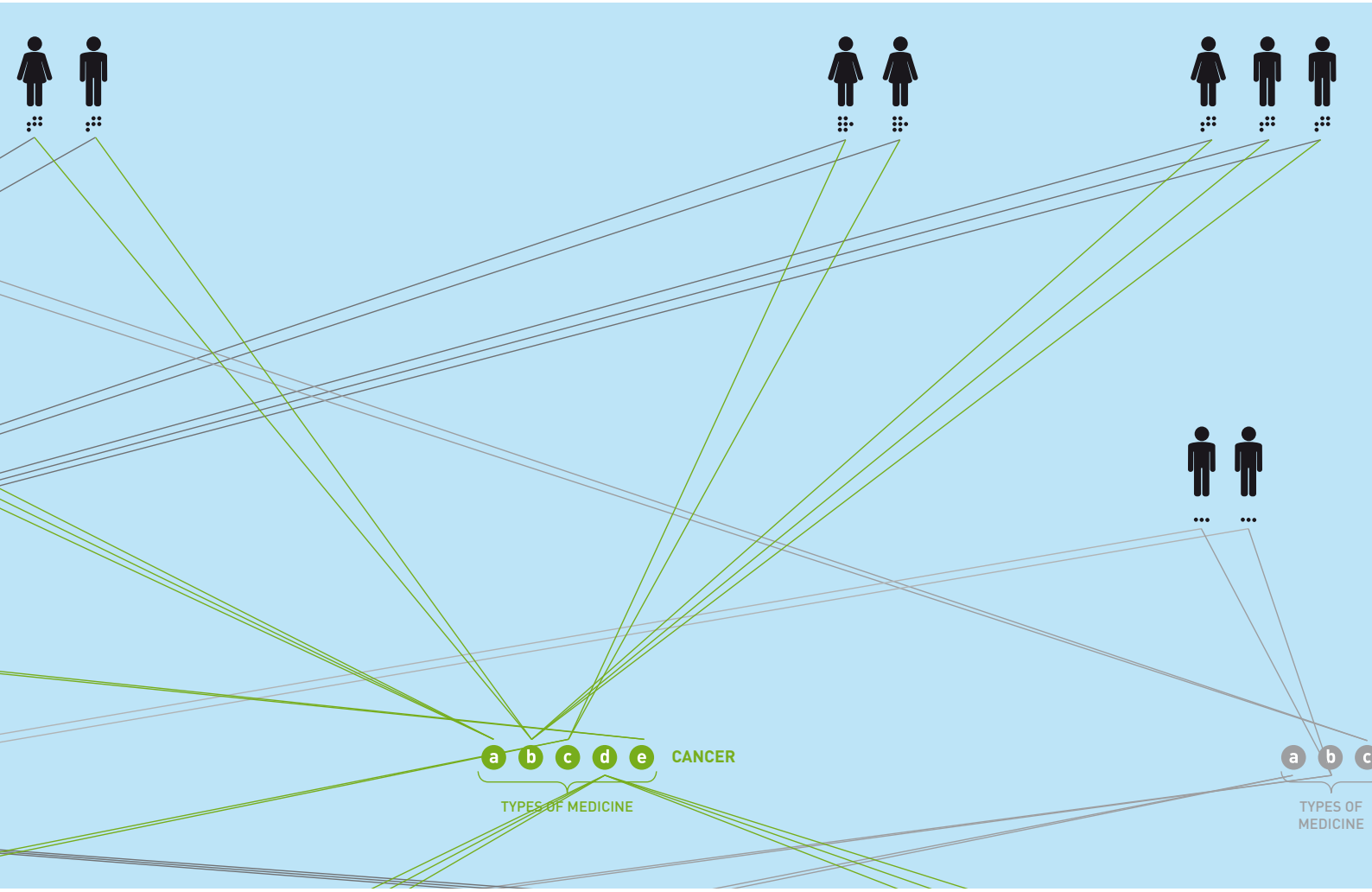
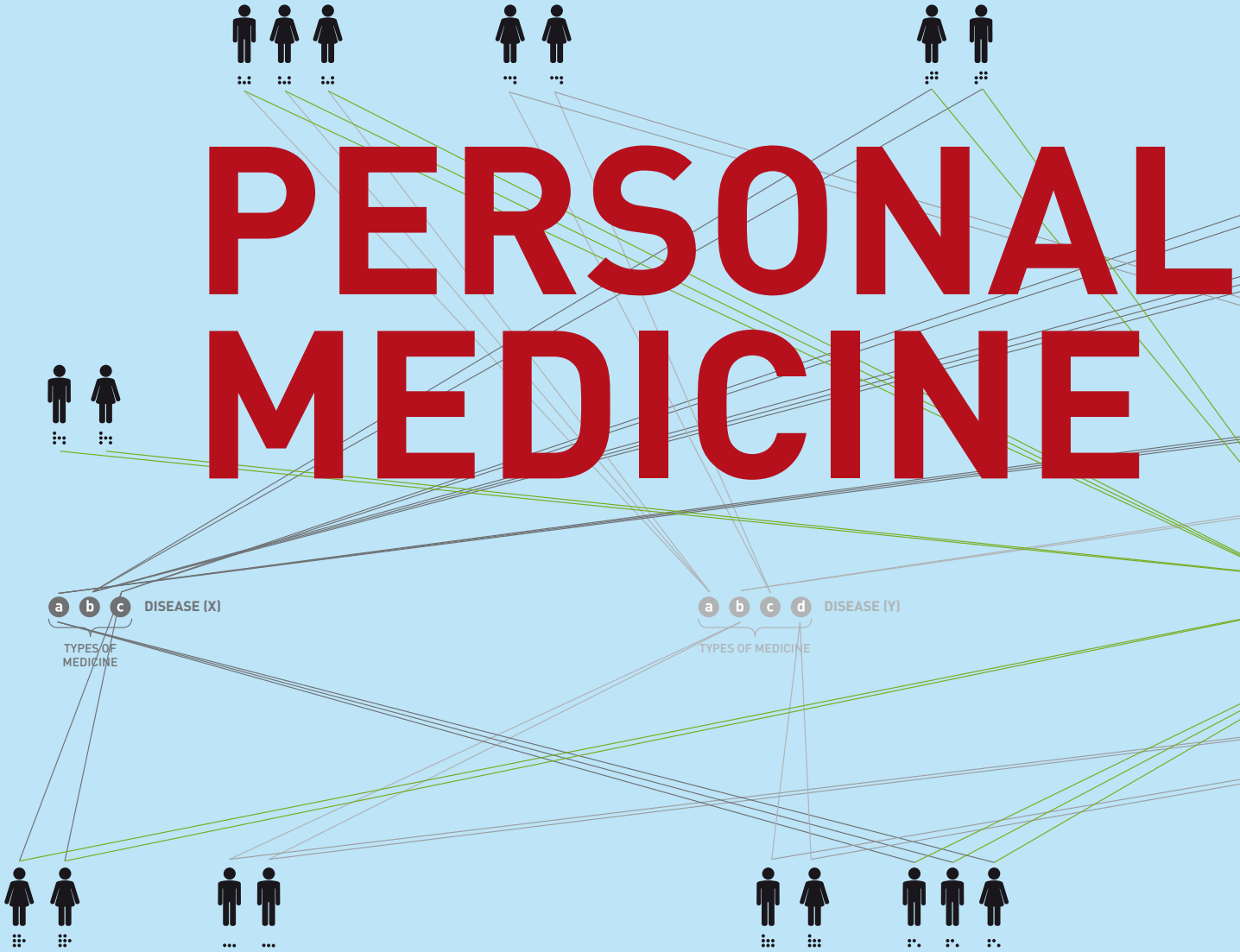
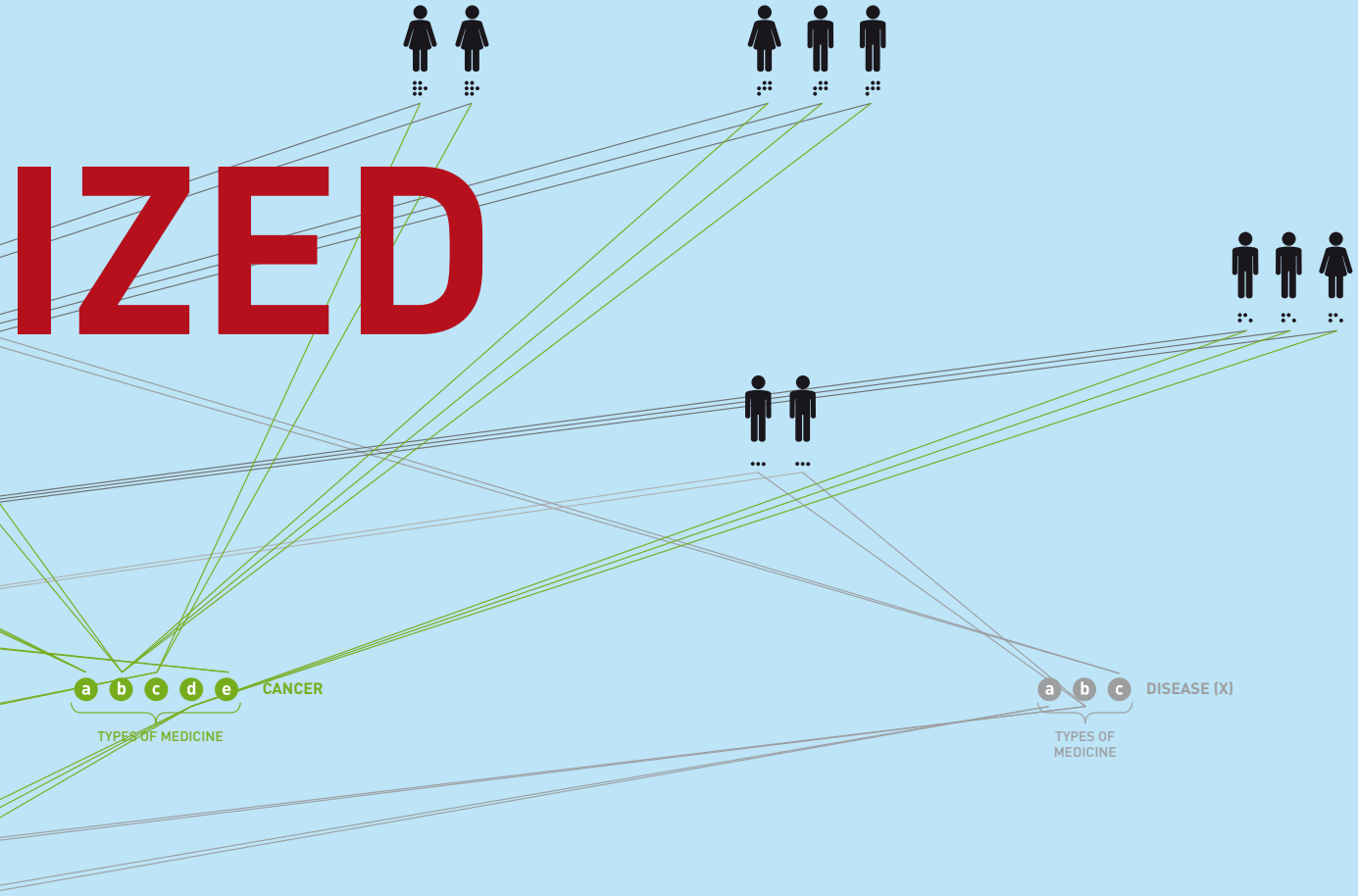


Annual Report 2008

EXIQON
Seek Find Verify



Contents



"'Personalized medicine' refers to the tailoring of medical treatment to the individual characteristics of each patient. It does not literally mean the creation of drugs or medical devices that are unique to a patient, but rather the ability to classify individuals into subpopulations that differ in their susceptibility to a particular disease or their response to a specific treatment. Preventive or therapeutic interventions can then be concentrated on those who will benefit, sparing expense and side effects for those who will not." [1)]

[1)] Report of the U.S. President's Council of Advisors on Science and Technology, September 2008

Exiqon at a glance

Exiqon is dedicated to personalizing the treatment selection for cancer patients. Our goal is to make the use of existing medicines better, safer and more cost-effective by way of diagnostic tests that can identify the treatment needs of specific patient populations.

Our business is based on our proprietary LNA™ technology. This technology offers unique advantages for life science researchers, drug developers and cancer-treating physicians working towards personalizing treatment.

We operate in three business areas:

Exiqon Diagnostics is a leading provider of cellular based diagnostics for cancer treatment selection. We are developing a series of new molecular diagnostic tests for high incidence cancers based on miRNA biomarkers. The first test has been developed, and additional tests are in the pipeline for each coming year.

Exiqon Pharma Services is our business unit responsible for collaborations with pharmaceutical companies working at the forefront of personalized medicine in an effort to help pharmaceutical companies develop new medication for patient populations profiled on the basis of biomarkers.

Exiqon Life Sciences is a leading provider of miRNA research products for the detection of miRNA based on the LNA™ technology. Our products are used by academia, biotech and pharmaceutical companies around the world to make groundbreaking discoveries in the field of gene expression analysis.

5 year key figures and ratios

(DKK'000 except key figures)	2008	2007	2006	2005	2004
Income statement					
Revenue	128,273	49,478	43,096	16,001	10,306
Production costs	-73,080	-25,174	-11,936	-5,427	-4,744
Gross profit	55,193	24,304	31,160	10,574	5,562
Research and development costs	-57,898	-29,035	-27,624	-14,194	-16,969
Sales and marketing costs	-73,677	-39,080	-19,425	-9,620	-4,168
Administrative expenses	-49,497	-31,316	-9,616	-6,778	-5,995
Operating profit/(loss) (EBIT)	-125,879	-75,127	-25,505	-20,018	-21,570
Net financials	10,590	7,341	587	-3,249	-7,179
Profit/(loss) before tax	-115,289	-67,786	-24,918	-23,267	-28,749
Profit/(loss) for the year	-115,350	-67,786	-24,918	-23,267	-28,749
Balance sheet					
Assets					
Intangible assets	211,793	11,061	8,057	596	707
Property, plant and equipment	82,810	21,449	10,607	7,441	4,581
Financial assets	2,614	3,631	1,055	878	700
Total non-current assets	297,217	36,141	19,719	8,915	5,988
Inventories	14,703	7,044	4,637	2,351	1,303
Receivables	30,802	17,266	22,233	2,311	960
Cash and cash equivalents	174,258	331,504	20,396	40,199	1,682
Current assets	219,763	355,814	47,266	44,861	3,945
Total assets	516,980	391,955	66,985	53,776	9,933
Equity and liabilities					
Equity	462,887	343,366	33,973	27,986	-43,888
Non-current liabilities	13,095	7,818	5,275	2,771	1,500
Current liabilities	40,998	40,771	27,737	23,019	52,321
Total liabilities	54,093	48,589	33,012	25,790	53,821
Total equity and liabilities	516,980	391,955	66,985	53,776	9,933
Cash flow and investments					
Depreciation, amortisation and impairment	19,601	5,070	3,230	2,744	3,378
Cash flows from operating activities	-122,719	-38,171	-35,590	-4,978	-16,279
Acquisition of intangible assets and property, plant and equipment	-18,716	-13,647	-9,306	-2,575	-2,160
Cash flows from investing activities	-18,669	-16,222	-9,883	-2,387	-2,023
Cash flows from financing activities	-15,765	365,790	25,670	45,883	-
Cash and cash equivalents at 31 December	174,258	331,504	20,396	40,199	1,681
Key figures:					
Number of shares at 31 December	30,298,295	24,441,064	7,033,065	5,958,294	1,640,324
Number of shares, average	29,245,594	20,245,695	6,940,420	4,861,290	1,640,324
Basic and diluted EPS	-3.94	-3.35	-1.80	-2.39	-8.76
Assets / Equity	1.12	1.14	1.97	1.92	-0.23
Average number of employees	216	80	62	42	30
Market price per share (DKK)	20	37.5			
Market capitalisation (DKK million)	606.0	916.5			
Price / net asset value	1.31	2.67			

Note: The ratios are stated in accordance with "Recommendations and Financial Ratios 2005" issued by the Danish Society of Financial Analysts.

2008 Highlights

On 29 February 2008, we completed the acquisition of Oncotech, Inc., marking the beginning of a truly transforming year for Exiqon. The acquisition of Oncotech – including the portfolio of Oncotech EDR® Assays for extreme drug resistance – propelled Exiqon to a leading position in the area of personalized treatment selection based on cellular diagnostics. We have successfully managed the first steps towards integrating Exiqon and Oncotech, that now form "one company" with activities in three different business areas. At year end, we announced the launch of our first proprietary miRNA test, marking an important milestone in realizing the first synergies from a successful integration.

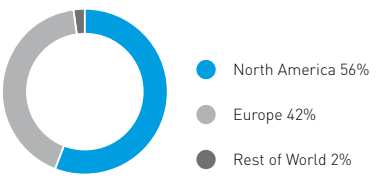
Operational highlights throughout 2008 were many, including most notably:

- On 30 April, Exiqon announced a collaboration with Rigshospitalet (the Copenhagen University Hospital) on the development and clinical validation of a miRNA test for the identification of cancer of unknown primary site (CUP). On 15 May, Exiqon and Rigshospitalet together with the University of Copenhagen were awarded DKK 14 million to clinically validate the new miRNA CUP test;
- On 27 May, Exiqon announced a research collaboration with M. D. Anderson Cancer Center to develop miRNA-based biomarkers for breast cancer;
- On 30 September, Exiqon granted a license to Roche Diagnostics for the use of Exiqon's proprietary LNA™ technology in a new product line for RealTime qPCR assays demonstrating the value of LNA™ as the leading nucleic acid detection technology;
- On 27 October, Exiqon announced the publication of positive clinical data from an EORTC clinical trial showing that the Oncotech EDR® Assay predicts resistance to platinum-based therapy in ovarian cancer;
- On 15 December, Exiqon announced the successful completion of our first miRNA-based prognostic test that will help identify stage II colon cancer patients who may be at significantly higher risk of recurrence and for whom adjuvant chemotherapy may be warranted.

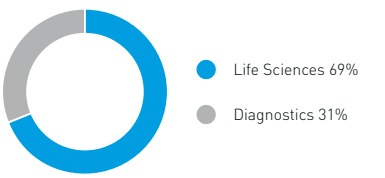
Financial highlights in 2008 included strong organic growth in revenues for Exiqon Life Sciences supported by new product offerings and general market trends. Despite solid demand, initial fourth quarter sales were adversely affected by a supply of arrays that failed our internal quality tests causing a slowdown in executed sales orders towards year end. On 26 November, we revised our revenue guidance for 2008 from DKK 140-150 million to DKK 120-130 million. As a result, a net loss of DKK 115-125 million was projected compared to prior expectations of a net loss of DKK 100-115 million. The supply problems were solved and the year 2008 finished on a strong note:

- Revenue in 2008 increased by 159% to DKK 128.3 million, which was in line with the revised expectations.
- Compared to 2007, product sales increased by 156% to DKK 98.5 million. Research product sales grew organically by 43% in 2008.
- Total operating expenses were DKK 181.1 million in 2008, an increase of 82% on 2007, primarily due to the increase in operating expenses following the acquisition of Oncotech, Inc.
- Net loss for 2008 was DKK 115.4 million compared to an expected DKK 115-125 million according to the revised guidance.
- EPS amounted to DKK -3.94 in 2008 and DKK -3.35 in 2007.

Revenue by region as share of revenue 2008



Revenue by segment as share of revenue 2008



Costs by function as share of costs 2008

Letter to shareholders

Dear shareholder,

As promised last year, 2008 became another landmark year with great achievements for Exiqon.

We stand on the threshold of a transformation in how we treat cancer. Personalized medicine has the potential to significantly improve cancer treatment and reduce public healthcare costs. Molecular diagnostics and increased use of biomarkers promise to form the basis for tailored medicine and cancer care based on the individual patient's disease profile.

Exiqon has placed itself in the middle of this global megatrend towards personalized medicine.

This was achieved through the successful acquisition of the California-based diagnostics company, Oncotech, Inc., that was completed on 29 February 2008. Only 10 months after this acquisition, we announced the completion of our first prognostic product for stage II colon cancer recurrence based on Exiqon's proprietary technologies and biomarkers. This is the first in a series of new diagnostic miRNA tests that will be marketed through our new California-based operations by a dedicated sales team with a proven multi-year track record of selling cellular based cancer diagnostics for extreme drug resistance testing.

In other words, we look back at the completion of a transforming acquisition, the launch of several new products and 159% top line growth.

The efficient execution of our market access strategy through the acquisition of Oncotech earned us Frost & Sullivan's Strategy Leadership Award in the molecular diagnostics market in 2008.

Throughout the integration of Oncotech, which has been renamed Exiqon Diagnostics, we have strived to implement scalable processes and procedures to support our continued aggressive growth ambitions. These solutions include project management, operational and financial procedures including Business Intelligence which are shared throughout the group via an intranet solution.

An important part of our strategy is to establish collaborations with leading cancer-treating and research institutions. In 2008, we entered into a number of collaborations which included M.D. Anderson Cancer Center and Rigshospitalet. To support the funding of these collaborations, Exiqon was awarded a number of grants in areas such as cancer of unknown primary site, companion

Exiqon Diagnostics

Is a leading provider of cellular based diagnostic tests, the Oncotech EDR® Assays, for extreme drug resistance. These tests are available for all major cancers and make it possible for physicians to decide whether a patient is resistant to one or more approved chemotherapies for specific cancers. In 2008, we announced the launch of our first new prognostic test based on miRNA molecules. We are developing a whole series of these new miRNA tests for high incidence cancers: lung, colorectal, ovarian and endometrial cancers.

Exiqon Pharma Services

Is our business unit responsible for collaborations with pharmaceutical companies working at the forefront of personalized medicine. Through partnerships, we allow drug developing companies to rapidly and accurately discover new miRNA biomarkers which can help predict patients' response to new drugs that are being developed. These collaborations may potentially lead to the development of companion products, i.e. diagnostic products that accompany a given cancer drug based on Exiqon's technologies.

Exiqon Life Sciences

Develops, markets, and sells research products for the analysis of miRNA molecules which can reveal a specific genetic profile. Our products are used by academia, biotech and pharmaceutical companies to make groundbreaking discoveries about the correlation between gene activity – genetic profiling - and the development of cancer and other diseases such as neurological disorders and metabolic diseases. Exiqon Life Sciences has already built a leading market position in this field.

diagnostics, colon cancer treatment selection, cancer stem cells and identification of new miRNA biomarkers related to the biology of various cancers.

Our Life Sciences business continued to record impressive growth in 2008, and I am confident that we will see continuing strong growth in 2009 driven by our newly launched products. These products include a new line of qPCR products for miRNA quantification, a state-of-the-art comprehensive array for miRNA biomarker discovery and new products for functional analysis of miRNA molecules.

As in previous years, we signed a major license agreement in 2008, entering into a new agreement with Roche Diagnostics on our Universal ProbeLibrary™ product series. The new products that will emerge from this agreement represent a significant opportunity for customers, as well as for Roche and Exiqon.

All this came about solely due to our dedicated and talented team of employees who remain focused and loyal to our strategy.

We have succeeded in attracting and retaining an experienced international and interdisciplinary team of employees who have successfully demonstrated that they are capable of developing and launching products through our own sales force in the U.S., Europe and through our distributors in Asia.

2009 will bring new challenges and opportunities. The competitive landscape is changing partly due to the ongoing consolidation in the industry. However, with our strong proprietary position and dedicated and talented workforce we are well positioned to take up these challenges. Our business is not very sensitive to the recent change in the financial environment, and we have sufficient financial resources to bring Exiqon to profitability. Our goal remains to become a profitable company by 2011 with our current capital.

Yours sincerely,

Lars Kongsbak
President & CEO

Exiqon Diagnostics

Large unmet market need
Exiqon Diagnostics addresses a large unmet need for improved treatment of cancer patients. Cancer-treating physicians are faced with the challenge of identifying the best possible treatment for every patient. Finding the best treatment for a given patient today often involves trial and error; sometimes physicians may exhaust all possibilities without finding a treatment that is effective. Only an estimated 25-30% of cancer patients today benefit from the chemotherapy they receive.[1)]

In the U.S. alone, more than 150 different medicines have been approved for the treatment of cancer. An estimated USD 8.4 billion is spent annually in the U.S. on chemotherapy for the treatment of cancer that does not benefit patients.

The goal is improved treatment selection
Our aim is to provide diagnostic and prognostic tests that will help physicians make the most appropriate treatment decisions with existing and future medicines to improve the treatment of cancer patients. Ultimately, our goal is to enable physicians to predict whether a patient will respond to a specific drug and how a disease will progress to allow for the best possible medical treatment. By predicting the drug response and the progression of an individual's disease, it will be possible to increase the success rate of therapies and reduce the incidence of adverse side effects.

This type of personalized treatment is made possible through the sequencing of the human genome and recent advances in molecular biology that have allowed for the discovery of biomarkers such as miRNA.

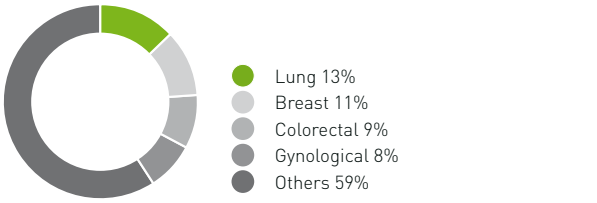
Biomarkers can be used to develop new tests to help physicians adjust treatment to the specific characteristics of a patient.

The ability to distinguish in advance those patients who will benefit from those who will only suffer side effects without gaining benefit, will reduce costs and improve quality of care. The potential benefits to patients and society alike are enormous.

Focused strategy towards success
Exiqon Diagnostics' strategy is to initially focus on high incidence cancers: lung, colorectal, ovarian and endometrial cancers. For these cancers, we plan to establish a comprehensive range of diagnostic tests to help guide physicians' treatment selection.

Exiqon Diagnostics is unique in the sense that we offer cellular-based as well as proprietary and non-proprietary molecular based tests through our CLIA laboratory. Our product offering provides valuable

Focus on four high incidence cancers: share of total cancer incidences in the U.S.



Cancer is not just one disease but many diseases. There are more than 100 different types of cancer; however, all cancers begin in cells, the body's basic unit of life. To understand cancer, it is therefore helpful to know what happens when normal cells become cancer cells. Due to the regulatory role miRNA molecules play in cell division and cell differentiation, miRNA molecules have been found to play a fundamental role in the development of cancer.

[1)] Spear BB; Heath-Chiozzi M; Huff J., Clinical application of pharmacogenetics, Trends Mol Med. 7(5):201-4, 2001 May.

Biomarker refers to biologic molecules that can be used as a marker for a given disease, a disease condition or as a prediction in disease development or treatment response.

CLIA refers to the U.S. Clinical Laboratory Improvement Act that denotes qualification requirements for laboratory work. CLIA is fundamentally a quality control system. CLIA addresses personnel qualifications, quality control standards, documentation, and validation, imposing requirements that vary with the complexity of a test and its procedures.

prognostic and predictive information about the individual patient's cancer. This combination helps address the individual patient's particular medical situation and provides the answer to clinical questions which could otherwise not be answered.

Uniquely positioned proprietary product offering
Following the acquisition on 29 February 2008 of Oncotech, Inc., we now have the product development capabilities in place to commercialize a remarkable pipeline of new proprietary diagnostic tests based on miRNA that will help guide physicians' treatment selection.

Exiqon's intellectual property rights are uniquely suited to support our efforts in the field of miRNA based diagnostics. Exiqon has obtained one of four co-exclusive licences from the Max Planck Institute and The Rockefeller University for diagnostic use of a large number of miRNA molecules. These institutions were amongst the very first to profile miRNA expression and patent miRNA molecules. Exiqon has also filed patent applications for numerous miRNA molecules that we have discovered, and their use will be proprietary solely to Exiqon Diagnostics if they end up being protected by issued patents. Our proprietary position in the miRNA space is complemented by our LNA™ technology that is particularly suited for quantitative detection of miRNA molecules.

Initially, we plan to launch our new miRNA tests through our CLIA laboratory in the U.S. Once our new miRNA tests have been clinically validated through clinical trials, we will make them available to other laboratories and pathologists as fully approved *in vitro* diagnostic kits.

Competitive product development capabilities
Our planned new miRNA tests can be rapidly developed and validated due, in part, to Exiqon Diagnostics' extensive tumor and tissue repositories comprising a total of 150,000 samples, as well as through collaborations that provide us with the necessary samples and clinical outcome to validate our new tests.

On 30 April 2008, we entered into a collaboration with Rigshospitalet in Denmark on the development and clinical validation of a miRNA test for the identification of cancer of unknown primary site (CUP). On 27 May 2008, we began a research collaboration with M. D. Anderson Cancer Center to develop miRNA-based biomarkers for breast cancer. In previous years, we have concluded agreements with other key institutions such as the National Cancer Institute and leading university hospitals in Denmark.

Validation of our new miRNA tests must occur on two levels. The first level is to confirm that the correlation initially observed between a disease state and a biomarker (miRNA profile) is significant. The second level of validation is to confirm that use of our new miRNA tests can actually result in improved clinical outcomes for patients. This definitive validation of our new tests will require clinical trials.

Exiqon Diagnostics plans to conduct the clinical studies necessary to validate our new miRNA tests. In part, we may choose to undertake these studies in collaboration with partners. On 15 May, Exiqon was awarded DKK 14 million by the Danish National Advanced Technology Foundation to clinically validate our new miRNA CUP test together with Rigshospitalet and the University of Copenhagen.

First miRNA test
On 15 December 2008, we completed our first molecular diagnostic test based on miRNA. The miRNA-based prognostic test will help identify stage II colon cancer patients who may be at significantly higher risk of recurrence and for whom adjuvant chemotherapy may be warranted.

Adjuvant treatment is treatment given after surgery to increase the chances of a cure. The recent recommendation by ASCO (American Society of Clinical Oncology) for adjuvant treatment of stage II colorectal cancer concludes that at present there is no evidence of a beneficial effect of systemic adjuvant treatment of this patient group as a whole. Generally, stage II patients are therefore not treated with adjuvant therapy despite the fact that up to 25% of the patients will relapse.

Our new miRNA test identifies such patients who have an increased risk of recurrence and thus helps guide physicians in deciding whether or not the patient should be offered adjuvant treatment.

Annually, colon cancer affects about 87,000 people in the U.S. (1.2 million people with colon cancer worldwide), 25% of which are diagnosed as stage II.

Our test will be commercialized in early 2009 and marketed to colon cancer surgeons, medical oncologists and pathologists across the U.S. and internationally through Exiqon Diagnostics' CLIA laboratory.

The competitive landscape of molecular cancer diagnostics is complex and includes numerous companies that base their operations on various technologies targeting different diseases. Amongst those working on approaches close to Exiqon Diagnostics' new miRNA tests are two companies: Rosetta Genomics, Inc., a NASDAQ listed company focused on miRNA research that announced the commercial availability of its first miRNA-based diagnostic tests in 2008 including one that differentiates between two subtypes of non-small cell lung cancer. The other is Asuragen, Inc., a privately held company with a strong focus on RNA including miRNA that announced its first miRNA diagnostic test for differentiating between chronic pancreatitis and pancreatic cancer in 2008. Another company working on comparative approaches including mRNA based diagnostics is Genomic Health, Inc., which launched its first molecular diagnostic product, Oncotype DX, in 2004, and which has since experienced strong growth in product sales.

Huge market potential for cancer incidences addressed by Exiqon Diagnostics

Product target	Specimen	Disease stage	U.S. incidence. Targeted patients[1]	Global incidence[2]
COLON			**87,000**	**1.2 MILLION**
EDR	Cellular	III & IV	42,400	
Recurrence	FFPE/miRNA	II	26,200	
Drug resistance	FFPE/miRNA	II, III & IV	48,900	
RECTAL			**31,000**	**0.2 MILLION**
EDR	Cellular	III & IV	13,700	
Recurrence	FFPE/miRNA	II	7,700	
LUNG			**170,700**	**1.5 MILLION**
EDR	Cellular	II, III & IV	143,400	
Recurrence	FFPE/miRNA	I	13,700	
Drug resistance	FFPE/miRNA	II, III & IV	143,400	
OVARIAN			**12,800**	**0.2 MILLION**
EDR	Cellular	III & IV	16,000	
ENDOMETRIAL			**40,100**	**0.5 MILLION**
EDR	Cellular	III & IV	10,400	
Recurrence	FFPE/miRNA	I & II	27,700	
CUP				**0.6 MILLION**
Unknown primary	FFPE/miRNA		80,000	

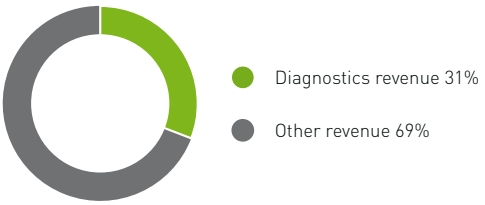
The figure shows the current and planned proprietary product offering by Exiqon Diagnostics. Oncotech EDR®, Extreme Drug Resistance; FFPE, Formalin Fixed Paraffin Embedded; CUP, Cancer of Unknown Primary site. 1) American Cancer Society, Cancer Facts & Figures 2008, 2) American Cancer Society, Global Cancer Facts & Figures, 2007. Stage distribution is based on numbers published by the National Cancer Database.

Strong pipeline of new molecular diagnostic tests
Over the next few years, Exiqon plans to introduce additional proprietary miRNA tests each year to address the unmet need for better treatment selection in lung, colorectal, ovarian and endometrial cancers. An overview of planned proprietary product offerings by Exiqon Diagnostics, including the pipeline of new miRNA-based molecular diagnostic tests, is shown above.

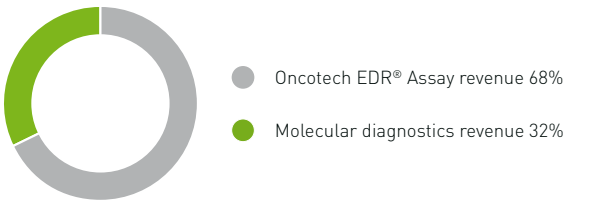
These new miRNA-based tests, along with the Oncotech EDR® Assay, will have the potential of helping guide treatment decisions in over 170,000 lung, 118,000 colorectal, and 53,000 ovarian/endometrial cancer patients annually in the U.S. alone.

Because the technology is new, reimbursement for these new tests is anticipated to initially take a year or more. Reimbursement rates for our first miRNA test remain to be established. However, in the past, similar products have achieved reimbursement of several thousand dollars, and we aim to secure adequate reimbursement for our new miRNA tests.

Diagnostics revenue as share of revenue 2008



Oncotech EDR® Assay sales as share of diagnostics revenue 2008



Valuable non-proprietary product offering
Our CLIA laboratory at Exiqon Diagnostics is already providing diagnostic and prognostic tests to help guide physicians' treatment decisions. Drug resistance is a principal reason why chemotherapy is often unsuccessful. The Oncotech EDR® Assay is a test that can be used to identify drug resistance in cancer patients prior to chemotherapy treatment, saving them unnecessary treatment-related morbidity and cost.

As the treatments for cancer have evolved into combination therapies and the number of drugs used to treat increases, physicians are increasingly dependent on additional information, such as that provided by the Oncotech EDR® Assay, to prioritize treatment decisions. The Oncotech EDR® Assay is at present our flagship product, accounting for the vast majority of our diagnostics revenue in 2008.

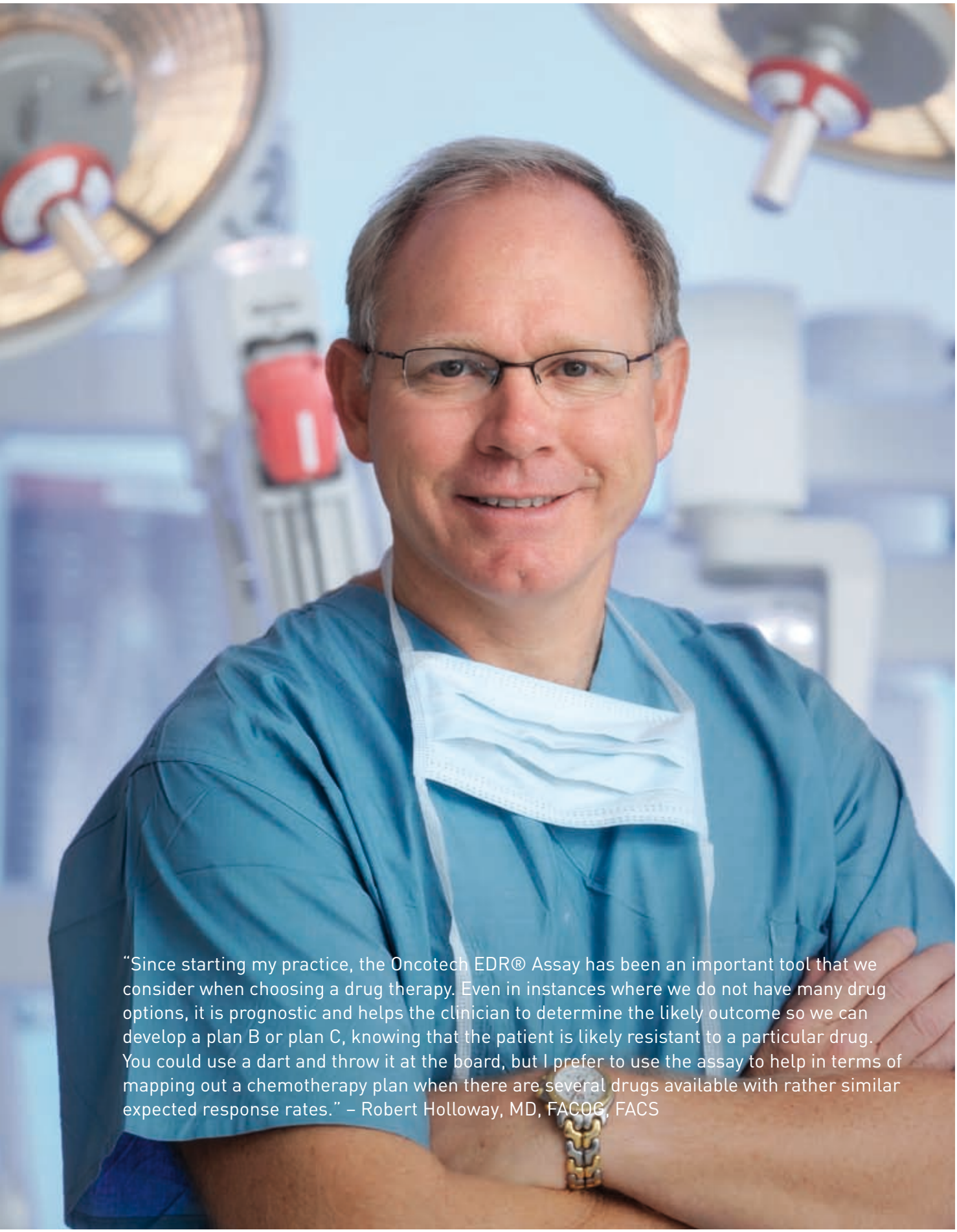
In 2008, the clinical utility of the Oncotech EDR® Assay was documented in a 10-year prospective EORTC trial. The authors concluded that extreme drug resistance to carboplatin was an independent significant predictive factor for failure of response to first-line platinum-based treatment in advanced ovarian cancer[1].

Every patient in the U.S. with advanced ovarian cancer is treated with platinum for first-line therapy. Prediction of platinum extreme drug resistance to carboplatin will allow the cancer treating physicians to choose an alternative to the standard first-line treatment for those patients that will not benefit from carboplatin because of resistance.

Exiqon Diagnostics has a sales team with a proven track record over several years of selling the Oncotech EDR® Assay to over 5,000 cancer-treating physicians and approximately 1,200 hospitals. Today, more than 100,000 patients in the U.S. have used the EDR® Assay. We plan to leverage these relationships with the launch of our new miRNA tests.

The competitive landscape for cellular-based cancer diagnostics is dominated by non-proprietary tests offered through numerous laboratories. Although others share Exiqon Diagnostics' vision of individualized cancer therapy, no one entity has integrated all the intellectual property rights and proprietary processes that are unique to Exiqon Diagnostics into one company. However, a number of privately held companies do have a competitive presence in the market for our Oncotech EDR® Assay, including Precision Therapeutics, Inc., which has introduced an assay in competition to the Oncotech EDR® Assay, and Genoptix, Inc. which offers an analysis that examines individuals' response to chemotherapeutic agents in chronic lymphocytic leukemia. Other competitors include Clarient, Inc., offering molecular oncology testing services including for HER2, ER and PR markers for breast cancer, and the Weisenthal Cancer Group and Rational Therapeutic Laboratories, both of which are small businesses that provide specialty services to the cancer therapy selection market.

[1] Results from the EORTC-GCG/NCIC-CTG neoadjuvant trial were published by L. Verleye et. al. at the International Gynecologic Cancer Society (IGCS) biennial meeting in Bangkok, Thailand, October 2008; the results were announced by Exiqon on 27 October 2008.



"Since starting my practice, the Oncotech EDR® Assay has been an important tool that we consider when choosing a drug therapy. Even in instances where we do not have many drug options, it is prognostic and helps the clinician to determine the likely outcome so we can develop a plan B or plan C, knowing that the patient is likely resistant to a particular drug. You could use a dart and throw it at the board, but I prefer to use the assay to help in terms of mapping out a chemotherapy plan when there are several drugs available with rather similar expected response rates." – Robert Holloway, MD, FACOG, FACS

Exiqon Pharma Services

Significant market potential
The advances recently made in molecular biology and the sequencing of the human genome (DNA) will support novel diagnostic approaches. New and tailored treatments will also be developed in realizing the trend towards personalized medicine.

The core capability of personalized medicine – the ability to stratify patients by disease susceptibility or likely response to treatment – can also be applied in the design of clinical trials to reduce their size, duration and cost. As a result, a given treatment may require a prior diagnostic test that verifies the potential benefit of the proposed treatment (companion product).

In some cases, the use of a companion product based on a biomarker has the potential to "rescue" drugs that benefit specific populations who could not be identified without the use of biomarkers. The best known example already on the market is the use of HER2 tests to guide the use of the drug Herceptin® (trastuzumab) by identifying those breast cancer patients whose tumors over-express the HER2 gene.

The potential cost savings for drug developing companies are considerable: reducing the cost and time of clinical trials, increasing the probability of efficacy and hence the likelihood of drug development success. Drug development is typically undertaken by pharmaceutical companies themselves and sometimes in collaboration with third parties; however, there is no market in any traditional sense for such collaborations.

The goal is companion products
Exiqon Pharma Services participates in strategic alliances with pharmaceutical companies and biotech companies with the goal of facilitating their development of personalized medicine based on biomarkers.

We aim for our collaborations to result in the development of companion products, i.e. diagnostic products that, based on our technologies, will be sold in combination with the new therapeutics or in combination with existing medicine targeted for specific patient populations.

Strategy focused on using our core capabilities
Exiqon Pharma Services' strategy is to offer our own skills, insight into patient classification based on biomarkers and proprietary technologies to assist drug developing companies in developing the next generation of drugs.

Through our service business, we develop customer relations that may begin with Exiqon Pharma Services simply providing a miRNA profiling service which subsequently may develop into a more strategic partnership under which Exiqon Pharma Services assists our customer in areas such as classification of patients in clinical trials.

We do not develop therapeutics ourselves: we merely act as a service provider in the drug development process of other companies.

The competitive landscape for miRNA services is still in its infancy. No other company can match the integrated service offer of Exiqon Pharma Services. However, a number of privately held companies do compete for services in the form of miRNA analyses including privately held Asuragen, Inc., that provides RNA/DNA sample preparation and sample analysis services based on DNA technologies, LC Sciences, Inc., who offers services for miRNA analysis using proprietary technologies and probe design, and DNAVision SA that offers miRNA expression profiling based on different technologies.

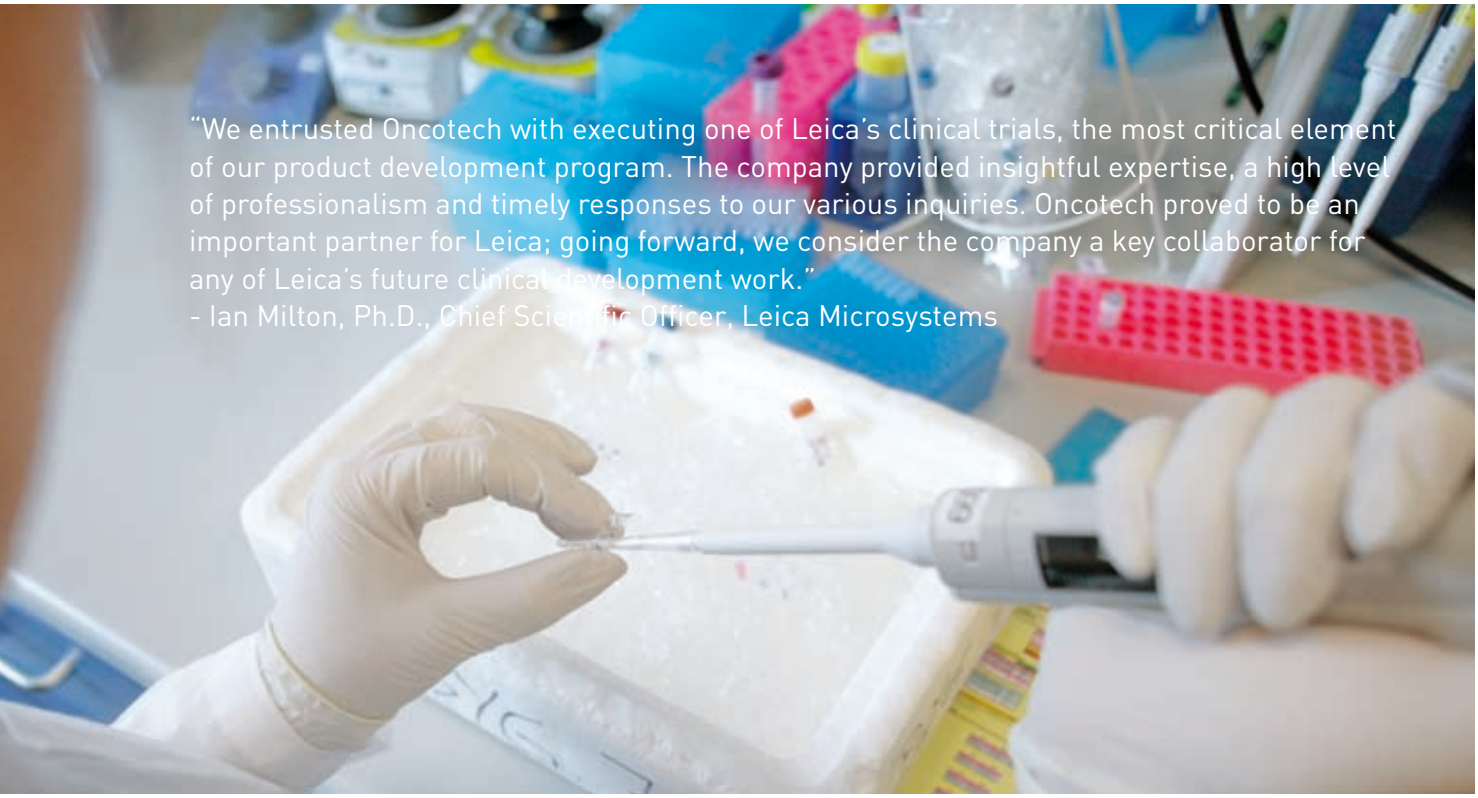
Unique service offer
Exiqon Pharma Services has a unique offer for drug developing companies: we offer the high throughput biomarker screening capabilities of our miRNA service business in combination with our proprietary miRNA molecules and the LNA™ technology for potential use in companion products. In combination with our extensive tumor and tissue repositories comprising a total of 150,000 samples and the Oncotech EDR® Assays, Exiqon Pharma Services is uniquely positioned to assist drug developing companies in the development of new targeted therapies.

Exiqon Pharma Services also offers customers a more regular service solution. This service includes quality control of the RNA sample for analysis, miRNA analysis and data analysis employing our proprietary miRCURY LNA™ microRNA Array system or the miRCURY LNA™ microRNA qPCR system.

Exiqon has made significant progress in the detection of various serum-based miRNA profiles within cancer. We are currently in the process of identifying a partner in this new and exciting field. Due to the significant potential and strong need for monitoring miRNA in serum, Exiqon Pharma Services is now offering miRNA profiles in serum.

Representing an alternative to our sale of research products by Exiqon Life Sciences, the market for such services is still immature because of the relatively recent discovery of miRNA molecules. Our service activities facilitate that our research products reach a broader section of the market and brings us into contact with customers who might otherwise not use our products.

ISO 9001 and CLIA certified laboratories
By sending their samples to us, our customers avoid investments in a complex infrastructure and expertise in performing miRNA analyses. We return quality-controlled and value-added data to the customer which we have generated in our ISO 9001-certified laboratory in Denmark and CLIA-certified laboratory in the U.S.



Exiqon Life Sciences

Fast growing market
Exiqon Life Sciences' products target the market for nucleic acid analysis. This market covers products for gene analysis for research purposes but also for clinical molecular diagnostics. There has been a growing need for nucleic acid analysis since the sequencing and cataloguing of the human genome was finalized in 2003. The diverse function and roles of miRNA in disease development have captured the interest of researchers leading to an increase in scientific publications pertaining to miRNA and a strong growth in the demand for research products for miRNA analysis. We estimate that the market for miRNA research products exceeded DKK 120-150 million in 2008 and will grow by 50-75% in 2009. The market is still immature; however, established players in the market for nucleic acid analysis are entering the miRNA market space.

The goal is to be market leading
We aim to be a market leader in the field of research products for miRNA analyses through a superior product offering that addresses all basic work processes that our customers use in the laboratory.

Our customers are typically molecular biologists in the pharmaceutical, diagnostic and agrotechnology industries and academic institutions involved in basic biological research, research into diseases such as cancer, metabolic diseases, neurological disorders, and stem cell research.

Product demand is to a large extent driven by the type and quality of data which the customer generates from using a given product. The data quality and robustness of a given analysis often depend on the analysis technology employed. While our competitors' products may be developed on the basis of specific technologies, they are often based on DNA. The LNA™ technology provides Exiqon Life Sciences with a competitive edge as we can develop and manufacture products that enable a stronger and more precise identification of the molecules targeted for research. In some applications, the activity of a given miRNA can only be measured through the use of the LNA™ technology. This is the case for *in situ* based analyses.

miRNA (microRNA) molecules were recently discovered in humans and they have proven especially suitable for use as biomarkers in a number of diseases such as cancer. In the past, biomarkers were primarily physiological indicators such as blood pressure or heart rate. More recently, biomarkers have become synonymous with molecular biomarkers, such as miRNA gene expression. Biomarkers may be used to identify a specific disease or be indicative of a specific drug response. Certain biomarkers may even have a prognostic value and for instance be predictive of the likelihood of cancer recurrence.

The competitive landscape for miRNA research products is dominated by a number of large and well-established competitors with broad product offerings for genomic analysis for whom the miRNA market represents only a fraction of their business but may be attractive due to the significant growth and potential it represents. These companies include Life Technologies Corporation (created from the merger of Invitrogen Corporation and Applied Biosystems, Inc. in 2008), Agilent, Roche Applied Science (a division of F. Hoffmann – La Roche), Illumina, Inc. and Qiagen GmbH, and several smaller players.

"I have now worked with Exiqon's research products for almost two years, and I am very pleased with the high quality of products and support. Equally important, I believe that Exiqon has one of the most promising technologies for tailored medicine, the LNA™ technology. Working in translational research right now is exciting, since new biological treatment strategies are being invented at an impressive speed. At the same time, it is obvious that a major challenge will be the identification of the patients benefiting from these new treatment strategies. LNA™ might become a key technology in succeeding in this task."
- Christoffer Hother, Ph.D. student at Rigshospitalet in Denmark

One-stop supplier strategy
Exiqon Life Sciences pursues a one-stop supplier strategy and already has a broad range of research products for miRNA analysis based on the LNA™ technology.

We market our research products directly from our head office in Denmark and through our own sales organization in the U.S. and parts of Europe. We have also entered into a number of distribution agreements in Europe and Asia. Most of our sales and marketing staff are experienced scientists with a natural science background in molecular biology or similar areas as well as sales experience. Our distributors are carefully selected on the basis of their skills, know-how and network in products for research purposes.

Unique proprietary product offering
The needs of our Life Sciences customers can be divided into a demand for products used for extraction of the biological samples targeted for their research and a demand for analyses of that biological sample (tissue, blood, saliva, etc.).

The extraction need is addressed by products for sample preparation. Exiqon Life Sciences launched its first product for sample preparation in January 2009.

The demand for analysis is more complex and consists of a potentially large number of methods. We currently offer products for detection of miRNA molecules directly in tissue sections including microarray analysis (multi-parallel analysis of many different miRNA molecules at once) and qPCR products for quantitative and highly specific analyses *in situ* hybridization.

We also offer products which provide information about the size of the miRNA molecules (conventional analysis using the Northern blotting technology).

Finally, we currently offer products for functional analysis, involving an analysis of the biological function of miRNA molecules.

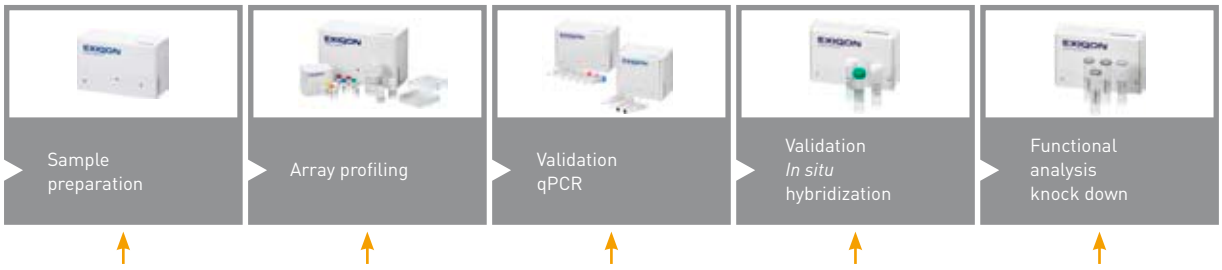
In September, Exiqon launched a new portfolio of real-time qPCR products for miRNA analysis based on the LNA™ technology.

During 2009, Exiqon Life Sciences plans to launch a product to increase the miRNA activity for functional analysis which will fulfill our strategic goal of being a one-stop supplier for researchers who want to perform miRNA analyses.

We also undertake to perform the actual biological analysis for our customers which forms part of our Pharma Services business and is included in the financial reporting of our Life Sciences business.

ISO 9001-certified operations
Exiqon Life Sciences has in-house production capabilities in Vedbaek, Denmark and Boston, U.S. We are certified to the ISO 9001 standard. In our manufacturing, we rely on a large selection of

Products from discovery to clinical validation



Product offering supports the work-flow for miRNA analysis:
- Sample isolation product, launched January 2009
- miRCURY LNA™ microRNA Array System, launched 2006
- miRCURY LNA™ microRNA PCR System, launched Dec 2007 & significantly expanded Sep 2008
- miRCURY LNA™ microRNA Detection Probes, launched 2005
- miRCURY LNA™ microRNA Knockdown System, launched 2006

mRNA (messenger RNA) refers to the transcribed molecules which act as a template for the protein synthesis.

suppliers. Our quality control function ensures that we consistently improve our processes in order to create products that offer even more value to our customers.

Environmental issues
Exiqon does not currently issue separate environmental reports because our activities only have a limited impact on the environment. We are aware of the potential environmental impact of our activities, and we therefore continuously evaluate how various environmental factors can be improved with respect to preventing, reducing or remedying damage to the environment. We have the necessary permissions for our industrial production and the services we carry out. Our discharge into the air, soil and water is very limited. Various kinds of chemicals are used in the production of our products and services. We also use small quantities of radioactive trace elements in certain laboratory experiments. Chemicals and radioactive material are stored and disposed of in compliance with applicable guidelines and instructions, including those issued by the Danish National Institute of Radiation Hygiene.

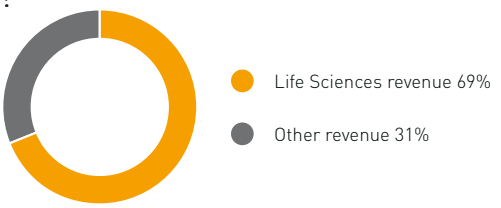
Complementary partnering strategy
The potential applications of the LNA™ technology extend beyond miRNA and the abilities of Exiqon Life Sciences.

Research into other RNA molecules, including mRNA, requires the same type of analyses as those used in miRNA research, i.e. a qualitative profiling of gene activity and visualization of cell and tissue-specific gene activity using *in situ* analyses.

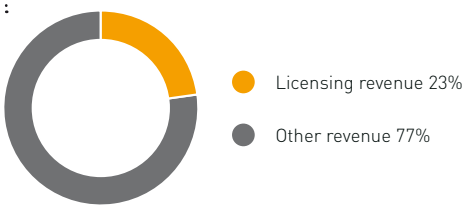
Exiqon Life Sciences actively pursues the value proposition of the LNA™ technology outside our own focus of miRNA analyses through partnerships and licensing agreements.

Our out-licensing efforts are described in more detail under the section Intellectual property. The license agreements secure a stable revenue stream from third parties in the form of milestones and royalty payments to Exiqon for the use of our LNA™ technology which we recognize as Life Sciences revenue.

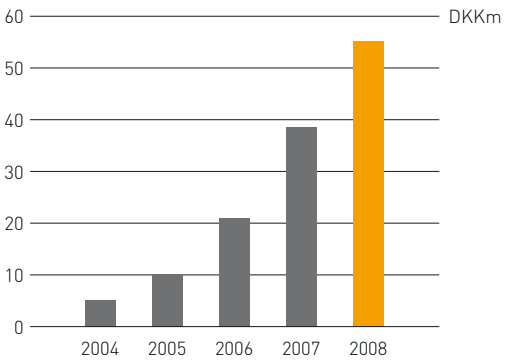
Life Sciences revenue as share of revenue 2008



Licensing revenue as share of revenue 2008



Growth in research product sales 2004-2008



Intellectual property

People at Exiqon
Our key to success lies with the people we employ. In 2008, we expanded the work force to 211 employees. Of the total number of employees at year end, 115 were U.S.-based and 96 were based in Europe.

We continuously work to become a preferred employer and attract, retain and develop the best talents across all fields of our business wherever we are geographically present. We believe this is how we can best support our business objectives.

Our position as an innovative market leader in the business areas in which we operate helps us attract and retain the best people. We are fortunate to have our employees appreciate the social, financial and medical perspectives of what we do.

We address the challenges we face as a small international company by promoting and supporting the professional development of each individual.

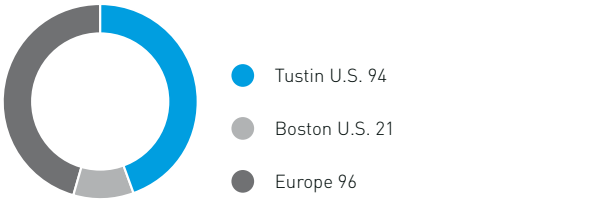
We work in a performance culture throughout the group and support leadership and empowerment at all levels of the organization to achieve our goals.

Employees are encouraged to seek influence on decisions and are expected to take responsibility. In support of these efforts, we have implemented integrated IT solutions and financial and operational reporting that provide for transparency and decentralized proactive information sharing.

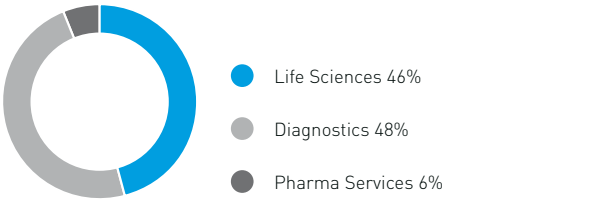
We continuously adapt our organization to the challenges ahead. In 2008, we saw a significantly higher turnover of employees than we have previously seen due to a reorganization following the acquisition of Oncotech, Inc.

There are obvious synergies in developing products for research and diagnostics applications as both businesses share the same proprietary LNA™ technology platform. In order to ensure our ability to fully exploit the synergies of our business model, we have organized ourselves on the basis of functions across our three business areas.

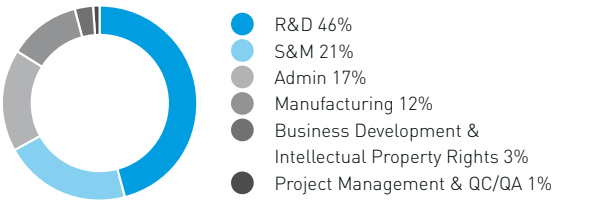
Employees by location



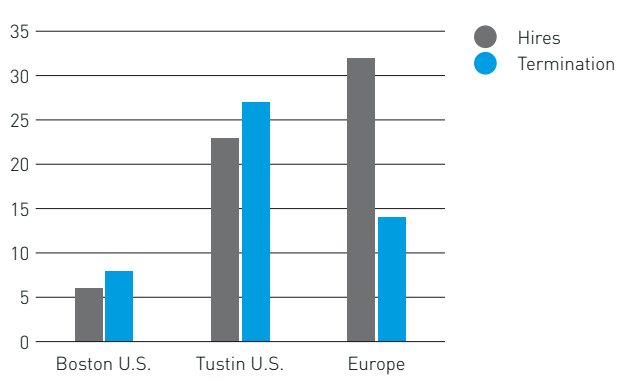
Employees by business segment



Employees by function



Employee turnover



Technology, patents and licensing

Technology

The sequencing of the human DNA has created a rapidly growing market for gene analysis. At the heart of Exiqon's business is our proprietary LNA™ technology. Exiqon's LNA™ technology (Locked Nucleic Acid) is a synthetically manufactured derivative of RNA. The LNA™ technology is particularly well-suited for profiling small RNA molecules such as miRNA.

RNA (Ribonucleic acid) is found in all living cells, consisting of a long, usually single-stranded, chain of the bases adenine, guanine, cytosine and uracil bonded to ribose. The structure and base sequence of RNA determines protein synthesis.

miRNA (microRNA) is a family of natural, evolutionarily conserved, small, non-protein-coding RNA molecules that regulate the expression of a very large proportion of the human genes. It is currently estimated that there are in excess of 1000 different human miRNA molecules.

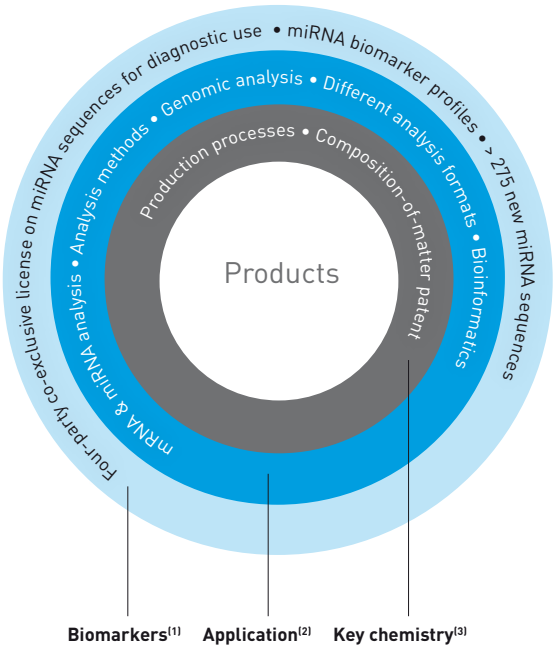
With our proprietary LNA™ technology, we have developed novel methods to accurately measure these important miRNA molecules in small amounts of tissue. The LNA™ technology eliminates some of the limitations associated with alternative technologies based on DNA. By using the LNA™ technology, we can develop products with properties that cannot be obtained using any other technology.

In 2008, more than 160 peer reviewed scientific papers were published based on the LNA™ technology. A survey of all miRNA papers published in November 2008 demonstrated that 23% of the scientists had used products based on LNA™ for miRNA analysis.

Patents

We believe that the protection of our products and technology is fundamental to our business prospects. We are therefore pursuing a comprehensive patent programme in the United States, Japan, China, Europe and in other countries and regions where we believe significant market opportunities exist. As a result of our patent strategy, Exiqon owns an ever-growing

Exiqon's patent strategy



Source: Exiqon
Visual presentation of our patenting strategy in which we seek to protect our products by three levels of patents:
[1] Protection of the biomarkers to be analyzed in connection with the use of the products;
[2] Protection of the formats used for the nucleic acid analysis and the bioinformatic analysis used in the products; and
[3] Protection of our key chemistry (LNA™) by patents for chemical structures and patents for the manufacturing process.

number of patents and patent applications, which by year end 2008 exceeded 174 active patents and patent applications including 91 issued patents. Our patent portfolio derives from 32 patent families, including Danish and U.S. priority applications. Over the past 12 months, we have filed six new patent applications that may form the basis of new patent families.

The patents last for 20 years from the filing of the patent application. Our first patent expires in 2017.

Licensing
The LNA™ technology offers many more possible applications than Exiqon can pursue itself. As a consequence hereof, Exiqon is actively pursuing licensing opportunities outside the focus of our own business. Our licensing efforts have already resulted in a number of major license agreements including the following:

- In 2007, Exiqon granted a non-exclusive license to Applied Biosystems to use Exiqon's proprietary Locked Nucleic Acids (LNA™) in siRNA. Applied Biosystems, which has since merged with Invitrogen Corporation, must pay royalty to Exiqon under the agreement on the sale of products covered by the agreement, and payment is subject to a minimum royalty per year to be paid to Exiqon.

- On 30 September 2008, Exiqon granted a license to Roche Diagnostics for the use of the Universal ProbeLibrary™, which is based on Exiqon's proprietary LNA™ detection technology. Roche Diagnostics will develop its new product line for real-time ready qPCR assays with the Universal ProbeLibrary™ and must pay royalties and milestone payments to Exiqon under the agreement.

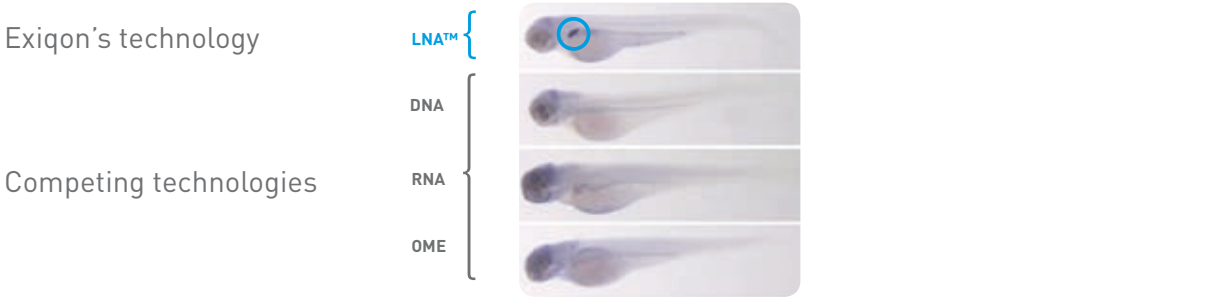
We will continue our licensing efforts in 2009 and expect to conclude additional license agreements in the future.

In addition to being a licensor to technologies, Exiqon is also a licensee to various patents and technologies that complement our own technology and discoveries and form part of the basis for our business, including the following:

- In 2005, Exiqon in-licensed from Roche Diagnostics GmbH, Germany, the rights under a number of Roche's patents to manufacture and sell on a non-exclusive basis without any territorial restrictions certain LNA™ products containing Roche's DIG Labelling System for research use. Exiqon must pay royalties to the licensor on revenues from sales of products covered by the agreement, subject to a small minimum royalty per year to be paid by Exiqon to the licensor.

- In 2006, Exiqon signed a fully paid-up license agreement with the Danish and Japanese inventors of the LNA™ technology for research and diagnostic use and other applications.

The figure shows how LNA™ technology enables detection of miRNA gene expression in cells and organs, here exemplified in zebra fish embryos. The analysis shown here can only be performed with our products, and none of our competitors have been able to market a similar product.



Source: Kloosterman et al., also partly published in Kloosterman et al., Nat Methods vol 3, No. 1, January 2006, pp27-29.

- In 2006, Exiqon in-licensed from Garching Innovation GmbH, Germany (after a re-naming now called Max Planck Innovation GmbH) on a four-party co-exclusive basis and exclusively in connection with our LNA™ technology and without territorial restrictions the right to exploit a number of miRNA sequences discovered by Dr. Thomas Tüschl for diagnostic purposes. Exiqon also signed a non-exclusive agreement to manufacture and sell products for research use and the provision of certain related services. Under the terms of both agreements, Exiqon must pay annual maintenance fees, royalties on revenues from sales of products and the provision of services under the agreements, and on revenues from the grant of sub-licenses. In addition, under the diagnostic license, Exiqon must pay a certain part of the patenting costs.

- In 2006, Exiqon in-licensed on a non-exclusive basis and without territorial restrictions the right to exploit a number of miRNA sequences described by Dr. Thomas Tüschl of Rockefeller University, U.S. The license under this agreement covers the manufacture and sale of research products. Under a separate agreement, Exiqon concurrently obtained a four-party co-exclusive license without territorial restrictions to exploit the miRNA sequences in question to manufacture and sell products for diagnostic use. The licensor has filed patent applications for the affected miRNA sequences. Exiqon must pay royalties on revenues from sales of products covered by the agreements and a certain part of the patenting costs. Under both agreements, Exiqon must pay a small minimum royalty per year.

- In 2007, Exiqon in-licensed under an exclusive license a miRNA quantitative real-time PCR technology from Rosetta Inpharmatics LLC, a wholly owned subsidiary of Merck & Co., Inc. that provides Exiqon with a product portfolio for quantitative analysis of miRNA. Exiqon must pay royalties to the licensor on revenues from sales of products covered by the agreement, subject to a small minimum royalty per year to be paid by Exiqon to the licensor.

- In 2007, Exiqon in-licensed from Applera Corporation on a non-exclusive basis, rights under parts of Roche's and Applera's PCR patent portfolio providing Exiqon with the opportunity to market a new product line and other products for quantitative analysis of miRNA using real-time qPCR technology. Exiqon must pay royalties to the licensor on revenues from sales of products covered by the agreement.

- In 2008, Exiqon in-licensed from Roche Diagnostics GmbH, Germany, the rights under a number of patents to the SYBR Green technology, controlled by Roche, to manufacture and sell products on a non-exclusive basis without any territorial restrictions. Exiqon must pay royalties to the licensor on revenues from sales of products covered by the agreement.

- In 2008, Exiqon in-licensed from Roche Diagnostics on a non-exclusive basis, rights under Idaho Technology's patent portfolio, owned by Roche Diagnostics, providing Exiqon with the opportunity to market a new product line and other products for quantitative analysis of miRNA using SYBR Green-based real-time qPCR technology. Exiqon must pay royalties to the licensor on revenues from sales of products covered by the agreement.

LNA™ opportunities outside our focus areas are pursued through partnerships

Roche Applied Sciences

Universal Probe Library™

LNA™ enabled mRNA qPCR assays

Life Technologies (ABI)

Silencer®

LNA™ enhanced siRNA

Luminex

FlexmiR™ & FlexSelect™

LNA™ enhanced miRNA detection

Risk factors

Exiqon is working at the forefront of molecular biology in all of our three business segments. In doing so, Exiqon not only holds promise of a significant business potential, we are also exposed to a high number of business risks that are specific to the uncertainty of scientific discoveries that form the basis for our efforts and ability.

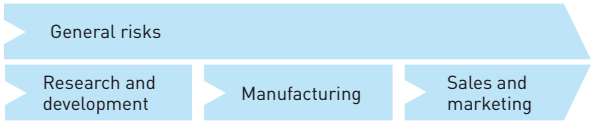
We are facing novel challenges in our efforts to develop, market and sell products and services for research and diagnostic use and these may prove more difficult than we anticipate or even impossible to overcome.

In addition to this high number of specific risks associated with our business, we are also facing a number of general risks, including financial risks, risks associated with recruiting and retaining qualified employees, our organization, existing and future partnerships and license agreements, as well as risks associated with corporate governance, business ethics etc.

Avoiding the specific business risks we face, or even the more general risks, is not possible nor is it a defined goal for Exiqon. These are risks that form part of our business. We focus our efforts on balancing the risks with the anticipated value potential of our endeavors and respond to risks as they materialize. In doing so, we pursue a decentralized strategy of risk management. Those parts of the organization that have the most knowledge of risks specific to any area of our business, also have the best possibility to adequately address these without undue delay if they should materialize. The individual business segments and functions take a systematic approach to monitoring, identifying and responding to risks associated with the activities of their function. In doing so, they rely in part on our ISO 9001 certification and other rules and procedures that define reporting, decision making and follow up processes in our operations, including those applicable to our U.S. based CLIA laboratory.

The more general risks, we address by way of uniform procedures throughout the organization that are shared through highly integrated IT solutions. Financial risks are mitigated by way of a finance manual defining all approval processes and accounting procedures, and the implementation of a data warehouse including a Business Intelligence solution that provides transparency and facilitates decision making and cost controlling throughout the group. We have implemented an intranet solution on a group basis that enables all relevant employees to access and share data as may be needed or expedient. Our intranet solution also facilitates the sharing of news, processes and procedures thus helping us address, as effectively as possible, risks associated with our employees being part of an international organization in three different time zones. We use these methods to support our corporate governance policies and secure a uniform code of conduct to establish sound business ethics.

Exiqon's future growth, activities, financial position and results will depend on our ability to manage the challenges we face and to develop a profitable business. Despite all of our efforts, an investment in Exiqon's shares involves a high degree of risk, and prior to making any investment decision with respect to the acquisition of shares in Exiqon, the following summary of risk factors should be considered carefully, in conjunction with other information obtainable through Exiqon's website including sub-sites and the more comprehensive description of risks included in the prospectus we filed in January 2008.



The specific business risks we face include the following:

Risks associated with research and development

Discovery risks
If we are not able to retain our high innovation level and successfully develop new products and tests for research and diagnostic use, this may adversely affect our business. We seek to avoid these risks through a systematic approach to product development and by focusing on new applications of existing technologies and continued development of existing products when possible.

In-licensing risks
We license patent rights from third-party owners. If we fail to obtain necessary licenses from such owners or they do not properly maintain or enforce the patents underlying such licenses, our competitive position and business prospects may be harmed. If any

licensor terminates or fails to perform its obligations under agreements with us, the development and commercialization of our product candidates could be delayed or terminated.

Intellectual property risks
If we are not able to obtain and enforce patent protection for our discoveries, our ability to develop and commercialize our products may be harmed. If we are unable to protect the confidentiality of certain information, the value of our technology and products could be adversely affected. If we become involved in patent litigation or other proceedings related to a determination of rights, we could incur substantial costs and expenses, substantial liability for damages or be required to stop our product development and commercialization efforts. If we fail to comply with our obligations under any licenses or related agreements, we could lose license rights that may be necessary for developing our products.

Risks associated with manufacturing, performance of services and diagnostic testing

Regulatory risks
Any diagnostic product or test we develop may in the future be required to undergo a lengthy, costly and burdensome pre-market approval process. We currently market diagnostic tests through our certified CLIA laboratory, and we plan to initially market our new miRNA tests through that same laboratory. We therefore depend on our ability to maintain our CLIA certification and on the general regulatory environment that applies to such CLIA laboratories not changing significantly to our disadvantage. For our research products, we depend on our ability to maintain our ISO certification.

Supply chain risks
We rely on the position and ability of our suppliers to deliver the raw materials we need in our manufacturing and to carry out our services and diagnostic tests, and these suppliers are sometimes limited in number and may not always be able to deliver the raw materials necessary for us to execute our planned production on time or in the required quality. For specific raw materials and components that are part of our current product offering, we rely on a single or a few specific suppliers, and there can be no assurance that we will be able to replace such suppliers at short notice.

Distribution risks
We have no distribution experience with our newly developed miRNA tests and may depend significantly on third party advice which we may not obtain to successfully commercialize these new tests. Our existing research products, services and diagnostic tests rely profoundly on third party distributors and shippers on whom we depend.

Product liability risks
There is a substantial risk of product liability claims in the business areas in which we operate. If we are unable to obtain sufficient insurance, a product liability claim against us could adversely affect our business.

Risks associated with sales and marketing

Product approval risks
The product candidates that we are developing are based upon new technologies and approaches. Customers to our research products and services may not respond well to our new products or may divert demand from our products to competing product, services or tests. Key participants in the pharmaceutical marketplace, such as physicians, third-party payors and consumers, may not accept our new miRNA tests. As a result, it may be more difficult for us or our collaborators to convince the medical community and third-party payors to accept and use our products.

Competition risks
The life sciences and diagnostics markets are intensely competitive. In addition to the competition we face from existing products and new products and tests in development in general, we also face competition from other companies working to develop novel products using technology that competes more directly with our new research products and diagnostic miRNA tests. If we are unable to compete effectively with existing products, new treatment methods and new technologies, we may be unable to commercialize any new research product or diagnostic miRNA test that we develop.

Price erosion and reimbursement risks
Any products we develop, market and sell may become subject to unfavorable pricing regulations, third-party reimbursement practices or healthcare reform initiatives, thereby harming our business. We depend on our ability to obtain and maintain adequate

reimbursement for our diagnostic tests. Even if we succeed in bringing one or more tests to the market, the new miRNA tests or existing diagnostic tests may not or no longer be considered cost-effective, and the amount reimbursed for any such test may prove insufficient to allow us to sell these on a competitive basis. The time and expense needed to obtain regulatory approval and respond to changes in regulatory requirements could adversely affect our ability to commercially distribute our products and generate revenue.

The more general risks Exiqon faces include the following:

Risks associated with our employees
Recruiting and retaining qualified scientific personnel to perform future research and development work will be critical to our success. If we cannot recruit and retain such employees given the demand for experienced scientists from numerous pharmaceutical and chemical companies, specialized biotechnology firms, universities and other research institutions, this would have a negative impact on our prospects.

Risk associated with our organization
Our acquisition of Oncotech, Inc., exposes us to new risks, and we may not achieve the anticipated benefits of acquisitions of technologies and businesses. If we are not successful in the continued integration of Exiqon A/S and Oncotech, Inc., we may not be able to operate efficiently after the merger. If we are unable to manage the challenges associated with our international operations, particularly operations in the U.S., the growth of our business could be limited.

Risks of a financial nature
Our financial risk management is handled centrally by our finance department in Denmark in accordance with policies and instructions adopted by the Board of Directors, which also defines the guidelines and the framework for the company's procedures for all financial transactions.

Credit risks
We seek to manage our credit risks based on the guidelines for Exiqon's credit risks. Exiqon's products may be purchased from a webshop against instant payment with a credit card or similar. Exiqon's credit terms are 30 days for customers who have been entered into our customer system following a credit assessment. Exiqon's customers are mainly research institutions and the pharmaceutical industry for whom a continuing supply of our products is of great importance.

Exchange rate risks
Exiqon's main exchange rate risks relate primarily to USD. Raw materials are purchased in USD, a large part of our staff receive their salaries in USD, and revenues are also denominated in USD. Our investments in our U.S. subsidiaries are not hedged.

Liquidity risks
Exiqon A/S has incurred losses since inception, and we expect negative future results which may adversely affect our ability to realize business opportunities as scheduled. We risk that our current cash resources are insufficient to bring the company to profitability despite current expectations which could adversely affect the Exiqon Group if the company proves unable to fund future operations.

Forward looking statements
All forward-looking statements contained in this annual report and other communications by Exiqon are subject to risks, uncertainties and inaccurate assumptions including those described above. This may cause actual results to differ materially from expectations. Factors that may affect future results delay or failure of development projects, production problems, unexpected contract breaches or terminations, government mandated or market-driven price decreases for Exiqon's products, introduction of competing products, Exiqon's ability to successfully market both new and existing products, exposure to product liability and other lawsuits, changes in reimbursement rules and governmental laws and related interpretation thereof and unexpected growth in costs and expenses, interest rate and exchange rate fluctuations and shortage of cash.

Financial performance

On 29 February, Exiqon A/S completed the acquisition of Oncotech, Inc. The acquisition impacts financials from 1 March 2008 as explained in detail below. The consideration was paid for Oncotech, Inc., through the issuance of 5,550,274 new shares in Exiqon A/S based on an agreed maximum number of shares less estimated closing liabilities as follows:

Max. number of new shares		**6,161,004**
Estimated Oncotech liabilities per 27 February 2008	USD million 7,522	
Accepted Oncotech liabilities (liabilities per 31.12.2006)	USD million 2,920	
Estimated closing liabilities for Oncotech per 27 February 2008	**USD million 4,602**	
Closing liabilities converted to number of new shares		
(at a price of 37.0 and an exchange rate of 5.0297)		(610,730)
Consideration in new shares		**5,550,274**

We expect the purchase price to be close to final, however, closing liabilities related to the acquisition will not be finally calculated until after the first quarter of 2009.

Following the acquisition of Oncotech, our business was organized into two segments: Exiqon Diagnostics and Exiqon Life Sciences including Exiqon Pharma Services.

On 30 September, we concluded a license agreement with Roche from which revenue was recognized in the amount of DKK 20.2 million in 2008.

In the fourth quarter, we experienced problems with the supply of our arrays which had an adverse effect on Life Sciences revenue for the year. The supply problems were resolved, and sales picked up again at year-end. However, on 26 November, Exiqon revised its financial revenue guidance for 2008 from an expected DKK 140-150 million to DKK 120-130 million. As a result, a net loss of DKK 115-125 million was projected compared to prior expectations of a net loss of DKK 100-115 million.

The full-year results are in line with our expectations. Total revenue amounted to DKK 128.3 million up from DKK 49.5 million in 2007 (159%) compared to an expected DKK 120-130 million. Life Sciences revenue grew organically by 71% in 2008, amounting to DKK 88.0 million.

Total operating expenses were DKK 181.1 million in 2008, an increase of 82% on 2007, primarily due to the increase in operating expenses following the acquisition of Oncotech, Inc.

The net loss for 2008 was DKK 115.4 million including DKK 7.4 million in costs of warrants and incentive programmes, compared to an estimated loss of DKK 115-125 million including costs of warrants and incentive programmes of DKK 6 million.

EPS amounted to DKK -3.94 in 2008 and DKK -3.35 in 2007.

At 31 December 2008, cash and cash equivalents totaled DKK 174.3 million compared to DKK 331.5 million at 31 December 2007.

As a consequence of the acquisition of Oncotech, Inc., significant intangible assets are recognized in the balance sheet. Please refer to note 5 for a more detailed description.

The 2008 financials are discussed in more detail below:

Revenue and gross margins (unaudited)

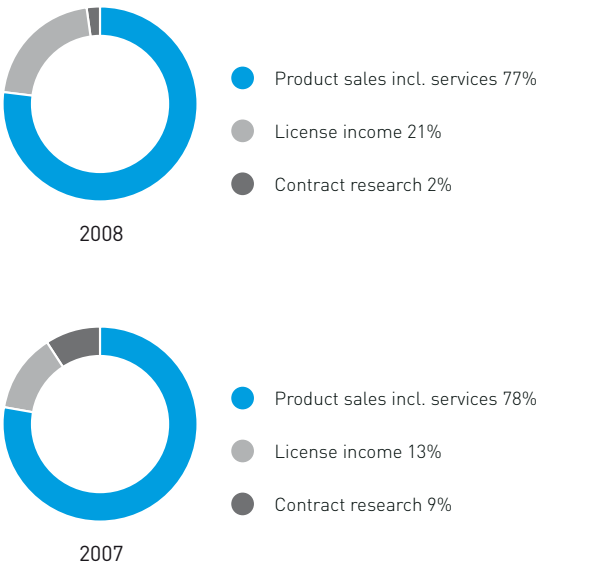
DKK '000	Q1 2008	Q2 2008	Q3 2008	Q4 2008	2008	2007
Revenue	16,495	27,979	51,312	32,487	128,273	49,478
Change (%)	76%	139%	504%	63%	159%	15%
Product sales incl. services	14,278	26,260	28,015	29,959	98,512	38,525
Change (%)	108%	239%	329%	72%	156%	84%
Direct contribution	9,676	17,213	18,903	18,537	64,329	27,910
Direct contribution margin (%)	67.8%	65.5%	67.5%	61.9%	65.3%	72.4%
Gross profit	7,723	7,016	29,531	10,923	55,193	24,304
Gross margin	46.8%	25.1%	57.6%	33.6%	43.0%	49.1%

Revenue increased 159% to DKK 128.3 million from DKK 49.5 million in 2007. The improvement was in particular attributable to the license agreement with Roche and the acquisition of Oncotech, Inc., on 29 February. The organic growth in Life Sciences revenue was 71% compared to 2007, and research product sales grew 43% compared to 2007. For comparative quarterly figures, please refer to p. 80-81.

In 2008, more than 77% of the revenue was generated through product sales compared to approximately 78% in 2007. The ratio is affected by a recognition of DKK 20.2 million recognized under the license agreement we concluded with Roche on 30 September. Excluding payments under the license agreement with Roche, product sales generated 91% of revenue in 2008. For more details about revenue, please refer to note 3 and note 4.

The composition of revenue in 2008 compared to 2007 appears from the charts to the right:

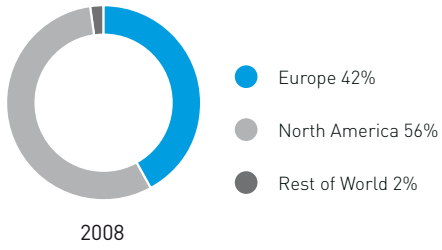
Composition of revenue



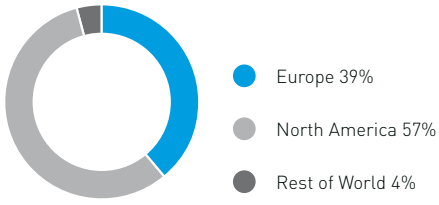
The geographic split in revenue compared to 2007 is illustrated in the charts to the right, which show that approximately 56% of revenue is now generated in North America.

In 2008, the gross margin was 43% compared to 49% in 2007. The direct contribution margin was 65% in 2008 compared to 72% in 2007 due to the effect of the Oncotech acquisition. The gross margin was affected by new product offerings and cost of unused capacity during the current build-up phase. Initiatives have been implemented to secure an improved gross margin contribution from both research product sales (Life Sciences) and diagnostic product sales (Diagnostics) in the diagnostics segment. These initiatives include a review of processes, procedures and the supply chain.

Geographic split of revenue



2008



2007

Research and development costs (unaudited)

DKK '000	Q1 2008	Q2 2008	Q3 2008	Q4 2008	2008	2007
R&D costs (net)	-11,571	-15,719	-17,016	-12,959	-57,265	-28,521
Change (%)	139%	81%	172%	48%	101%	7%
Share-based payment	-14	-535	-37	-47	-633	-514
R&D costs total	-11,585	-16,254	-17,053	-13,006	-57,898	-29,035

In 2008, research and development costs increased 100% to DKK 57.9 million compared to DKK 29.0 million in 2007, primarily caused by the effect of the acquisition of Oncotech. Moreover, the higher research and development costs are the result of the aggressive plan for the development of molecular diagnostic products and the additional people involved in R&D compared to 2007. Research and development costs are charged with DKK 0.6 million in respect of share-based payment. Net of this charge, research and development costs totalled DKK 57.3 million in 2008 compared to DKK 28.5 million in 2007, or an increase of 101%. For comparative quarterly figures, please refer to p. 80-81.

Sales, General and Administrative costs (SG&A) (unaudited)

DKK '000	Q1 2008	Q2 2008	Q3 2008	Q4 2008	2008	2007
SG&A costs (net)	-21,085	-29,136	-29,647	-36,791	-116,659	-60,496
Change (%)	77%	99%	122%	79%	92%	138%
Sales & marketing cost (net)	-11,402	-18,932	-19,828	-22,898	-73,060	-38,095
Change (%)	75%	126%	136%	55%	92%	122%
Administrative costs (net)	-9,683	-10,204	-9,819	-13,894	-43,600	-22,401
Change (%)	81%	63%	98%	140%	95%	169%
Share-based payment	-1,820	-2,869	3,633	-5,461	-6,517	-9,900
SG&A costs total	-22,905	-32,005	-26,014	-42,252	-123,174	-70,396

In 2008, SG&A costs increased 75% to DKK 123.2 million compared to DKK 70.4 million in 2007 primarily caused by the effect of the acquisition of Oncotech, which caused an increased cost base. Moreover, the status of Exiqon, Inc. has been changed compared to 2007 following the establishment of a production facility in Boston, and the entity is no longer recognized solely as a sales and marketing cost but is included on a functional basis. SG&A costs are charged with DKK 6.5 million in respect of share-based payment. Net of this charge, sales and marketing costs totalled DKK 116.7 million in 2008 compared to DKK 60.5 million in 2007, or an increase of 93%. For comparative quarterly figures, please refer to p. 80-81.

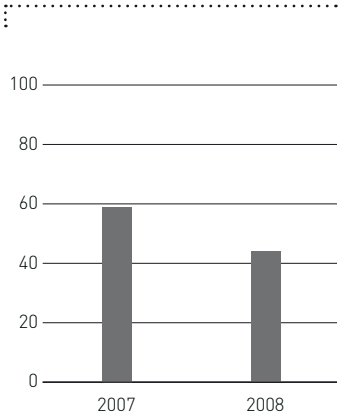
Total operating costs

Total operating costs increased 82% to DKK 181.1 million in 2008 from DKK 99.4 million in 2007 (excluding production costs). Operating costs are charged with DKK 7.1 million in respect of share-based payment. Net of this charge, total operating costs increased 95% to DKK 174.0 million in 2008 compared to DKK 89.1 million in 2007.

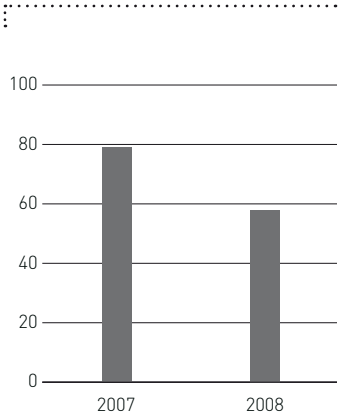
Financial items

Net financial income totaled DKK 10.6 million in 2008 compared to DKK 7.3 million in 2007. Financial income primarily consists of interest on fixed-term deposit accounts, while financial expenses mainly consist of interest on finance leases and currency losses.

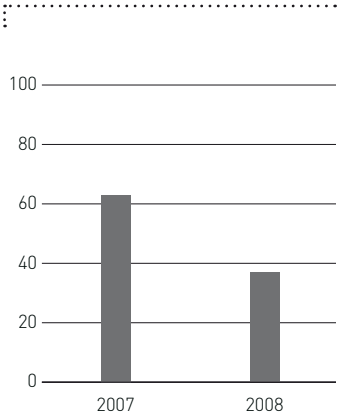
R&D costs as share of revenue



S&M costs as share of revenue



Administrative costs as share of revenue



Net loss for the year and follow-up on expectations previously announced
The net loss for 2008 totalled DKK 115.4 million compared to DKK 67.8 million in 2007. The loss is in line with the expectations announced in the Q3 interim report.

Balance sheet items
The Group had total assets of DKK 517.0 million at 31 December 2008. Intangible assets amounted to DKK 211.8 million, property, plant and equipment DKK 82.8 million, while current assets amounted to DKK 219.8 million, of which receivables represented DKK 26.1 million. Equity stood at DKK 462.9 million at the end of 2008 as compared with DKK 343.4 million in 2007. The positive movements in equity were attributable to the capital increase as part of the acquisition of Oncotech, Inc.

Cash flow statement
Operating activities generated a cash outflow of DKK 123.7 million in 2008, while investing activities caused an outflow of DKK 18.7 million. Financing activities generated a cash outflow of DKK 15.8 million.

Capital resources and liquidity
At 31 December 2008, cash and cash equivalents totaled DKK 174.3 million compared to DKK 331.5 million at 31 December 2007. As part of the company's growth strategy, working capital is invested in product development, production capacity, inventories and trade receivables during the build-up phase with the goal of reaching profitability by 2011 with the company's current cash position and break even of the research products business by 2009.

Earnings per share
Earnings per share amounted to DKK -3.94 in 2008 compared to -3.35 in 2007 and are in line with expectations.

2009 Outlook
We expect 2009 to be another year of strong organic growth in revenue.

We will continue to invest in sales and marketing activities and in the development of our diagnostic pipeline.

We expect that Exiqon Life Sciences will realize its growth potential based on the new qPCR product series launched in 2008 and our launch of the miRCURY™ RNA Isolation Kit in January 2009. Our plan is to further expand our product offering in the second half of the year accomplishing our miRNA one-stop supplier strategy for the Life Sciences business.

In Exiqon Pharma Services, we expect to be able to announce our first strategic collaborations in 2009.

In Exiqon Diagnostics, we are looking forward to introducing our first miRNA test. We expect revenue growth to be supported by the introduction of a series of new non-proprietary diagnostic products.

For 2009, Exiqon expects total revenue of DKK 175-200 million, of which Exiqon Diagnostics is expected to contribute DKK 70-80 million and Exiqon Life Sciences, including revenue from Exiqon Pharma Services, is expected to contribute DKK 105-120 million.

The net loss for the year 2009 is expected to be DKK 120-135 million including costs of current incentive programmes, including warrants, expensed in the amount of DKK 5 million.

All of the above expectations are based on an average USD/DKK exchange rate of DKK 6.00 for 2009. All other things being equal, fluctuations in the USD/DKK exchange rate will impact Exiqon's financial expectations as illustrated below.

Exiqon maintains its long term financial goal of reaching profitability by 2011 with its current capital resources and a cash flow positive Life Sciences business by end 2009.

	USD/DKK 6.00	**USD/DKK 5.25**
Exiqon Group revenue	DKK 175-200 million	DKK 155-180 million
Exiqon Diagnostics revenue	DKK 70-80 million	DKK 60-70 million
Exiqon Life Sciences revenue	DKK 105-120 million	DKK 95-110 million
Net loss	DKK 120-135 million	DKK 115-130 million

Shareholder information

Corporate governance
Exiqon wishes to maintain a high standard of corporate governance and complies with the recommendations published by NASDAQ OMX Copenhagen in 2005 as changed on 8 February 2008 with the following exceptions:

- During 2009, the Board of Directors intends to follow the recommendation regarding terms for directorships.

- The Board of Directors plans to establish a formalized assessment procedure whereby the cooperation between the Board of Directors and the Executive Management is assessed once each year in a meeting between the CEO and the Chairman of the Board of Directors.

- The Board of Directors plans to establish a formalized assessment procedure which continuously and systematically assesses the work, results and composition of the Board of Directors and the individual members, including the Chairman, in order to improve the Board of Directors' work.

- Exiqon does not follow the recommendation that remuneration to the Board of Directors should not include share option programmes since we believe that the possibility of allocating warrants to board members is important to attract board members with the right qualifications. Share options are granted at the market price prevailing at the date of grant in accordance with the rules for executive remuneration approved by the annual general meeting.

Board of Directors
All board members elected by the annual general meeting are up for election each year.

Procedures and guidelines for Exiqon's management reporting to the Board of Directors and for the mutual communication between the Board of Directors and the Executive Management are described in the Board of Directors' rules of procedure which also include a fixed calendar of meetings to ensure that the Board of Directors observes its duties. In 2008, the Board of Directors held six meetings. The Board of Directors also held a full one-day strategy seminar in September 2008.

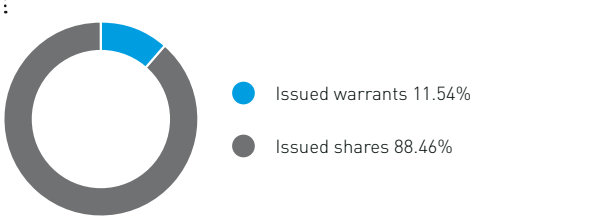
Board committees
Exiqon uses board committees, and the Board of Directors has set up two board committees: an audit committee and a compensation committee. Board committees are used to achieve the best possible quality in the Board of Directors' work and to ensure the Board of Directors' involvement in important current issues. Material decisions are always made by all members of the Board of Directors, and all members are informed of all decisions.

The members of the audit committee are appointed by the Board of Directors and meet at least twice each year. The audit committee, *inter alia*, assists the Board of Directors in supervising the company's preparation of financial statements and financial reporting, the accounting policies and the company's internal controls, accounting practices and various procedures. The audit committee currently consists of Michael Nobel, Thorleif Krarup, and Frank Kiesner. In 2008, the audit committee held three meetings.

The members of the compensation committee are appointed by the Board of Directors and must meet at least twice each year. The committee, *inter alia*, assists and advises the Board of Directors in connection with the remuneration of the Board of Directors and the Executive Management and the company's bonus and warrant schemes. The compensation committee currently consists of Thorleif Krarup, Erik Walldén and Per Wold-Olsen. In 2008, the compensation committee held four meetings.

Executive remuneration
At an extraordinary general meeting held on 31 January 2008, the overall guidelines for incentive schemes for members of the Board of Directors and

Issued warrants as share of capital, end 2008



the Executive Management of Exiqon were approved for Exiqon A/S in accordance with Section 69 b of the Danish Public Companies Act. ("Members of the Executive Management" means the manager(s) registered with the Danish Commerce and Companies Agency as such.) These rules are summarized below and full details are available at www.exiqon.com.

Exiqon operates in an international environment. Our incentive scheme is adjusted to comply with international standards since we are highly dependent on our ability to attract and retain adequate members of the Board of Directors, Executive Management and key employees internationally. Our incentive scheme contributes to Exiqon being able to offer a competitive remuneration package to these groups of people. Furthermore, incentive pay contributes to creating an incentive for such persons to work for a positive development of Exiqon and hence for such persons to benefit from the value that they contribute to Exiqon and its shareholders.

Incentive schemes at Exiqon may consist of share options, share subscription rights (warrants), phantom shares (stock appreciation rights programme) and cash bonuses. In addition, members of the Executive Management will always be eligible for participation in general employee share option programmes.

Share based instruments
Under Exiqon's existing incentive scheme, share subscription rights (warrants) may be issued during the period until 2 May 2012 to members of the Board of Directors and Executive Management, employees of Exiqon A/S and its subsidiaries as well as external consultants and advisors giving the right to subscribe for up to nominally DKK 4,500,000 shares, part of which has been issued. However, this is subject to the total number of warrants outstanding under previous authorizations and under the existing authorization not amounting to more than 12% of Exiqon A/S' nominal share capital. Allocated warrants vest and may be exercised by 1/36 over a period of 3 years. The vesting period may be accelerated under certain circumstances, including a change of control of Exiqon A/S.

Stock appreciation rights programme
In connection with Exiqon's listing in 2007, the Board of Directors adopted a stock appreciation rights programme for employees of Exiqon, Inc. under which programme stock appreciation rights ("SARs") may be issued. Issued SARs vest over a period of 3 years with 1/36 each month starting the first month after allocation. Unexercised SARs lapse automatically on 2 May 2012. Upon exercise of SARs, the holder is entitled to receive a cash amount from Exiqon, Inc. equal to the difference between the price of Exiqon's shares on the exercise date and the price on the allocation date less 5% per annum times the number of shares in Exiqon for which vested SARs are exercised. The vesting of issued SARs and exercise periods may be accelerated under certain circumstances, including a change of control of Exiqon A/S.

Cash bonuses
An annual cash bonus may be granted based in principle upon the fulfillment of targets defined for each individual member of the Executive Management in relation to his or her personal development and business area which has been agreed on an individual basis for the financial year in question. The size of the bonus will depend upon the degree of fulfillment of each of the predefined targets.

The Board of Directors may also in individual years decide to grant a completely discretionary bonus and, if so, the size of such bonus. Such bonus may for instance be based on extraordinary circumstances, performance or the attainment of specific results. It is not possible to determine the present value of any discretionary cash bonuses, but it may on attainment of the predefined targets amount to up to 30% of the base salary.

Board of Directors
At present, the Board of Directors of Exiqon A/S is composed of five members. The Board members' business address is Exiqon A/S, Skelstedet 16, 2950 Vedbæk, Denmark.

A list of the members of the Board of Directors is set out below.

Thorleif Krarup, Chairman
(born 1952, Danish citizen). Thorleif Krarup holds a number of directorships and is Senior Advisor to Nordic Capital. During the period 1985-2003, Thorleif Krarup served as Managing Director/Group CEO in Nykredit (1985-1992), Unibank (1992-2000) and Nordea (2000-2003).

Current directorships and managerial positions:
H. Lundbeck A/S (deputy chairman)
ALK -Abelló A/S (deputy chairman)
LFI A/S (vice chairman)
Group 4 Securicor Plc (board member)
Bang & Olufsen A/S (board member)
Brightpoint Inc. (board member)
The Lundbeck Foundation (board member)
Sport One Danmark A/S (chairman)

Erik Walldén, Deputy Chairman
(born 1949, Swedish citizen). Erik Walldén has worked in the biotech industry for many years and held managerial positions in marketing with Pharmacia LKB Biotechnology AB and PerSeptive Biosystems. Erik Walldén was formerly the CEO of Pyrosequencing, Biacore AB and Affibody Holding AB.

Current directorships and managerial positions:
Proxeon A/S (board member)
Proxeon Bioinformatics A/S (board member)
Proxeon Biosystems A/S (board member)

Frank J. Kiesner, Board member
(born 1944, U.S. citizen). Frank J. Kiesner, J.D., was President and CEO of Oncotech from 1992 until 2008. Frank J. Kiesner has served on the Board of the University of California, Irvine (UCI) Foundation and the Board of Directors of the College of Biomedical Engineering at UCI. He was Chairman of the Directors Council for the UCI Cancer Center, as well as serving on the board of numerous civic groups.

Current directorships and managerial positions:
None.

Michael Nobel, Board member
(born 1956, Danish citizen). Michael Nobel trained and was employed with A.P.Møller between 1978 and 1983, after which time he became Export Manager with E. Nobel Cigar og Tobaksfabrikker A/S and Skandinavisk Tobakskompagni A/S. Michael Nobel is co-founder and chairman of the software company Medtime A/S.

Current directorships and managerial positions:
Medtime A/S (chairman)
H. J. Nobel Handelsselskab A/S
(board member and CEO)
Ejendomsselskabet Vestenborg Allé A/S
(board member)
Ejendomsselskabet Vestergade A/S (board member)

Per Wold-Olsen, Board member
(born 1947, Norwegian citizen). Per Wold-Olsen, MBA, holds a number of directorships and is Health Policy Advisor to Gilead Sciences, Inc. He worked in the pharmaceutical industry with Merck & Co., Inc. from 1974 until 2006. Since 1991, Per Wold-Olsen has been based in the U.S. He retired from Merck in 2006 as President Merck Intercontinental Region.

Current directorships and managerial positions:
H. Lundbeck A/S (chairman)
GN Netcom A/S (chairman)
GN Resound A/S (chairman)
GN Store Nord A/S (chairman)

Executive Management

Lars Kongsbak, Chief Executive Officer*
Lars Kongsbak joined Exiqon in 2000 as head of the EURAY division, later of R&D and finally was in charge of Business Development, before he was appointed CEO in 2003. Before joining Exiqon, Lars Kongsbak served as Senior Scientist with Novozymes, Novo Nordisk and BioImage, respectively. For several years, Lars Kongsbak was a Post Doc in the United States, Australia and Denmark. Lars Kongsbak is the inventor of several patents and the author of more than 40 scientific publications. Lars earned his M.Sc. in Biology from the University of Copenhagen (1988) and his Ph.D. in Molecular Biology from the Technical University of Denmark (1990).

* Registered with the Danish Commerce and Companies Agency

Hans Henrik Chrois Christensen, Chief Financial Officer*
Hans Henrik Chrois Christensen joined Exiqon as CFO in January 2007 from a corresponding position with Pharmexa A/S. Hans Henrik Chrois Christensen has a background as a group general counsel with Danisco A/S (1998-2002) where he completed an in-house management training programme, and as an attorney at-law with the law firm Dragsted & Helmer Nielsen (now Bech-Bruun), Copenhagen. Hans Henrik earned his Master of Laws from the University of Copenhagen (1990) and qualified as attorney-at-law in 1993 with a right to appear before the Danish High Court.

Cynthia K. French, Chief Scientific Officer
Cynthia K. French joined Exiqon in July 2008 from Affymetrix, where she served as Vice President, Clinical Services Laboratory, responsible for building and operating the CLIA laboratory. Prior to Affymetrix, Cynthia served as Vice President, Chief Scientific Officer at Speciality Laboratories and before then she held a number of senior positions at Quest Diagnostics Inc., Pluvita, Bio-Rad Laboratories, Diagnostic Products Corporation and Du Pont. Cynthia was co-founder of Pluvita and she was responsible for the merger of the company with Diogenics. Cynthia received her Ph.D. and MBA from the University of California and she was a postdoctoral fellow at MIT and Harvard University.

R. Erik Holmlin, Chief Commercial Officer
R. Erik Holmlin joined Exiqon in July 2008 from BD Diagnostics, GeneOhm, where he held a number of executive positions within marketing, technology and strategy. Erik was one of the founders of GeneOhm, which he formed in 2001 and sold to BD Diagnostics in 2006. Erik earned his Ph.D. degree in chemistry from the California Institute of Technology in Pasadena and held a postdoctoral position at Harvard University. Erik also holds MBA degrees from the UC Berkeley and Columbia University business schools.

Ownership structure and major shareholders
At 31 December, Exiqon had more than 1,000 shareholders, who own the company's total share capital.

Share capital
The share capital of Exiqon A/S is DKK 30,298,295 as at 31 December 2008, divided into shares of DKK 1 each or multiples thereof. Every share of DKK 1 confers one vote. Article 3 of the company's articles of association includes authorizations to the Board of Directors to increase the share capital pursuant Section 37 of the Danish Public Companies Act in connection with the exercise of warrants. A copy of Exiqon's articles of association is available at www.exiqon.com.

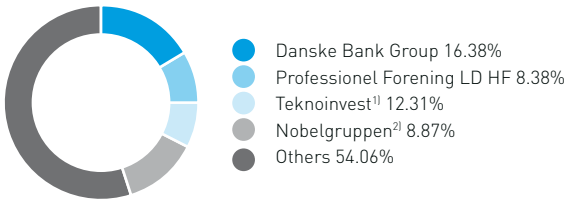
The shares are not divided into classes, nor are any special rights attached to any shares.

Dividend policy
Exiqon has not previously paid dividends and is not planning to do so in the foreseeable future.

Investor relations policy
Exiqon maintains an open and continuous dialogue with existing and potential shareholders, stakeholders and the general public. We aim for a high degree of openness and we are committed to communicating information in compliance with the disclosure requirements of the NASDAQ OMX Copenhagen A/S.

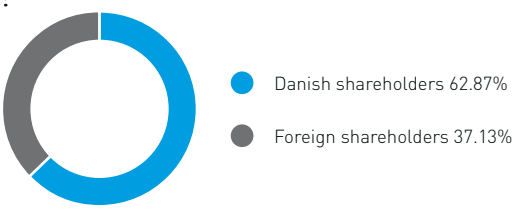
The following shareholders have reported ownership of 5% or more of the company's total share capital:

Major shareholders' share of total capital



[1] Teknoinvest consists of Teknoinvest VIII KS (Oslo) and KS Teknoinvest VI (Oslo).
[2] The Nobel Group consists of: H.J. Nobel 1 ApS (Nykøbing F), H.J: Nobel 2 ApS (Nykøbing (F), H.J. Nobel 4 ApS (Fredensborg), Inge Nobel (Nykøbing F), Store Ladegård ApS (Sorø) and Michael Nobel (Klampenborg).

Composition between Danish and foreign shareholders



Exiqon publishes quarterly reports on the company's development, including relevant financial information. In addition, we publish details about the company where such information is considered important to the pricing of its shares. Exiqon maintains an insider register and publishes any changes to certain insiders' shareholdings in accordance with the rules that apply for NASDAQ OMX Copenhagen A/S. Any such publication will be made immediately after the transaction. We have adopted in-house rules that allow insiders to purchase and sell shares in Exiqon A/S only during a 28-day period after the company's publication of interim financial statements. Such information will first be published via the websites of the NASDAQ OMX in Copenhagen (www.omxnordicexchange.com) and will immediately thereafter be available on our website. Shareholders and others who via our website have requested the receipt of e-mail news from Exiqon will receive the information immediately thereafter.

We respect the principle of equal treatment of all market players to ensure fair pricing of Exiqon's shares.

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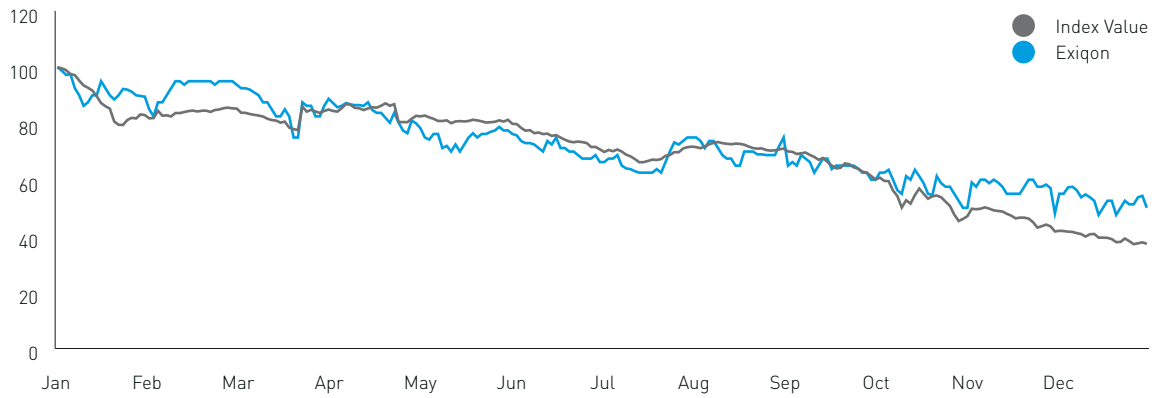
Financial calendar 2009

3 March	Release final results 2008
1 April	Annual General Meeting
15 May	Release Q1
26 August	Release half year
17 November	Release Q3

Share price performance in 2008 compared to small cap+ (PI) share index on NASDAQ OMX Copenhagen



Stock exchange releases 2008

No. 1/2008	Exiqon A/S enters into a definitive agreement to acquire Oncotech, Inc. and enters the market for cancer molecular diagnostics.
No. 2/2008	Exiqon A/S calls for an extraordinary general meeting on 31 January 2008.
No. 3/2008	Oncotech acquisition: Summary of transaction terms and financial information relating to Oncotech, Inc.
No. 4/2008	Report on the extraordinary general meeting and issue of warrants in Exiqon A/S.
No. 5/2008	Financial calendar for 2008.
No. 6/2008	Articles of association as of 1 January 2008.
No. 7/2008	Prospectus in connection with a private placement of up to 6,161,004 new shares.
No. 8/2008	The Oncotech transaction. Exiqon A/S has negotiated all agreements necessary to complete the acquisition of Oncotech Inc., but closing not yet completed.
No. 9/2008	Closing of the Oncotech transaction.
No. 10/2008	Frank Kiesner to become a new member of Exiqon's Board of Directors.
No. 11/2008	Articles of Association.
No. 12/2008	Annual Report 2007.
No. 13/2008	Exiqon A/S calls for an ordinary general meeting on 2 April 2008.
No. 14/2008	Report regarding the managements' and closely related parties' transactions with securities in Exiqon A/S.
No. 15/2008	Report regarding the managements' and closely related parties' transactions with securities in Exiqon A/S.
No. 16/2008	Exiqon A/S' share capital and total number of voting rights
No. 17/2008	Report regarding the managements' and closely related parties' transactions with securities in Exiqon A/S.
No. 18/2008	Minutes of annual general meeting 2008.
No. 19/2008	Exiqon A/S issues new warrants to the company's Board of Directors and to employees in a subsidiary.
No. 20/2008	Exiqon A/S increases its share capital in connection with exercise of warrants.
No. 21/2008	Articles of Association
No. 22/2008	Exiqon A/S forms collaboration with Rigshospitalet.
No. 23/2008	Exiqon A/S' share capital and total number of voting rights.
No. 24/2008	Interim report for the first 3 months of 2008 (unaudited).
No. 25/2008	Consortium of Exiqon A/S, Rigshospitalet and The University of Copenhagen awarded DKK 14 million by Danish National Advanced Technology Foundation.
No. 26/2008	Articles of Association.
No. 27/2008	Exiqon A/S forms research collaboration with M. D. Anderson Cancer Center.
No. 28/2008	Exiqon A/S increases its share capital in connection with exercise of warrants.
No. 29/2008	Articles of Association.
No. 30/2008	Major shareholder announcement: The Danske Bank Group
No. 31/2008	Exiqon A/S appoints Cynthia French as Chief Scientific Officer and Erik Holmlin as Chief Commercial Officer.
No. 32/2008	Interim report for the period 1 January – 30 June 2008 (unaudited).
No. 33/2008	Report regarding the managements' and closely related parties' transactions with securities in Exiqon A/S.
No. 34/2008	Major shareholder announcement: Investeringsforeningen Danske Invest.
No. 35/2008	Exiqon A/S increases its share capital in connection with exercise of warrants.
No. 36/2008	Articles of Association.
No. 37/2008	Exiqon A/S issues new warrants to the company's managers and five key employees.
No. 38/2008	Articles of Association.
No. 39/2008	Exiqon A/S' share capital and total number of voting rights.
No. 40/2008	Exiqon A/S grants license to Roche Diagnostics for use of the Universal Probe Library™.
No. 41/2008	Major shareholder announcement: Scandinavian Life Science Venture.
No. 42/2008	Major shareholder announcement: The Danske Bank Group.
No. 43/2008	Exiqon A/S announces positive clinical data from EORTC clinical trial showing Oncotech EDR® Assay predicts resistance to platinum-based therapy in ovarian cancer.
No. 44/2008	Interim report for the period 1 January – 30 September 2008 (unaudited).
No. 45/2008	Report regarding the managements' and closely related parties' transactions with securities in Exiqon A/S.
No. 46/2008	Exiqon A/S announces launch of first molecular diagnostic test for colon cancer recurrence based on miRNA.
No. 47/2008	Report regarding the managements' and closely related parties' transactions with securities in Exiqon A/S.
No. 48/2008	Financial calendar 2009.

Statement by the Executive Management and the Board of Directors

We have today presented the annual report of Exiqon A/S for 1 January to 31 December 2008.

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 annual reports for listed companies.

We consider the accounting policies appropriate for the annual report to provide a true and fair view of the Group's and the Parent company's financial position at 31 December 2008 and of their financial performance and their cash flows for the financial year 1 January to 31 December 2008.

We believe that the Executive Management's review gives a fair presentation of developments in the Group's and the Parent's activities and finances, results for the year and of the Group's financial position in general as well as a fair description of the most significant risks and uncertainties to which the Group is exposed.

We recommend the annual report for adoption at the Annual General Meeting.

Vedbaek, 3 March 2009

Executive Management

Lars Kongsbak
CEO

Hans Henrik Chrois Christensen
CFO

Board of Directors

Thorleif Krarup
Chairman

Erik Walldén
Deputy Chairman

Michael Nobel

Per Wold-Olsen

Frank Kiesner

Statement by the independent auditor

To the shareholders of Exiqon A/S
We have audited the annual report of Exiqon A/S for the financial year 1 January to 31 December 2008, which comprises the statement by the Executive Management on the annual report, the Executive 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. We have not audited quarterly figures included in the management review presented on p. 28-30 and additional notes published on p. 80-81. 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.

Executive Management's responsibility for the annual report
The Executive 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 the Executive 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 2008, and of their financial performance and their cash flows for the financial year 1 January to 31 December 2008 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

Copenhagen, 3 March 2009

Deloitte
Statsautoriseret Revisionsaktieselskab

Jens Rudkjær
State Authorized
Public Accountant

Jørgen Holm Andersen
State Authorized
Public Accountant

Accounts

CONTENTS

Income statement

Parent				Group	
2007 DKK'000	2008 DKK'000		Note	2008 DKK'000	2007 DKK'000
35,514	62,762	Revenue	3	128,273	49,478
-24,573	-35,542	Production costs	6, 7, 8	-73,080	-25,174
10,941	**27,220**	**Gross profit**		**55,193**	**24,304**
-29,035	-41,544	Research and development costs	6, 7, 8, 9	-57,898	-29,035
-26,244	-28,773	Sales and marketing costs	6, 7, 8, 9	-73,677	-39,080
-31,316	-32,166	Administrative expenses	6, 7, 8, 9	-49,497	-31,316
-75,654	**-75,263**	**Operating profit/(loss) (EBIT)**		**-125,879**	**-75,127**
9,571	13,005	Financial income	10	12,211	8,921
-1,540	-847	Financial expenses	10	-1,621	-1,580
-67,623	**-63,105**	**Profit/(loss) before tax**		**-115,289**	**-67,786**
0	0	Tax on the profit/(loss) for the year	11	-61	0
-67,623	**-63,105**	**Profit/(loss) for the year**		**-115,350**	**-67,786**
		Earnings per share			
		Earnings per share	12	-3.94	-3.35
		Diluted earnings per share	12	-3.94	-3.35
		Proposed distribution of loss			
		The Board of Directors proposes that the loss for the year be distributed as follows:			
-67,623	**-63,105**	**Retained earnings**			

Balance sheet 31 December

Parent				Group	
2007 DKK'000	2008 DKK'000		Note	2008 DKK'000	2007 DKK'000
0	0	Goodwill		138,148	0
0	0	Customer relationships		42,460	0
0	0	Trademarks		12,230	0
9,010	11,179	Acquired patent rights		15,280	9,010
2,051	3,136	Acquired software licenses		3,136	2,051
0	538	Intangible assets in progress		538	0
11,061	**14,853**	**Intangible assets**	**13**	**211,793**	**11,061**
0	0	Tumor bank		45,876	0
2,974	3,299	Leasehold improvements		6,045	2,974
11,669	13,569	Production and laboratory equipment		25,476	13,106
3,346	4,032	Fixtures and fittings, tools and equipment		5,034	3,830
1,539	379	Tangible assets in progress		379	1,539
19,528	**21,279**	**Property, plant and equipment**	**14**	**82,810**	**21,449**
1	276,200	Investments in subsidiaries	15	0	0
2,125	2,145	Deposits		2,614	2,319
1,312	0	Prepayments in connection with acquisitions	16	0	1,312
3,438	**278,346**	**Financial assets**		**2,614**	**3,631**
34,027	**314,478**	**Non-current assets**		**297,217**	**36,141**
7,044	**10,936**	**Inventories**	**17**	**14,703**	**7,044**
11,802	8,368	Trade receivables	18	26,059	14,030
7,840	29,131	Receivables from group companies	19	0	0
918	917	Prepayments		3,484	1,406
1,774	1,165	Other receivables	20	1,260	1,830
22,334	**39,581**	**Receivables**		**30,802**	**17,266**
326,641	**170,998**	**Cash and cash equivalents**		**174,258**	**331,504**
356,019	**221,515**	**Current assets**		**219,763**	**355,814**
390,046	**535,993**	**Total assets**		**516,980**	**391,955**

Balance sheet 31 December

Parent				Group	
2007 DKK'000	2008 DKK'000		Note	2008 DKK'000	2007 DKK'000
24,441	30,298	Share capital	21,22	30,298	24,441
319,745	464,624	Other reserves		432,589	318,925
344,186	**494,922**	**Equity**		**462,887**	**343,366**
0	0	Deferred tax	23	0	0
7,818	11,579	Finance lease liabilities	24	13,095	7,818
7,818	**11,579**	**Non-current liabilities**		**13,095**	**7,818**
2,740	4,182	Finance lease liabilities	24	4,385	2,740
14,024	6,893	Trade payables		11,099	15,799
0	1,384	Payables to group companies		0	0
11,713	0	Prepayments		550	11,713
9,565	17,033	Other payables		24,964	10,519
38,042	**29,492**	**Current liabilities**		**40,998**	**40,771**
45,860	**41,071**	**Total liabilites**		**54,093**	**48,589**
390,046	**535,993**	**Total equity and liabilities**		**516,980**	**391,955**
		Other notes	25-30		

Cash flow statement

Parent				Group	
2007 DKK'000	2008 DKK'000		Note	2008 DKK'000	2007 DKK'000
-75,654	-75,246	Operating profit		-125,999	-75,127
4,991	8,242	Depreciation		19,601	5,070
10,055	8,640	Non-cash adjustments	27	8,640	10,055
10,176	-13,332	Change in working capital	26	-36,493	14,490
-50,432	**-71,697**			**-134,251**	**-45,512**
8,031	12,147	Net interest and value gains		10,532	7,341
-42,401	**-59,551**	**Cash flows from operating activities**		**-123,719**	**-38,171**
-4,150	-5,356	Acquisition of intangible assets		-15,090	-4,150
-7,676	-321	Acquisition of property, plant and equipment		-3,626	-9,497
0	46	Sale of property, plant and equipment		46	0
-1,112	0	Change in other financial assets		0	-1,263
0	-18,361	Loan to Group Companies		0	0
0	-63,468	Capital injection in subsidiaries		0	0
0	-6,061	Investment in subsidiaries		0	0
-1,312	0	Prepayments in connection with investments in financial assets		0	-1,312
-14,250	**-93,521**	**Cash flows from investing activities**		**-18,669**	**-16,222**
-1,678	-3,275	Repayment of lease debt		-3,621	-1,678
0	0	Repayment of loans		-12,847	0
399,741	0	Proceeds from capital increase		0	399,741
2,656	2,915	Proceeds from warrant exercises		2,915	2,656
-34,069	-2,212	Costs in relation to capital increase		-2,212	-34,069
-860	0	Costs in relation to prospectus 2008		0	-860
365,790	**-2,572**	**Cash flows from financing activities**		**-15,765**	**365,790**
309,139	**-155,644**	**Change in cash and cash equivalents**		**-158,153**	**311,397**
0	0	Unrealised currency gain/loss		0	-289
17,502	326,641	Cash and cash equivalents at 1 January		331,504	20,396
0	0	Cash acquired from Oncotech, Inc.		907	0
326,641	**170,998**	**Cash and cash equivalents at 31 December**		**174,258**	**331,504**
		Analysis of cash and cash equivalents:			
14,199	19,450	Cash and demand deposits		22,710	19,062
312,442	151,548	Fixed-term deposits		151,548	312,442
326,641	**170,998**			**174,258**	**331,504**

Statement of changes in equity

Group			Other reserves			
	Number of shares No.	Share capital (DKK'000)	Reserve for exchange adjustments (DKK'000)	Share-based payment (DKK'000)	Retained profit (DKK'000)	Total (DKK'000)
Equity at 1 January 2008	**24,441,064**	**24,441**	**-897**	**14,155**	**305,667**	**343,366**
Profit/(loss) for the year					-115,350	-115,350
Exchange adjustments relating to foreign subsidiaries			21,030			21,030
Total recognized income and expense for the year		**0**	**21,030**	**0**	**-115,350**	**-94,320**
Capital increases	5,550,274	5,550	0	0	199,810	205,360
Costs in relation to capital increases					-2,212	-2,212
Warrant exercises in 2008	306,957	307	0	0	2,609	2,916
Reversal of share-based payment				-1,101	1,101	0
Share-based payment				7,777		7,777
Other transactions	**5,857,231**	**5,857**	**0**	**6,676**	**201,308**	**213,841**
Equity at 31 December 2008	**30,298,295**	**30,298**	**20,133**	**20,831**	**391,625**	**462,887**
Equity at 1 January 2007	**7,033,065**	**7,033**	**-552**	**4,863**	**22,629**	**33,973**
Profit/(loss) for the year					-67,786	-67,786
Exchange adjustments relating to foreign subsidiaries			-345			-345
Total recognized income and expense for the year			**-345**		**-67,786**	**-68,131**
Proceeds from capital increases	9,993,500	9,994			389,747	399,741
Costs in relation to capital increases					-34,069	-34,069
Costs in relation to the acquisition of Oncotech					-860	-860
Warrant exercises in 2007	274,004	274			2,383	2,657
Reversal of share-based payment				-763	763	0
Issue of bonus shares	7,140,495	7,140			-7,140	0
Share-based payment				10,055	0	10,055
Other transactions	**17,407,999**	**17,408**	**0**	**9,292**	**350,824**	**377,524**
Equity at 31 December 2007	**24,441,064**	**24,441**	**-897**	**14,155**	**305,667**	**343,366**

Statement of changes in equity

Parent	Number of shares No.	Share capital (DKK'000)	Share-based payment (DKK'000)	Retained profit (DKK'000)	Total (DKK'000)
Equity at 1 January 2008	**24,441,064**	**24,441**	**14,155**	**305,590**	**344,186**
Profit/(loss) for the year				-63,105	-63,105
Total recognized income and expense for the year				**-63,105**	**-63,105**
Capital increases	5,550,274	5,550		199,810	205,360
Costs in relation to capital increases				-2,212	-2,212
Warrant exercises in 2008	306,957	307		2,609	2,916
Reversal of share-based payment			-1,101	1,101	0
Share-based payment			7,777	0	7,777
Other transactions	**5,857,231**	**5,857**	**6,676**	**201,308**	**213,841**
Equity at 31 December 2008	**30,298,295**	**30,298**	**20,831**	**443,793**	**494,922**
Equity at 1 January 2007	**7,033,065**	**7,033**	**4,863**	**22,389**	**34,285**
Profit/(loss) for the year				-67,623	-67,623
Total recognized income and expense for the year				**-67,623**	**-67,623**
Proceeds from capital increases	9,993,500	9,994		389,747	399,741
Costs in relation to capital increases				-34,069	-34,069
Costs related to the acquisition of Oncotech				-860	-860
Warrant exercises in 2007	274,004	274	0	2,383	2,657
Reversal of share-based payment			-763	763	0
Issue of bonus shares	7,140,495	7,140		-7,140	0
Share-based payment			10,055	0	10,055
Other transactions	**17,407,999**	**17,408**	**9,292**	**350,824**	**377,524**
Equity at 31 December 2007	**24,441,064**	**24,441**	**14,155**	**305,590**	**344,186**

Notes to the financial statements

Note 1. Accounting policies

The annual report of Exiqon A/S for the year ended 31 December 2008, comprising the financial statements of the parent company and the consolidated financial statements, has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for the annual reports for accounting class D (listed companies).

The annual report also complies with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The annual report is presented in Danish kroner (DKK), which is considered the presentation currency of the Group's activities and the functional currency of the parent company.

The annual report is presented on a historical cost basis. Otherwise, the accounting policies, which remain unchanged from last year, are as described in the following.

IMPLEMENTATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The annual report for 2008 has been implemented with the new and revised Standards (IFRS/IAS) and the new Interpretations (IFRIC) that apply to financial years beginning 1 January 2008 or later. These Standards and Interpretations are:

- IAS 39, Financial Instruments: Recognition and Measurement
- IFRIC 11, IFRS 2 - Group and Treasury Share Transactions
- IFRIC 12, Service Concession Arrangements
- IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction

The Group has decided to adopt IFRS 8, Business Segments, which is effective for financial years beginning 1 January 2009 or later. IFRS 8 is a disclosure Standard which has resulted in a redesignation of the Group's reportable segments (note 4), but had no impact on the reported or financial position for the Group.

The implementation of the new and revised Standards and Interpretations in the annual report for 2008 has not led to changes in the accounting policies, but has solely affected the scope and the nature of the disclosures in the notes to the annual report.

STANDARDS AND INTERPRETATIONS THAT HAVE NOT YET BECOME EFFECTIVE

At the time of publication of this annual report, the following new or revised Standards and Interpretations have not yet become effective, for which reason they have not been incorporated in this annual report:

- Revised IFRS 2, Share-Based Payment. The Standard is effective for financial years beginning 1 January 2009 or later. The Standard has not yet been adopted by the EU.
- Revised IFRS 3, Business Combinations. The Standard is effective for financial years beginning 1 July 2009 or later. The Standard has not yet been adopted by the EU.
- Revised IAS 1, Presentation of Financial Statements. The revised Standard is effective for financial years beginning 1 January 2009 or later. The Standard has not yet been adopted by the EU.
- Revised IAS 23, Borrowing Costs. The revised Standard is effective for financial years beginning 1 January 2009 or later. The Standard has not yet been adopted by the EU.
- Revised IAS 27, Consolidated and Separate Financial Statements. The revised Standard is effective for financial years beginning 1 January 2009 or later.
- Minor adjustments to miscellaneous standards following IASB's yearly improvement initiatives (2008). Most adjustments are effective for financial years beginning 1 January 2009 or later. The adjustments have not yet been adopted by the EU.
- IFRIC 13, Customer Loyalty Programmes. The Interpretation is effective for financial years beginning 1 August 2008 or later. The Interpretation has not yet been adopted by the EU.
- IFRIC 15, Agreements for the Construction of Real Estate. The Interpretation is effective for financial years beginning 1 January 2009 or later. The Interpretation has not yet been adopted by the EU.
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation. The Interpretation is effective for financial years beginning 1 October 2008 or later. The Interpretation has not yet been adopted by the EU.
- IFRIC 17, Distributions of Non-cash Assets to Owners. The Interpretation is effective for financial years beginning 1 July 2009 or later. The Interpretation has not yet been adopted by the EU.

Notes to the financial statements

Implementation of the revised IFRS 3, Business Combinations, will imply that, effective from the financial year 2010, the Group is required to recognize acquisition costs and changes in the contingent purchase consideration in connection with acquisitions directly in profit or loss. The implementation may also involve changes to accounting policies applied to partly recognition of goodwill related to minority interests' share of acquired entities, partly entity acquisitions achieved in stages and partial disposal of investments in subsidiaries.

The Executive Management and Board of Directors anticipate that the adoption of these new and revised Standards and Interpretations will have no material impact on the annual reports for the coming financial years.

CONSOLIDATION

The consolidated financial statements comprise the financial statements of Exiqon A/S (the parent company) and companies (subsidiaries) controlled by the parent company. The parent company is considered to control a subsidiary when it directly or indirectly holds more than 50% of the voting rights or is otherwise able to exercise or actually exercises a controlling influence.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of Exiqon A/S and its subsidiaries. The consolidated financial statements are prepared by combining items of a like nature. The financial statements used for consolidation purposes are prepared in accordance with the Group's accounting policies.

The financial statement items of subsidiaries are fully consolidated in the consolidated financial statements. On consolidation, intra-group income and expenses, intra-group balances and dividends, and gains and losses arising on intra-group transactions are eliminated.

Business combinations
Newly acquired or newly established companies are recognized in the consolidated financial statements from the date of acquisition or establishment. The date of acquisition is the date when control of the company actually passes to the Group. Companies sold or discontinued are recognized in the consolidated income statement up to the date of disposal. The date of disposal is the date when control of the company actually passes to a third party.

The cost of a company is the fair value of the consideration paid plus costs directly attributable to the business combination. If the final determination of the consideration is conditional on one or more future events, these adjustments are only recognized in cost if the event in question is likely to occur and its effect on cost can be reliably measured.

If the fair value of the acquired assets or liabilities subsequently proves different from the values calculated at the acquisition date, cost is adjusted for up to 12 months after the date of acquisition.

Any excess of the cost of an acquired company over the fair value of the acquired assets, liabilities and contingent liabilities (goodwill) is recognized as an asset under intangible assets and tested for impairment at least once a year. If the carrying amount of an asset exceeds its recoverable amount, the asset is written down to the lower recoverable amount.

FOREIGN CURRENCY TRANSLATION

On initial recognition, transactions denominated in currencies other than the Group's functional currency are translated at the exchange rate ruling at the transaction date. Receivables, liabilities and other monetary items denominated in foreign currencies which are not settled at the balance sheet date are translated at the rate of exchange at the balance sheet date. Exchange differences between the exchange rate at the date of the transaction and the exchange rate at the date of payment or the balance sheet date, respectively, are recognized in the income statement under financial items. Property, plant and equipment and intangible assets, inventories and other non-monetary assets acquired in foreign currency and measured based on historical cost are translated at the exchange rates at the transaction date. Non-monetary items revalued at fair value are translated at the exchange rates at the revaluation date.

On recognition in the consolidated financial statements of subsidiaries whose financial statements are presented in a functional currency other than DKK, their income statements are translated at average exchange rates for the respective months, unless these

Notes to the financial statements

deviate materially from the actual exchange rates at the transaction dates.

In that case, the actual exchange rates are used. Balance sheet items are translated at the exchange rates at the balance sheet date.

Exchange differences arising on the translation of foreign subsidiaries' opening balance sheet items to the exchange rates at the balance sheet date and on the translation of the income statements from average exchange rates to exchange rates at the balance sheet date are taken directly to equity. Similarly, exchange differences arising as a result of changes made directly in the equity of the foreign subsidiary are also taken directly to equity.

SHARE-BASED INCENTIVE PLANS

Share-based incentive plans in which the Executive Management, Board of Directors and employees can only buy shares in the parent company (equity-based plans) are measured at the equity instruments' fair value at the grant date and recognized in the income statement over the vesting period. The balancing item is recognized directly in equity.

Share-based incentive plans settled with cash are measured at fair value at the balance sheet date and are recognized in the income statement as vested under staff costs in the period until the employee has acquired the right to cash settlement. The balancing item is recognized as a liability.

The fair value of the equity instruments is determined using the Black & Scholes model with the parameters stated in note 7 to the financial statements.

According to the provisions of IFRS 2, costs of grants that had already vested at 1 January 2005 are not recognized.

TAX

Tax on the profit for the year comprises the year's current tax and changes in deferred tax. The tax expense relating to the profit/(loss) for the year is recognized in the income statement, and the tax expense relating to changes directly recognized in equity is recognized directly in equity. Exchange adjustments of deferred tax are recognized as part of the adjustment of deferred tax for the year.

Current tax payable and receivable is recognized in the balance sheet as the tax charge on the year's taxable income, adjusted for tax paid on account.

The current tax charge for the year is calculated based on the tax rates and rules applicable at the balance sheet date.

Deferred tax is recognized according to the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities and is calculated based on the planned use of each asset and settlement of each liability, respectively.

Deferred tax is measured using the tax rates and tax rules that are expected to apply when the deferred tax is expected to crystallize as current tax. Changes in deferred tax as a result of changed tax rates or rules are recognized in the income statement, unless the deferred tax can be attributed to items previously recognized directly in equity. In that case, the change is also recognized directly in equity.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognized in the balance sheet at the value at which the asset is expected to be realized, either through a set-off against deferred tax liabilities or as net tax assets to be offset against future positive taxable income. At each balance sheet date, it is assessed whether it is likely that there will be sufficient future taxable income for the deferred tax asset to be utilized.

INCOME STATEMENT

Revenue
Revenue from the sale of goods for resale and manufactured goods is recognized in the income statement if delivery and transfer of risk to the purchaser have taken place.

Revenue from diagnostic tests are recognized at their net realizable value in consideration of estimated differences with respect to anticipated collections from third-party payers and patients based on reporting models utilizing historical cash collection percentages and updated for currently effective reimbursement factors.

Notes to the financial statements

Revenue furthermore comprises up-front and milestone payments and other income from licence and distribution agreements. Revenue is recognized when it is probable that future economic benefits will flow to the company and that these can be measured reliably. In addition, recognition requires that all material risks and rewards of ownership have been transferred to the purchaser. If all risks and returns have not been transferred, the revenue is recognized as deferred income until all components of the transaction have been completed. Revenue from agreements with multiple components, and where the individual components cannot be separated and the fair value cannot be reliably measured, is recognized over the period of the agreement.

Revenue is measured as the fair value of the consideration received or receivable. Revenue is measured ex. VAT, taxes etc. charged on behalf of third parties and discounts.

Production costs
Production costs comprise costs incurred to generate the revenue. Costs for raw materials, consumables, production staff, rent and leasing as well as maintenance and depreciation, amortization and impairment of property, plant and equipment and intangible assets used in production are recognized in production costs.

Research and development costs
Research and development costs include salaries and costs directly attributable to the company's research and development projects less government grants. Furthermore, salaries and costs supporting direct research and development, including costs of ongoing maintenance of patents, rent, leasing and depreciation attributable to the laboratories and external scientific consultancy services, are recognized under research and development costs.

All research costs are written off in the year in which they are incurred.

Development costs are recognized in the income statement as incurred if the criteria for capitalization are deemed not to be met.

Sales and marketing costs
Sales and marketing costs comprise costs incurred for the selling and marketing of goods sold as well as for sales campaigns, costs for sales and marketing staff, including business development costs, advertising costs, rent and depreciation, amortization and impairment of property, plant and equipment and intangible assets used in the sales and marketing process.

Administrative expenses
Administrative expenses comprise expenses incurred for the management and administration of the Group, including expenses for administrative staff and management, rent, office expenses and depreciation and impairment losses on the property, plant and equipment and intangible assets used in the administration of the Group.

Financial items
Financial income and expenses comprise interest income and expenses, the interest element of finance lease payments, realized and unrealized gains and losses on transactions in foreign currencies and calculated interest costs concerning convertible debt instruments.

Interest income and expense is accrued based on the principal and the effective rate of interest. The effective rate of interest is the discount rate to be used in discounting expected future payments in relation to the financial asset or the financial liability so that their present value corresponds to the carrying amount of the asset or liability, respectively.

BALANCE SHEET

Intangible assets
On initial recognition, goodwill is measured and recognized as the excess of the cost of the acquired company over the fair value of the acquired assets, liabilities and contingent liabilities, as described under the consolidated financial statements.

On recognition of goodwill, the goodwill amount is allocated to those of the Exiqon Group's activities that generate separate cash flows (cash-generating units). The determination of cash-generating units is based on the Exiqon Group's management structure and internal financial management and reporting.

Goodwill is not amortized, but is tested for impairment at least once a year, as described below.

Notes to the financial statements

Customer Relationships are measured at cost less accumulated amortization and impairment. Customer Relationships are amortized on a straight-line basis over the expected useful life. Customer Relationships are written down to their recoverable amount where this is lower than the carrying amount, as described below.

Development projects which are clearly defined and identifiable are recognized as intangible assets if it is probable that the project will generate future economic benefits for the Group and the development costs relating to the individual assets can be measured reliably.

Development projects are measured at cost on initial recognition. The cost of development projects comprises costs, including salaries and amortization, that are directly attributable to the development projects and are necessary for the completion of the project, calculated from the date when the development project first qualifies for recognition as an asset.

Completed development projects are amortized on a straight-line basis over the useful lives of the assets. The usual amortization period is five years. For development projects protected by intellectual property rights, the maximum amortization period is the remaining term of the rights concerned. Development projects are written down to their recoverable amount where this is lower than the carrying amount, as described below. Development projects in progress are tested for impairment at least once a year.

Intellectual property rights acquired in the form of patents and licences are measured at cost less accumulated amortization and impairment. Patents are amortized on a straight-line basis over the remaining patent term, and licenses are amortized over the term of the agreement. If the actual useful life is shorter than either the remaining life or the contract period, the asset is amortized over this shorter useful life. Acquired intellectual property rights are written down to their recoverable amount where this is lower than the carrying amount, as described below.

Trademarks are measured at cost less accumulated amortization and impairment. Trademarks are amortized on a straight-line basis over the expected useful life. Trademarks are written down to their recoverable amount where this is lower than the carrying amount, as described below.

Intangible assets with indeterminable useful lives are not amortized, but are tested for impairment at least once a year. If the carrying amount of the assets exceeds the recoverable amount, the assets are written down to this lower amount, as described below.

Assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Customer Relationships	10 years
Trademarks	5 years
Acquired patent rights	5-18 years
Acquired software rights	3-5 years

Depreciation methods, useful lives and residual values are re-assessed once a year.

Property, plant and equipment
Tumor bank is measured at cost less accumulated depreciation and impairment losses. Tumor bank is depreciated progressively over a 10 year-period, since this reflects the expected use of the asset.

Production and laboratory equipment and other production plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition and any preparation costs incurred until the date when the asset is available for use. In the case of assets manufactured by the company, cost includes expenses directly attributable to the manufacture of the asset, including materials, components, third-party suppliers and labour. The cost of assets held under finance leases is determined as the lower of the fair value of the assets and the present value of future minimum lease payments.

The basis of depreciation is the cost of the asset less its residual value. The residual value is the amount that would be obtainable in a sale of the asset today, less selling costs, if the asset already had the age and were in the state expected at the end of its useful life. The cost of a total asset is divided into smaller components that are depreciated separately if such components have different useful lives.

Notes to the financial statements

Assets are depreciated on a straight-line basis over their estimated useful lives as follows (except tumor bank, which is described above):

Tumor bank (progressively)	10 years
Production plant and machinery	5 years
Fixtures and fittings, tools and equipment	3-5 years

Depreciation methods, useful lives and residual values are re-assessed once a year.

Property, plant and equipment are written down to the recoverable amount if it is deemed to be lower than the carrying amount, as described below.

Impairment of property, plant and equipment and intangible assets as well as investments in subsidiaries
The carrying amounts of property, plant and equipment and intangible assets with determinable useful lives and investments in subsidiaries are reviewed at the balance sheet date to determine whether there are any indications of impairment. If such indications are found, the recoverable amount of the asset is assessed to determine any need for an impairment write-down and, if so, the amount of the write-down.

For intangible assets with indeterminable useful lives and goodwill, the recoverable amount is assessed annually, regardless of whether any indications of impairment have been found.

If the asset does not generate any cash flows independently of other assets, the recoverable amount is calculated for the smallest cash-generating unit that includes the asset. The recoverable amount is calculated as the higher of the fair value less costs to sell and the value in use of the asset or the cash-generating unit, respectively.

In determining the value in use, the estimated future cash flows are discounted to their present value, using a discount rate reflecting current market assessments of the time value of money as well as risks that are specific to the asset or the cash-generating unit and which have not been taken into account in the estimated future cash flows.

If the recoverable amount of the asset or the cash-generating unit is lower than the carrying amount, the carrying amount is written down to the recoverable amount.

For cash-generating units, the write-down is allocated in such a way that goodwill amounts are written down first, and any remaining need for write-down is allocated to other assets in the unit, although no individual assets are written down to a value lower than their fair value less costs to sell. Impairment write-downs are recognized in the income statement.

If write-downs are subsequently reversed as a result of changes in the assumptions on which the calculation of the recoverable amount is based, the carrying amount of the asset or the cash-generating unit is increased to the adjusted recoverable amount, not, however, exceeding the carrying amount that the asset or cash-generating unit would have had, had the write-down not been made.

Impairment of goodwill is not reversed.

Investments in subsidiaries
Investments in subsidiaries are measured at cost in the parent company financial statements. Where the recoverable amount of the investments is lower than cost, the investments are written down to this lower value. Cost is also written down if the dividend distributed exceeds the accumulated earnings in the company since the acquisition of the investment.

Inventories
Inventories are measured at the lower of cost under the FIFO method and net realizable 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 direct labour as well as allocated fixed and variable production overheads.

Variable production overheads comprise indirect materials and payroll costs and are allocated based on preliminary calculations of the goods actually manufactured. Fixed production overheads comprise maintenance of and depreciation on the machines, factory buildings and equipment used in the manufacturing process as well as the cost of factory management and administration. Fixed production overheads are allocated based on the normal capacity of the production plant.

Notes to the financial statements

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

Receivables
Receivables are on initial recognition measured at fair value and subsequently at amortized cost price, which usually corresponds to the nominal value less provision for bad debts.

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

Treasury shares
Acquisition and sales sums arising on the purchase and sale of treasury shares and dividends on treasury shares are recognized directly in retained earnings under equity.

Provisions
Provisions are recognized when, as a consequence of a past event during the financial year or previous years, the Group has a legal or constructive obligation, and it is likely that settlement of the obligation will require an outflow of the company's financial resources.

Provisions are measured as the best estimate of the costs required to settle the liabilities at the balance sheet date. Provisions with an expected term of more than a year after the balance sheet date are measured at present value.

On sales of goods subject to a right of return, provision is made for the proceeds on the goods expected to be returned as well as any expenses related to the returns.

Finance lease liabilities
Finance lease liabilities regarding assets held under finance leases are recognized in the balance sheet as liabilities and measured at the inception of the lease at the lower of the fair value of the leased asset and the present value of future lease payments.

On subsequent recognition, lease liabilities are measured at amortized cost price. The difference between the present value and the nominal value of lease payments is recognized in the income statement over the term of the lease as a financial expense.

Lease payments regarding operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

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

Deferred income
Deferred income comprises income received relating to subsequent financial years. Deferred income is measured at cost.

CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

The cash effect of acquisitions and divestments is shown separately under cash flows from investing activities. In the cash flow statement, cash flows concerning acquired companies are recognized from the date of acquisition, while cash flows concerning divested companies are recognized until the date of divestment.

Cash flows from operating activities are stated as operating profit, adjusted for non-cash operating items and changes in working capital, less the income tax paid during the year attributable to operating activities.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises and financial assets as well as purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes to the parent company's share capital and related costs as well as the raising and repayment of loans, instalments on interest-bearing debt, acquisition of treasury shares and payment of dividends. Also

Notes to the financial statements

recognized are cash flows from assets held under finance lease in the form of lease payments made.

Cash flows in currencies other than the functional currency are recognized in the cash flow statement using average exchange rates for the individual months if these are a reasonable approximation of the actual exchange rates at the transaction dates. If this is not the case, the actual exchange rates for the specific days in question are used.

Cash and cash equivalents comprise cash and short-termed fixed-term deposits subject to an insignificant risk of changes in value less any overdraft facilities that are an integral part of the Group's cash management.

SEGMENT INFORMATION
Exiqon's products and related services are used exclusive for research purposes, and the primary segment therefore only comprises one segment.

Revenue, segment assets and additions to property, plant and equipment and intangible assets are disclosed in the secondary, geographical segments of the Exiqon Group. The segment information follows the Group's risks, the Group's accounting policies and in-house financial management.

Segment revenue and segment assets comprise those items that are directly attributable to individual segments or that can be allocated to individual segments on a reasonable basis.

The Group has adopted IFRS 8 *Operating Segments* in advance of its effective date, with effect from 1 January 2007. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geopgraphical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed. Information regarding the Group's reportable segments is presented in note 4.

Definition of key ratios

Basic EPS =

$$\frac{\text{Profit/(loss) for the year}}{\text{Average no. of shares}}$$

Price / net asset value =

$$\frac{\text{Share price * no. of shares end of the year}}{\text{Equity}}$$

Note 2. Significant accounting estimates, assumptions and uncertainties

Many financial statement items cannot be measured reliably, but must be estimated. Such estimates comprise judgments made on the basis of the most recent information available at the reporting date. It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to supplementary information, additional experience or subsequent events.

Significant accounting estimates
In applying the accounting policies described in note 1 to the financial statements, the Executive Management has exercised the following critical accounting judgments that significantly affect the financial statements:

Revenue
Revenue from diagnostic tests are recognized based on the Executive Management's estimates with regards to the anticipated collections from third-party payers and patients based on reporting models utilizing historical cash collection percentages and updated for currently effective reimbursement factors.

The Executive Management reviews these reimbursement factors regularly. Revenue included in 2008 was tDKK 40,248 (2007: tDKK 0).

Goodwill
The measurement of goodwill, could be materially affected by significant changes in estimates and assumptions underlying the calculation of values. See note 13 for a detailed description of impairment tests for goodwill.

Notes to the financial statements

In the annual impairment test of goodwill, an estimate is made to determine how the parts of the enterprise (cash-generating units) related to the goodwill will be able to generate sufficient future positive net cash flows to support the value of goodwill and other net assets of the enterprise in question.

The estimate of the future cash flows is based on budgets and business plans for the coming three years and on projections for subsequent years. The key parameters are revenue development as well as growth expectations for the years following. Budgets and business plans for the coming three years are based on specific future business initiatives for which the risks relating to key parameters have been assessed and recognized in estimated future cash flows. Projections for years following the three-year period are based on general expectations and risks.

The discount rates applied in calculating the recoverable amount are before tax and reflect the risk-free interest rate for the company. The effect of the future risks related to the cash flows has been incorporated into the cash flows, and therefore such risks have not been built into the discount rates applied.

The carrying amount of goodwill as at 31 December 2008 was tDKK 138,148 (2007: tDKK 0). See note 13 for additional information.

Tumor bank
The tumor bank has been included as a tangible asset since this reflects the physical nature of the asset that lives up to the definition in IAS 16. Tumor samples will be consumed as part of the business, but this consumption will be over a long period and the asset therefore has a long useful life. A progressive depreciation profile is used to reflect the expected consumption of the tumor bank and depreciation included in 2008 was tDKK 1,849 (2007: tDKK 0).

The carrying amount of the tumor bank as at 31 December 2008 was tDKK 45,876 (2007: tDKK 0). See note 14 for additional information.

Customer relationships
Customer relationships were identified and included in the balance sheet following the acquisition of Oncotech, Inc. The value of the asset is based on the Executive Management's expectations to the future cash flows and the amortization profile reflects the expectations to the use of this asset. Were this to change it could have a significant impact on the value of the asset. Depreciation included in 2008 was tDKK 3,566 (2007: tDKK 0).

The carrying amount of customer relationships as at 31 December 2008 was tDKK 42,460 (2007: tDKK 0). See note 13 for a further description of customer relationships.

Research and development costs
Development projects which are clearly defined and identifiable are recognized as intangible assets if it is probable that the project will generate future economic benefits for the Group and the development costs relating to the individual assets can be measured reliably. If these criteria are deemed not to be met, development costs are recognized in the income statement as incurred.

In line with industry practice under IFRS, the company has assessed that there is insufficient certainty that the detailed criteria for capitalization will be met, and the development costs previously incurred are therefore recognized in the years when incurred. Research and development costs included in 2008 were tDKK 57,898 (2007: tDKK 29,035).

Since none of the Group's development programmes has reached a status, which is required for capitalization, no capitalization of development programmes was made as of 31 December 2008.

Deferred tax assets
Deferred tax assets, including tax losses carried forward, are recognized if the Executive Management assesses that these tax assets can be offset against positive taxable income within a foreseeable future. This judgment is made annually and is based on the budgets and business plans for the coming years. Exiqon has generated losses each financial year and as a consequence we have unused tax losses. For 2009 Exiqon also expects a loss and for this reason the Executive Management has decided not to recognize the deferred tax asset.

Notes to the financial statements

Note 3. Revenue

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
24,242	33,096	Product sales	98,513	38,525
6,692	27,163	License income	27,257	6,692
4,261	2,503	Contract research	2,503	4,261
35,195	**62,762**		**128,273**	**49,478**

Note 4. Segment information for the Group

The Executive Management and Board of Directors have organized the reporting into two reportable operating segments: Life Sciences and Diagnostics.

Life Sciences are made up of both Life Sciences and Pharma Services. Life Sciences includes the sales of research products for miRNA analysis and Pharma Services uses the research products in their business. Life Sciences and Pharma Services are considered to have similar financial characteristics. For reporting purposes these two segments are considered as one.

Diagnostics includes the sales of a variety of diagnostic tests offered through our CLIA-certified laboratory in Tustin, California.

The Executive Management and Board of Directors monitor the operating results of its business units separately to decide the resource allocation and performance assessments. Segment performance is monitored on operating results (EBIT) as presented in the tables below. Financial items and taxes are managed on a corporate level and are not allocated to operating segments.

Transactions between operating segments are made on an arm's length basis as though the transactions had been with third parties.

Notes to the financial statements

Note 4. Segment information for the Group (continued)

Segment information on reportable segments - 2008 (Group)

DKK'000	Life Sciences	Diagnostics	Elimination	Total
Revenue	90,007	40,248	-1,982	128,273
Gross profit	46,599	8,594	0	55,193
Segment operating profit/loss (EBIT)	-69,449	-56,430	0	-125,879
Profit (/loss) before tax	-63,552	-51,768	0	-115,289
Addition of assets	17,229	266,913	0	284,142
Segment assets	242,762	274,218	0	516,980
Depreciation and amortization	-9,833	-10,359	0	-20,192

Segment information on reportable segments - 2007 (Group)

DKK'000	Life Sciences	Diagnostics	Elimination	Total
Revenue	49,797		-319	49,478
Gross profit	24,304		0	24,304
Segment operating profit/loss (EBIT)	-75,127		0	-75,127
Profit (/loss) before tax	-67,786		0	-67,786
Addition of assets	17,409		0	17,409
Segment assets	391,955		0	391,955
Depreciation and amortization	-5,070		0	-5,070

In the Life Sciences segment for 2008 revenue is included to one customer, which amounts to more than 10% of the Group's total revenue.

Notes to the financial statements

Note 4. Segment information for the Group (continued)

Geographical split of revenue

The Group divides its revenue into three geographies: North America, Europe and Rest of World. The split is based on the registered offices of the customers.

	2008 DKK'000	2007 DKK'000
North America	71,326	28,337
Europe	54,035	19,417
Rest of World	2,912	1,724
	128,273	49,478

The below table specifies the distribution of the Group's total assets on geographical markets and the addition for the year of property, plant and equipment and intangible assets based on the physical location of the assets. For Life Sciences, Europe is considered as the primary market whereas for Diagnostics, North America is considered as the primary market. No particular state or individual country is reported as home market under any of the segments and are therefore not shown by country.

	Addition of intangible assets and property, plant and equipment		Total non-current assets	
	2008 DKK'000	2007 DKK'000	2008 DKK'000	2007 DKK'000
Europe	16,236	15,589	36,132	34,026
North America	250,348	1,820	258,458	2,115
	266,584	17,409	294,590	36,141

Note 5. Acquisition of subsidiary

On 29 February 2008 Exiqon A/S completed the acquisition of 100% of the shares in Oncotech, Inc. The purchase price was paid by the issuance of 5,550,274 new shares of DKK 1 in Exiqon A/S corresponding to a value of DKK 205.4 million at a market price of DKK 37.0 per share on the transaction date. The final purchase price is adjusted as a result of the undertaking of the liabilities.

An amount was paid for the acquisition that exceeds the fair value of the identified assets, liabilities and contingent liabilities. This positive balance is primarily due to expected synergies between the activities in the acquired company and the Group's existing activities, future growth possibilities and Oncotech's employees.

Notes to the financial statements

Note 5. Acquisition of subsidiary (continued)

The cost price may be specified as follows:

	Carrying amount*	Preliminary adjustment to fair value	Oncotech, Inc. Preliminary fair value	Adjustments to preliminary fair value	Fair value
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Tumor bank	0	44,270	44,270	97	44,367
Customer relations	0	42,885	42,885	-98	42,787
Patents	0	4,402	4,402	-113	4,289
Trademarks	0	13,427	13,427	26	13,453
Non-current assets	3,545	0	3,545	0	3,545
Financial assets	249	0	249	0	249
Inventories	1,228	0	1,228	0	1,228
Receivables	12,685	0	12,685	-2,466	10,219
Prepayments	473	0	473	0	473
Cash and cash equivalents	907	0	907	0	907
Non-current liabilities	-2,259	0	-2,259	0	-2,259
Current liabilities	-35,126	0	-35,126	0	-35,126
	-18,298	**104,984**	**86,686**	**-2,554**	**84,132**
Goodwill on acquisition			119,581	9,019	128,600
Total purchase price			**206,267**	**6,465**	**212,732**
Less cash and cash equivalents acquired			-907	0	-907
Paid by issuance of new shares			**-205,360**	**0**	**-205,360**
Net cash flow impact			**0**	**6,465**	**6,465**
Paid in 2007					-1,312
Net cash flow impact in 2008					**5,153**

*) Carrying amount as of 29 February 2008 according to un-audited Balance from Oncotech, Inc.

The goodwill of tDKK 128,600 comprises the value of expected synergies arising from the acquisition, the work-force/procedures in place and the CLIA laboratory, which are not separately recognized. These items do not meet the criteria for recognition as an intangible asset under IAS 38, Intangible Assets.

While we expect the purchase price to be close to, if not the final consideration, closing liabilities related to the acquisition will not be finally calculated until after 28 February 2009, and the consideration will consequently not be settled until by end of the first quarter of 2009. This can affect the fair value of the acquired goodwill.

As mentioned in the annual report for 2007 the statement of the purchase price were preliminary and transaction costs were not included in the cost price. Adjustment to the fair value is mainly due to the transaction costs, which are recognized as part of the goodwill.

Transaction costs of tDKK 7,372 are included in the purchase price.

Had Oncotech, Inc., been acquired as of 1 January 2008, the revenue and loss for the period would have been:

	DKK'000
Revenue	136,520
Loss for the period	-122,112

Net income recognized in the income statement regarding Oncotech, Inc., which is included for the period 1 March to 31 December 2008, amounts to DKK -36.9 million.

As a consequence of depreciation and amortization the figures in the balance sheet differ from the figures in the note.

Notes to the financial statements

Note 6. Staff costs

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
1,045	1,500	Board of Directors' fees	1,500	1,045
40,983	52,347	Wages and salaries	109,005	49,733
180	908	Pension scheme	1,841	180
10,524	7,365	Share-based payment	7,365	10,524
2,181	6,341	Other staff costs	14,382	3,698
54,913	**68,461**		**134,093**	**65,180**
		Staff costs are distributed as follows:		
7,306	11,381	Production costs	29,900	7,306
15,484	23,496	Research and development costs	27,423	15,484
10,044	14,001	Sales and marketing costs	44,018	20,311
22,079	19,583	Administrative expenses	32,752	22,079
54,913	**68,461**		**134,093**	**65,180**
69	95	Average number of employees	216	80

Remuneration for the Management

	Fixed salary, bonus etc.	Board of Directors' fee	Pensions	Share-based payment	Total remune-ration
Management remuneration 2008 (group):					
Board of Directors	0	1,500	0	1,965	3,465
Executive Management	5,027	0	82	3,877	8,986
Other senior employees	3,605	0	48	172	3,825
	8,632	**1,500**	**130**	**6,014**	**16,276**
Management remuneration 2007 (group):					
Board of Directors	0	1,045	0	2,141	3,186
Executive Management	2,280	0	9	4,036	6,325
Other senior employees	7,242	0	29	3,510	10,781
	9,522	**1,045**	**38**	**9,687**	**20,292**
Management remuneration 2008 (parent):					
Board of Directors	0	1,500	0	1,965	3,465
Executive Management	5,027	0	82	3,877	8,986
Other senior employees	0	0	0	200	200
	5,027	**1,500**	**82**	**6,042**	**12,651**
Management remuneration 2007 (parent):					
Board of Directors	0	1,045	0	2,141	3,186
Executive Management	2,280	0	9	4,036	6,325
Other senior employees	5,828	0	29	3,253	9,110
	8,108	**1,045**	**38**	**9,430**	**18,621**

Notes to the financial statements

Note 7. Share-based payment

For the purpose of motivating and retaining employees and encouraging the fulfillment of common goals for employees, management and shareholders, the company has set up share-based incentive programmes in the form of warrant schemes for Board of Directors, Executive Management, senior employees and other employees. The scheme, which can only be exercised by buying the shares in question (equity-based scheme), entitles the holder to buy a number of shares in the parent company at an agreed price, corresponding to a calculated average price of the shares at the time of grant and for the grants in 2007 and 2008 added an annual performance adjustment. Vesting periods range from 0 to 3 years. Warrants that remain unexercised for a period of up to five years from the time of grant will lapse. For the Executive Management, Board of Directors and senior employees, the right to exercise warrants is conditional on continuing employment at the end of the vesting period.

	Executive Management	Board of Directors	Other senior employees	Others	Total
Outstanding warrants 1 January 2008	918,840	303,503	744,935	237,954	2,205,232
Reclassified**	344,565	0	-1,052,559	707,994	0
Granted in the financial year	645,123	261,361	661,436	30,000	1,597,920
Exercised in the financial year	-90,631	0	-153,812	-62,514	-306,957
Expired in the financial year	0	0	0	0	0
Outstanding warrants 31 December 2008	**1,817,897**	**564,864**	**200,000**	**913,434**	**3,496,195**
Of which can be exercised	893,605	228,307	16,667	544,128	1,682,706
Outstanding warrants 1 January 2007	538,342	52,000	460,870	476,028	1,527,240*)
Granted in the financial year	452,498	303,503	306,565	0	1,062,566
Exercised in the financial year	72,000	52,000	22,500	234,934	381,434
Expired in the financial year	0	0	0	3,140	3,140
Outstanding warrants 31 December 2007	**918,840**	**303,503**	**744,935**	**237,954**	**2,205,232**
Of which can be exercised	525,954	87,983	497,387	237,954	1,349,278

*) The number of outstanding warrants at 1 January 2007 is adjusted due to the issuance of bonus shares on 2 May 2007.

**) The CFO has been appointed to be part of the Executive Management and warrants granted prior to 2008 have been reclassified from other senior employees to Executive Management. Furthermore, the reorganization in 2008 has resulted in some reclassification of persons formerly being included as Other senior employees.

2008

At the time of exercise of warrants the average share-price was:

Exercised in the period 12 March to 8 April 2008	36.37
Exercised in the period 15 May to 11 June 2008	30.01
Exercised in the period 28 August to 24 September 2008	26.89

2007

At the time of exercise of warrants the average share-price was:

Exercised 29 January 2007	10 *)
Exercised in the period 28 August to 24 September 2007	37.03
Exercised in the period 27 November to 21 December 2007	36.91

*) As the warrants were exercised before the companys public listing there is no market price.

Notes to the financial statements

Note 7. Share-based payment (continued)

As of 31 December 2008, the following warrant programmes are still outstanding:

Program	Exercise price	Exercise period	Fair value at year end in DKK million *)	Estimated fair value at time of grant per warrant in DKK **)
May 2006	9.5	4 weeks following the announcement of annual and interim financial statements	9.3	11
December 2006	9.5	4 weeks following the announcement of annual and interim financial statements	0.6	10
May 2007	43.29	4 weeks following the announcement of annual and interim financial statements	1.1	12.8
January 2008	37.87	4 weeks following the announcement of annual and interim financial statements	0.5	4.8
February 2008	39.49	4 weeks following the announcement of annual and interim financial statements	0.2	5.6
April 2008	35.17	4 weeks following the announcement of annual and interim financial statements	1.8	8.4
September 2008	26.35	4 weeks following the announcement of annual and interim financial statements	4.2	5.6
Total			**17.7**	

*) The market value is calculated on the basis of the Black-Scholes formula for valuation of warrants. The calculations are based on the assumption of no dividend per share (2007: no dividend per share), a volatility of 52.94% based on the average volatility on the Exiqon share for 2008 (2007: volatility of 50% based on peers due to missing historic volatility), a risk-free interest rate of 3.0% (2007: risk-free interest of 4.25%) per annum, and finally the share price of Exiqon on 31 December 2008, DKK 20.0 per share (2007: share price of DKK 37.5 per share). The expected maturity is relative to the date of exercise.

**) The calculated market value at the time of grant in 2008 are based on the assumption of no dividend per share, an average volatility of 30.16%, an average risk-free interest rate of 3.81% per annum and finally an average share price of Exiqon of DKK 32.88.

Notes to the financial statements

Note 7. Share-based payment (continued)

Warrant programme granted in May 2006
All warrants granted in May 2006 are fully vested. The exercise period expires on 21 January 2011.

Warrant programme granted in December 2006
All warrants granted in December 2006 are fully vested. The exercise period expires on 21 January 2011.

Warrant programme granted in May 2007
Warrants granted in May 2007 are divided into 36 tranches, with 1/36 vesting monthly over a 36 month period. The exercise period expires in 2010. The exercise price is 40 with a premium of 5% p.a. from the date of grant until exercise.

Warrant programme granted in January 2008
Warrants granted in January 2008 are divided into 36 tranches, with 1/36 vesting monthly over a 36 month period. The exercise period expires in 2011. The exercise price is 36.2 with a premium of 5% p.a. from the date of grant until exercise.

Warrant programme granted in February 2008
Warrants granted in February 2008 are divided into 36 tranches, with 1/36 vesting monthly over a 36 month period. The exercise period expires in 2011. The exercise price is 37.9 with a premium of 5% p.a. from the date of grant until exercise.

Warrant programme granted in April 2008
Warrants granted in April 2008 are divided into 36 tranches, with 1/36 vesting monthly over a 36 month period. The exercise period expires in 2011. The exercise price is 33.9 with a premium of 5% p.a. from the date of grant until exercise.

Warrant programme granted in September 2008
Warrants granted in September 2008 are divided into 36 tranches, with 1/36 vesting monthly over a 36 month period. The exercise period expires in 2011. The exercise price is 26.0 with a premium of 5% p.a. from the date of grant until exercise.

Share-based payment with cash settlement

	Executive Management	Other Board of Directors	Senior employees	Others	Total
Outstanding rights 1 January 2008	0	0	75,898	0	75,898
Reclassified	0	0	-75,898	75,898	0
Granted in the financial year	0	0	0	0	0
Exercised in the financial year	0	0	0	0	0
Expired in the financial year	0	0	0	0	0
Outstanding rights 31 December 2008	**0**	**0**	**0**	**75,898**	**75,898**
Of which can be exercised	0	0	0	37,949	37,949
Outstanding rights 1 January 2007	0	0	0	0	0
Granted in the financial year	0	0	75,898	0	75,898
Exercised in the financial year	0	0	0	0	0
Expired in the financial year	0	0	0	0	0
Outstanding rights 31 December 2007	**0**	**0**	**75,898**	**0**	**75,898**
Of which can be exercised	0	0	16,866	0	16,866

In 2007, 75,898 rights of share-based payment with cash settlement were granted to senior employees. These were granted in May 2007 and are divided into 36 tranches, with 1/36 vesting monthly over a 36 month period. The exercise period expires in 2010. The exercise price is 40 with a premium of 5% p.a. from the date of grant until exercise.

In the balance sheet item Other Payables tDKK 61 is included regarding share-based payment with cash settlement.

Notes to the financial statements

Note 8. Depreciation, amortization and impairment

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
0	0	Customer relationships	3,566	0
0	0	Trademarks	2,242	0
606	1,309	Software *)	1,309	606
540	794	Acquired patents and licenses	1,305	540
0	0	Tumor bank	1,849	0
940	2,134	Laboratory equipment	4,264	940
911	1,721	Production plant and equipment	1,721	911
1,994	2,830	Fixtures and fittings, tools and equipment	3,891	2,073
0	45	Gains and losses on sale of property, plant and equipment	45	0
4,991	**8,833**		**20,192**	**5,070**
		Depreciation, amortisation and impairment are distributed as follows:		
2,326	3,850	Production costs	4,568	2,326
1598	3,166	Research and development costs	12,392	1,598
463	640	Sales and marketing costs	1,281	542
604	1,177	Administrative expenses	1,951	604
4,991	**8,833**		**20,192**	**5,070**

*) Including DKK'000 546 discard of fiananciel management system Axapta 3.0.

Note 9. Fees to auditors appointed by the general meeting

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
		Fees to the parent company's auditors appointed by the general meeting for the financial year are specified as follows:		
165	200	Audit	420	200
1,165	486	Non-audit services	770	1,165
1,330	**686**		**1,190**	**1,365**

Notes to the financial statements

Note 10. Financial items

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
		Financial income		
8,921	9,825	Interest income from bank deposits etc.	10,100	8,921
650	1,069	Interest income from subsidiaries	0	0
0	2,111	Foreign exchange gains	2,111	0
9,571	**13,005**		**12,211**	**8,921**
		Financial expenses		
326	177	Interest on mortgage and bank loans	951	366
337	670	Interest on financial lease obligations	670	337
877	0	Foreign exchange losses	0	877
1,540	**847**		**1,621**	**1,580**

Note 11. Tax on profit for the year

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
		Tax on profit for the year is explained as follows:		
-16,304	-15,776	Tax calculated at a rate of 25%*	-28,822	-16,304
5,173	0	Effect of changes in tax rates in DKK	0	5,173
-2,408	1,808	Permanent deviations	2,040	-2,408
13,539	13,968	Unrecognized change in tax asset	27,895	13,539
0	0	Effect of deviating foreign tax rate relative to Danish tax rate	-1,113	0
0	**0**		**0**	**0**

*) Tax on profit for the year regarding the Danish company is calculated at a rate of 25% (2007: 25%). Foreign subsidiaries are calculated at local tax rates.

Notes to the financial statements

Note 12. Earnings per share

	Group	
	2008 DKK'000	2007 DKK'000
The calculation of earnings per share and diluted earnings per share are based on the following data		
Profit/(loss) (DKK'000)	-115,350	-67,786
Average number of shares	29,245,594	20,245,695
Average number own shares	-5,342	-5,342
Average number of circulating shares	29,240,252	20,240,353
Average diluting effect of outstanding warrants (no.)	438,747	1,142,666
Average number of shares, diluted (no.)	29,678,999	21,383,019
Earnings and diluted earnings per share	-3.94	-3.35

2,660,486 outstanding warrants are out-of-the-money. These are not included in the calculation of diluted earnings.

The calculation of earnings and diluted earnings per share in 2006 and earlier is adjusted to reflect the bonus shares issued in May 2007 using the adjustment factor of 0.5 retrospectively for all presented financial years.

There is no difference between the calculation of earnings per share and diluted earnings per share as the Group reported an operating loss.

Notes to the financial statements

Note 13. Intangible assets, Group and Parent company financial statements

	Goodwill DKK'000	Customer relation-ships DKK'000	Trade-marks DKK'000	Acquired software licenses DKK'000	Acquired patent rights DKK'000	Intangible assets in progress DKK'000
Intangible assets 2008 (Group)						
Cost at 1 January 2008	0	0	0	3,946	10,292	0
Exchange rate adjustment	9,548	3,239	1,019	0	323	0
Additions on business combinations	128,600	42,787	13,453	0	4,290	0
Additions	0	0	0	2,394	2,962	538
Disposals	0	0	0	-982	0	0
Cost at 31 December 2008	**138,148**	**46,026**	**14,472**	**5,358**	**17,867**	**538**
Amortisation at 1 January 2008	0	0	0	-1,895	-1,282	0
Amortisation	0	-3,566	-2,242	-763	-1,305	0
Amortisation regarding assets disposed of	0	0	0	436	0	0
Amortisation at 31 December 2008	**0**	**-3,566**	**-2,242**	**-2,222**	**-2,587**	**0**
Carrying amount at 31 December 2008	**138,148**	**42,460**	**12,230**	**3,136**	**15,280**	**538**
Intangible assets 2008 (parent)						
Cost at 1 January 2008	0	0	0	3,946	10,292	0
Additions	0	0	0	2,394	2,963	538
Disposals	0	0	0	-982	0	0
Cost at 31 December 2008	**0**	**0**	**0**	**5,358**	**13,255**	**538**
Amortisation at 1 January 2008	0	0	0	-1,895	-1,282	0
Amortisation	0	0	0	-763	-794	0
Amortisation regarding assets disposed of	0	0	0	436	0	0
Amortisation at 31 December 2008	**0**	**0**	**0**	**-2,222**	**-2,076**	**0**
Carrying amount at 31 December 2008	**0**	**0**	**0**	**3,136**	**11,179**	**538**
Intangible assets 2007 (parent)						
Cost at 1 January 2007	0	0	0	3,720	6,368	0
Additions	0	0	0	226	3,924	0
Disposals	0	0	0	0	0	0
Cost at 31 December 2007	**0**	**0**	**0**	**3,946**	**10,292**	**0**
Amortisation at 1 January 2007	0	0	0	-1,289	-742	0
Amortisation	0	0	0	-606	-540	0
Amortisation regarding assets disposed of	0	0	0	0	0	0
Amortisation at 31 December 2007	**0**	**0**	**0**	**-1,895**	**-1,282**	**0**
Carrying amount at 31 December 2007				**2,051**	**9,010**	

Notes to the financial statements

Note 13. Intangible assets, Group and Parent company financial statements (continued)

Goodwill is allocated to the cash generating unit Diagnostics. According to IAS 36, Impairment of Assets, goodwill is impairment tested at least annually to ensure that the carrying amouont is not higher than the recoverable amount. This impairment test is performed at the end of the year after the Executive Management and Board of Directors' annual strategy review. The impairment test compares the discounted cash flow with the carrying amount of goodwill.

The result of the impairment test for 2008 does not give rise to writing down the goodwill.

The significant assumptions used to calculate the recoverable amount are:

	Diagnostics
Expected growth rate in revenue	2%
Period	10 years
WACC before tax	13%

Note 14. Property, plant and equipment

	Tumor bank DKK'000	Production equipment DKK'000	Laboratory equipment DKK'000	Fixtures and fittings DKK'000	Leasehold improve-ments DKK'000	Tangible assets in progress DKK'000
Property, plant and equipment 2008 (Group)						
Cost at 1 January 2008	0	8,016	21,558	9,043	8,385	1,539
Exchange rate adjustment	3,358	0	59	24	0	0
Additions on business combinations	44,367	0	1,534	208	2,061	0
Additions	0	1,906	15,212	3,226	2,667	379
Disposals	0	-638	-325	-32	0	-1,539
Cost at 31 December 2008	**47,725**	**9,284**	**38,038**	**12,469**	**13,113**	**379**
Depreciation at 1 January 2008	0	-2,176	-14,292	-5,192	-5,411	0
Exchange rate adjustment	0	0	0	-25	0	0
Depreciation	-1,849	-1,721	-4,264	-2,234	-1,657	0
Depreciation regarding assets disposed of	0	287	320	16	0	0
Depreciation at 31 December 2008	**-1,849**	**-3,610**	**-18,236**	**-7,435**	**-7,068**	**0**
Carrying amount at 31 December 2008	**45,876**	**5,674**	**19,802**	**5,034**	**6,045**	**379**
Assets held under finance leases	0	4,174	5,642	3,379	493	0
Property, plant and equipment 2008 (parent)						
Cost at 1 January 2008	0	8,016	20,121	8,459	8,385	1539
Additions	0	1,907	4,199	2,495	1,362	379
Disposals	0	-638	0	-32	0	-1,539
Cost at 31 December 2008	**0**	**9,285**	**24,320**	**10,922**	**9,747**	**379**
Depreciation at 1 January 2008	0	-2,176	-14,292	-5,113	-5,411	0
Depreciation	0	-1,721	-2,134	-1,793	-1,037	0
Depreciation regarding assets disposed of	0	287	0	16	0	0
Depreciation at 31 December 2008	**0**	**-3,610**	**-16,426**	**-6,890**	**-6,448**	**0**
Carrying amount at 31 December 2008	**0**	**5,675**	**7,894**	**4,032**	**3,299**	**379**
Assets held under finance leases	0	4,174	5,642	3,379	493	0

Notes to the financial statements

Note 14. Property, plant and equipment (continued)

	Production equipment DKK'000	Laboratory equipment DKK'000	Fixtures and fittings DKK'000	Leasehold improve-ments DKK'000	Tangible assets in progress DKK'000
Property, plant and equipment 2007 (Group)					
Cost at 1 January 2007	4,849	15,380	6,798	6,752	0
Exchange rate adjustment	0	3	-40	0	0
Additions	3,167	6,175	2,285	1,633	1,539
Transfers	0	0	0	0	0
Disposals	0	0	0	0	0
Cost at 31 December 2007	**8,016**	**21,558**	**9,043**	**8,385**	**1,539**
Depreciation at 1 January 2007	-1,265	-13,352	-4,020	-4,535	0
Exchange rate adjustment	0	0	4	0	0
Depreciation	-911	-940	-1,197	-876	0
Transfers	0	0	0	0	0
Depreciation regarding assets disposed of	0	0	0	0	0
Depreciation at 31 December 2007	**-2,176**	**-14,292**	**-5,213**	**-5,410**	**0**
Carrying amount at 31 December 2007	**5,840**	**7,266**	**3,830**	**2,974**	**1,539**
Assets held under finance leases	4,436	2,827	2,506	0	0
Property, plant and equipment 2007 (parent)					
Cost at 1 January 2007	4,849	15,380	6,560	6,752	0
Additions	3,167	4,741	1,899	1,633	1,539
Transfers	0	0	0	0	0
Disposals	0	0	0	0	0
Cost at 31 December 2007	**8,016**	**20,121**	**8,459**	**8,385**	**1,539**
Depreciation at 1 January 2007	-1,265	-13,352	-3,995	-4,535	0
Depreciation	-911	-940	-1,118	-876	0
Transfers	0	0	0	0	0
Depreciation regarding assets disposed of	0	0	0	0	0
Depreciation at 31 December 2007	**-2,176**	**-14,292**	**-5,113**	**-5,411**	**0**
Carrying amount at 31 December 2007	**5,840**	**5,829**	**3,346**	**2,974**	**1,539**
Assets held under finance leases	4,436	2,827	2,506	0	0

Notes to the financial statements

Note 15. Investments in subsidiaries

Parent			Group	
2008 DKK'000	2007 DKK'000		2008 DKK'000	2007 DKK'000
1	1	Cost at 1 January		
0	63,468	Capital injection in subsidiaries		
0	212,731	Investments in subsidiaries		
1	**276,200**	**Cost at 31 December**		
0	0	Impairment at 1 January		
0	0	Impairment for the year		
0	**0**	**Impairment at 31 December**		
1	**276,200**	**Carrying amount at 31 December**		

Investments in subsidiaries comprise the following:
Exiqon, Inc., USA, wholly owned, manufacturing, selling and marketing activities.
Exiqon Diagnostics, Inc., wholly owned, services, selling and marketing activities.

Note 16. Prepayments in connection with acquisitions

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
0	1,312	Cost at 1 January	1,312	0
1,312	0	Additions	0	1,312
0	-1,312	Disposals	-1,312	0
1,312	**0**		**0**	**1,312**

Reference is made to note 5 regarding the acquisition of Oncotech, Inc.

Note 17. Inventories

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
3,711	5,613	Raw materials and consumables	8,129	3,711
3,333	5,323	Manufactured goods and goods for resale	6,574	3,333
7,044	**10,936**		**14,703**	**7,044**

Notes to the financial statements

Note 18. Trade receivables

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
12,086	9,874	Trade receivables 31 December (gross)	28,136	14,641
0	-284	Write-down for expected losses 1 January	-611	-0
-284	-1,222	Write-down for expected losses during the year	-1,466	-611
0	0	Reversal of previous write-downs for expected losses	0	0
-284	-1,506	Write-down for expected losses 31 December	-2,077	-611
11,802	8,368	Trade receivables 31 December (net)	26,059	14,030
		Ageing of past due but not impaired:		
1,047	152	Up to 30 days	1,280	1,412
200	445	30 to 90 days	3,180	479
397	197	90 to 180 days	2,241	478
839	1,145	More than 180 days	3,858	915
2,483	1,939		10,560	3,284

All trade receivables fall due within 1 year.
The write-down of trade receivables is recognized in the income statement as part of the Sales and marketing costs.
The write-down is based on an individual assessment of each individual debtors creditworthiness.

Note 19. Receivables from group companies

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
7,840	29,131	Receivables from Group companies 31 December	0	0

There has been no write-down of receivables from group companies.

Note 20. Other receivables

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
1,774	1,165	Other receivables	1,260	1,830

None of the receivables are over-due.
There has been no write-down of other receivables.

Notes to the financial statements

Note 21. Share capital

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
7,033	24,441	No. of shares at 1 January		
107	0	Warrant exercise in January		
7,140	0	Bonus shares issued in the year		
0	5,550	Capital increase in February		
9,994	0	Capital increase in May		
274	307	Warrant exercises		
24,441	**30,298**	**No. of shares at 31 December**		

The share capital consists of 30,298,295 shares of DKK 1 each. The shares are paid up in full. The shares are not divided into classes, nor are any special rights attached to any shares.

Note 22. Treasury shares

Group and parent

	No. in '000	Nominal value DKK'000	% of share capital
Treasury shares at 1 January 2008	5	5	0.1
Treasury shares at 31 December 2008	**5**	**5**	**0.1**
Treasury shares at 1 January 2007	3	3	0.1
Bonus shares	2	2	
Treasury shares at 31 December 2007	**5**	**5**	**0.1**

Notes to the financial statements

Note 23. Deferred tax

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
-513	-556	Intangible assets	-556	-513
3,640	3,239	Property, plant and equipment	3,547	3,640
1,893	591	Research and development costs	648	1,893
2,999	1,293	Prepayments received	1,568	2,999
8,019	**4,568**	**Temporary differences**	**5,208**	**8,019**
51,397	71,475	Tax loss carry-forwards	84,762	51,397
0	0	Tax loss carry-forwards Oncotech before 29 February 2008	28,857	0
59,416	**76,042**	**Deferred tax asset at 31 December**	**118,826**	**59,416**

Tax losses can be carried forward indefinitely.
The parent company and the Group have generated losses in the past few years. As it is still highly uncertain whether the deferred tax asset can be utilized, the asset has not been recognized in the financial statements for 2008.

Note 24. Finance lease liabilities

	Lease payment		Present value of lease payments	
Group	2008 DKK'000	2007 DKK'000	2008 DKK'000	2007 DKK'000
Due within one year from the balance sheet date	5,424	3,319	4,413	2,740
Due in 1-5 years from the balance sheet date	13,019	8,734	11,650	7,818
	18,443	**12,053**	**16,063**	**10,558**
Amortisation premium for future expensing	-2,380	-1,495		
	16,063	**10,558**		
Parent				
Due within one year from the balance sheet date	5,167	3,319	4,182	2,740
Due in 1-5 years from the balance sheet date	12,944	8,734	11,578	7,818
	18,111	**12,053**	**15,760**	**10,558**
Amortisation premium for future expensing	-2,351	-1,495		
	15,760	**10,558**		

Notes to the financial statements

Note 24. Finance lease liabilities (continued)

Finance lease liabilities

	Currency	Expiry	Fixed/ floating	Effective interest rate %	Present value of lease payments DKK'000	Fair value DKK'000
Finance lease liabilities, production equipment	DKK	2009-13	Fixed	3-15	16,063	18,111
31 December 2008					**16,063**	**18,111**
Finance lease liabilities, production equipment	DKK	2009-12	Fixed	3-7	10,558	12,053
31 December 2007					**10,558**	**12,053**

Parent

	Currency	Expiry	Fixed/ floating	Effective interest rate %	Present value of lease payments DKK'000	Fair value DKK'000
Finance lease liabilities, production equipment	DKK	2009-13	Fixed	3-8	15,760	18,111
31 December 2008					**15,760**	**18,111**
Finance lease liabilities, production equipment	DKK	2009-12	Fixed	3-7	10,558	12,053
31 December 2007					**10,558**	**12,053**

The current value of the finance lease liabilities is set as the present value of future amortization and interest payments using the current interest rate as the discount factor.

Notes to the financial statements

Note 25. Operating lease liabilities

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
		Lease payments included in the income statement		
3,034	4,969	Rent commitment	10,461	3,845
		Total future minimum lease payments for non-terminable leases fall due as follows:		
3,404	4,621	Within one year of the balance sheet date	12,137	4,684
8,483	8,290	2-5 years after the balance sheet date	27,689	12,590
2,775	480	More than 5 years after the balance sheet date	480	2,775
14,662	**13,391**		**40,306**	**20,049**

Rent commitments are entered into for a minimum of 6 months up to 6 years with fixed payments, which are yearly price-adjusted. The agreements are interminable in the mentioned period and can afterwards be extended for periods between 6 months and up to a year.

Note 26. Change in working capital

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
-2,407	-3,804	Change in inventories	-6,250	-2,407
3,270	5,175	Change in receivables	488	4,964
9,313	-14,703	Change in trade payables etc.	-30,731	11,933
10,176	**-13,332**		**-36,493**	**14,490**

Note 27. Non-cash adjustments

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
10,055	7,774	Incentive programmes	7,774	10,055
0	866	Gain and loss on the sale of non-current assets	866	0
10,055	**8,640**		**8,640**	**10,055**

Note 28. Contingent liabilities

Security for loans

The loan mentioned in note 24 above is secured upon leased assets under "Property, plant and equipment".

Notes to the financial statements

Note 29. Financial risks and financial instruments

Categories of financial instruments

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
11,802	8,368	Trade receivables	26,059	14,030
7,840	29,131	Receivables from group companies	0	0
1,774	2,082	Other receivables	4,744	1,830
326,641	170,998	Cash and cash equivalents	174,258	331,504
348,057	**210,579**	**Lendings and receivables**	**205,061**	**347,364**
10,558	15,761	Finance lease liabilities	17,480	10,558
14,024	8,276	Trade payables	11,099	15,799
9,752	17,034	Other payables	24,964	10,706
34,334	**41,071**	**Financial liabilities measured at cost price**	**53,543**	**37,063**

Policy for managing financial risks

The parent company manages the Group's financial risks centrally and co-ordinates the Group's cash management, including capital procurement and investment of excess cash. The Group's follows a finance policy, approved by the Board of Directors, based on a low risk profile so that currency, interest rate and credit risk arise only in connection with commercial transactions.

Currency risk

The Group's currency risks are primarily hedged by matching payments received and made in the same currency. The Group regularly assesses the need to enter into forward exchange contracts. No forward exchange contracts were entered into as of 31 December 2008.

Liquidity and interest rate risks

The Group does not hedge interest rate risk as this is not considered financially viable.

It is the Group's goal to have sufficient reserves to constantly be able to make arrangements in case of unforeseen events.

The Group's liquidity risks associated with cash and cash equivalents are assessed to be minimal due to significant excess liquidity being placed on short-term fixed-term deposit accounts.

The time of maturity for financial liabilities are specified in the notes for the individual categories of liabilities. The Group's and company's liquidity reserve consists of cash and cash equivalents.

Free cash-flow is placed on short-term accounts with fixed interest rate based on market interest, and the interest rate risk is therefore limited and follows the development in the market.

Credit risks

The Group's policy for undertaking credit risks involves an ongoing credit assessment of all major customers and business partners.

Notes to the financial statements

Note 29. Financial risks and financial instruments (continued)

Currency risks in respect of recognized financial assets and liabilities

Group

	Cash and cash equivalents DKK'000	Receivables DKK'000	Liabilities DKK'000	Non-secured net position DKK'000
USD	3,462	23,549	-17,935	9,076
EUR	4,165	5,494	-4,106	5,553
DKK	166,618	1,759	-32,040	136,337
Other currencies	13	0	-12	1
31 December 2008	**174,258**	**30,802**	**-54,093**	**150,967**
USD	6,007	5,569	-7,752	3,824
EUR	5,610	8,641	-1,076	13,175
DKK	319,887	5,228	-38,815	286,300
Other currencies	0	0	-1,133	-1,133
31 December 2007	**331,504**	**19,438**	**-48,776**	**302,166**

Currency risks in respect of recognized financial assets and liabilities

Parent

	Cash and cash equivalents DKK'000	Receivables DKK'000	Financial liabilities DKK'000	Non-secured net position DKK'000
USD	202	32,328	-4,913	27,617
EUR	4,165	5,494	-4,106	5,553
DKK	166,618	1,759	-32,040	136,337
Other currencies	13	0	-12	1
31 December 2008	**170,998**	**39,581**	**-41,071**	**169,508**
USD	1,146	10,640	-5,029	6,757
EUR	5,610	8,641	-1,076	13,175
DKK	319,885	5,226	-38,814	286,297
Other currencies	0	0	-1,129	-1,129
31 December 2007	**326,641**	**24,507**	**-46,048**	**305,100**

Exiqon's main exchange rate risks relate to EUR and USD. Raw materials are purchased in USD, a large part of our staff receives their salary in USD and revenues are also denominated in USD. The investments in our US subsidiaries are not hedged.

Fluctuations in the exchange rate of 10% for USD against DKK can be expected to impact the Group's net result by 2% against 1% in 2007 and the equity by 0% against 0% in 2007.

Notes to the financial statements

Note 29. Financial risks and financial instruments (continued)

Interest rate risks

The interest rate risk on the Group's interest-bearing financial assets and liabilities can be described as follows, stating the earlier of interest reset or expiry dates and effective interest rates:

Group

	Within one year DKK'000	In two to five years DKK'000	In more than five years DKK'000	Total DKK'000	Of this, fixed interest DKK'000	Effective interest rate %
Bank deposits	174,258	0	0	174,258	0	4-6
Lease arrangements	-4,385	-13,095	0	-17,480	-17,480	3-7
31 December 2008	**169,873**	**-13,095**	**0**	**156,778**	**-17,480**	
Bank deposits	331,504	0	0	331,504	0	2-4
Lease arrangements	-2,740	-7,818	0	-10,558	-10,558	3-7
31 December 2007	**328,764**	**-7,818**	**0**	**320,946**	**-10,558**	

Parent

	Within one year DKK'000	In two to five years DKK'000	In more than five years DKK'000	Total DKK'000	Of this, fixed interest DKK'000	Effective interest rate %
Bank deposits	170,998	0	0	170,998	0	4-6
Lease arrangements	-4,182	-11,579	0	-15,761	-15,761	3-7
31 December 2008	**166,816**	**-11,579**	**0**	**155,237**		
Bank deposits	326,641	0	0	326,641	0	2-4
Lease arrangements	-2,740	-7,818	0	-10,558	-10,558	3-7
31 December 2007	**323,901**	**-7,818**	**0**	**316,083**	**-10,558**	

The Group's bank deposits are placed on cash and demand deposits or fixed-term deposits with duration of up to 14 days.

A change in the interest rate level of 0.50% compared to the realized interest during the year can be expected to impact the Group's net result by 2% against 2% in 2007 and the equity by 0% against 0% in 2007.

Credit risks

The Group's primary credit risk is related to trade receivables. The Group's customers are mainly large companies and public research institutes in Denmark, Europe and North America. The Group's policy for undertaking credit risks involves an ongoing credit assessment of all major customers and business partners.

Parent			Group	
2007 DKK'000	2008 DKK'000		2008 DKK'000	2007 DKK'000
		Not impaired not due receivables are distributed as follows:		
7,171	5,858	Europe	5,858	7,171
2,418	0	North America	9,071	3,844
240	570	Asia	570	240
9,829	**6,428**		**15,499**	**11,255**

The maximum credit risk related to trade receivables equals the carrying amount of these.

Notes to the financial statements

Note 29. Financial risks and financial instruments (continued)

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization between the Group's strategy and cash position and also of the debt and equity balance. The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of debt, which includes finance lease arrangements, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Excess liquidity
The Group's risk management committee reviews the capital structure, including the cash position, on a regular basis. As part of this review, the committee considers the capital resources and the risks associated with each class of capital. Based on the committee's recommendations, the Group expects a capital resource in the range of DKK 70-90 million on 31 December 2009 including current credit facilities but excluding trade receivables.

The capital resource at the year end was as follows:

	2008 DKK'000	2007 DKK'000
Cash and cash equivalents	174,258	331,504
Current credit facilities	10,000	10,000
Capital recource	**184,258**	**341,504**

Note 30. Related parties

Related parties exercising significant influence comprise Exiqon A/S' Executive Management and Board of Directors. Other related parties comprise the subsidiaries Exiqon, Inc., and Exiqon Diagnostics, Inc.

Remuneration etc. paid to Board of Directors, Executive Management and other senior employees
For information on remuneration paid to the Group's Board of Directors, Executive Management and other senior employees, see note 6.

Other related party transactions in 2008
There have been no other transactions with related parties.

Transactions with group companies comprised invoicing of contract work in the total amount of DKK 1,981 thousand.

Other related party transactions in 2007
In Q1 and Q2, the company was invoiced for consulting services in a total amount of tDKK 3,088 by the former Chairman of the Board. The consulting agreement was terminated on 2 May 2007.

Transactions with group companies comprised invoicing of contract work in the total amount of tDKK 2,983.

Additional notes

Key figures (unaudited)

Revenue and gross margins

DKK '000	Q1 2008	Q2 2008	Q3 2008	Q4 2008	2008
Revenue	16,495	27,979	51,312	32,487	128,273
Change (%)	76%	139%	504%	63%	159%
Product sales incl. services	14,278	26,260	28,015	29,959	98,512
Change (%)	108%	239%	329%	72%	156%
Direct contribution	9,676	17,213	18,903	18,537	64,329
Direct contribution margin (%)	67.8%	65.5%	67.5%	61.9%	65.3%
Gross profit	7,723	7,016	29,531	10,923	55,193
Gross margin	46.8%	25.1%	57.6%	33.6%	43.0%

DKK '000	Q1 2007	Q2 2007	Q3 2007	Q4 2007	2007
Revenue	9,353	11,686	8,499	19,940	49,478
Change (%)	-61%	76%	14%	-16%	15%
Product sales incl. services	6,849	7,743	6,534	17,399	38,525
Change (%)	-14%	49%	37%	120%	84%
Direct contribution	4,923	6,022	3,800	13,165	27.910
Direct contribution margin (%)	71.9%	77.8%	58.2%	75.7%	72.4%
Gross profit	5,939	7,505	1,488	9,372	24,304
Gross margin	63.5%	64.2%	17.5%	47.0%	49.1%

Research and development costs

DKK '000	Q1 2008	Q2 2008	Q3 2008	Q4 2008	2008
R&D costs (net)	-11,571	-15,719	-17,016	-12,959	-57,265
Change (%)	139%	81%	172%	48%	101%
Share-based payment	-14	-535	-37	-47	-633
R&D costs total	-11,585	-16,254	-17,053	-13,006	-57,898

DKK '000	Q1 2007	Q2 2007	Q3 2007	Q4 2007	2007
R&D costs (net)	-4,848	-8,676	-6,267	-8,730	-28,521
Change (%)	-60%	66%	32%	-27%	7%
Share-based payment	-42	-281	-41	-150	-514
R&D costs total	-4,890	8,957	-6,308	-26,794	-29,035

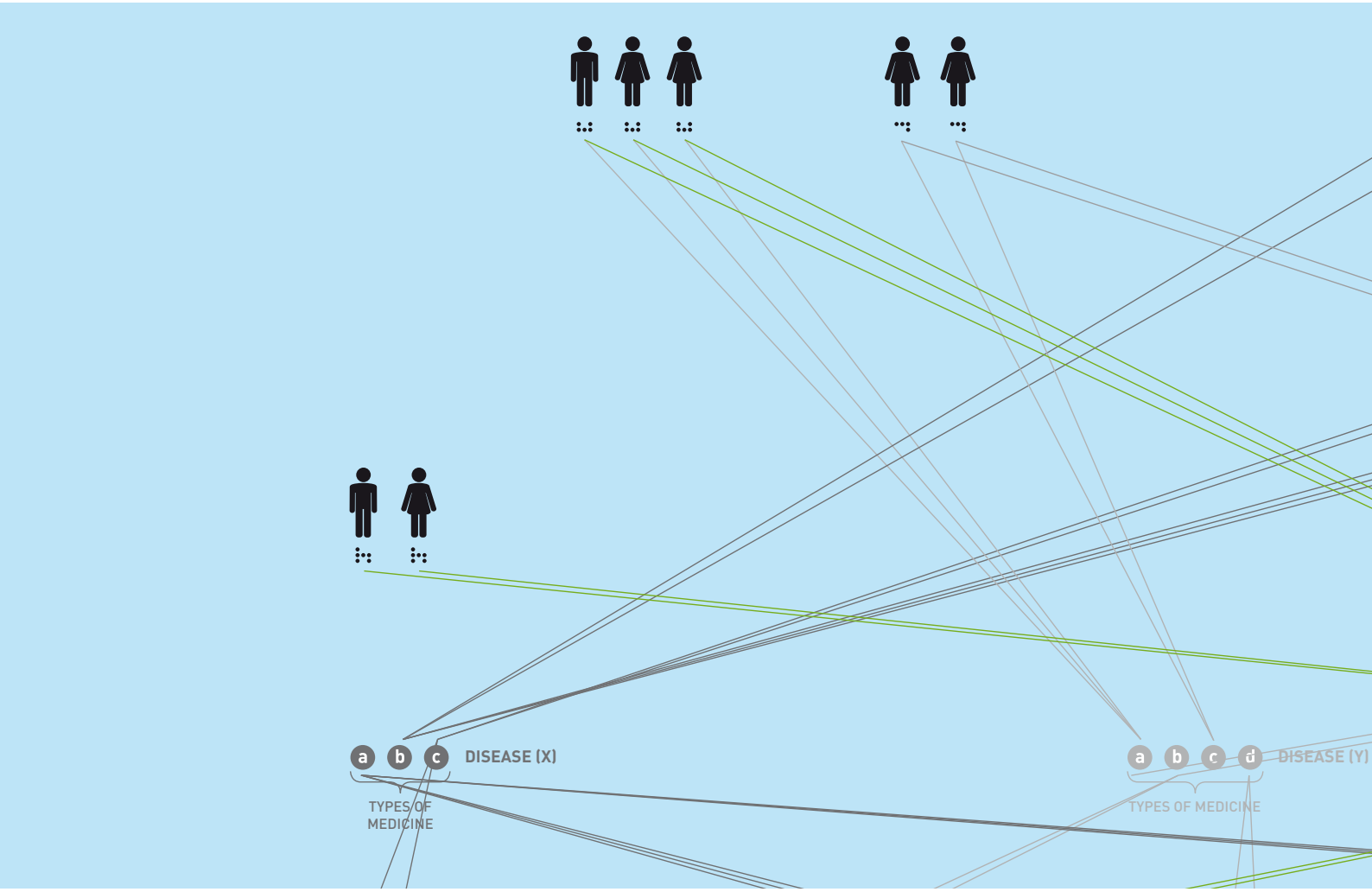
Additional notes

Key figures (unaudited) (continued)

Sales, General and Administrative costs (SG&A)

DKK '000	Q1 2008	Q2 2008	Q3 2008	Q4 2008	2008
SG&A costs (net)	-21,085	-29,136	-29,647	-36,791	-116,659
Change (%)	77%	99%	122%	79%	92%
Sales & marketing cost (net)	-11,402	-18,932	-19,828	-22,898	-73,060
Change (%)	75%	126%	136%	55%	92%
Administrative costs (net)	-9,683	-10,204	-9,819	-13,894	-43,600
Change (%)	81%	63%	98%	140%	95%
Share-based payment	-1,820	-2,869	3,633	-5,461	-6,517
SG&A costs total	-22,905	-32,005	-26,014	-42,252	-123,176

DKK '000	Q1 2007	Q2 2007	Q3 2007	Q4 2007	2007
SG&A costs (net)	-11,895	-14,659	-13,379	-20,563	-60,496
Change (%)	164%	124%	58%	356%	138%
Sales & marketing cost (net)	-6,532	-8,392	-8,409	-14,762	-38,095
Change (%)	-18%	114%	83%	86%	122%
Administrative costs (net)	-5,363	-6,267	-4,970	-5,801	-22,401
Change (%)	240%	139%	29%	268%	169%
Share-based payment	-371	-3,134	-3,275	-3,120	-9,900
SG&A costs total	-12,266	-17,793	-16,654	-23,683	-70,396



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