Annual Report 2010

EXIQON
Seek Find Verify

Contents

This is an English translation of the annual report prepared in Danish. In case of any discrepancies between the Danish version and this English translation thereof, the Danish version shall prevail.

On the way

Exiqon targets the market for miRNA analysis that is the fastest growing segment in the market for nucleic acid analysis. We offer valuable products and services for miRNA research across industries.

In 2010, we gained market share in the product segment for qPCR expression analysis. We maintain competitive advantages through our proprietary LNA™ technology. We have successfully positioned ourselves as a provider of high quality products at premium prices and commercialize our products through numerous sales channels worldwide.

We have also built a proprietary pipeline of promising novel molecular diagnostic tests that address large unmet medical needs. We have organized operations to ensure scalability through outsourcing, and documented processes and procedures. Profitability is our next immediate goal.

Roadmap to success

Dear shareholders,

The success of any emerging technology company such as Exiqon ultimately depends on its ability to develop and deliver valuable products and services to its customers. Competitive advantage is achieved through proprietary technologies. Processes and procedures must turn the proprietary technologies and knowledge into products sold at scale. Success is measured by the ability to capture markets with commercial potential and the ability to successfully position and sell products in these markets.

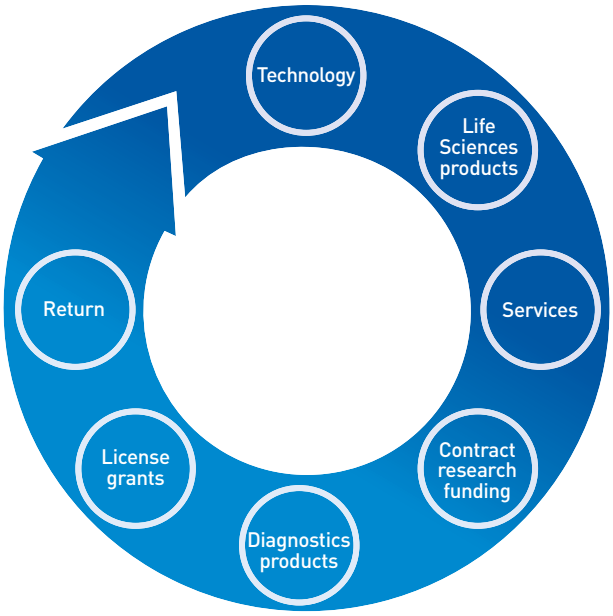
Several new products were successfully launched during 2010 supporting a 52% organic growth in products sold.

With our products for miRNA analysis, Exiqon targets the fastest growing segment in the market for nucleic acid analysis - a market which exceeds $10 billion worth of annual sales. We offer valuable products and services for miRNA research across industries and academia. Several new products were successfully launched during 2010 supporting a 52% organic growth in products sold. An increasing percentage of products are sold to pharmaceutical companies looking to stratify patients for better use of new and existing medicines through the use of biological markers such as miRNA.

We maintain a competitive advantage through our proprietary LNA™ technology which has allowed us to successfully position Exiqon as a provider of high quality products at premium prices. In 2010, the first comparative studies done by customers were published and these demonstrated the added value of our proprietary LNA™ detection technology in both microarray and qPCR applications.

In 2010, we gained market share in the fast growing product segment for qPCR expression analysis due to unique capabilities in terms of sensitivity and specificity of our qPCR products. These unique capabilities provide us with new and promising market opportunities, in particular related to miRNA profiling of blood samples.

Business model



Exiqon pursues a highly synergistic business model. Both of our two operating segments are based on the same proprietary LNA™ detection model, and both benefit from the same competences and bioinformatic tools. The products we sell for research use through Exiqon Life Sciences, also form the basis for Exiqon Diagnostics' discovery of miRNA signatures for use in novel diagnostics. The results we achieve in our diagnostic programs in turn serve to illustrate the power of our technologies and the promise of miRNAs thus supporting demand for our products for research use.

We commercialize our products and services through numerous sales channels worldwide. In 2010, we re-organized our U.S. sales force; we added new distributors in the Middle East and Asia and now count a total of 15 distributors of our products. In 2010, we also concluded our first co-marketing agreement. In parallel, we expanded our offering to customers at www.exiqon.com by the launch of novel bioinformatics software for on-line design of custom qPCR and *in situ* hybridization assays.

Proprietary pipeline of promising novel molecular diagnostic tests that address large unmet needs.

We have built a proprietary pipeline of promising novel molecular diagnostic tests that address large unmet needs. The first clinical data was published in 2010 suggesting that patients with stage II colon cancer may be stratified to allow for adjuvant chemotherapy of those patients at high risk of recurrence. In another program aimed at developing a blood-based test for early detection of colorectal cancer, we completed the first two biomarker screening programs during 2010. These screenings resulted in a list of candidate biomarker miRNAs that are statistically significantly altered between cancers and healthy volunteers which we shall seek to validate during 2011. We are very encouraged by the potential of both these diagnostic programs and their promise in terms of improved patient care, cost-effective use of healthcare funds and return for our shareholders.

2010 was the year we closed down operations at Oncotech, Inc. after concluding that a divestment could not be achieved in light of the Medicare Administrative Contractor in California, Palmetto GBA's, decision to disallow reimbursement coverage for Oncotech, Inc.'s drug resistance tests. In the absence of proceeds from the sale of Oncotech, Inc., Exiqon issued 3,030,000 new shares in June 2010 to strengthen the company's capital resources.

In the future, we shall rely on partners to commercialize our diagnostic programs. This will decrease associated development risks and costs while maintaining a significant potential upside for our shareholders.

In 2010, we granted our first product-specific non-exclusive license to Becton, Dickinson and Company to use Exiqon's proprietary Locked Nucleic Acids (LNA™) technology in defined diagnostic products for certain infectious diseases.

We have organized Exiqon's operations to ensure scalability through outsourcing of manufacturing and documentation of work processes and procedures throughout the company. This will allow us to leverage our current infrastructure in the coming years and address new markets in support of continued growth.

The growth in product sales throughout 2010 was made possible by a very talented and dedicated team of employees. We employ more than ten different nationalities and also benefit from many different educational backgrounds. Having a multicultural and multidisciplinary group of dedicated people enables us to tailor our products and services to the needs of our customers. We would like to use this opportunity to thank all employees for the great effort they have put into driving Exiqon forward during 2010. The outlook for 2011 certainly looks better than ever.

Scalability through outsourcing of manufacturing and documentation of work processes and procedures throughout the company.

For 2011, we expect revenue of DKK 105-115 million and aim for profitability measured on EBITDA – an Exiqon milestone.

We thank you for your support and hope that you will continue to support us on the way to a very exciting and rewarding future.

Yours sincerely,

Thorleif Krarup, Chairman of the Supervisory Board

Lars Kongsbak, President & CEO

Financial highlights

(DKK'000 except key figures)	2010	2009	2008	2007	2006
Income statement					
Revenue	93,510	82,247	84,821	49,478	43,096
OEM sales and reagent sales associated with license agreements	9,643	11,429	18,914	9,585	4,005
Production costs	-45,424	-41,785	-40,387	-25,174	-11,936
Gross profit	48,086	40,462	44,434	24,304	31,160
Research and development costs	-30,204	-113,971	-41,548	-29,035	-27,624
Sales and marketing costs	-35,801	-44,132	-46,668	-39,080	-19,425
Administrative expenses	-22,297	-30,039	-37,176	-31,316	-9,616
Operating profit/(loss) before depreciation and amortization (EBITDA)	-30,216	-67,386	-70,249	-70,057	-22,275
Operating profit/(loss) (EBIT)	-40,216	-147,680	-80,958	-75,127	-25,505
Profit/(loss) before tax from continued operations	-42,115	-146,596	-69,546	-67,786	-24,918
Profit/(loss) before tax from discontinued operations	-1,427	-192,077	-46,824	0	0
Profit/(loss) for the year	-43,542	-338,818	-116,431	-67,786	-24,918
Total comprehensive profit/(loss) for the year	-57,605	-345,155	-95,401	-68,131	-25,470
Balance sheet					
Assets					
Intangible assets	64,643	63,698	211,792	11,061	8,057
Property, plant and equipment	11,299	18,440	82,810	21,449	10,607
Total non-current assets	78,181	84,737	297,216	36,141	19,719
Cash and cash equivalents	18,184	45,496	174,258	331,504	20,396
Current assets	51,216	74,542	218,684	355,814	47,266
Assets classified as held for sale	0	16,032	0	0	0
Total assets	129,397	175,311	515,900	391,955	66,985
Equity and liabilities					
Equity	84,667	121,600	461,807	343,366	33,973
Non-current liabilities	3,631	7,196	13,095	7,818	5,275
Current liabilities	41,099	46,515	40,998	40,771	27,737
Total liabilities	44,730	53,711	54,093	48,589	33,012
Total equity and liabilities	129,397	175,311	515,900	391,955	66,985
Cash flow and investments					
Depreciation, amortization and impairment	10,000	80,937	7,471	5,070	3,230
Cash flows from operating activities	-22,453	-67,468	-66,511	-38,171	-35,590
Acquisition of intangible assets and property, plant and equipment	-3,801	-3,732	-8,982	-13,647	-9,306
Cash flows from investing activities	-3,801	-3,732	-8,936	-16,222	-9,883
Cash flows from financing activities	14,291	-4,146	-2,567	365,790	25,670
Cash flows from discontinued operations	-16,986	-52,345	-81,093	0	0
Cash and cash equivalents at 31 December	18,184	45,497	174,258	331,504	20,396
Key figures:					
Number of shares, average	31,841,002	30,300,181	29,245,594	20,245,695	6,940,420
Basic EPS continued operations *)	-1.32	-4.84	-3.98	-3.35	-1.80
Diluted EPS continued operations *)	-1.28	-4.84	-3.98	-3.35	-1.80
Assets / Equity	1.53	1.44	1.12	1.14	1.97
Average number of employees	76	109	115	80	62
Market price per share (DKK)	9.5	6.8	20	37.5	
Market capitalization (DKK million)	316.7	206.1	606.0	916.5	
Price / net asset value	3.74	1.69	1.31	2.67	

* Basic and diluted EPS have been calculated in accordance with IAS 33 "Earnings per share". Other ratios have been calculated in accordance with "Recommendations & Financial Ratios 2010" issued by the Danish Society of Financial Analysts, dated June 2010.

2010 Highlights

In 2010, Exiqon delivered strong organic growth in Life Sciences' sale of research products. Several new products were launched during the year including new bioinformatic tools for on-line design of customer-defined products. Exiqon's new qPCR product line was well received due to its unique abilities for expression profiling of miRNA in serum/plasma. Sales benefited from a re-organization of our U.S. sales activities, the appointment of new distributors and the execution of our first co-marketing agreement.

In Diagnostics, we discontinued operations at Oncotech, Inc. and consolidated activities in Denmark. We also granted an LNA™ technology license for a diagnostic product. In our diagnostic development programs, we published the first clinical data on diagnostic stratification of stage II colon cancer patients and submitted an abstract on early detection of colorectal cancer.

Record sales and significantly reduced costs of operations strongly improved earnings for the year. This allowed us to take an important step towards profitability on EBITDA which remains our target for 2011.

Operational highlights

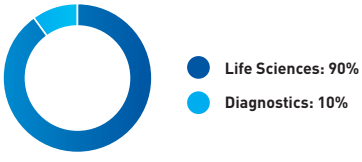
- On 4 June 2010, Exiqon announced the closing down of operations at Oncotech, Inc. effective 16 June 2010, after it was concluded that a divestment could not be achieved.
- On 21 June 2010, Exiqon announced that it had granted a non-exclusive license to Becton, Dickinson and Company to use Exiqon's proprietary locked nucleic acids (LNA™) technology in defined products for infectious disease diagnostics.
- On 29 June 2010, Exiqon announced the registration of a capital increase of 3,030,000 new shares at a nominal value of DKK 1 each following which the nominal value of the share capital of Exiqon A/S amounts to DKK 33,335,249 divided into 33,335,249 shares with a nominal value of DKK 1 each.
- On 20 July 2010, Exiqon and Roche announced that they will join marketing forces for Roche Applied Science´s RealTime ready assays and Exiqon's miRCURY LNA™ Universal RT microRNA qPCR system.
- On 14 November 2010, Exiqon published data from a clinical study that stratifies colon cancer patients into groups of high, medium and low chances of survival by using miRNA as a biomarker.
- On 20 December 2010, Exiqon announced the completion of the discovery phase in its program for early detection of colorectal cancer in blood.

Financial highlights

- Revenue increased 14% to DKK 93.5 million (DKK 82.2 million in 2009). The organic growth in life science research product sales (including Services) was 52%, when excluding OEM sales and reagent sales associated with license agreements.
- Operating expenses decreased 53% to DKK 88.3 million (DKK 188.1 million in 2009).
- Gross profit improved 19% to DKK 48.1 million (DKK 40.5 million in 2009).
- EBIT increased 73% to DKK -40.2 million (DKK -147.7 million in 2009).
- Net loss from continued operations was DKK 42.1 million (DKK 146.6 million in 2009) and DKK 43.5 million when including discontinued business.
- EPS from continued operations amounted to DKK –1.32 (DKK –4.84 in 2009).

Revenue by region
as share of revenue 2010

Revenue by segment
as share of revenue 2010



Costs by function
as share of total costs 2010

Life Sciences

At Exiqon Life Sciences we focus on what we do best - the development, manufacture and sale of products for miRNA research. We offer products for all aspects of miRNA research.

Our objective is to be the market's preferred provider of products for miRNA research. We believe that by concentrating our efforts solely on miRNA products we can create more innovative solutions and build stronger and more productive relationships with our customers worldwide.

Exiqon Life Sciences:

– **addresses the fastest growing segment in the market for nucleic acid analysis**
The market for miRNA research products is the fastest growing segment of the market for nucleic acid analysis which accounts for annual sales of more than $10 billion worldwide. This market segment covers products for gene expression analysis for research purposes but also for clinical molecular diagnostics. The market for miRNA research is currently estimated to be around $50-70 million.

There has been a growing need for nucleic acid analysis since the sequencing and cataloging of the human genome was finalized in 2003. The diverse function and role of miRNAs in disease development has captured the interest of researchers across industries. Customers to Exiqon Life Sciences' research products include pharmaceutical, diagnostic and agro-technological companies as well as academic institutions.

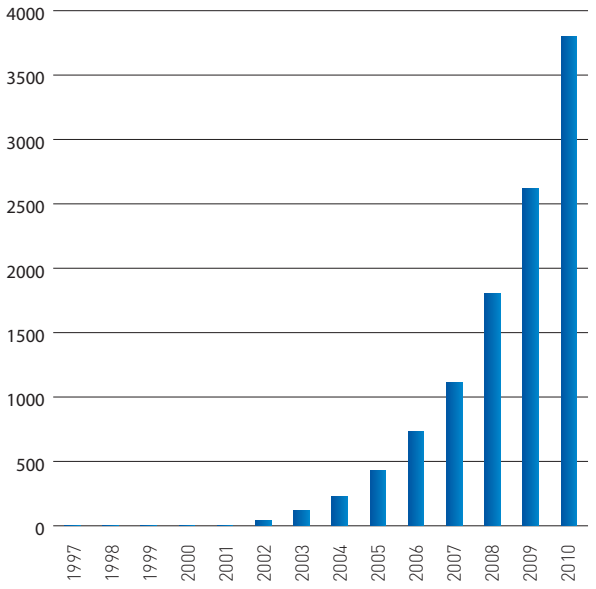
The number of scientific publications pertaining to miRNA reflects the rapidly growing interest for miRNA which drives the continued demand for research products.

Exiqon was among the first companies to offer products for miRNA research back in 2004 and we have kept our focus on that market ever since.

We expect this market will continue to grow with the increasing scientific insight into the field of miRNAs. The recent market introduction of next generation sequencing tools will allow for a more cost effective sequencing of individuals' human genome which in turn drives the demand for re-sequencing tools such as the qPCR products for quantitative and highly specific analyses provided by Exiqon Life Sciences.

– **offers valuable products and services for miRNA research**
Exiqon Life Sciences offers products addressing all basic processes that our customers conduct in their miRNA research work including sample isolation, expression analysis, localization and functional analysis of miRNA.

Number of peer-reviewed scientific publications on miRNA-related discoveries



Exiqon Life Sciences' product portfolio addresses all basic work processes in our customers' laboratory

We currently offer:

- ✔ A sample preparation product for extracting RNA for subsequent analysis
- ✔ Products for detection of miRNA molecules directly in tissue sections including microarray analysis (multi-parallel analysis of many different miRNA molecules at once)
- ✔ qPCR products for quantitative and highly specific analyses as well as *in situ* hybridization for localization
- ✔ Products which provide information about the size distribution of the miRNA molecules (conventional analysis using the Northern blotting technology)
- ✔ Products for functional analysis involving an analysis of the biological function of miRNA molecules.

In 2010, Exiqon Life Sciences launched several new products including product upgrades and software packages for increased customer satisfaction:

- › A new product line - miRCURY LNA™ microRNA Inhibitors - for studying miRNA function
- › 5th generation miRCURY LNA™ microRNA Array that provides 100% coverage of all miRNAs listed in the latest miRBase 14.0 in human, mouse and rat together with a newly developed protocol for single color microarray experiments
- › Software from BioDiscovery, Inc. for microarray image analysis, data analysis and visualization
- › A specifically adapted version of the GenEx qPCR analysis software for Exiqon's new microRNA qPCR platform
- › Novel bioinformatics software for the design of custom qPCR assays for miRNA quantification

  Also, Exiqon launched new software for the design of LNA™ probes for mRNA detection by *in situ* hybridization
- › 6th generation miRCURY LNA™ microRNA Array that provides 100% coverage of all miRNAs listed in the latest miRBase 16.0 in human mouse and rat together with a newly developed kit for highly efficient labeling of miRNAs.

In 2010, a multinational company presented data demonstrating Exiqon's product superiority when using Exiqon Life Sciences' miRCURY LNA™ microRNA Array product line.

As an alternative to selling kits for our customers' in-house research, we also offer to conduct the analysis as a service for fee. This service includes quality control of the sample, miRNA expression profiling and data analysis employing our proprietary miRCURY LNA™ microRNA Array system or the miRCURY LNA™ Universal RT microRNA PCR system.

Often these collaborations begin with smaller projects, such as miRNA profiling. These initial projects hold the potential to develop into closer collaborations around stratification of clinical trials and eventually the development of companion products.

In 2010, we strengthened laboratory processes and procedures to meet GLP requirements and support stratification of patients in clinical trials.

– focuses on the product segment qPCR for miRNA expression analysis

The miRCURY LNA™ Universal RT microRNA PCR product line enables pharmaceutical, biotechnological and clinical researchers to quantify expression levels of 730 microRNAs from a single sample of only 40ng total RNA in serum/plasma or tissue. This product line is market-leading based on key parameters that make it ideal for miRNA profiling of serum/plasma:

› *Sensitivity* - the most sensitive miRNA expression profiling (quantitative measurement of individual miRNAs) available on the market

› *Specificity* - the most specific miRNA expression profiling (best matched miRNAs) available on the market

› *Coverage* - more miRNAs (currently 730) at once than any competing product on the market

› *Time* - the fastest product on the market as it only takes three hours to conduct a profiling of 730 different miRNAs.

In 2010, one of Exiqon Life Sciences' customers presented data from a larger validation study of our miRCURY LNA™ Universal RT microRNA PCR product line at the qPCR Symposium USA held in San Francisco, California. This study provided external validation of the uniqueness of this product demonstrating up to 10 times higher sensitivity and best in class specificity.

– maintains competitive advantages through proprietary LNA™ technology
The LNA™ detection technology allows Exiqon Life Sciences to develop products for miRNA research with a competitive edge. The LNA™ detection technology enables stronger binding and more precise identification of the miRNA molecules targeted for research. This differentiates our products and provides our customers with a unique competitive advantage in their research work. In some applications, the activity of a given miRNA can only be measured through the use of the LNA™ detection technology. This is the case for *in situ*-based analyses.

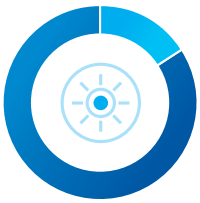
– is positioned as a provider of high quality products at premium prices
Our core value proposition to customers is one of superior quality enabled by the LNA™ detection technology. The added value of LNA™ is reflected in our pricing.

Select market shares*

miRNA Market

Exiqon: 23%
Others: 77%

Exiqon was one of the first companies to sell products in the miRNA market segment. The dedicated focus on this market segment has made Exiqon a leading supplier of products for miRNA research.



Expression Analysis

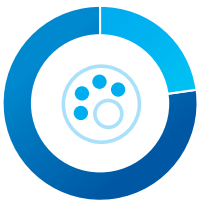
Exiqon: 16%
Others: 84%

Exiqon's miRNA expression analysis products comprise arrays as well as probes for Northern blotting. In October 2009, Exiqon Life Sciences launched its second generation qPCR product, the miRCURY LNA™ Universal RT microRNA PCR system.

Localization

Exiqon: 100%
Others: 0%

Exiqon's probes for detection of miRNA by *in situ* hybridization were launched in 2006 and is an LNA™-enabled method for detection of miRNA tissue.



Functional Analysis

Exiqon: 23%
Others: 77%

In March 2010, Exiqon launched a second generation miRNA inhibitor product for functional analysis of miRNAs in cells.

*Estimated average percentage market share, based on peer-reviewed papers on miRNA discoveries in October 2010 (total No. = 172)

– covers markets worldwide through numerous sales channels

We market our research products world-wide through both direct sales, distributors and the web.

Our own sales force works directly from our head office in Denmark, from the U.K. and through our U.S. subsidiary, Exiqon, Inc. In 2010, we re-organized our U.S.-based sales organization to secure appropriate coverage of key accounts which increasingly include pharmaceutical companies.

By entering into three new distributor agreements in 2010, Exiqon Life Sciences' products are now distributed through a total of 15 distributors in southern Europe and Asia.

The web represents an increasingly important sales channel. During 2010, we improved our web services significantly by introducing novel bioinformatic tools for the benefit of our customers.

In 2010, we also entered into our first co-marketing agreement. Roche and Exiqon agreed on a joined marketing approach for their RT PCR Assay systems, and measures like webinars, seminars and linked internet appearances are planned to promote the joint offering in 2011.

– supports scalable operations through outsourcing, processes and procedures

Exiqon Life Sciences has successfully outsourced the manufacturing and supply of all LNA™ oligonucleotides to a highly qualified supplier that is licensed to manufacture on behalf of Exiqon. One benefit of this outsourcing is improved delivery times for our customers. Reduced working capital is another. Throughout the organization we have implemented an IT infrastructure that includes processes and procedures that allow us to monitor and secure quality in everything we do and to cost-effectively scale our operations to meet future demands.

– holds the potential to significantly expand current market coverage

In the coming years, we plan to broaden our life science product offering to also target DNA and mRNA. First step will be to broaden the qPCR expression analysis offering to address the emerging new market for validation of next generation sequencing data beyond the field of miRNA. This can be achieved cost-effectively by leveraging current platforms and bioinformatic tools and our scalable infrastructure.

Developing a competitive edge

In the very dynamic markets for miRNA research, the product life cycle is short. The ability to offer updated products is an important competitive parameter.

Over the past seven years, Exiqon has developed and applied bioinformatic software tools in our product development. These bioinformatic tools allow for efficient computer-based design of new LNA™-based products. Today, our product development process requires fewer wet-lab resources and is therefore less costly than only a few years ago. Importantly, product development is faster than ever before. In short, our bioinformatic tools allow us to cost-effectively bring new products to our customers in a timely manner.

As an example of this efficiency, Exiqon managed in 2010 to update the miRCURY LNA™ microRNA Array product twice which means that we now provide 45% higher content than our nearest competitor. In addition, the LNA™ technology secures that only 1/3 of the sample input is required compared to the second best performing competitor.

Our bioinformatic tools have been matured to a degree of robustness and efficiency that our customers have been granted access to relevant parts through our web shop. Our customers can now design their own products tailored to their specific needs and research projects.

Efficiency and scalability is not limited to our product development. Scalability is an independent goal in everything we do. Today, all processes in the company are electronically

documented, including product development, manufacturing, services, quality control, logistics, customer support, sales process as well as administrative functions such as financial procedures, IT approval processes and HR. All processes are accessible to relevant employees over the company's intraweb and easily shared and maintained. Our bioinformatic tools combined with an efficient IT infrastructure have allowed us to make operations fully scalable and now represent a competitive edge in its own right.

Month 2010	Product Launches
March	5th generation microarray for analysis of human, rat and mouse miRNAs
March	2nd generation microRNA inhibitor design and microRNA Power Inhibitors
April	Software package for analysis of microarray data
April	Software package for the analysis of qPCR data
June	Version 2 panels for human qPCR detection of miRNAs
July	Individual qPCR assays for rodent miRNAs
August	5th generation microarray for human, rat and mouse miRNAs for Maui and NimbleGen instruments
September	Reagents for *in situ* detection of miRNAs and mRNAs
September	Rodent miRNA qPCR panel
September	Design software that enables the customers to design fully customizable miRNA qPCR products
September	Design software that enables the customers to design fully customizable *in situ* mRNA products
September	Tm software tool for all LNA™-enhanced probes targeting RNA
October	Free demonstration version for microarray data analysis software package
December	6th generation microarray for analysis of human, rat and mouse miRNAs; highest coverage on the market
December	Updated and expanded human and mouse inhibitor library for functional analysis of miRNAs – now with the highest coverage on the market
December	GLP services for diagnostic and pharmaceutical company customers
December	Bioinformatics data analysis package for clinical experiments (pharma customers)

Diagnostics

Exiqon Diagnostics works to optimize healthcare decisions based on a person's individual biological characteristics. Personalized healthcare holds promise of providing help to guide physicians' early detection of diseases, choice of therapy, choice of dose, timing and frequency of dose by tailoring treatments to selected patient groups defined by biological markers such as miRNA. We are developing a proprietary pipeline of novel diagnostic and prognostic tests based on miRNA expression profiling.

Our objective is to leverage the potential of miRNA as a novel group of biological markers to help oncologists make the most appropriate treatment decisions. We believe that by basing our diagnostic programs on Exiqon's LNA™-enhanced PCR platform, we have a unique opportunity to capture the diagnostic potential for miRNA expression profiling of all sample types - most notably blood.

Exiqon Diagnostics:

– **addresses a large unmet need for personalized healthcare**
Today, depending on the disease, up to 75% of patients do not benefit from the medical treatment they receive. Moreover, adverse drug reactions cause hundreds of thousands deaths worldwide every year.

New molecular diagnostics that can help improve treatment efficacy by tailoring treatments to selected patient groups, represent a large unmet need.

The discovery of miRNAs as a novel group of biological markers and the identification of relevant miRNA signatures for cancer and other diseases will eventually result in a multitude of new molecular diagnostic tests that will help optimize healthcare decisions.

By enabling early detection of disease or predicting how aggressively a disease is likely to progress, the tests we are developing aim to increase the success rate of therapy and reduce the risk of adverse side effects and unnecessary costs. Importantly, miRNA can be identified in blood – serum and plasma – which is the most readily available specimen type for any diagnostic test worldwide.

– **offers a pipeline of novel molecular diagnostics based on miRNA profiling**
Exiqon Diagnostic's current pipeline of miRNA diagnostics targets significant market opportunities in the field of cancer.

These include:

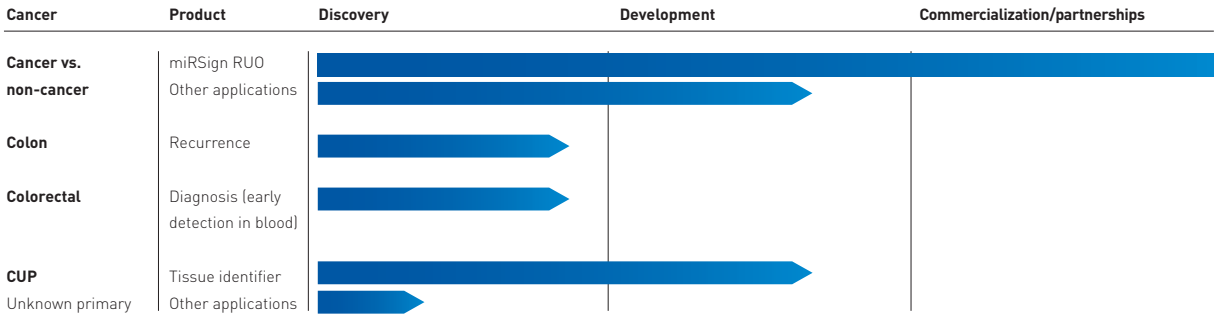
› *Early detection of colorectal cancer based on a simple blood test*
Colorectal cancer is the third most frequent cancer disease and the second most frequent cause of cancer related mortality in the Western World. There are approximately 610.000 new cases annually in these countries.

The current recommendation for early detection of colorectal cancer is endoscopy every 10 years for individuals above the age of 50.

We are developing a miRNA-based test for early detection of colorectal cancer that is based on a simple blood sample and is thereby less invasive and simpler than an endoscopy. The simplicity and minimally invasive nature of a blood test that can identify patients who have early stage colorectal cancer based on a miRNA profile, could be of considerable patient value by limiting endoscopy to those patients who are at high risk and would benefit from further examination.

In 2010, we completed two discovery screening cohorts that in total represent screening of miRNAs in the blood-derived plasma of almost 400 healthy individuals and colorectal cancer patients. We are now developing the miRNA-based diagnostic signature which we will process to validate in a large prospective clinical trial in 2011.

Our current pipeline of proprietary miRNA-based diagnostic products



The above illustrates Exiqon Diagnostics' pipeline of miRNA-based diagnostics and their current stage of development.

The potential market in the Western World for a blood-based test for early detection of colorectal cancer is up to 287 million individuals annually. In the U.S. 80 million. In Denmark 1,6 million.

We expect our blood-based test for early detection of colorectal cancer to be commercially available by 2014. This test is based on our real-time qPCR platform.

› *Colon stage II recurrence*
Of the approximately 610.000 new cases of colorectal cancer in the Western world, approximately 25% are diagnosed as stage II colon patients.

The recent recommendation by ASCO (American Society of Clinical Oncology) for adjuvant treatment of stage II colorectal cancer concludes that currently there is no evidence of a beneficial effect of systemic adjuvant treatment for these patients. In consequence, stage II patients are therefore not treated with adjuvant chemotherapy even though up to 25 percent of them will relapse.

We are developing a colon recurrence 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.

In 2010, Exiqon published data from a clinical study that stratifies 130 stage II colon cancer patients for the expression of miRNA-21 in the tumor tissue. The study demonstrated that colon cancer patients may be grouped into groups of high, medium and low chances of survival on the basis of miRNA as a biomarker. This study was based on *in situ* hybridization enabled by Exiqon's proprietary LNA™ detection technology. We are now converting these promising clinical findings to our real-time qPCR platform.

The potential market in the Western world for a stage II colon cancer recurrence test is estimated at approximately 30% of all colorectal cases, corresponding to 183,000 patients annually. In the U.S 26,700. In Denmark 900.

We expect our colon recurrence test to be commercially available by 2014 provided we identify a partner for commercialization.

› *Cancer of Unknown Primary (CUP)*
Annually, up to five percent of all cancer patients, corresponding to a total of 80,000 patients in the U.S., are diagnosed with cancer of unknown primary.

We are developing a test that will help physicians identify cancer of unknown primary tumor (CUP).

This test is ready for final clinical validation.
We are currently investigating the potential for commercializing parts of this product through a third party.

› *miRSign – for determination of cancer vs. non cancer (RUO)*
In all cases of tissue-based cancer diagnosis, it is critical to identify whether the sample tissue used to diagnose is cancer or not. Any cancer diagnosis may be compromised if the tissue sample does not contain sufficient cancer cells to support the intended investigations.

This test kit is based on our miRCURY LNA™ Universal RT microRNA PCR platform which enables simple assessment of cancer cell content in colon cancer samples.

Exiqon offers this product for sale on a Research Use Only (RUO) basis in the form of reagents and protocols for assessment of miRNA-21 content in tissue samples which in three independent cohorts has been demonstrated to be predictive for the survival of colon cancer patients.

– focuses on qPCR expression profiling of miRNA in blood (serum and plasma)
Because the qPCR technology is recognized by regulatory authorities, it is a preferred development platform for diagnostic tests (a general point that is not specific to Exiqon's products). The added benefits of using Exiqon's miRCURY LNA™ Universal RT microRNA PCR system as a diagnostic technology platform include:

✔ A *sensitivity* that enables the analysis of samples that contain very little total miRNA. These sample types include FFPE samples, fresh frozen tissue samples, and notably serum and plasma and other body fluids

✔ A *specificity* that enables every assay to pass critical quality control tests at even higher levels than required for life science research applications

✔ A *coverage* that is flexible and can be tailored to focus on specific miRNAs, or to provide broad coverage for the analysis of the most critical miRNAs

✔ A *robustness* that allows the system to perform well in the harsh conditions present in clinical FFPE preserved tissue, blood serum and plasma. This kind of robustness is essential in diagnostic tests that must perform well with clinical samples from multiple sources and of varying qualities.

The LNA™-enhanced PCR system is also a very flexible platform. It can be used for highly sensitive genome-wide screening, for capturing a low-complexity signature or in single-assay format for validation and diagnostic test development. This simplifies and accelerates diagnostic test development and eliminates the need for cross-platform validation.

The discovery screening completed in 2010 as part of our early detection of colon cancer has demonstrated the clinical stability and robustness of screening miRNAs from blood-derived plasma using the miRCURY LNA™ Universal RT microRNA PCR platform.

– maintains competitive advantages through proprietary LNA™ technology
Our qPCR system serves as a powerful platform for Exiqon Diagnostics along side with our microarray platform. The LNA™ technology is what makes these platforms market leading and uniquely qualified for miRNA profiling of any sample material, including serum/plasma and other biofluids where only very little total miRNA is present.

– is positioned as a leader in miRNA diagnostics
The unique value proposition of Exiqon Diagnostics is our ability to leverage the huge potential of miRNAs as a novel group of biological markers with our proprietary, market-leading LNA™ detection technology.

One aspect that currently sets Exiqon apart from other technology providers in the miRNA field, is our own diagnostic programs that lead the field and demonstrate to potential customers our leading role and understanding of miRNA as biomarkers. Furthermore, these programs demonstrate that we have the infrastructure to support true diagnostic development, and that our own real-time qPCR platform is well suited and established in the clinical and diagnostic setting. The miRCURY LNA™ Universal RT microRNA PCR system works on an installed base of approximately 50.000 instruments worldwide.

Continuous innovation, a promising pipeline of new diagnostics and an extensive portfolio of patent applications have enabled Exiqon to quickly achieve a leading position in this new emerging market.

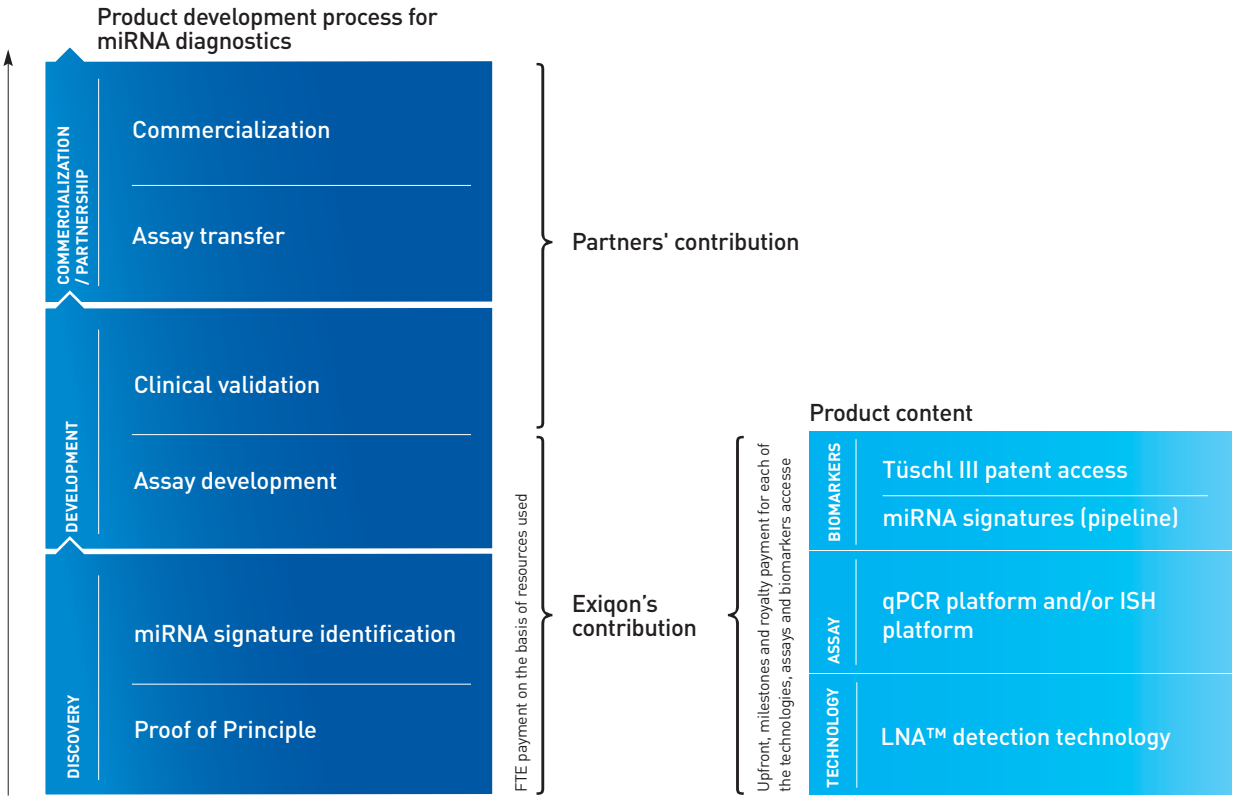
For example, Exiqon is a licensee on a four-party co-exclusive basis to a number of miRNA sequences discovered by Dr. Thomas Tüschl, which is the first comprehensive patent filing (Tüschl III patent portfolio) in the field of diagnostics. We also hold an early portfolio of proprietary miRNAs discovered by 454 sequencing. Patent applications have also been filed on the process and technology applied in the miRCURY LNA™ Universal RT microRNA PCR system.

– plans to commercialize its novel diagnostic products through partners

Exiqon Diagnostics has adopted a commercialization strategy for its novel miRNA diagnostics that allows us to share the risk and costs of commercializing our tests with a commercial partner.

Exiqon Diagnostics' contribution to the commercialization of novel miRNA diagnostics include

Partnering strategy



the LNA™ detection technology, our miRCURY LNA™ Universal RT microRNA PCR platform, intellectual property rights and access to the miRNA profiles that we have identified for final clinical validation. We plan to support partners in the development from discovery through assay development and final clinical validation. Final clinical validation for commercialization of IVD kits is often costly and will require regulatory skills that Exiqon Diagnostics does not currently possess.

Exiqon Diagnostics' contribution to the commercialization of novel miRNA diagnostics is depicted at p. 18.

Partnerships may take different forms and vary depending on the markets addressed - from product to product. This flexible approach allows us to leverage customer relationships to potential partnerships and gain the knowledge and insight of a partner to optimize the chances of commercial success.

– works under well documented processes and procedures

The development of molecular diagnostics is complex and requires highly specialized skills.

The discovery and development process at Exiqon Diagnostics consists of three phases: discovery, assay development and clinical validation.

- Once the relevant samples have been identified, the discovery phase takes 6 to 12 months and focuses on the identification of miRNA signatures related to early detection, prognosis/recurrence, drug resistance or treatment response in FFPE material or blood (serum and plasma). Securing high-quality clinical samples and developing a well-planned study design during this stage is critical for the later success of the test.
- The next stage is called assay development, which can take 12 months or more. Once a specific miRNA signature has been identified, typically on the basis of one or two discovery studies in limited samples, the miRNA signature is tested in a larger population of samples. This larger test provides proof-of-concept, clinical validation and ensures that the assay is robust and technically functions as expected.
- Provided that the assay development process is concluded successfully, marketing and commercialization can begin. Initially, the marketing material will make no clinical claims and the product will be sold for "Research Use Only". Clinical implementation is the final stage of the process. The product will undergo clinical validation studies, which, if successful, will enable the test to be sold as an IVD kit to laboratories worldwide.

– holds the potential to deliver substantial growth

Exiqon Diagnostics offers significant mid and long term growth opportunities for Exiqon.

Our colon recurrence test addresses an immediate unmet market need for improved stratification of stage II colon cancer patients. Once successfully completed, our serum-based diagnostic program for early detection of colorectal cancer will provide proof-of-concept that may pave the way for an additional number of serum-based programs.

Our future diagnostic programs will also focus on serum-based diagnostics utilizing Exiqon's proprietary real-time qPCR platform.

As Exiqon Life Sciences broadens its real-time qPCR product offering to include RNA and DNA, Exiqon Diagnostics will also be able to support a wider range of biological targets in partnerships for the development of novel molecular diagnostic products.

Intellectual Capital

People at Exiqon
Exiqon's size is small relative to the complexity of our businesses—the research, development, production and sales of cutting-edge miRNA products in the life science research and diagnostic markets. With only 74 employees, as of year-end 2010, we have to attract the most dedicated, diverse and goal-oriented people we can find. Our employees have to understand that our top priorities are customer focus and profitability, that we must understand and be ready to support all our business functions, and that we work in a performance culture that supports leadership and empowerment at all levels.

We have been fortunate to attract the best and brightest people in our industry from all over the world, in part due to our leadership position and our outstanding opportunities for professional growth and development. Ultimately, we believe many people come to Exiqon because they see it as a "once-in-a-lifetime" opportunity and are excited to work in a new field that has the potential to make such a huge impact on human health.

People are the foundation of our business and a critical link in supporting our business objectives. We are focused on building our reputation as a preferred employer in order to attract, retain and develop the best talents across all fields of our business.

Organized to exploit synergies and adapt to market conditions
In order to ensure our ability to fully exploit the capabilities of our talented employees across business segments, we have organized ourselves in functions that support both our operational business segments, Exiqon Life Sciences and Exiqon Diagnostics.

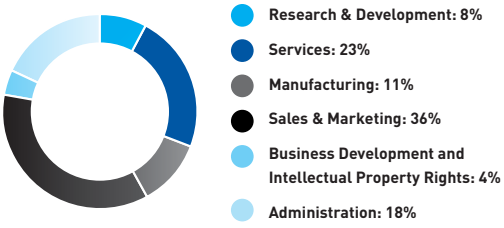
Technology
Using Exiqon's proprietary LNA™ (Locked Nucleic Acid) detection technology, we have developed novel methods to accurately measure the important miRNA molecules in small amounts of tissue and blood (serum and plasma). The LNA™ technology eliminates some of the limitations associated with alternative technologies based on DNA and enables the development of products with properties that cannot be obtained using any other technology.

The LNA™ detection technology is a synthetically manufactured derivative of RNA that is particularly

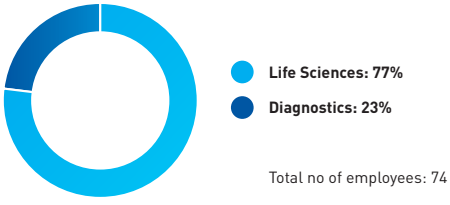
Employees by gender

Employees with Ph.D.

Employees by function



Employees by segment



Total no of employees: 74

well-suited for any DNA and RNA detection that calls for robust profiling.

Patents

We believe that the protection of our products and technology is fundamental to our business prospects. We are therefore pursuing a comprehensive patent program in the United States, Japan, China and Europe and in other countries and regions where we believe significant market opportunities exist. As a result of our patent strategy, Exiqon owns a significant number of patents and patent applications which by year end 2010 amounted to 159 active patents and patent applications including 101 issued patents. Our patent portfolio derives from 28 patent families, including Danish and U.S. priority applications. Over the past 12 months, we have filed one new patent application that may form the basis of a new patent family.

The patents last for 20 years from the filing of the patent application.

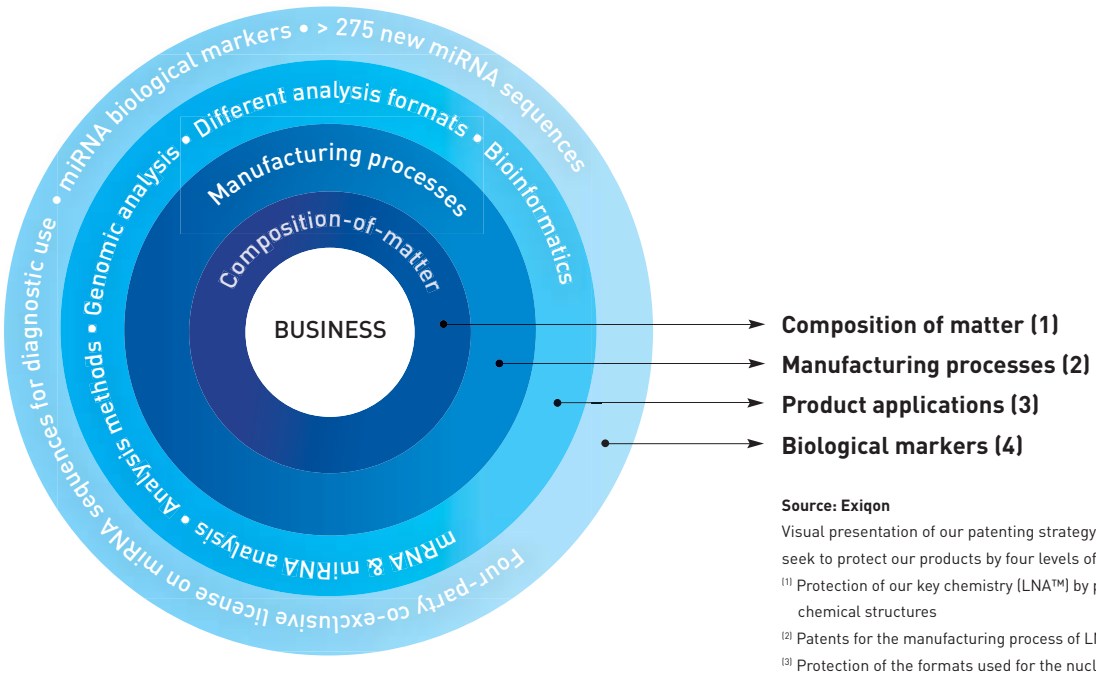
Exiqon's patent strategy secures protection in several layers; from composition of matter, through manufacturing processes to – most importantly- application of the LNA™ technology in our proprietary products.

Exiqon's patent strategy is depicted below.

The LNA™ technology enjoys increasing recognition and acceptance as the technology of choice in the market for miRNA research which has led to attempts towards illegitimate marketing of LNA™ products for research use. Exiqon has taken steps to address such patent infringements.

In this process, Exiqon has initiated legal proceedings against Santaris Pharma A/S for breach of contract and patent infringement because of the company's commercialization of LNA™ products for research use, which is the exclusive field of Exiqon A/S under the parties' co-ownership agreement to certain LNA™ patents.

Exiqon's patent strategy



Source: Exiqon

Visual presentation of our patenting strategy in which we seek to protect our products by four levels of patents:

(1) Protection of our key chemistry (LNA™) by patents for chemical structures

(2) Patents for the manufacturing process of LNA™ amidites

(3) Protection of the formats used for the nucleic acid analysis and the bioinformatic analysis used in the products

(4) Protection of the biological markers to be analyzed in connection with the use of the products.

Licenses

The LNA™ detection 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 2006, Exiqon entered a co-ownership agreement with Santaris Pharma A/S (the Japanese part of the LNA™ technology). This agreement concerns the co-ownership by the parties to a number of patents and patent applications for parts of the LNA™ technology which the parties acquired jointly from professor, Dr. Takeshi Imanishi. Exiqon has issued an exclusive license without any territorial restrictions to Santaris Pharma A/S covering exploitation of the patents covered by the agreement in the therapeutic field. Exiqon holds exclusive rights to exploit the patents within all other fields.

- In 2006, Exiqon entered an assignment and license agreement with Santaris Pharma A/S (the Danish part of the LNA™ technology). This agreement regulates the exploitation by the parties of a number of patents originating from the Danish inventors of the LNA™ technology and of certain subsequent application patents. Under the agreement, Santaris Pharma A/S has been granted an exclusive license without territorial restrictions to exploit certain of these patents in the therapeutic field.

- 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.

- In 2008, Exiqon granted a license to Roche Diagnostics GmbH, Germany, 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.

- In 2010, Exiqon granted a non-exclusive license to Becton, Dickinson and Company to use Exiqon's proprietary LNA™ technology in defined products for infectious disease diagnostics.

We will continue our licensing efforts in 2011 and expect to conclude additional license agreements in the future. As a general rule, we grant product-specific, non-exclusive licenses only to address our customers' desire to commercialize their research results obtained with Exiqon's technologies, whether in the form of diagnostic tests or otherwise.

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 2008, Exiqon in-licensed from Roche Diagnostics GmbH, Germany, 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.

- In 2008, Exiqon in-licensed from Molecular Probes, Inc., USA, the rights under a number of patents to the SYBR Green technology, controlled by Invitrogen Holdings, Inc., now Life Technologies, Inc., 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 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 our

new Universal RT system 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 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 provide services to third parties based on 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 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 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™ detection 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 nonexclusive 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 signed a fully paid-up license agreement with the Danish and Japanese inventors of the LNA™ detection technology for research and diagnostic use and other applications.

- 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 Labeling 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. The patents expire in September 2011.

Risk Management and Corporate Social Responsibility

Exiqon is dedicated to best practices in all aspects of our business.

Risks are an inherent part of our business
Like any business, Exiqon must manage potential risks in a variety of areas, including business risks, financial risks and other risks.

We have implemented a dedicated Business Intelligence solution to monitor performance and manage associated risks of our business. Based on identified strategic objectives and performance goals, we have established Key Performance Indicators (KPIs) and those identified risks that may influence our ability to perform. We manage these risks through Key Risk Indicators (KRIs). In addition, we monitor those actions that are required for our performance through implemented Key Control Indicators (KCIs).

All information is made available in the form of a company score-card based on our secure Intranet portal which serves as the main interface to defined KPIs, KRIs and KCIs. Data is conveniently presented in the form of a management dashboard. Each performance goal, risk and control indicator has its own person responsible assigned so that we may adequately address any and all issues tracked by our RMS.

In addition to specific risks associated with our business, we face 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.

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.

The more general risks, we address by way of uniform procedures throughout the organization that are shared through highly integrated IT solutions.

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.

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.

We have implemented a dedicated Business Intelligence solution to monitor performance and manage associated risks.

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.

Risks associated with manufacturing and performance of services

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.

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 new diagnostic 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, 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 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

Any products we develop, market and sell may become subject to unfavorable pricing, third-party reimbursement practices or healthcare reform initiatives, thereby harming our business. Even if we succeed in bringing one or more new miRNA tests to the market, these may not 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.

General risks

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.

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 Supervisory Board, 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 web shop 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 which 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 part of our staff receives their salaries in USD, and revenues are also denominated in USD. Our investment in our U.S. subsidiary is 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.

Corporate Social Responsibility
In 2010, we have had no policies on issues relating specifically to corporate social responsibility.

We believe Exiqon's business culture and existing procedures, rules and guidelines constitute a solid foundation for conducting a responsible and sustainable business. We intend for none of our practices to be contrary to the UN Global Compact's ten principles that have become a global standard for corporate social responsibility.

Exiqon's IT infrastructure

Exiqon's IT infrastructure has been designed to cost-effectively support high growth, frequent product introductions and extensive use of business intelligence across the entire value chain.

The infrastructure and IT systems used are based on Microsoft technologies and products with a Microsoft Office SharePoint® Server

We have adopted a step-by-step approach in all parts of the organization working consistently towards improving performance, processes and procedures. We do not issue separate environmental reports because our activities only have a limited impact on the environment.

Over time, we expect to expand our risk management system to include reporting on corporate social responsibility.

We have adopted a step-by-step approach in all parts of the organization working consistently towards improving performance, processes and procedures.

We support and promote a good working environment with regard to issues like work-life balance, appropriate working behavior, social interaction between employees, respect and trust among colleagues and providing a safe and comfortable physical workplace.

and Exiqon's own developed bioinformatic tools as the key components.

Microsoft SQL Server® Reporting Services deliver impressive results based on live data to the company's decision makers on a daily basis. Quality is assured through manual testing and custom made automation tests that run continuously to validate the data presented to end users in the form of charts and indicators.

Today, Exiqon can easily add new systems, solutions and components step-by-step without having to spend time and effort worrying about integration.

We are aware of the potential environmental impact of our activities and are continuously evaluating ways to improve our performance by preventing, reducing or remedying any 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 and small quantities of radioactive trace elements are used in the production of our products and services. These chemicals and radioactive materials are stored and disposed of in compliance with applicable guidelines and instructions, including those issued by the Danish National Institute of Radiation Hygiene.

Financial Performance

The average USD/DKK exchange rate applied to translate revenue and expenses was DKK 5.65 for 2010 (DKK 5.35 in 2009).

On 17 December 2009, Exiqon A/S announced that it would divest its U.S. CLIA Laboratory operation Oncotech, Inc. and on 16 June 2010, Oncotech, Inc. was assigned to the benefit of creditors. Financial information relating to Oncotech, Inc. is consequently presented in accordance with IFRS 5 as discontinued operations.

All comparative figures in the statement of comprehensive income have been adjusted accordingly and do not include numbers from the discontinued operations. Comparative numbers in the consolidated statement of financial position do not include numbers from discontinued operations.

2010 at a glance
The full-year results are in line with our expectations.

Total revenue increased 14% to DKK 93.5 million (DKK 82.2 million in 2009). The increase in revenue compared to 2009 is due to a continued strong organic growth in product sales. When excluding OEM sales and reagent sales associated with license agreements, product sales (including Services) increased 52%.

Total operating expenses decreased 53% to DKK 88.3 million (DKK 188.1 million in 2009), primarily due to the restructuring of Exiqon Life Sciences that was undertaken in 2009.

The net loss from continued operations for 2010 was DKK 42.1 million including DKK 2.0 million in costs of warrants and incentive programs.

In the table below, the company's realized performance in 2010 has been summarized and compared to the full year guidance provided, including an adjustment of the realized numbers to the exchange rate (USD/DKK 5.25) used as basis for the full year guidance:

(mDKK)	Realized 2010 (USD/DKK 5.65)	Guidance 2010 (USD/DKK 5.25)	Realized 2010 adjusted to USD/DKK 5.25
Revenue	93.5	80-90	90.9
Net result			
- continued operations	-42.1	-40	-42.2
Net result			
- discontinued operations	-1.4	-2	-0.1
Non-cash adjustments	12.2	15	12.1

EPS from continued operations amounted to DKK -1.32 in 2010 (DKK -4.84 in 2009).

At 31 December 2010, cash and cash equivalents totalled DKK 18.2 million (DKK 45.5 million at 31 December 2009). Total capital resources were DKK 23.2 million.

The 2010 financials are discussed in more detail below.

Revenue and gross margins

DKK '000	Q1 2010	Q2 2010	Q3 2010	Q4 2010	2010	2009
Revenue	20,692	24,129	20,884	27,805	93,510	82,247
Change (%)	*29%*	*24%*	*-23%*	*42%*	*14%*	*-3%*
Revenue Life Sciences	18,125	20,887	20,080	25,149	84,241	81,651
Change (%)	*13%*	*8%*	*-25%*	*28%*	*3%*	*-4%*
Revenue Diagnostics	2,567	3,242	804	2,656	9,269	596
Change (%)	*N/A*	*N/A*	*35%*	*N/A*	*N/A*	*N/A*
Product sales incl. Services	16,987	19,620	18,529	23,304	78,440	56,184
Change (%)	*29%*	*33%*	*38%*	*57%*	*40%*	*2%*
Gross profit	11,132	12,384	9,171	15,399	48,086	40,462
Gross margin	*53.8%*	*51.3%*	*43.9%*	*55.4%*	*51.4%*	*48.8%*
Gross profit Life Sciences	8,690	9,259	8,539	12,754	39,242	39,965
Gross margin	*47.9%*	*44.3%*	*42.5%*	*50.7%*	*46.6%*	*48.9%*
Gross profit Diagnostics	2,442	3,092	632	2,678	8,844	497
Gross margin	*95.1%*	*95.4%*	*78.6%*	*100.8%*	*95.4%*	*83.4%*

Revenue
Revenue increased 14% to DKK 93.5 million (DKK 82.2 million in 2009). The increase in revenue is attributable to a continued strong organic growth in product sales. Product sales (including Services) increased 40% to DKK 78.4 million (DKK 56.2 million in 2009). The increase was primarily attributable to strong qPCR product sales (including Services) and strong custom LNA™ oligonucleotides product sales. When excluding OEM sales and reagent sales associated with license agreements, product sales (including Services) increased 52% in 2010 (12% in 2009).

In 2010, more than 83% of the revenue was generated through product sales compared to approximately 68% in 2009. For more details about revenue, please refer to note 3 and note 4.

The composition of revenue in 2010 compared to 2009 appears from the chart below.

The geographic split in revenue compared to 2009 is illustrated in the charts below which show that approximately 37% of the revenue is now generated in North America (39% in 2009).

Gross profit
In 2010, the gross margin was 51% compared to 49% in 2009 as shown in the table on page 28. In 2010, gross profit was affected negatively by DKK 2 million (DKK 3 million in 2009) due to scrapping of discontinued products, and the gross margin was affected by the outsourcing in 2009 of the manufacturing of custom LNA™ oligonucleotides.

Operating costs
In 2010, research and development costs decreased 73% to DKK 30.2 million (DKK 114.0 million in 2009) as a consequence of cost savings following the restructuring of Exiqon Life Sciences and impairment of goodwill. Research and development costs were charged with DKK 0.1 million in non-cash cost of share-based payment. Net of this charge, research and development costs decreased 30% to DKK 30.1 million in 2010 (DKK 42.9 million excluding write-down of goodwill).

In 2010, SG&A costs decreased 22% to DKK 58.1 million (DKK 74.2 million in 2009) as a consequence of cost savings following the restructuring of Exiqon Life Sciences that has led to a focus on customer directed sales and marketing efforts. SG&A costs are charged with DKK 1.8 million in non-cash cost of share-based payment. Net of this charge, SG&A costs decreased 19% to DKK 56.3 million in 2010 (DKK 69.9 million in 2009).

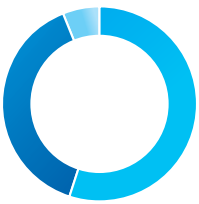
Composition of revenue

2010
- Product sales incl. services: 84%
- License income: 5%
- Contract research: 11%

2009
- Product sales incl. services: 68%
- License income: 23%
- Contract research: 9%

Geographic split of revenue

2010
- Europe: 55%
- North America: 37%
- Rest of world: 8%



2009
- Europe: 55%
- North America: 39%
- Rest of world: 6%

Total operating costs, excluding production costs, decreased 53% to DKK 88.3 million in 2010 (DKK 188.1 million in 2009). Operating costs are charged with DKK 1.9 million in non-cash cost of share-based payment. Net of this charge, total operating costs decreased 23% to DKK 86.4 million in 2010 (DKK 112.7 million in 2009 excluding write-down of goodwill).

Financial items

Net financial expenses totalled DKK 1.9 million in 2010 (DKK 1.1 million in net financial income in 2009). Financial income primarily consists of interest on fixed-term deposit accounts, while financial expenses mainly consist of interest on finance leases and currency losses.

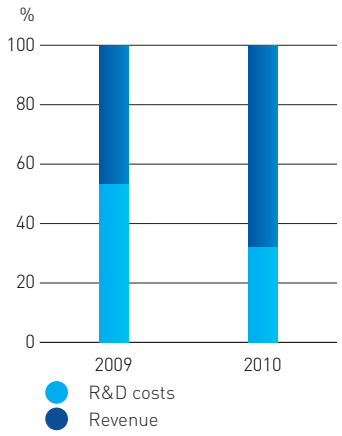
Research and development costs

DKK '000	Q1 2010	Q2 2010	Q3 2010	Q4 2010	2010	2009
R&D costs (net)	-8,049	-7,778	-6,047	-8,204	-30,078	-113,622
Change (%)	*-26%*	*-33%*	*-39%*	*-90%*	*-74%*	*178%*
R&D costs (net) Life Sciences	-3,061	-2,784	-1,736	-2,824	-10,405	-23,906
Change (%)	*-52%*	*-56%*	*-69%*	*-50%*	*-56%*	*-21%*
R&D costs (net) Diagnostics	-4,988	-4,994	-4,311	-5,380	-19,673	-89,716
Change (%)	*9%*	*-6%*	*-1%*	*-93%*	*-78%*	*754%*
Share-based payment	-33	-41	-34	-18	-126	-349
R&D costs total	-8,082	-7,819	-6,081	-8,222	-30,204	-113,971

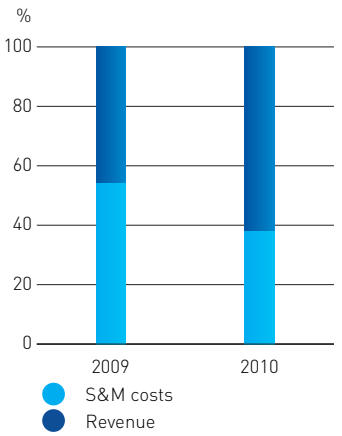
SG&A

DKK '000	Q1 2010	Q2 2010	Q3 2010	Q4 2010	2010	2009
SG&A costs (net)	-13,660	-14,067	-13,143	-15,433	-56,303	-69,876
Change (%)	*-27%*	*-15%*	*-28%*	*-6%*	*-19%*	*-10%*
SG&A costs (net) Life Sciences	-10,810	-10,097	-10,123	-11,904	-42,934	-56,766
Change (%)	*30%*	*-22%*	*-30%*	*-13%*	*-24%*	*-25%*
SG&A costs (net) Diagnostics	-2,850	-3,970	-3,020	-3,529	-13,369	-13,110
Change (%)	*12%*	*12%*	*-17%*	*32%*	*2%*	*912%*
Sales & marketing costs (net)	-8,950	-8,690	-8,424	-9,593	-35,657	-43,545
Change (%)	*-23%*	*-7%*	*-26%*	*-14%*	*-18%*	*-7%*
Sales & marketing costs Life Sciences	-8,455	-8,204	-8,007	-9,160	-33,826	-41,784
Change (%)	*-24%*	*-8%*	*-27%*	*-15%*	*-19%*	*-8%*
Sales & marketing costs Diagnostics	-495	-486	-417	-433	-1,831	-1,761
Change (%)	*4%*	*12%*	*5%*	*-5%*	*4%*	*74%*
Administrative costs (net)	-4,710	-5,378	-4,719	-5,836	-20,643	-26,331
Change (%)	*-34%*	*-25%*	*-30%*	*11%*	*-22%*	*-29%*
Administrative costs Life Sciences	-2,355	-1,893	-2,116	-2,741	-9,105	-14,982
Change (%)	*-46%*	*-54%*	*-39%*	*-9%*	*-39%*	*-59%*
Administrative costs Diagnostics	-2,355	-3,484	-2,603	-3,096	-11,538	-11,349
Change (%)	*-14%*	*12%*	*-20%*	*39%*	*2%*	*1407%*
Share-based payment	-191	-758	-695	-152	-1,796	-4,294
Share-based payment Life Sciences	-103	-682	-626	-136	-1,547	-3,466
Share-based payment Diagnostics	-88	-76	-70	-15	-249	-828
SG&A costs total	-13,851	-14,825	-13,837	-15,584	-58,097	-74,170

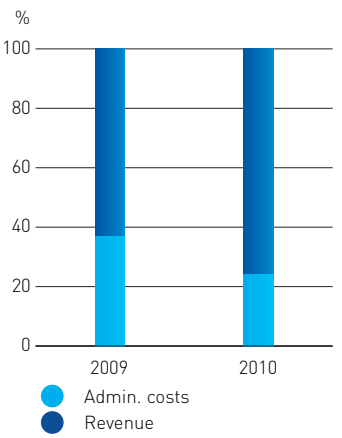
R&D costs share of revenue



S&M costs share of revenue



Admin. costs share of revenue



Net loss for the year and follow-up on expectations previously announced
The net loss for 2010 totalled DKK 43.5 million compared to DKK 338.8 million in 2009. The loss is in line with the expectations announced on 12 November 2010.

Consolidated statement of financial position
The Group had total assets of DKK 129.4 million at 31 December 2010. Intangible assets amounted to DKK 64.6 million, property, plant and equipment DKK 11.3 million, while current assets amounted to DKK 51.2 million, of which receivables represented DKK 21.1 million. Equity stood at DKK 84.7 million at the end of 2010 as compared with DKK 121.6 million in 2009. The negative movements in equity were mainly attributable to the net loss for the year and impact of the capital increase in June 2010.

Cash flow statement
Operating activities generated a cash outflow of DKK 22.3 million in 2010, while investing activities caused an outflow of DKK 3.8 million. Financing activities generated a cash inflow of DKK 14.3 million.

Capital resources and liquidity
At 31 December 2010, cash and cash equivalents totalled DKK 23.2 million including credit facilities provided by our bank of DKK 5 million (DKK 45.5 million at 31 December 2009). As part of the company's growth strategy, working capital is invested in product development, production capacity, inventories and trade receivables. It is the goal to reach company profitability by 2011 with the currently available capital resources.

Earnings per share
Earnings per share for continuing operations amounted to DKK -1.32 in 2010 (-4.84 in 2009) and are in line with expectations.

Outlook for 2011
For 2011, Exiqon expects total revenue of DKK 105-115 million and an EBITDA of approximately DKK 0.00 with a variation of +/- DKK 5 million.

The outlook for 2011 is based on an average USD/DKK exchange rate of DKK 5.25 for the year. The outlook is sensitive to the actual average USD/DKK exchange rate for 2011. For example, if the average USD/DKK exchange rate is realized DKK 0.25 higher than assumed, revenue and EBITDA may be impacted positively with up to DKK 5 million, and a similar negative impact may be expected on both revenue and EBITDA in case of an equivalent lower average exchange rate.

The outlook for 2011 depends primarily on the continued organic growth in research product sales and thus Exiqon's continued ability to compete for market shares through a competitive product offering. A number of new product launches are planned for 2011 to support Exiqon's current position as a leading supplier of high quality products for miRNA research.

The above outlook for 2011 does not include any potential one-time payments from new license agreements, or otherwise. Exiqon expects to conclude new license agreements during 2011; however, the financial impact of any such agreements cannot be quantified at present and agreed terms will also determine in what amount any received payments may be recognized in 2011.

Exiqon expects to successfully conclude the ongoing arbitration proceedings against Santaris Pharma A/S before year-end. Neither income nor reservations have been included in the outlook for 2011.

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, and governmental laws and related interpretation thereof and unexpected growth in costs and expenses, interest rate and exchange rate fluctuations and shortage of cash.

Shareholder Information

Corporate governance
Exiqon A/S is covered by the recommendations on corporate governance which are available on the Committee on Corporate Governance's website www.corporategovernance.dk. Reference is made to the Committee on Corporate Governance's recommendations of 8 April 2010 which NASDAQ OMX Copenhagen A/S has also decided to include in the Rules for issuers. Exiqon's reporting on corporate governance pursuant to NASDAQ OMX Copenhagen A/S' rules for issuers and the Danish Financial Statement Act sec. 107b is directly available at the following URL address on the company's website: www.exiqon.com/investor/corporategovernance/2010.

Executive remuneration
At a general meeting held on 31 January 2008, the overall guidelines for incentive schemes for members of the Supervisory Board and the Executive Board of Exiqon were approved for Exiqon A/S in accordance with Section 69 b of the Danish Public Companies Act. ("Executive Board" means the executive 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/investor/incentivepay/2010.

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 management and employee resources internationally. Our incentive scheme contributes to Exiqon being able to offer a competitive remuneration package to members of the Supervisory Board and employees in order for Exiqon to be able to attract new and maintain existing members of the Supervisory Board, Executive Board and key employees at Exiqon. 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 program) and cash bonuses. In addition, members of the Management will always be eligible for participation in general employee share option programs. Retention and severance payments do not exceed 24 months' salary.

Share-based instruments
Under Exiqon's existing incentive scheme, share subscription rights (warrants) may be issued during the period until April 2015 to members of the Supervisory Board and Executive Board, employees at Exiqon A/S and its subsidiaries as well as external consultants and advisors giving the right to subscribe for shares. 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 three years. The vesting period may be accelerated under certain circumstances, including a change of control of Exiqon A/S.

Stock Appreciation Rights Program
In connection with Exiqon's listing in 2007, the Supervisory Board adopted a stock appreciation rights program for employees in Exiqon, Inc. under which program stock appreciation rights ("SARs") may be issued. Issued SARs vest over a period of three years with 1/36 each month starting the first month after allocation. Unexercised SARs lapse automatically on 2 May 2012. Upon exercise of SAR, 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 SARs are exercised. The vesting of issued SARs and exercise periods may be accelerated under certain circumstances, including change of control of Exiqon A/S.

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

The Supervisory Board 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.

Supervisory Board
The Supervisory Board oversees operations. At present, the Supervisory Board of Exiqon A/S is composed of four members. All Board members are elected by the general meeting and considered independent. All board members possess the financial and commercial skills necessary to serve on the Supervisory Board and its committees. The Board members' business address is Exiqon A/S, Skelstedet 16, 2950 Vedbaek, Denmark.

In 2010, the Supervisory Board held 10 meetings including a one day strategy seminar.

Exiqon uses board committees, and the Supervisory Board has created two board committees: an audit committee and a compensation committee. The audit committee assists the Supervisory Board in its oversight with the company's annual and interim financial reporting including accounting policies and internal controls. The compensation committee advises the Supervisory Board on remuneration of employees and Executive Management including incentive schemes. Material decisions are always made by all members of the Supervisory Board, and all members of the Supervisory Board are informed of all decisions.

The audit committee currently consists of all members of the Supervisory Board and is headed by Michael Nobel. In 2010, the audit committee held two meetings and focused on accounting estimates with significant impact on the annual report.

The compensation committee currently consists of all members of the Supervisory Board and is headed by the Chairman, Thorleif Krarup. In 2010, the compensation committee held one meeting and focused on incentive schemes.

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

Thorleif Krarup, Chairman
(born 1952, Danish citizen, elected May 2007).
Thorleif Krarup holds a number of directorships and is Senior Advisor to a number of international financial institutions. During the period 1985-2003, Thorleif Krarup served as Managing Director/Group CEO in Nykredit (1985-1992), Unibank (1992-2000) and Nordea (2000-2002).

Current directorships:
H. Lundbeck A/S (vice chairman)
ALK-Abelló A/S (vice chairman)
LFI A/S (vice chairman)
Falck A/S (vice chairman)
The Lundbeck Foundation (board member)
The Crown Prince Frederik Fund (board member)
Sport One Danmark A/S (chairman)

	Shares	Warrants
Changes in 2010	+76,923	0
Holding year-end 2010	76,923	0

Erik Walldén, Deputy Chairman
(born 1949, Swedish citizen, elected May 2007).
Erik Walldén, President & CEO of Gyros AB has a record of achievement in the biotech industry for over 30 years. He has held senior management positions in companies such as Pharmacia LKB Biotechnology AB and PerSeptive Biosystems Inc. Erik Walldén was formerly the CEO of Pyrosequencing AB, Biacore International AB, and Affibody Holding AB.

Current directorships:
Visen Medicin, Inc. (board member)
Healthinvest Partners AB (member of Industrial Supervisory Board)

	Shares	Warrants
Changes in 2010	0	0
Holding year-end 2010	4,500	29,991

Michael Nobel, Board member
(born 1956, Danish citizen, elected January 1996).
Michael Nobel was trained and 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:
Ejendomsselskabet Vestenborg Allé A/S
(board member and CEO)
Ejendomsselskabet Vestergade A/S
(board member and CEO)

	Shares	Warrants
Changes in 2010	+76,923	0
Holding year-end 2010	77,345	29,991

Per Wold-Olsen, Board member
(born 1947, Norwegian citizen, elected April 2008). From 1976 to 1986 Per Wold-Olsen, MBA, was CEO of MSD Norway after which, in 1986, his field of responsibility was extended to MSD Scandinavia. In 1991, Per Wold-Olsen was appointed Senior Vice President for Worldwide Human Health Marketing of Merck & Co., Inc., U.S., and in 1994 he was appointed President for Human Health Europe Merck & Co., Inc., U.S. In 1997, his responsibilities for Human Health Europe were extended to include Eastern Europe, the Middle East and Africa, and Worldwide Human Health Marketing. In 2005, his field of responsibility was extended to include Latin America and Canada as President for Human Health Intercontinental Region, Merck & Co., Inc. From 1994 to 2006, Per Wold-Olsen was a member of Merck's Management Committee.

Current directorships:
H. Lundbeck A/S (chairman)
GN Store Nord A/S (chairman)
Gilead Sciences, Inc. (board member)
Medicines for Malaria Venture (board member)

	Shares	Warrants
Changes in 2010	+80,000	0
Holding year-end 2010	120,000	29,991

Executive Board

Lars Kongsbak, Chief Executive Officer
Lars Kongsbak (born 1961, Danish citizen) 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 as 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 PhD in Molecular Biology from the Technical University of Denmark (1990).

	Shares	Warrants
Changes in 2010	0	+452,776
Holding year-end 2010	133,389	798,498

Hans Henrik Chrois Christensen, Chief Financial Officer
Hans Henrik Chrois Christensen (born 1965, Danish citizen) 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 program and worked with research and licence collaborations, joint ventures and venture investments and as an attorney at-law with the law firm Dragsted & Helmer Nielsen (now Bech-Bruun) Copenhagen. Hans Henrik earned his Master at Laws from the University of Copenhagen (1990) and became authorized attorney-at-law in 1993 with a right to appear before the Danish High Court.

	Shares	Warrants
Changes in 2010	0	+421,420
Holding year-end 2010	38,500	605,966

Share capital
The share capital of Exiqon A/S is DKK 33,335,249. at 31 December 2010, 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 Supervisory Board to increase the share capital pursuant Section 37 of the Danish Public Companies Act in connection with the exercise of warrants.

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

A copy of Exiqon's articles of association is available at www.exiqon.com/investor/articlesofassociation/2010.

Dividend policy
No dividend is proposed for 2010. Exiqon has not previously paid dividends and is not planning to do so in the foreseeable future.

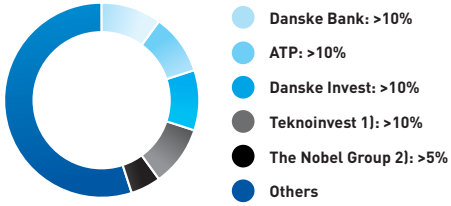
Ownership structure
The major shareholders are predominantly Danish and European. On 31 December 2010, Exiqon had 1,264 shareholders who own 76.24% of the the company's total share capital.

The composition between Danish and foreign shareholders appears from the figure below.

The composition between Danish and foreign shareholders

The following shareholders have reported ownership of 5% or more of the company's total share capital of DKK 33,335,249:

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).

Subsidiary
Exiqon, Inc.
Sales office
Woburn, Massachusetts
USA

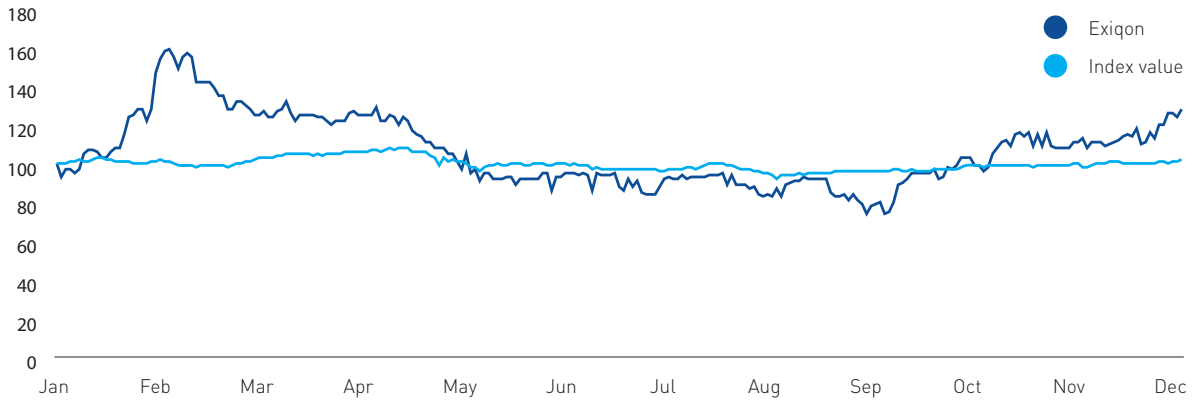
Investor Relations Policy
Exiqon maintains an open and continuous dialogue with existing and potential shareholders, stakeholders and the general public. We aim for a high degree of openness and we are committed to communicating information in compliance with the disclosure requirements of the NASDAQ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

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 our shares. Exiqon maintains an insider register and publish 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 only allow insiders to purchase and sell shares in Exiqon A/S 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 at Exiqon's 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.

IR contact
For Investor Relations inquiries, please contact:
Hans Henrik Chrois Christensen, CFO
Investor Relations, Exiqon A/S
Phone: +45 4566 0888
E-mail: ir@exiqon.com

Share price performance in 2010 compared to small cap share index on NASDAQ OMX Copenhagen



Financial calendar 2011

16 February	Deadline for shareholders' proposal to the annual general meeting
24 February	Release final results 2010
31 March	Annual general meeting
19 May	Release interim report for the period 1 January-31 March 2011
11 August	Release interim report for the period 1 January -30 June 2011
10 November	Release interim report for the period 1 January-30 September 2011

Stock exchange releases 2010

No. 1/2010	Exiqon announces change to financial calendar for 2010
No. 2/2010	Exiqon announces Annual Report for 2009
No. 3/2010	Exiqon calls for an ordinary general meeting on 14 April 2010
No. 4/2010	Annual general meeting 2010
No. 5/2010	Articles of Association per 14 April 2010
No. 6/2010	Interim report for the period 1 January-31 March 2010 (unaudited)
No. 7/2010	Exiqon issues new warrants
No. 8/2010	Articles of Association per 19 May 2010
No. 9/2010	Exiqon is closing down operations at Oncotech, Inc.
No. 10/2010	Exiqon Licenses Locked Nucleic Acids for Infectious Disease Diagnostics to BD
No. 11/2010	Exiqon issues 3,030,000 new shares in a directed issue
No. 12/2010	Report regarding the management's and closely related parties' transactions with securities in Exiqon A/S
No. 13/2010	Major shareholder announcement
No. 14/2010	Registration of capital increase completed
No. 15/2010	Articles of Association per 29 June 2010
No. 16/2010	Interim report for the period 1 January-30 June 2010 (unaudited)
No. 17/2010	Major shareholder announcement
No. 18/2010	Major shareholder announcement
No. 19/2010	Interim report for the period 1 January-30 September 2010 (unaudited)
No. 20/2010	Exiqon publishes clinical data on the stratification of colon cancer patients
No. 21/2010	Preliminary outlook for 2011
No. 22/2010	Report regarding the management's and closely related parties' transactions with securities in Exiqon A/S
No. 23/2010	Exiqon completes discovery phase of its diagnostic program for early detection of colorectal cancer in blood

Statement by Management and Supervisory Board

We have today presented the Annual Report of Exiqon A/S for the financial year 2010.

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

In our opinion, the consolidated financial statements and the financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2010 as well as of their financial performance and their cash flows for the financial year 2010.

We also believe that the management commentary contains a fair review of the development and performance of the Group's and the Parent's business and of their financial position as a whole, together with a description of the principal risks and uncertainties that they face.

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

Vedbaek, 24 February 2011

Management

Lars Kongsbak
CEO

Hans Henrik Chrois Christensen
CFO

Supervisory Board

Thorleif Krarup
Chairman

Erik Walldén
Deputy Chairman

Michael Nobel

Per Wold-Olsen

Independent Auditor's Report

To the shareholders of Exiqon A/S

Report on the consolidated financial statements and financial statements
We have audited the consolidated financial statements and financial statements of Exiqon A/S for the financial year 1 January - 31 December 2010, which comprise the statement of comprehensive income, the consolidated statement of financial position, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as the Parent. The consolidated financial statements and financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and financial statements
Management is responsible for the preparation and fair presentation of consolidated financial statements and financial statements 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 consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements and financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2010, and of their financial performance and their cash flows for the financial year 1 January - 31 December 2010 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

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

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

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

Copenhagen, 24 February 2011

Deloitte
Statsautoriseret Revisionsaktieselskab

Jens Rudkjær
State Authorized Public Accountant

Carsten Vaarby
State Authorized Public Accountant

Index to the consolidated financial statements

CONTENTS

Notes to the financial statements

Statement of comprehensive income

Parent				Group	
2009 DKK'000	2010 DKK'000		Note	2010 DKK'000	2009 DKK'000
58,558	58,316	Revenue	3	93,510	82,247
-36,695	-37,893	Production costs	6,7,8	-45,424	-41,785
21,863	**20,423**	**Gross profit**		**48,086**	**40,462**
-43,309	-30,204	Research and development costs	6,7,8	-30,204	-113,971
-25,671	-14,981	Sales and marketing costs	6,7,8	-35,801	-44,132
-28,567	-41,701	Administrative expenses	6,7,8,9	-22,297	-30,039
-75,684	**-66,463**	**Operating profit/(loss) (EBIT)**		**-40,216**	**-147,680**
-338,681	0	Loss on investments in subsidiaries	15	0	0
3,069	5,477	Financial income	10	3,147	2,256
-3,590	-5,021	Financial expenses	10	-5,023	-1,172
-414,886	**-66,007**	**Profit/(loss) before tax**		**-42,092**	**-146,596**
0	0	Tax on the profit/(loss) for the year	11	-23	-145
-414,886	**-66,007**	**Profit/(loss) for the year from continued operations**		**-42,115**	**-146,741**
0	**0**	**Profit/(loss) for the year from discontinued operations**	5	**-1,427**	**-192,077**
-414,886	**-66,007**	**Profit/(loss) for the year**		**-43,542**	**-338,818**
		Other comprehensive income:			
0	0	Reclassification adjustments relating to foreign operations disposed of in the year		-16,563	0
0	0	Exchange adjustments relating to foreign subsidiaries		2,500	-6,337
-414,886	**-66,007**	**Total comprehensive profit/ (loss) for the year**		**-57,605**	**-345,155**
		Earnings per share			
		Earnings per share continued and discontinued operations	12	-1.37	-11.18
		Earnings per share continued operations	12	-1.32	-4.84
		Diluted earnings per share continued and discontinued operations	12	-1.33	-11.18
		Diluted earnings per share continued operations	12	-1.28	-4.84
		Proposed distribution of loss			
		The Supervisory Board proposes that the loss for the year be distributed as follows:			
-414,886	**-66,007**	**Retained earnings**			

Consolidated statement of financial position at 31 December

Parent				Group	
2009 DKK'000	2010 DKK'000		Note	2010 DKK'000	2009 DKK'000
0	0	Goodwill		49,368	49,368
10,131	9,081	Acquired patent rights		9,081	10,129
4,087	3,945	Acquired software licenses		3,945	4,088
113	2,248	Intangible assets under construction		2,249	113
14,331	**15,274**	**Intangible assets**	13	**64,643**	**63,698**
1,703	889	Leasehold improvements		1,370	2,381
9,944	6,905	Production and laboratory equipment		7,960	11,698
3,233	1,559	Fixtures and fittings, tools and equipment		1,960	3,812
531	9	Tangible assets under construction		9	549
15,411	**9,362**	**Property, plant and equipment**	14	**11,299**	**18,440**
15,051	15,051	Investments in subsidiaries	15	0	0
2,199	2,027	Deposits		2,239	2,599
17,250	**17,078**	**Financial assets**		**2,239**	**2,599**
0	**0**	**Deferred tax assets**	22	**0**	**0**
46,992	**41,714**	**Non-current assets**		**78,181**	**84,737**
10,500	**10,185**	**Inventories**	16	**11,959**	**11,377**
4,808	8,277	Trade receivables	17	17,181	12,090
11,932	156	Receivables from group companies	18	-	-
4,407	3,378	Other receivables	19	3,384	4,412
830	407	Prepayments		508	1,167
21,977	**12,218**	**Receivables**		**21,073**	**17,669**
41,827	**15,546**	**Cash and cash equivalents**		**18,184**	**45,496**
0	**0**	**Assets classified as held for sale**		**0**	**16,032**
74,304	**37,949**	**Current assets**		**51,216**	**90,574**
121,296	**79,663**	**Total assets**		**129,397**	**175,311**

Consolidated statement of financial position at 31 December

Parent				Group	
2009 DKK'000	2010 DKK'000		Note	2010 DKK'000	2009 DKK'000
30,305	33,335	Share capital	20,21	33,335	30,305
54,731	6,366	Reserves		51,332	91,295
85,036	**39,701**	**Equity**		**84,667**	**121,600**
7,196	3,631	Finance lease liabilities	23	3,631	7,196
7,196	**3,631**	**Non-current liabilities**		**3,631**	**7,196**
4,383	3,564	Finance lease liabilities	23	3,564	4,383
9,039	11,210	Trade payables		15,187	10,788
1,914	2,074	Payables to group companies		0	0
13,728	12,704	Other payables		15,569	15,312
0	6,779	Prepayments		6,779	0
29,064	**36,331**	**Current liabilities**		**41,099**	**30,483**
0	**0**	**Liabilities directly associated with assets held for sale**		**0**	**16,032**
36,260	**39,962**	**Total liabilites**		**44,730**	**53,711**
121,296	**79,663**	**Total equity and liabilities**		**129,397**	**175,311**
		Other notes	27-30		

Statement of cash flows

Parent				Group	
2009 DKK'000	2010 DKK'000		Note	2010 DKK'000	2009 DKK'000
-414,365	-66,463	Operating profit from continued operations		-40,216	-147,680
348,313	8,830	Depreciation	8	10,000	80,937
4,851	1,997	Non-cash adjustments (warrants)	7	1,997	4,851
1,434	20,755	Change in working capital	25	5,386	-4,888
0	60	Profit/(loss) on sale of assets	26	60	577
-59,767	**-34,821**	**Cash flows from main activities**		**-22,773**	**-66,203**
-521	454	Net interest and value gains		320	-1,265
-60,288	**-34,367**	**Cash flows from operating activities**		**-22,453**	**-67,468**
-2,535	-3,244	Acquisition of intangible assets	13	-3,244	-2,571
-1,161	-542	Acquisition of property, plant and equipment	14	-557	-1,161
16,515	-14,542	Loan to Group Companies		0	0
0	12,118	Loan from Group Companies		0	0
-77,531	0	Capital injection in subsidiaries		0	0
-64,712	**-6,210**	**Cash flows from investing activities**		**-3,801**	**-3,732**
-4,181	-4,384	Repayment of lease debt		-4,384	-4,181
-54	0	Repayment of loans		0	0
0	19,695	Proceeds from capital increase		19,695	0
0	-1,020	Costs in relation to capital increase		-1,020	-32
67	0	Proceeds from warrant exercises		0	67
-4,168	**14,291**	**Cash flows from financing activities**		**14,291**	**-4,146**
0	**0**	**Cashflow from discontinued operations**	5	**-16,986**	**-52,345**
-129,168	**-26,286**	**Change in cash and cash equivalents**		**-28,949**	**-127,691**
-3	5	Unrealised currency gain/loss		1,637	-326
170,998	41,827	Cash and cash equivalents at 1 January		45,496	174,258
0	0	Change in cash, discontinued operations		0	-744
41,827	**15,546**	**Cash and cash equivalents at 31 December**		**18,184**	**45,497**
		Analysis of cash and cash equivalents:			
8,827	15,546	Cash and demand deposits		18,184	12,497
33,000	0	Fixed-term deposits	28	0	33,000
41,827	**15,546**			**18,184**	**45,497**

Statement of changes in equity

Consolidated			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 2010	**30,305,249**	**30,305**	**13,796**	**25,744**	**51,755**	**121,600**
Profit/(loss) for the year					-43,542	-43,542
Reclassification adjustments relating to foreign operations disposed of in the year			-16,563			-16,563
Exchange adjustments relating to foreign subsidiaries			2,500			2,500
Total comprehensive income		**0**	**-14,063**	**0**	**-43,542**	**-57,605**
Proceeds from capital increases	3,030,000	3,030			16,665	19,695
Costs in relation to capital increases					-1,020	-1,020
Share-based payment				1,997		1,997
Other transactions	**3,030,000**	**3,030**	**0**	**1,997**	**15,645**	**20,672**
Equity at 31 December 2010	**33,335,249**	**33,335**	**-267**	**27,741**	**23,858**	**84,667**
Equity at 1 January 2009	**30,298,295**	**30,298**	**20,133**	**20,831**	**390,545**	**461,807**
Profit/(loss) for the year					-338,818	-338,818
Exchange adjustments relating to foreign subsidiaries			-6,337			-6,337
Total comprehensive income		**0**	**-6,337**	**0**	**-338,818**	**-345,155**
Costs in relation to capital increases					-32	-32
Warrant exercise	6,954	7			60	67
Share-based payment				4,913		4,913
Other transactions	**6,954**	**7**	**0**	**4,913**	**28**	**4,948**
Equity at 31 December 2009	**30,305,249**	**30,305**	**13,796**	**25,744**	**51,755**	**121,600**

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 2010	**30,305,249**	**30,305**	**25,744**	**28,987**	**85,036**
Profit/(loss) for the year				-66,007	-66,007
Total comprehensive income				**-66,007**	**-66,007**
Proceeds from capital increases	3,030,000	3,030		16,665	19,695
Costs in relation to capital increases				-1,020	-1,020
Share-based payment			1,997		1,997
Other transactions	**3,030,000**	**3,030**	**1,997**	**15,645**	**20,672**
Equity at 31 December 2010	**33,335,249**	**33,335**	**27,741**	**-21,375**	**39,701**
Equity at 1 January 2009	**30,298,295**	**30,298**	**20,831**	**443,793**	**494,922**
Profit/(loss) for the year				-414,886	-414,886
Total comprehensive income				-414,886	-414,886
Costs in relation to capital increases				20	20
Warrant exercise	6,954	7		60	67
Share-based payment			4,913		4,913
Other transactions	**6,954**	**7**	**4,913**	**80**	**5,000**
Equity at 31 December 2009	**30,305,249**	**30,305**	**25,744**	**28,987**	**85,036**

Notes to the financial statements

Note 1. Accounting policies

The annual report of Exiqon A/S for the year ended 31 December 2010, 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 are as described in the following.

IMPLEMENTATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The annual report for 2010 has been presented in accordance with the new and revised Standards (IFRS/IAS) and the new Interpretations (IFRIC) that apply to financial years beginning 1 January 2010 or later. These amended Standards and Interpretations are:

- IAS 1, Presentation of Financial Statements
- IAS 7, Statement of Cash Flows
- IAS 27, Consolidated and Separate Financial Statements
- IAS 39, Financial Instruments (embedded derivatives & reclassifications)
- IFRS 2, Share-based Payment
- IFRS 3, Business Combinations
- IFRS 7, Financial Instruments; Disclosures
- IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding and Requirements and their Interaction. The Amendment is effective for financial years beginning 1 January 2011 or later.
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments. The new interpretative is effective for financial years beginning 1 January 2011 or later.

The implementation of the new and revised Standards and Interpretations in the annual report for 2010 has not led to changes in the accounting policies, and has not had any material impact on the amounts reported for current or prior years but may affect the accounting for future transactions or arrangements.

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:

- IAS 24, Related Party Disclosures. The interpretation is effective for financial years beginning 1 January 2011 or later.
- Revised IAS 32, Financial Instruments: Disclosure and Presentation. The Amendment is effective for financiel years beginning 1 January 2011 or later.
- IFRS 9, Financial Instruments. The new standard is effective for financial years beginning 1 January 2013 or later.

Management anticipates 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.

Notes to the financial statements

The financial statement items of subsidiaries are fully consolidated in the consolidated financial statements. On consolidation, intra-group income and expenses, intragroup 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 statement of comprehensive income up to the date of disposal. The date of disposal is the date when control of the company actually passes to a third party. Acquisition-related costs are recognized in the Statement of comprehensive income as incurred.

The cost of a company is the fair value of the consideration paid. If the final determination of the consideration is conditional on one or more future events, these adjustments are recognized in cost.

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 statement of financial position date are translated at the rate of exchange at the statement of financial position date. Exchange differences between the exchange rate at the date of the transaction and the exchange rate at the date of payment or the statement of financial position date, respectively, are recognized in the statement of comprehensive income 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 deviate materially from the actual exchange rates at the transaction dates.

In that case, the actual exchange rates are used. Statement of financial position items are translated at the exchange rates at the end of period.

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

SHARE-BASED INCENTIVE PLANS

Share-based incentive plans in which Management 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 statement of comprehensive income 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 statement of financial position 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.

Notes to the financial statements

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 statement of comprehensive income, 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 statement of financial position 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 statement of financial position date.

Deferred tax is recognized according to the statement of financial position 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 statement of comprehensive income, 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 or other comprehensive income.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognized in the statement of financial position 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 statement of financial position date, it is assessed whether it is likely that there will be sufficient future taxable income for the deferred tax asset to be utilized.

STATEMENT OF COMPREHENSIVE INCOME

Revenue
Revenue from the sale of goods for resale and manufactured goods is recognized in the statement of comprehensive income if delivery and transfer of risk to the purchaser have taken place. Revenue from sale of services is recognized upon delivery of the services. Remuneration of grants originating from 3rd party is recognized as revenue when there is a reasonable assurance that Exiqon will comply with the conditions attached to the grants and the grants will be received.

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

Notes to the financial statements

and development projects. 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 expensed in the year in which they are incurred.

Development costs are recognized in the statement of comprehensive income as incurred if the criteria for capitalization are deemed not to be met. For further details please refer to note 2.

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.

Discontinued operations
Discontinued operations are business areas that are classified as held for sale or have been sold or gone into liquidation. Discontinued operations are disclosed in a separate line item in the statement of comprehensive income and include the post-tax profit or loss of discontinued operations, the post-tax loss recognized in writing down assets to the lower of previous carrying amount and fair value less costs to sell, and the post-tax gain or loss on the disposal of the assets or disposal groups constituting the discontinued operation.

STATEMENT OF FINANCIAL POSITION

Non-current assets held for sale
Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell. Assets are not depreciated or amortized from the date when they are classified as held for sale.

Assets and liabilities are recognized in separate line items in the statement of financial position and main items are disclosed in the notes.

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 are based on the Exiqon Group's management structure and internal financial management and reporting.

Notes to the financial statements

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

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:

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
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.

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

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.

Notes to the financial statements

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 statement of financial position 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 indefinite useful lives and goodwill, and intangible assets in progress (not yet available for use) 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 cashgenerating 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 cashgenerating 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 statement of comprehensive income.

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 cashgenerating 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 computed in accordance with 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.

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 amortized cost price, which usually corresponds to the nominal value less provision for bad debts.

Prepayments
Prepayments comprise incurred costs relating

Notes to the financial statements

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 statement of financial position date. Provisions with an expected term of more than a year after the statement of financial position 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 statement of financial position 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 statement of comprehensive income over the term of the lease as a financial expense.

Lease payments regarding operating leases are recognized in the statement of comprehensive income 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 statement of comprehensive income 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 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.

Notes to the financial statements

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

Following the divestment of Oncotech, Inc., the Exiqon Group no longer has a full value chain in the previously operating segment "Diagnostics". However internally, Exiqon will continue to distinguish between Exiqon Life Sciences and Exiqon Diagnostics. In consequence, Exiqon will continue to report Diagnostics as a separate operating segment.

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

Information regarding the Group's reportable segments is presented in note 4.

Definition of key ratios

EPS =

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

Price / net asset value =

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

Gross margin (%) =

$$\frac{\text{Gross profit * 100}}{\text{Revenue}}$$

Market capitalization =
Share price * no. of shares end of the year.

Assets/equity is defined as total assets divided with equity at the end of the year.

EBITDA (Earnings Before Interest, Depreciation and Amortization) is defined as operating profit/(loss) (EBIT) before depreciation and amortization.

Note 2. Significant accounting estimates, assumptions and uncertainties

Many financial statement items cannot be measured reliably, but must be estimated. Such estimates comprise judgements 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.

Capital resources and liquidity

Exiqon's financial statements are prepared on a going concern basis based on a budget which inherently is subject to a number of assumptions including increases in the growth of Life Sciences product sales. Management acknowledges that there are risks associated with achieving the budget.

Management is convinced that the company has sufficient capital resources and liquidity to support the current strategy even if one or more budget assumptions are not achieved, and that other measures can be taken to ensure that sufficient capital resources are available also in the longer run as may be required. A credit facility of DKK 5 million has been obtained for the purpose of further strengthen the capital resources. The financial goal of the group remains to reach company profitability by 2011 with the current financing measured on EBITDA.

Significant accounting estimates

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

Goodwill

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

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

Notes to the financial statements

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 is tDKK 49,368 (2009: tDKK 49,368). See note 13 for a further description of goodwill.

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 statement of comprehensive income as incurred.

In accordance 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 incurred are therefore recognized in the years when incurred. Research and development costs included in 2010 were tDKK 30,204 (2009: tDKK 113,971).

Since none of the Group's development programs has reached a status which is required for capitalization, no capitalization of development programs was made as of 31 December 2010.

Deferred tax assets
Deferred tax assets, including tax losses carried forward, are recognized if the 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 2011, Exiqon also expects a taxable loss and for this reason the Management has decided not to recognize the deferred tax asset.

Notes to the financial statements

Note 3. Revenue

Parent			Group	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
32,185	43,891	Product sales	78,440	56,184
19,023	4,401	License income	4,401	18,713
7,350	10,024	Contract research *)	10,669	7,350
58,558	**58,316**		**93,510**	**82,247**

*) Including grants and third party financing of product development.

Note 4. Segment information for the Group

The Management has organized the reporting into two reportable operating segments: Life Sciences and Diagnostics.

Life Sciences is made up of both Life Sciences and Services. Life Sciences includes the sales of research products for miRNA analysis and Services uses the research products in their business. For reporting purposes, these two segments are considered as one.

The Management monitors the operating results of its business segments separately to decide the resource allocation and performance assessments. Segment performance is monitored on operating results as presented in the tables below. Financial items and taxes are managed on a Corporate level and are not allocated to operating segments.

Diagnostics includes R&D of a variety of diagnostics tests currently under development and not yet ready for sale. Diagnostics is presented as a reporting segment by Management, since revenue is expected in this segment in the future and more than 10% of EBIT and assets can be allocated to this segment.

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 - 2010 (Group)

DKK'000	Life Sciences	Diagnostics	Other *)	Total
Revenue	84,854	9,269	-613	93,510
Gross profit	39,242	8,844	0	48,086
Segment operating profit/(loss) (EBIT)	-15,594	-24,622	0	-40,216
Profit/(loss) before tax	-15,594	-24,622	-1,876	-42,092
Addition of assets	3,621	280	562	4,463
Segment assets	63,391	52,581	13,425	129,397
Depreciation and amortization	7,773	2,227	0	10,000

Segment information on reportable segments - 2009 (Group)

DKK'000	Life Sciences	Diagnostics	Other *)	Total
Revenue	84,105	596	-2,454	82,247
Gross profit	39,965	497	0	40,462
Segment operating profit/loss (EBIT)	-42,620	-105,060	0	-147,680
Profit/(loss) before tax	-42,620	-105,060	1,084	-146,596
Addition of assets	3,723	475	0	4,198
Segment assets	56,792	70,424	48,095	175,311
Depreciation and amortization	8,257	72,038	0	80,295

*) Includes intercompany elimination

Notes to the financial statements

Note 4. Segment information for the Group (continued)

Revenue split

Revenue is reported to the Management in the following categories:

	2010 DKK'000	2009 DKK'000
Product sales	78,440	56,184
License income	4,401	18,713
Contract research	10,669	7,350
	93,510	82,247

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.

	2010 DKK'000	2009 DKK'000
North America	35,194	32,323
Europe *)	51,146	45,105
Rest of World	7,170	4,819
	93,510	82,247

*) Including Denmark (country of domicile) tDKK 7,431 (tDKK 6,630 in 2009).

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.

	Addition of intangible assets and property, plant and equipment		Total non-current assets	
	2010 DKK'000	2009 DKK'000	2010 DKK'000	2009 DKK'000
Europe	2,171	4,198	74,005	64,607
North America	0	0	1,937	17,531
	2,171	4,198	75,942	82,138

Notes to the financial statements

Note 5. Discontinued operations

On 17 December 2009, Exiqon initiated a sales process to divest Oncotech, Inc., a wholly owned subsidiary of Exiqon A/S. Operations at Oncotech, Inc. were consequently classified as held for sale in accordance with IFRS 5 in the Annual Report for 2009.

During the first half year of 2010, Exiqon A/S was engaged in discussions with numerous parties regarding a possible sale of Oncotech, Inc. However, effective 31 May 2010, the Medicare Administrative Contractor in California, Palmetto GBA, issued an LCD disallowing coverage for Oncotech, Inc.'s primary product, the EDR tests. The decision by Palmetto GBA to disallow coverage for Oncotech, Inc.'s EDR testing was contrary to the policies of contractors in other regions of the U.S., including for example Pennsylvania which allowed similar drug resistance testing by a competitor of Oncotech, Inc. The effective date of Palmetto GBA's decision was subsequently extended until end July 2010. However, the decision effectively undermined Oncotech, Inc.'s ability to conduct its business on competitive terms.

Subsequently, Exiqon concluded that the sales process would be concluded without a divestment thus it was decided to discontinue operations through an insolvent liquidation. This decision was effective on 16 June 2010 following execution of an Assignment to the Benefit of Creditors ("ABC"), a bankruptcy procedure available under U.S. California law, as an alternative to a Federal Chapter 5 bankruptcy filing whereby all right and obligations of Oncotech, Inc. are irrevocably transferred to a trustee representing the interests of all creditors of Oncotech, Inc.

The accounting treatment of the discontinued operations at Oncotech, Inc. is not affected by the decision to discontinue operations through an insolvent liquidation in the form of an ABC effective on 16 June 2010 as opposed to a divestment because of the similarity in consequence of the two; the initially pursued divestment and the insolvent liquidation. In both cases, the carrying amount will not be recovered principally through continuing use which has not changed throughout the period.

The result of discontinued operations as included in the consolidated statement of comprehensive income is set out below.

	2010 DKK'000	2009 DKK'000
Income statement		
Revenue	13,031	47,586
Production costs	-12,760	-39,307
Gross profit	271	8,279
Other expenses	-20,109	-73,690
Operating profit/(loss)	-19,838	-65,411
Net financials	-10	-845
Profit / (loss) before tax	-19,848	-66,256
Tax on the profit/(loss) for the year	-38	-63
Profit / (loss) for the year before speicals items	-19,886	-66,319
Special items	1,896	-125,758
Reclassification adjustments relating to foreign operations disposed of in the year	16,563	0
Profit/(loss) for the year	-1,427	-192,077

Notes to the financial statements

Note 5. Discontinued operations (continued)

	2010 DKK'000	2009 DKK'000
Cash flow		
Cash flow from operating activities	-15,498	-49,939
Cash flow from investing activities	0	-945
Cash flow from financing activities	-294	-717
Change in cash and cash equivalents	-1,194	-744
Total	-16,986	-52,345
Special items		
Writedown Customer relationships	0	-37,099
Writedown Trademarks	0	-9,124
Writedown Acquired patent rights	0	-3,371
Writedown Tumor Bank	0	-42,787
Writedown Goodwill	0	-15,638
Impairment assets and reversal hereof	10,739	-10,739
Provision sales cost and reversal hereof	5,900	-7,000
Derecognized negative equity	5,505	0
Writedown intercompany receivables	-20,248	0
Total	1,896	-125,758

The major classes of assets and liabilities held for sale at the end of the reporting period are as follows:

Inventories	0	5,334
Trade receivables	0	9,549
Cash and bank balances	0	1,149
Assets of Oncotech, Inc. classified as held for sale	0	16,032
Trade payables	0	-4,211
Other payables	0	-3,959
Accrued liabilities	0	-7,862
Liabilities of Oncotech, Inc. classified as held for sale	0	-16,032
Net assets of Oncotech, Inc. classified as held for sale	**0**	**0**

Notes to the financial statements

Note 6. Staff costs

Parent			Group	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
1,500	1,350	Supervisory Board's fees	1,350	1,500
54,351	42,245	Wages and salaries	52,930	65,576
1,017	734	Pension scheme	976	1,249
4,851	1,997	Share-based payment	1,997	4,851
4,792	2,557	Other staff costs	2,576	5,086
66,511	48,883		59,829	78,262
		Staff costs are distributed as follows:		
12,956	8,991	Production costs	8,991	14,403
22,669	14,781	Research and development costs	14,781	22,669
14,427	9,638	Sales and marketing costs	20,584	23,766
16,459	15,473	Administrative expenses	15,473	17,424
66,511	48,883		59,829	78,262
93	63	Average number of employees	76	109

Remuneration for the Management

	Fixed salary, bonus etc.	Supervisory Board's fee	Pensions	Share-based payment	Total remuneration
Management remuneration 2010 (group):					
Supervisory Board	0	1,350	0	87	1,437
Executive Management	4,806	0	92	1,666	6,564
	4,806	**1,350**	**92**	**1,753**	**8,001**
Management remuneration 2009 (group):					
Supervisory Board	0	1,500	0	962	2,462
Executive Management	5,670	0	137	2,024	7,831
	5,670	**1,500**	**137**	**2,986**	**10,293**
Management remuneration 2010 (parent):					
Supervisory Board	0	1,350	0	87	1,437
Executive Management	4,806	0	92	1,666	6,564
	4,806	**1,350**	**92**	**1,753**	**8,001**
Management remuneration 2009 (parent):					
Supervisory Board	0	1,500	0	962	2,462
Executive Management	5,670	0	137	2,024	7,831
	5,670	**1,500**	**137**	**2,986**	**10,293**

Notes to the financial statements

Note 7. Share-based payment

For the purpose of motivating and retaining employees and encourage the fulfilment of common goals for employees, management and shareholders, the company has set up share-based incentive programs in the form of warrant schemes for Supervisory Board, 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 2008 to 2010 added an annual performance adjustment. Vesting periods range from 0 to 36 months. Warrants that remain unexercised for a period of up to five years from the time of grant will lapse. For management and key management personal, the right to exercise warrants is conditional on continuing employment at the end of the vesting period.

	Executive Management	Supervisory Board	Key management personal	Others	Total	Weighted average exercise price
Outstanding warrants 1 January 2010	943,979	119,964	138,889	709,637	1,912,469	21.23
Reclassified *)	0	-29,991	-138,889	168,880	0	0
Granted in the financial year	874,196	0	0	90,000	964,196	7.87
Expired in the financial year	-413,711	0	0	-473,275	-886,986	11.47
Outstanding warrants 31 December 2010	**1,404,464**	**89,973**	**0**	**495,242**	**1,989,679**	**20.20**
Of which can be exercised	591,968	79,978	0	303,304	975,250	27.45
Outstanding warrants 1 January 2009	1,817,897	564,864	200,000	913,434	3,496,195	24.98
Granted in the financial year	0	29,991	0	50,000	79,991	20.70
Exercised in the financial year	0	0	0	-6,954	-6,954	9.5
Expired in the financial year	0	-100,000	-61,111	-246,843	-407,954	35.80
Renounced in the financial year	-873,918	-374,891	0	0	-1,248,809	44.29
Outstanding warrants 31 December 2009	**943,979**	**119,964**	**138,889**	**709,637**	**1,912,469**	**21.23**
Of which can be exercised	634,657	89,646	83,334	607,976	1,415,613	18.79

*) Executive Management, Supervisory Board, Key management personal are reclassified to "Others" at the time their employment terminates.

2010

No warrants have been exercised during 2010.

2009

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

Exercised in the period 1 to 30 September 2009	13.71

The warrants outstanding at the end of 2010 had a weighted average remaining contractual life of 18 months (in 2009: 18 months).

Notes to the financial statements

Note 7. Share-based payment (continued)

As of 31 December 2010, the following warrant programs are still outstanding:

Program	Exercise price	Exercise period	Fair value at year end in DKK'000 *)	Estimated fair value at time of grant per warrant in DKK **)
January 2008	41.19	4 weeks following the announcement of annual and interim financial statements	0	4.8
February 2008	43.28	4 weeks following the announcement of annual and interim financial statements	0	5.6
April 2008	38,56	4 weeks following the announcement of annual and interim financial statements	4	8.4
September 2008	28.95	4 weeks following the announcement of annual and interim financial statements	11	5.6
January 2009	26.20	4 weeks following the announcement of annual and interim financial statements	1	7.4
May 2009	19.49	4 weeks following the announcement of annual and interim financial statements	1	6.4
June 2009	16.41	4 weeks following the announcement of annual and interim financial statements	26	6.7
May 2010	7.87	4 weeks following the announcement of annual and interim financial statements	3,015	3.2
Total			**3,058**	

*) 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, a volatility of 52.16% based on the average volatility on the Exiqon share during the last 12 months, a risk-free interest rate of 0.8% per annum, and finally the share price of Exiqon on 31 December 2010, DKK 9.5. The expected maturity is calculated as the latest possible exercise of warrants adjusted for expected termination of employment and other causes for the non-exercise of warrants.

**) The calculated market value at the time of grant in 2010 are based on the assumption of no dividend per share, an average volatility of 60.21%, an average risk-free interest rate of 0.83% per annum and finally an average share price of Exiqon of DKK 7.75.

Warrant program granted in May 2006

All warrants granted in May 2006 have expired as of 31 December 2010.

Warrant program granted in December 2006

All warrants granted in December 2006 have expired as of 31 December 2010.

Warrant program 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.

Notes to the financial statements

Note 7. Share-based payment (continued)

Warrant program 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 program 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 program 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.

Warrant program granted in January 2009
Warrants granted in January 2009 are divided into 36 tranches, with 1/36 vesting monthly over a 36 month period. The exercise period expires in 2012. The exercise price is 23.9 with a premium of 5% p.a. from the date of grant until exercise.

Warrant program granted in May 2009
Warrants granted in January 2009 are divided into 36 tranches, with 1/36 vesting monthly over a 36 month period. The exercise period expires in 2012. The exercise price is 18.0 with a premium of 5% p.a. from the date of grant until exercise.

Warrant program granted in June 2009
Warrants granted in January 2009 are divided into 36 tranches, with 1/36 vesting monthly over a 36 month period. The exercise period expires in 2012. The exercise price is 15.3 with a premium of 5% p.a. from the date of grant until exercise.

Warrant program granted in May 2010
Warrants granted in May 2010 are divided into 36 tranches, with 1/36 vesting monthly over a 36 month period. The exercise period expires in 2013. The exercise price is 7.63 with a premium of 5% p.a. from the date of grant until exercise.

Share-based payment with cash settlement

	Executive Management	Supervisory Board	Key management personal	Others	Total
Outstanding rights 1 January 2010	0	0	0	75,898	75,898
Reclassified	0	0	0	0	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	-75,898	-75,898
Outstanding rights 31 December 2010	**0**	**0**	**0**	**0**	**0**
Of which can be exercised	0	0	0	0	0
Outstanding rights 1 January 2009	0	0	0	75,898	75,898
Reclassified	0	0	0	0	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 2009	**0**	**0**	**0**	**75,898**	**75,898**
Of which can be exercised	0	0	0	37,949	37,949

The cash settlement program granted in May 2007 has expired in 2010.

Notes to the financial statements

Note 8. Depreciation, amortization and impairment

Parent			Group	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
0	0	Goodwill (impairment)	0	70,664
1,583	1,191	Software	1,191	1,583
1,048	1,048	Acquired patents and licenses	1,048	1,048
2,217	2,209	Laboratory equipment	2,868	2,217
1,722	1,843	Production plant and equipment	1,843	1,722
3,070	2,540	Fixtures and fittings, tools and equipment	3,021	3,070
-10	-76	Gains and losses on sale of property, plant and equipment *)	30	-10
9,630	**8,754**		**10,000**	**80,294**
		Depreciation, amortization and impairment are distributed as follows:		
4,111	4,034	Production costs	4,034	4,111
3,566	3,252	Research and development costs	3,252	74,230
1,091	600	Sales and marketing costs	1,845	1,091
862	869	Administrative expenses	869	862
9,630	**8,754**		**10,000**	**80,294**

*) Includes scrapping of software in the parent company.

Note 9. Fees to auditors appointed by the general meeting

Parent			Group	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
		Fees to the parent company's auditors appointed by the general meeting for the financial year are specified as follows:		
395	400	Statutory audit	415	560
89	167	Other audit opinions with assurance	167	89
74	25	Tax consultancy	25	74
333	79	Non-audit services	79	333
891	**671**		**686**	**1,056**

Notes to the financial statements

Note 10. Financial items

Parent			Group	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
		Financial income		
2,256	104	Interest income from bank deposits etc.	109	2,256
813	92	Interest income from subsidiaries	0	0
0	5,281	Foreign exchange gains	3,038	0
3,069	**5,477**		**3,147**	**2,256**
		Financial expenses		
469	327	Interest on mortgage and bank loans	331	188
916	695	Interest on financial lease obligations	695	916
2,205	3,999	Foreign exchange losses	3,997	68
3,590	**5,021**		**5,023**	**1,172**

Note 11. Tax on profit for the year

Parent			Group	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
		Tax on profit for the year on continued operations is explained as follows:		
-103,722	-16,502	Tax calculated at a rate of 25%*)	-10,529	-36,686
85,894	3,928	Permanent deviations	3,942	18,176
17,828	12,574	Unrecognized change in tax asset	7,131	18,237
0	0	Effect of deviating foreign tax rate relative to Danish tax rate	-544	273
0	**0**		**-23**	**-145**

*) Tax on profit for the year regarding the Danish company is calculated at a rate of 25% (25% in 2009).

Notes to the financial statements

Note 12. Earnings per share

	Group	
	2010	2009
The calculation of earnings per share and diluted earnings per share are based on the following data		
Profit/(loss) (DKK'000) on continued operations	-42,114	-146,741
Profit/(loss) (DKK'000) on discontinued operations	-1,427	-192,077
Average number of shares	31,841,002	30,300,181
Average number own shares	-5,342	-5,342
Average number of circulating shares	31,835,660	30,294,839
Average diluting effect of outstanding warrants (no.)	964,196	0
Average number of shares, diluted (no.)	32,799,856	30,294,839
Earnings per share continued and discontinued operations	-1.37	-11.18
Earnings per share continued operations	-1.32	-4.84
Earnings per share discontinued operations	-0.05	-6.34
Diluted earnings per share continued and discontinued operations	-1.33	-11.18
Diluted earnings per share continued operations	-1.28	-4.84
Diluted earnings per share discontinued operations	-0.05	-6.34

1,025,483 outstanding warrants are out-of-the-money. These are not included in the calculation of diluted earnings.

The calculation 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.

Notes to the financial statements

Note 13. Intangible assets, consolidated 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 under construction DKK'000
Intangible assets 2010 (Group)						
Cost at 1 January 2010	120,032	0	0	6,859	13,255	113
Additions	0	0	0	1,108	0	2,249
Disposals	0	0	0	-149	0	-113
Cost at 31 December 2010	**120,032**	**0**	**0**	**7,818**	**13,255**	**2,249**
Amortization at 1 January 2010	-70,664	0	0	-2,771	-3,126	0
Write-down	0	0	0	0	0	0
Amortization	0	0	0	-1,190	-1,048	0
Amortization regarding assets disposed of	0	0	0	89	0	0
Amortization at 31 December 2010	**-70,664**	**0**	**0**	**-3,873**	**-4,174**	**0**
Carrying amount at 31 December 2010	**49,368**	**0**	**0**	**3,945**	**9,081**	**2,249**
Intangible assets 2010 (parent)						
Cost at 1 January 2010	0	0	0	6,857	13,255	113
Additions	0	0	0	1,108	0	2,249
Disposals	0	0	0	-149	0	-113
Cost at 31 December 2010	**0**	**0**	**0**	**7,816**	**13,255**	**2,249**
Amortization at 1 January 2010	0	0	0	-2,771	-3,126	0
Amortization	0	0	0	-1,190	-1,048	0
Amortization regarding assets disposed of	0	0	0	89	0	0
Amortization at 31 December 2010	**0**	**0**	**0**	**-3,873**	**-4,174**	
Carrying amount at 31 December 2010	**0**	**0**	**0**	**3,944**	**9,081**	**2,249**
Intangible assets 2009 (Group)						
Cost at 1 January 2009	138,148	46,026	14,472	5,358	17,867	538
Exchange rate adjustment	-2,478	-826	-260	0	-54	0
Additions	0	0	0	2,535	0	113
Disposals	0	0	0	-1,034	0	-538
Reclassified to asset held for sale	-15,638	-45,200	-14,212	0	-4,558	0
Cost at 31 December 2009	**120,032**	**0**	**0**	**6,859**	**13,255**	**113**
Amortization at 1 January 2009	0	-3,566	-2,242	-2,222	-2,587	0
Exchange rate adjustment	0	64	40	0	11	0
Write-down	-70,664	0	0	0	0	0
Amortization	0	-4,600	-2,887	-1,161	-1,661	0
Amortization regarding assets disposed of	0	0	0	612	0	0
Reclassified for sale	0	8,102	5,089	0	1,111	0
Amortization at 31 December 2009	**-70,664**	**0**	**0**	**-2,771**	**-3,126**	**0**
Carrying amount at 31 December 2009	**49,368**	**0**	**0**	**4,088**	**10,129**	**113**
Intangible assets 2009 (parent)						
Cost at 1 January 2009	0	0	0	5,358	13,255	538
Additions	0	0	0	2,535	0	113
Disposals	0	0	0	-1,035	0	-538
Cost at 31 December 2009	**0**	**0**	**0**	**6,858**	**13,255**	**113**
Amortization at 1 January 2009	0	0	0	-2,222	-2,076	0
Amortization	0	0	0	-1,161	-1,048	0
Amortization regarding assets disposed of	0	0	0	612	0	0
Amortization at 31 December 2009	**0**	**0**	**0**	**-2,771**	**-3,126**	**0**
Carrying amount at 31 December 2009	**0**	**0**	**0**	**4,087**	**10,129**	**113**

Notes to the financial statements

Note 13. Intangible assets, consolidated and parent company financial statements (continued)

Goodwill is allocated to the cash generating unit Diagnostics. According to IAS 36, Impairment of Assets, goodwill (including non current assets) is impairment tested at least annually to ensure that the carrying amount is not higher than the recoverable amount. This impairment test is performed at the end of the year after the Management's and Supervisory Board's annual strategy review. The recoverable amount of this cash-generating unit is determined on a value in discounted cash flow calculations which uses cash flow budgets approved by the Supervisory Board for 2011-2013 and projections for 2014-2020.

The significant parameters are expected revenue, EBIT, working capital requirements and growth rates. The projection for 2011-2013 is prepared on the basis of the company's budget and specific commercial assumptions, while the projection for 2014-2020 is prepared on the basis of a continuation of the company's 2011-2013 budget and general commercial assumptions. Since goodwill relates to new products not yet launched, moderate expectations to market penetration has been assumed. A growth rate of 5% in revenue applies for the terminal period, however, the terminal value represents less than 5% of the total carrying amounts present value. R&D costs and SG&A costs are expected to align with industry standards over time, equal to 15% of revenue as R&D cost and 30% of revenue as SG&A cost. The discount rate (WACC) after tax is set to 12.5% (corresponding to a WACC before tax 13.8%) and an average tax rate of 30% has been applied. A number of sensitivity analyses on significant parameters such as WACC, COGS and expected revenue have been performed and these analyses have not indicated significant risk for impairment.

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 under construction DKK'000
Property, plant and equipment 2010 (Group)						
Cost at 1 January 2010	0	9,212	27,723	13,206	9,916	549
Exchange rate adjustment	0	0	246	86	88	0
Additions	0	732	313	52	0	9
Transfers	0	0	0	0	0	0
Disposals	0	0	-464	0	0	-549
Cost at 31 December 2010	**0**	**9,944**	**27,818**	**13,344**	**10,004**	**9**
Depreciation at 1 January 2010	0	-5,332	-19,905	-9,394	-7,535	0
Exchange rate adjustment	0	0	-103	-39	-33	0
Transfers	0	0	1	0	0	0
Depreciation	0	-1,842	-2,870	-1,951	-1,066	0
Depreciation regarding assets disposed of	0	0	250	0	0	0
Depreciation at 31 December 2010	**0**	**-7,174**	**-22,627**	**-11,384**	**-8,634**	**0**
Carrying amount at 31 December 2010	**0**	**2,770**	**5,191**	**1,960**	**1,370**	**9**
Assets held under finance leases		1,443	2,556	1,165		

Notes to the financial statements

Note 14. Property, plant and equipment (continued)

	Tumor bank DKK'000	Production equipment DKK'000	Laboratory equipment DKK'000	Fixtures and fittings DKK'000	Leasehold improve-ments DKK'000	Tangible assets under construction DKK'000
Property, plant and equipment 2010 (parent)						
Cost at 1 January 2010	0	9,212	24,706	12,154	8,834	531
Additions	0	732	280	52	0	9
Transfers	0	0	0	0	0	0
Disposals	0	0	0	0	0	-531
Cost at 31 December 2010	**0**	**9,944**	**24,986**	**12,206**	**8,834**	**9**
Depreciation at 1 January 2010	0	-5,332	-18,642	-8,921	-7,131	0
Transfers	0	0	0	0	0	0
Depreciation	0	-1,842	-2,209	-1,726	-814	0
Depreciation regarding assets disposed of	0	0	0	0	0	0
Depreciation at 31 December 2010	**0**	**-7,174**	**-20,850**	**-10,647**	**-7,945**	**0**
Carrying amount at 31 December 2010	**0**	**2,770**	**4,136**	**1,559**	**889**	**9**
Assets held under finance leases		1,443	2,556	1,165		
Property, plant and equipment 2009 (Group)						
Cost at 1 January 2009	47,725	9,284	38,038	12,469	13,113	379
Exchange rate adjustment	-856	0	-55	-22	-20	0
Additions	0	77	386	658	18	549
Transfers	0	1	0	591	-591	0
Disposals	0	-150	0	-179	-338	-379
Reclassified to asset held for sale	-46,869	0	-10,646	-311	-2,266	0
Cost at 31 December 2009	**0**	**9,212**	**27,723**	**13,206**	**9,916**	**549**
Depreciation at 1 January 2009	-1,849	-3,610	-18,236	-7,435	-7,068	0
Exchange rate adjustment	33	0	11	7	3	0
Depreciation	-2,266	-1,722	-2,912	-2,217	-1,211	0
Transfers	0	0	0	-85	85	0
Depreciation regarding assets disposed of	0	0	0	166	186	0
Reclassified for sale	4,082	0	1,232	170	470	0
Depreciation at 31 December 2009	**0**	**-5,332**	**-19,905**	**-9,394**	**-7,535**	**0**
Carrying amount at 31 December 2009	**0**	**3,880**	**7,818**	**3,812**	**2,381**	**549**
Assets held under finance leases		2,739	4,099	2,396		
Property, plant and equipment 2009 (parent)						
Cost at 1 January 2009	0	9,285	24,320	10,922	9,747	379
Additions	0	-73	386	658	17	531
Transfers	0	0	0	592	-592	0
Disposals	0	0	0	-18	-338	-379
Cost at 31 December 2009	**0**	**9,212**	**24,706**	**12,154**	**8,834**	**531**
Depreciation at 1 January 2009	0	-3,610	-16,426	-6,890	-6,448	0
Transfers	0	0	0	-84	85	0
Depreciation	0	-1,722	-2,216	-1,951	-954	0
Depreciation regarding assets disposed of	0	0	0	4	186	0
Depreciation at 31 December 2009	**0**	**-5,332**	**-18,642**	**-8,921**	**-7,131**	**0**
Carrying amount at 31 December 2009	**0**	**3,880**	**6,064**	**3,233**	**1,703**	**531**
Assets held under finance leases		2,739	4,099	2,396		

Notes to the financial statements

Note 15. Investments in subsidiaries

Parent			Group	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
276,200	353,732	Cost at 1 January		
77,532	0	Capital injection in subsidiaries		
0	-338,681	Disposals		
353,732	**15,051**	**Cost at 31 December**		
0	-338,681	Impairment at 1 January		
-338,681	338,681	Impairment regarding assets disposed		
-338,681	**0**	**Impairment at 31 December**		
15,051	**15,051**	**Carrying amount at 31 December**		

Investment in subsidiary comprises the following:
Exiqon, Inc., USA, wholly owned, selling and marketing activities.

Oncotech, Inc., wholly owned, diagnostic services, was discontinued through an insolvent liquidation. Oncotech, Inc. is classified as assets held for sale and discontinued operations as of 2009. For further details, please refer to note 5.

Note 16. Inventories

Parent			Group	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
3,336	2,879	Raw materials and consumables	2,900	3,347
7,164	7,306	Manufactured goods and goods for resale	9,059	8,030
10,500	**10,185**		**11,959**	**11,377**

In 2010, inventory has been written down with tDKK 2,296 (tDKK 2,939 in 2009) which is included in production cost.

Notes to the financial statements

Note 17. Trade receivables

Parent			Group	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
5,708	8,489	Trade receivables 31 December (gross)	17,505	13,793
-1,506	-900	Write-down for expected losses 1 January	-1,703	-2,078
-461	-72	Write-down for expected losses during the year	-184	-692
1,067	760	Reversal of previous write-downs for expected losses	1,563	1,067
-900	-212	Write-down for expected losses 31 December	-324	-1,703
4,808	**8,277**	**Trade receivables 31 December (net)**	**17,181**	**12,090**
		Ageing of past due but not impaired:		
743	1,348	Up to 30 days	4,548	2,005
399	406	30 to 90 days	1,630	3,051
108	3	90 to 180 days	402	1,361
229	0	More than 180 days	1,482	533
1,479	**1,757**		**8,062**	**6,950**

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 18. Receivables from group companies

Parent			Group	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
11,932	156	Receivables from Group companies 31 December	-	-

Exiqon has written off Oncotech, Inc.'s receivables in connection with loss of control of the company (discontinued business). For further details regarding Oncotech, Inc. please refer to note 5.

Note 19. Other receivables

Parent			Group	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
4,407	3,378	Other receivables	3,384	4,412

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

Notes to the financial statements

Note 20. Share capital

Parent			Group	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
30,298	30,305	No. of shares at 1 January		
0	3,030	Capital increase in June		
7	0	Warrant exercises		
30,305	**33,335**	**No. of shares at 31 December**		

The share capital consists of 33,335,249 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 21. Treasury shares

Group and parent

	No. in '000	Nominal value DKK'000	% of share capital
Treasury shares at 1 January 2010	5	5	0.01
Bonus shares	-	-	-
Acquisition of treasury shares	-	-	-
Sale of treasury shares	-	-	-
Treasury shares at 31 December 2010	**5**	**5**	**0.01**
Treasury shares at 1 January 2009	5	5	0.01
Bonus shares	-	-	
Acquisition of treasury shares	-	-	-
Sale of treasury shares	-	-	-
Treasury shares at 31 December 2009	**5**	**5**	**0.01**

Notes to the financial statements

Note 22. Deferred tax

Parent			Group	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
-1,224	-1,288	Intangible assets	-1,288	-1,224
1,872	1,781	Property, plant and equipment	1,612	1,884
-161	-565	Research and development costs	-565	-161
224	53	Prepayments received	53	225
711	**-19**	**Temporary differences**	**-188**	**724**
93,801	108,107	Tax loss carry-forwards	113,764	95,140
94,512	**108,088**	**Deferred tax asset at 31 December**	**113,576**	**95,864**

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 uncertain when the deferred tax asset can be utilized, the asset has not been recognized in the financial statements for 2010.

Note 23. Finance lease liabilities

	Lease payment		Present value of lease payments	
Group	2010 DKK'000	2009 DKK'000	2010 DKK'000	2009 DKK'000
Due within one year from the balance sheet date	3,984	5,078	3,564	4,383
Due in 1-5 years from the balance sheet date	3,883	7,867	3,631	7,196
	7,867	**12,945**	**7,195**	**11,579**
Amortization premium for future expensing	-672	-1,366		
	7,195	**11,579**		
Parent				
Due within one year from the balance sheet date	3,984	5,078	3,564	4,383
Due in 1-5 years from the balance sheet date	3,883	7,867	3,631	7,196
	7,867	**12,945**	**7,195**	**11,579**
Amortization premium for future expensing	-672	-1,366		
	7,195	**11,579**		

Notes to the financial statements

Note 23. 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	2011-13	Fixed	4-8	7,195	7,867
31 December 2010					**7,195**	**7,867**
Finance lease liabilities, production equipment	DKK	2009-13	Fixed	4-8	11,579	12,945
31 December 2009					**11,579**	**12,945**

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	2011-13	Fixed	4-8	7,195	7,867
31 December 2010					**7,195**	**7,867**
Finance lease liabilities, production equipment	DKK	2009-13	Fixed	4-8	11,579	12,945
31 December 2009					**11,579**	**12,945**

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.

Note 24. Operating lease liabilities

Parent			Group	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
		Lease payments included in the income statement		
5,585	4,335	Rent commitment	5,819	6,858
		Total future minimum lease payments for non-terminable leases fall due as follows:		
3,552	3,515	Within one year of the balance sheet date	4,723	4,820
6,791	6,095	2-5 years after the balance sheet date	7,149	9,800
0	0	More than 5 years after the balance sheet date	0	0
10,343	**9,610**		**11,872**	**14,620**

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.

Notes to the financial statements

Note 25. Change in working capital

Parent			Group	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
436	315	Change in inventories	-510	1,517
1,479	12,613	Change in receivables	-2,111	-1,536
-481	7,827	Change in trade payables etc.	8,007	-4,869
1,434	**20,755**		**5,386**	**-4,888**

Note 26. Non-cash adjustments

Parent			Group	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
4,851	1,997	Incentive programs	1,997	4,851
289,704	60	Gain and loss on the sale of non-current assets	60	578
0	0	Impairment of goodwill	0	70,664
294,555	**2,057**		**2,057**	**76,093**

Note 27. Contingent liabilities

Security for loans

The loan mentioned in note 23 above is secured upon leased assets under "Property, plant and equipment".

Security for credit facilities DKK 5 million is secured upon a business mortgage ("virksomhedspant").

The parent company has issued a standby letter of credit USD 100 thousand concerning its wholly owned subsidiary Exiqon, Inc.'s commercial lease obligations until 15 May 2012.

Legal proceedings pending

On 20 September 2010, Exiqon A/S initiated arbitration proceedings against Santaris Pharma A/S. The arbitration proceedings concern a potential breach by Santaris Pharma of the parties' Co-Ownership Agreement regarding the Imanishi patent portfolio to LNA™. Exiqon claims that Santaris Pharma breaches the agreement and infringes upon Exiqon's patent rights by commercializing products for the conduct of research contrary to Exiqon's exclusive rights under the Co-Ownership Agreement. Exiqon has claimed damages in the amount of DKK 98.6 million – none of which has been recognized in the accounts for 2010. Santaris Pharma has raised a number of counterclaims in the arbitration proceedings, and Exiqon has principally claimed all but one dismissed on formal grounds. Santaris Pharma has also submitted a counter claim for damages in the amount of DKK 100 million but has not submitted any particulars in support of the alleged claim or the basis therefore at the date for approval of the annual report. Consequently, the claim appears at present unfounded and no reservation has been made for this claim. Exiqon expects that the arbitrations proceeding will be concluded in 2011.

Notes to the financial statements

Note 28. Financial risks

Categories of financial instruments

Parent			Group	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
4,808	8,277	Trade receivables	17,181	12,090
11,932	156	Receivables from group companies	-	-
5,237	3,378	Other receivables	3,384	5,579
41,827	15,546	Cash and cash equivalents	18,184	45,496
63,804	**27,357**	**Loan and receivables**	**38,749**	**63,165**
11,579	3,564	Finance lease liabilities	3,564	11,579
9,039	11,210	Trade payables	15,187	10,788
1,914	2,074	Payables from group companies	-	-
13,728	12,704	Other payables	15,568	15,312
36,260	**29,551**	**Financial liabilities measured at cost price**	**34,318**	**37,679**

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 follows a finance policy, approved by the Board of Directors, based on a low risk profile so that currency, interest rate and credit risk arises 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 2010.

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 are assessed to be minimal due to significant excess liquidity being placed on short-tem 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 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 28. Financial risks (continued)

Currency risks in respect of recognized financial assets and liabilities

Group

	Cash and cash equivalents DKK'000	Receivables DKK'000	Financial liabilities DKK'000	Non-secured net position DKK'000
USD	2,863	11,165	-17,204	-3,176
EUR	4,778	5,747	-3,460	7,065
DKK	10,523	3,240	-23,324	-9,561
Other currencies	20	413	-740	-307
31 December 2010	**18,184**	**20,565**	**-44,728**	**-5,979**
USD	3,806	8,276	-21,695	-9,613
EUR	634	4,657	-1,573	3,718
DKK	41,047	4,736	-30,432	15,351
Other currencies	9	0	-11	-2
31 December 2009	**45,496**	**17,669**	**-53,711**	**9,454**

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	225	2,411	-12,436	-9,800
EUR	4,778	5,747	-3,460	7,065
DKK	10,523	3,240	-23,324	-9,561
Other currencies	20	414	-740	-306
31 December 2010	**15,546**	**11,812**	**-39,960**	**-12,602**
USD	137	12,584	-4,244	8,477
EUR	634	4,657	-1,573	3,718
DKK	41,047	4,736	-30,432	15,351
Other currencies	9	0	-11	-2
31 December 2009	**41,827**	**21,977**	**-36,260**	**27,544**

Exiqon's main exchange rate risks relate to EUR and USD. Raw materials are purchased in USD, a part of our staff receives their salary in USD and revenues are also denominated in USD. The investment in our U.S. subsidiary is not hedged.

Fluctuations in the exchange rate of 10% for USD against DKK can be expected to impact the Group's net result from continued operations by 3% against 1% in 2009 and the equity by 2% against 2% in 2009.

Notes to the financial statements

Note 28. Financial risks (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	18,184	0	0	18,184	0	
Lease arrangements	-3,564	-3,631	0	-7,195	-7,195	
31 December 2010	**14,620**	**-3,631**	**0**	**10,989**	**-7,195**	
Bank deposits	45,496	0	0	45,496	0	1-4
Lease arrangements	-4,383	-7,196	0	-11,579	-11,579	4-8
31 December 2009	**41,113**	**-7,196**	**0**	**33,917**	**-11,579**	

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	15,546	0	0	15,546	0	
Lease arrangements	-3,564	-3,631	0	-7,195	-7,195	
31 December 2010	**11,982**	**-3,631**	**0**	**8,351**	**-7,195**	
Bank deposits	41,827	0	0	41,827	0	1-4
Lease arrangements	-4,383	-7,196	0	-11,579	-11,579	4-8
31 December 2009	**37,444**	**-7,196**	**0**	**30,248**	**-11,579**	

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 have no impact on the Group's net result or equity.

Notes to the financial statements

Note 28. Financial risks (continued)

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	
2009 DKK'000	2010 DKK'000		2010 DKK'000	2009 DKK'000
		Not impaired not due receivables are distributed as follows:		
3,081	5,903	Europe	5,903	3,081
0	0	North America	2,673	1,810
249	617	Rest of World	617	249
3,330	**6,520**		**9,193**	**5,140**

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

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 2009.

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.

The capital resource at the year end was as follows:

	2010 DKK'000	2009 DKK'000
Cash and cash equivalents	18,184	45,496
Credit facilities	5,000	0
Capital recource	**23,184**	**45,496**

Notes to the financial statements

Note 29. Related parties

No third party has control over Exiqon A/S.

Related parties exercising significant influence comprise Exiqon A/S' Management and Supervisory Board. Other related parties comprise the subsidiary Exiqon, Inc. and Oncotech, Inc. until "assignment to the benefit of the creditors" on 16 June 2010. For further details on Oncotech, Inc. please refer to note 5.

Remuneration etc. paid to Supervisory Board**, Management and key management personal**
For information on remuneration paid to the Group's Supervisory Board, Management and key management personal, see note 6.

Other related party transactions in 2010
The former member of the Supervisory Board, Douglas S. Harrington, acted as a technical adviser for Oncotech, Inc., and in respect hereof has received a fee of 42,500 USD in 2010. Douglas S. Harrington resigned from the Supervisory Board at the annual general meeting 14 April 2010.

Transactions with group companies comprised invoicing of contract work in the total amount of tDKK 613 .

Other related party transactions in 2009
The former member of the Supervisory Board, Douglas S. Harrington, acted as a technical adviser for Oncotech, Inc., and in respect hereof received a fee of 155,000 USD in 2009.

Transactions with group companies comprised invoicing of contract work in the total amount of tDKK 2,454.

Note 30. Approval of Annual Report

The Annual Report was approved by the Supervisory Board and authorized for issue on 24 February 2011. The Annual Report is submitted for approval on the Annual General Meeting on 31 March 2011.

Headquarters
Exiqon A/S
Skelstedet 16
2950 Vedbæk
Denmark
Phone: +45 4566 0888
Fax: +45 4566 1888
CVR/Tax Id: 18 98 44 31

Exiqon, Inc.
14 F Gill Street
Woburn, MA 01801
USA
Phone: +1 (781) 376 4150

EXIQON
Seek Find Verify