not been audited.

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