

Announcement No. 11/2009

To NASDAQ OMX Copenhagen

Vedbaek, 15 May 2009

**Interim report for the period 1 January – 31 March 2009 (unaudited)**

Exiqon A/S (NASDAQ OMX Copenhagen: "EXQ"), today reported 69% growth in revenue for the first quarter of 2009 compared to the same period last year. New product launches and market growth supports Exiqon's expectations of continued solid revenue growth through 2009. Operational initiatives have been implemented to improve the company's cash flow. Exiqon's full-year revenue guidance is revised from DKK 175-200 million to DKK 165-190 million attributable to Exiqon Life Sciences but guidance is otherwise maintained.

- Revenue in the first quarter of 2009 increased by 69% relative to the year-earlier period to DKK 27.9 million. Exiqon Life Sciences contributed DKK 16.8 million and Exiqon Diagnostics contributed DKK 11.1 million. Exiqon Life Sciences research product sales grew organically by 29.7% compared to the same period last year.
- The direct contribution margin in the first quarter of 2009 was 68.3% compared to 67.8% in the same period last year.
- Total operating expenses in the first quarter of 2009 increased by 48% relative to the same period last year to DKK 51.0 million, distributed on DKK 23.8 million for Exiqon Life Sciences and DKK 27.2 million for Exiqon Diagnostics.
- The net loss for the first quarter of 2009 was DKK 43.7 million. EPS amounted to DKK -1.44 in the first quarter of 2009. The average USD/DKK exchange rate applied to translate first quarter revenue and expenses was DKK 5.77.
- Successful launch of miRCURY™ sample isolation system completes "one-stop-supplier" strategy for Exiqon Life Sciences.
- Successful launch of KRAS test through Exiqon Diagnostics CLIA-laboratory marks first step to implement "one-stop-supplier" strategy for selected cancers in the diagnostics segment to complement proprietary drug resistance tests and miRNA-based tests for recurrence.

CEO Lars Kongsbak says: "We are encouraged by the fact that growth in our life sciences revenue remained strong during the first quarter of 2009 despite having to slightly reduce our full-year expectations. We began 2009 by accomplishing a significant strategic goal of becoming a one-stop-supplier for miRNA research products and through the launch of KRAS, we have now embarked on a similar strategy for Exiqon Diagnostics to address a market need for improved cancer treatment selection and also to improve our cash flow."

**Exiqon at a glance**

Exiqon operates in three business areas that are organized in two financial segments: Exiqon Diagnostics and Exiqon Life Sciences which includes Exiqon Pharma Services:

- Exiqon Diagnostics is a leading provider of cellular-based diagnostics for cancer treatment selection and is currently developing a series of new molecular diagnostic tests for high incidence cancers based on miRNA biomarkers.
- Exiqon Life Sciences is a leading provider of research products for the detection of miRNA based on the LNA™ technology.
- Exiqon Pharma Services is our business responsible for collaborations with pharmaceutical companies working at the forefront of personalized medicine to target medication for patient populations profiled on the basis of biomarkers.

## Exiqon Diagnostics

Exiqon Diagnostics reported strong specimen volume in the first quarter of 2009. Revenue was adversely affected by payor reimbursement for the Oncotech EDR ® Assay and ancillary bio-marker tests. Reimbursement for these services is currently the subject of negotiation with payors for the purpose of improving reimbursement agreements.

Financial highlights for Exiqon Diagnostics in the first quarter of 2009 included:

- Revenue in the first quarter of 2009 increased by 169% on the year-earlier period to DKK 11.1 million due to the acquisition of Oncotech, Inc. effective as of 1 March 2009.
- The direct contribution margin in the first quarter of 2009 was 52.9%. The gross margin was 17.9%.
- Total operating expenses in the first quarter of 2009 increased by 299% on the same period last year to DKK 27.2 million, primarily due to the Oncotech acquisition.

To address a need in the market for improved cancer treatment selection, Exiqon Diagnostics has adopted a one-stop-supplier strategy for selected high incidence cancers. We are providing a comprehensive menu of cancer diagnostic tests that enable oncologists to better manage their patients based on the unique characteristics of each patient's cancer.

As part of this process, which will also improve our cash flow, Exiqon Diagnostics has completed the validation of a PCR-based test for KRAS mutation made commercially available in the U.S. effective from May 2009. Cancer-treating physicians now have access to this critical test for their advanced stage colorectal and non-small cell lung cancer patients who are candidates for anti-EGFR therapy. There are approximately 160,000 patients (various sources) per year in the U.S. who should be considered for this test. Confirmed KRAS mutation status is important information for physicians to have when deciding on a treatment regimen that may contain EGFR-targeted therapies.

Additional complementary tests will be made available during 2009. By the end of the year, Exiqon plans to offer approximately 20 non-proprietary prognostic and predictive tests for colon and lung cancers. These tests complement the proprietary drug resistance tests and miRNA-based test for recurrence.

Once the one-stop-supplier strategy is fully implemented, Exiqon Diagnostics will provide tests, tailored to specific cancers, that doctors can use to better evaluate two key questions in managing their patients: 1) is chemotherapy required and, if so, 2) what chemotherapy is best for treating this patient's cancer. The evaluation of each patient on an individual basis is essential for achieving the best outcome.

Our miRNA test for colon cancer recurrence will initially be commercialized as a Research Use Only (RUO) test and then expanded for use in clinical patient management. In the coming months, the RUO test will be available for comprehensive assessment of the miRNA biomarker in patients with colon cancer, stages I through IV. Exiqon Diagnostics will work with physicians to incorporate the information obtained with the new ROU test into the miRNA test for clinical use in patients with stage II colon cancer. The clinical utility of this test will be to identify those patients with elevated risk of recurrence, and who are therefore candidates for adjuvant chemotherapy. The colon cancer test for recurrence will be based on an expanded panel of miRNA biomarkers.

## Exiqon Life Sciences

In January 2009, Exiqon Life Sciences launched its miRCURY™ sample isolation system (miRCURY™ RNA Sample Isolation) thereby fulfilling a strategic goal for Exiqon Life Sciences of becoming a one-stop supplier for researchers who want to perform miRNA analyses.

Exiqon Life Sciences now offers a complete product portfolio for miRNA research including products for RNA sample isolation, expression analysis (miRCURY LNA™ miRNA Array System and the miRCURY LNA™ miRNA PCR System), localization (miRCURY LNA™ miRNA Detection) and functional analysis (miRCURY LNA™ miRNA Knockdown) and is well-prepared to maintain its position in the increasingly competitive and fast growing market segment for research products.

A recent market survey published by Frost & Sullivan estimates the total U.S. microRNA market generated revenue of USD 20.3 million in 2008 with a growth rate of 41.0% and the U.S. market is expected to grow at a CAGR of 25.3% from 2008 to 2015.

Financial highlights for Exiqon Life Sciences in the first quarter of 2009 included:

- Revenue in the first quarter of 2009 increased by 36% on the year-earlier period to DKK 16.8 million.
- Product sales in the first quarter of 2009 (including Exiqon Pharma Services) increased by 38% on the same period last year to DKK 14.0 million. Research product sales grew organically by 29.7% compared to the first quarter of 2008.
- The direct contribution margin in the first quarter of 2009 was 80.4% compared to 75.4% in the same period last year. The gross margin was 27.1% compared to 52.2% in the same period last year primarily due to allocated cost in consequence of the transfer of our array manufacturing to Woburn which is now being relocated to the Vedbaek facility to improve costs.
- Total operating expenses in the first quarter of 2009 fell by 14% on the same period last year to DKK 23.8 million.

Exiqon and Luminex Corporation have agreed in principal to exit their relationship under the Commercialization Agreement of 2006 and to pursue separate strategies for providing products to customers in the nucleic acids market segment. Minimum purchase requirements of the agreement have been eliminated in exchange for an undisclosed, one-time settlement payment to Exiqon.

As the bead based assays are widely used in many platforms, Exiqon may now pursue new opportunities for collaborations for use of the LNA™ technology in bead based assays.

Exiqon Life Sciences will relocate its current array manufacturing processes from Woburn, Boston U.S. to Vedbaek, Denmark during the second quarter of 2009, in an effort to simplify operations and provide the best possible basis for future profitability and a short term cash flow positive Exiqon Life Sciences business by year end 2009.

Other immediate initiatives taken to support year-end cash flow expectations include the termination of previously granted custom LNA™ licenses with a view to re-establish Exiqon as *the* supplier of LNA™ oligonucleotides ("Home of LNA™" strategy). The initial positive financial effects are expected from the third quarter of 2009.

Exiqon Life Sciences is seeking strategic partnerships with big pharmaceutical companies on the use of miRNA biomarkers for drug development and possibly companion diagnostics. In the first quarter of 2009, a major pharmaceutical company selected Exiqon as a recommended provider after more than six months of rigorous due diligence testing of the use of Exiqon's technologies and biomarkers. The selection demonstrates that Exiqon is considered a reliable partner with competitive products and know-how.

## Comments on the unaudited interim report for the first quarter of 2009

The financial performance in the first three months of 2009 compared with the first three month of 2008:

### Revenue and margins

| DKK '000                              | Q1-2009 | Q1-2008 |
|---------------------------------------|---------|---------|
| <b>Revenue</b>                        | 27,952  | 16,495  |
| <i>Change (%)</i>                     | 69%     | 76%     |
| Revenue Life Sciences                 | 16,843  | 12,365  |
| <i>Change (%)</i>                     | 36%     | 32%     |
| Revenue Diagnostics                   | 11,109  | 4,130   |
| <i>Change (%)</i>                     | 169%    | N/A     |
| <b>Product sales incl. services</b>   | 25,088  | 14,277  |
| <i>Change (%)</i>                     | 76%     | 108%    |
| Product sales Life Sciences           | 14,008  | 10,154  |
| <i>Change (%)</i>                     | 38%     | 48%     |
| Product sales Diagnostics             | 11,081  | 4,124   |
| <i>Change (%)</i>                     | 169%    | N/A     |
| <b>Direct contribution</b>            | 17,128  | 9,673   |
| <i>Direct contribution margin (%)</i> | 68.3%   | 67.8%   |
| Direct contribution Life Sciences     | 11,269  | 7,653   |
| <i>Direct contribution margin (%)</i> | 80.4%   | 75.4%   |
| Direct contribution Diagnostics       | 5,858   | 2,020   |
| <i>Direct contribution margin (%)</i> | 52.9%   | 49.0%   |
| <b>Gross profit</b>                   | 6,555   | 7,724   |
| <i>Gross margin</i>                   | 23.5%   | 46.8%   |
| Gross profit Life Sciences            | 4,569   | 6,454   |
| <i>Gross margin</i>                   | 27.1%   | 52.2%   |
| Gross profit Diagnostics              | 1,983   | 1,270   |
| <i>Gross margin</i>                   | 17.9%   | 30.8%   |

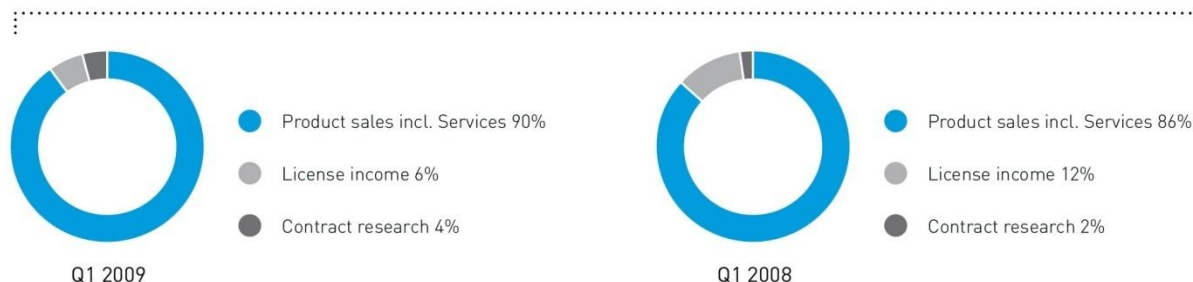
(\* Direct contribution is calculated as product sales less variable costs of direct labor and materials

(\*\* Gross profit is calculated as revenue less production costs

Revenue increased 69% compared to the first quarter of 2008 which is in part due to the acquisition of Oncotech in the first quarter of 2008 from which revenue is now fully recognized in the first quarter of 2009. The organic growth in research product sales was 29.7% compared to the first quarter of 2008.

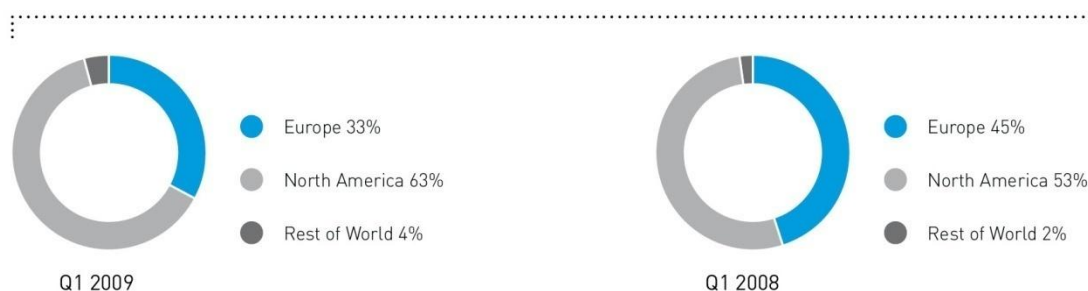
The composition of revenue during the first three months of 2009 compared to the first three months of 2008:

### Composition of revenue



The geographic revenue split compared to the first three months of 2008 is illustrated in the chart below, which shows that approximately 2/3 of revenue is now generated in North America:

## Geographic split of revenue



In the first quarter of 2009, the gross margin was 24% compared to 47% in the same period last year. The direct contribution margin was 68% in the first quarter of 2009 compared to 68% in the first quarter of 2008. The level of activity in first quarter was low and not at full capacity. Gross margins in the first quarter of 2009 were negatively affected by allocated cost associated with the manufacturing of arrays in Woburn. The manufacturing is transferred back to Vedbaek to improve the cost structure and initiatives have been taken to enhance the capacity exploitation, and the effect of this is expected to lift the gross margin from Q2 2009.

## Research and development costs

| DKK '000                      | Q1-2009 | Q1-2008 |
|-------------------------------|---------|---------|
| R&D costs (net)               | -16,633 | -11,570 |
| Change (%)                    | 44%     | 141%    |
| R&D costs (net) Life Sciences | -6,546  | -8,834  |
| Change (%)                    | -26%    | 84%     |
| R&D costs (net) Diagnostics   | -10,083 | -2,736  |
| Change (%)                    | 269%    | N/A     |
| Share-based payment           | -163    | -14     |
| R&D costs total               | -16,795 | -11,584 |

In the first quarter of 2009, research and development costs increased 44% compared to the first quarter of 2008, primarily caused by the effect of the acquisition of Oncotech. The development of new molecules diagnostics products is progressing as planned.

## SG&A

| DKK '000                                   | Q1-2009 | Q1-2008 |
|--|---------|---------|
| <b>SG&amp;A costs (net)</b>                | -32,719 | -21,075 |
| Change (%)                                 | 55%     | 77%     |
| SG&A costs (net) Life Sciences             | -15,773 | -17,188 |
| Change (%)                                 | -8%     | 44%     |
| SG&A costs (net) Diagnostics               | -16,946 | -3,887  |
| Change (%)                                 | 336%    | N/A     |
| <b>Sales &amp; marketing cost (net)</b>    | -22,220 | -11,405 |
| Change (%)                                 | 95%     | 74%     |
| Sales & marketing cost (net) Life Sciences | -11,784 | -8,962  |
| Change (%)                                 | 31%     | 36%     |
| Sales & marketing cost (net) Diagnostics   | -10,436 | -2,443  |
| Change (%)                                 | 327%    | N/A     |
| <b>Administrative costs (net)</b>          | -10,499 | -9,672  |
| Change (%)                                 | 9%      | 80%     |
| Administrative costs (net) Life Sciences   | -3,989  | -8,226  |
| Change (%)                                 | -52%    | 53%     |
| Administrative costs (net) Diagnostics     | -6,510  | -1,446  |
| Change (%)                                 | 350%    | N/A     |
| <b>Share-based payment</b>                 | -1,489  | -1,821  |
| Share-based payment Life Sciences          | -1,340  | -1,639  |
| Share-based payment Diagnostics            | -149    | -182    |
| <b>SG&amp;A costs total</b>                | -34,208 | -22,895 |

In the first quarter of 2009, SG&A costs increased by 55% compared to the first quarter of 2008, primarily caused by the effect of the acquisition of Oncotech.

### **Financial outlook 2009**

Exiqon expects 2009 to be another year of strong organic growth in revenue. We will continue to invest in sales and marketing activities and in the development of our diagnostic pipeline.

We expect that Exiqon Life Sciences will achieve its growth potential based on the new qPCR product series launched in 2008 and our launch of the miRCURY™ RNA Isolation Kit in January 2009. Our plan is to further expand our product offering in the second half of the year, during which we have scheduled significant product launches. The upcoming products will make Exiqon's product offering more attractive to high throughput screening facilities which are found at pharmaceutical companies and major genomic centres.

In Exiqon Pharma Services, we have entered into a number of significant service agreements with pharmaceutical companies and we expect to see the financial effect during the second and third quarters of this year.

In Exiqon Diagnostics, we are looking forward to expanding our product offering which will include our first miRNA-based test. To enable oncologists to better manage their patients, we will expand our current product offerings to include other validated products in order to offer a comprehensive menu of products. By having a complete product offering, we secure a strong position in the market and generate increased revenue per specimen tested.

For 2009, Exiqon revises its expectation to total revenue from DKK 175-200 million to DKK 165-190 million, of which Exiqon Diagnostics is still expected to contribute DKK 70-80 million and Exiqon Life Sciences, including revenue from Exiqon Pharma Services, is expected to contribute DKK 95-110 million as opposed to previously DKK 105-120 million. Cost saving initiatives have been and will be taken to maintain expectations of a net loss for the year 2009 at DKK 120-135 million including costs of current incentive programs, including warrants, expensed in the amount of DKK 5 million.

All of the above expectations are based on an average USD/DKK exchange rate of DKK 6.00 for 2009.

Exiqon maintains its long-term financial goal of reaching profitability by 2011 based on its current cash position and a cash flow positive Life Sciences business by end 2009. .

### **Directors' and Management's statement on the interim report**

The Board of Directors and the Executive Management have today considered and approved the interim report of Exiqon A/S for the period 1 January – 31 March 2009.

The interim report has been prepared in accordance with IAS 34 and additional Danish disclosure requirements for the presentation of financial statements by listed companies. The interim report is unaudited.

We consider the accounting policies to be appropriate, the accounting estimates made to be reasonable and the overall presentation of the interim report to be adequate, so that the interim report, in our opinion, gives a true and fair view of the assets, liabilities, financial position, and results of operations and cash flows of the group for the period 1 January – 31 March 2009. We consider the Management's statement to give a true and fair description of the development in the Group's activities and economic situation, the results of operations and the Group's financial position as a whole and a description of the significant risks and uncertainty factors, which the Group faces.

Vedbaek, 15 May 2009

### **Executive Management**

Lars Kongsbak, CEO

Hans Henrik Chrois Christensen, CFO

### **Board of Directors**

Thorleif Krarup  
Chairman

Erik Wallden  
Deputy Chairman

Michael Nobel

Per Wold Olsen

Douglas S. Harrington

### **Additional information**

Lars Kongsbak, CEO, phone +45 4566 0888 (cell: +45 4090 2101)

Hans Henrik Chrois Christensen, CFO, phone +45 4566 0888 (cell: +45 4090 2131)

### **Forward-looking statement**

*Certain parts of this release contain forward-looking information with respect to the plans, projections and future performance of the company, each of which involves significant uncertainties. The company's actual results may differ materially from the information set forth in these statements. This is an English translation of the interim report prepared in Danish. In case of any discrepancies between the Danish version and this English translation thereof, the Danish version shall prevail.*

## Key figures for the Exiqon Group (unaudited)

| (DKK'000 except key financial figures)                             | 1 Jan. – 31<br>Mar. 2009 | 1 Jan. – 31<br>Mar. 2008 | 1 Jan. – 31<br>Dec. 2008 |
|--|--------------------------|--------------------------|--------------------------|
| <b>Income statement:</b>   |                          |                          |                          |
| Revenue  | 27,952                   | 16,495                   | 128,273                  |
| Production costs   | -21,397                  | -8,771                   | -73,080                  |
| Research and development costs                                     | -16,795                  | -11,584                  | -57,898                  |
| Sales and marketing costs  | -22,462                  | -11,404                  | -73,677                  |
| Administrative expenses  | -11,746                  | -11,491                  | -49,497                  |
| Operating profit (loss)  | -44,449                  | -26,755                  | -125,879                 |
| Net financials   | 778                      | 2,019                    | 10,590                   |
| Profit/(loss) before tax   | -43,671                  | -24,736                  | -115,289                 |
| Profit/(loss) for the period                                       | -43,706                  | -24,755                  | -115,350                 |
| Exchange adjustments relating to foreign subsidiaries              | 16,387                   | 227                      | 21,030                   |
| Total recognized income for the period                             | -27,319                  | -24,528                  | -94,320                  |
| <b>Balance sheet:</b>  |                          |                          |                          |
| <b>Assets</b>  |                          |                          |                          |
| Intangible assets  | 221,635                  | 197,049                  | 211,793                  |
| Property, plant and equipment                                      | 84,086                   | 73,444                   | 82,810                   |
| Financial assets   | 2,892                    | 2,550                    | 2,614                    |
| Non-current assets   | 308,613                  | 273,043                  | 297,217                  |
| Inventories  | 15,714                   | 9,842                    | 14,703                   |
| Receivables  | 31,489                   | 30,905                   | 30,802                   |
| Cash and cash equivalents  | 136,465                  | 271,013                  | 174,258                  |
| Current assets   | 183,668                  | 311,760                  | 219,763                  |
| Total assets   | 492,281                  | 584,803                  | 516,980                  |
| <b>Equity and liabilities:</b>                                     |                          |                          |                          |
| Equity   | 437,272                  | 524,491                  | 462,887                  |
| Non-current liabilities  | 11,928                   | 9,174                    | 13,095                   |
| Current liabilities  | 43,081                   | 51,138                   | 40,998                   |
| Total liabilities  | 55,009                   | 60,312                   | 54,093                   |
| Equity and liabilities   | 492,281                  | 584,803                  | 516,980                  |
| <b>Cash flow statement:</b>  |                          |                          |                          |
| Cash flows from operating activities                               | -35,371                  | -47,385                  | -123,719                 |
| Acquisition of intangible assets and property, plant and equipment | -2,423                   | -11,797                  | -18,716                  |
| Cash flows from investing activities                               | -2,423                   | -11,797                  | -18,669                  |
| Cash flows from financing activities                               | -1,402                   | -2,238                   | -15,765                  |
| Cash and cash equivalents at the end of period                     | 136,465                  | 271,013                  | 174,258                  |
| <b>Key financial figures:</b>                                      |                          |                          |                          |
| Number of shares, end of period                                    | 30,298,295               | 29,991,338               | 30,298,295               |
| Number of shares, average  | 30,298,295               | 26,352,825               | 29,245,594               |
| Basic and diluted EPS  | -1.44                    | -0.94                    | -3.94                    |
| Assets/Equity (gearing)  | 1.13                     | 1.11                     | 1.12                     |
| Average number of employees  | 207                      | 199                      | 216                      |
| Market price per share (DKK)                                       | 13                       | 33                       | 20                       |
| Market capitalisation (DKK million)                                | 397                      | 990                      | 606                      |
| Price / net asset value  | 0.91                     | 1.89                     | 1.31                     |

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 2005" issued by the Danish Society of Financial Analysts, dated December 2004

## Consolidated comprehensive income (unaudited)



| (DKK'000)  | Note | 1 Jan. – 31<br>Mar. 2009 | 1 Jan. – 31<br>Mar. 2008 | 1 Jan. – 31<br>Dec. 2008 |
|--|------|--------------------------|--------------------------|--------------------------|
| Revenue  | 2.3  | 27,952                   | 16,495                   | 128,273                  |
| Production costs   |      | -21,397                  | -8,771                   | -73,080                  |
| <b>Gross profit</b>                                      |      | <b>6,555</b>             | <b>7,724</b>             | <b>55,193</b>            |
| Research and development costs                           |      | -16,795                  | -11,584                  | -57,898                  |
| Sales and marketing costs                                |      | -22,462                  | -11,404                  | -73,677                  |
| Administrative expenses                                  |      | -11,746                  | -11,491                  | -49,497                  |
| <b>Operating profit (EBIT)</b>                           |      | <b>-44,449</b>           | <b>-26,755</b>           | <b>-125,879</b>          |
| Financial income   |      | 3,800                    | 5,122                    | 12,211                   |
| Financial expenses                                       |      | -3,022                   | -3,103                   | -1,621                   |
| <b>Profit/(loss) before tax</b>                          |      | <b>-43,671</b>           | <b>-24,736</b>           | <b>-115,289</b>          |
| Tax on profit/(loss) for the period                      |      | -35                      | -19                      | -61                      |
| <b>Profit/(loss) for the period</b>                      |      | <b>-43,706</b>           | <b>-24,755</b>           | <b>-115,350</b>          |
| Other comprehensive income:                              |      |                          |                          |                          |
| Exchange adjustments relating to foreign subsidiaries    |      | 16,387                   | 227                      | 21,030                   |
| <b>Total recognized income and expenses for the year</b> |      | <b>-27,319</b>           | <b>-24,528</b>           | <b>-94,320</b>           |
| Basic and diluted EPS (DKK 1 per share)                  |      | -1.44                    | -0.94                    | -3.94                    |

**Consolidated statement of financial position - assets (unaudited)**

| (DKK'000)                                  | Note | 31 Mar.<br>2009 | 31 Mar.<br>2008 | 31 Dec.<br>2008 |
|--|------|-----------------|-----------------|-----------------|
| Goodwill                                   |      | 146,288         | 125,792         | 138,148         |
| Customer Relationships                     |      | 43,896          | 42,787          | 42,460          |
| Trademarks                                 |      | 12,279          | 13,453          | 12,230          |
| Acquired patent rights                     |      | 15,015          | 13,121          | 15,280          |
| Acquired software licenses                 |      | 4,157           | 1,896           | 3,136           |
| Intangible assets in progress              |      | 0               | 0               | 538             |
| <b>Intangible assets</b>                   |      | <b>221,635</b>  | <b>197,049</b>  | <b>211,793</b>  |
| Tumor bank                                 |      | 48,029          | 44,367          | 45,876          |
| Leasehold improvements                     |      | 5,293           | 2,767           | 6,045           |
| Production and laboratory equipment        |      | 25,922          | 13,410          | 25,476          |
| Fixtures and fittings, tools and equipment |      | 4,571           | 11,802          | 5,034           |
| Tangible assets in progress                |      | 271             | 1,098           | 379             |
| <b>Property, plant and equipment</b>       |      | <b>84,086</b>   | <b>73,444</b>   | <b>82,810</b>   |
| Deposits                                   |      | 2,892           | 2,550           | 2,614           |
| <b>Financial assets</b>                    |      | <b>2,892</b>    | <b>2,550</b>    | <b>2,614</b>    |
| <b>Total non-current assets</b>            |      | <b>308,613</b>  | <b>273,043</b>  | <b>297,217</b>  |
| <b>Inventories</b>                         |      | <b>15,714</b>   | <b>9,842</b>    | <b>14,703</b>   |
| Trade receivables                          |      | 26,677          | 26,562          | 26,059          |
| Other receivables                          |      | 4,812           | 4,343           | 4,744           |
| <b>Receivables</b>                         |      | <b>31,489</b>   | <b>30,905</b>   | <b>30,802</b>   |
| <b>Cash and cash equivalents</b>           | 4    | <b>136,465</b>  | <b>271,013</b>  | <b>174,258</b>  |
| <b>Current assets</b>                      |      | <b>183,668</b>  | <b>311,760</b>  | <b>219,763</b>  |
| <b>Total assets</b>                        |      | <b>492,281</b>  | <b>584,803</b>  | <b>516,980</b>  |

**Consolidated statement of financial position– equity and liabilities (unaudited)**

|                                | <b>31 Mar.<br/>2009</b> | <b>31 Mar.<br/>2008</b> | <b>31 Dec.<br/>2008</b> |
|--------------------------------|-------------------------|-------------------------|-------------------------|
| (DKK'000)                      |                         |                         |                         |
| Share capital                  | 30,298                  | 29,991                  | 30,298                  |
| Other reserves                 | 406,974                 | 494,500                 | 432,589                 |
| <b>Equity</b>                  | <b>437,272</b>          | <b>524,491</b>          | <b>462,887</b>          |
| Finance lease liabilities      | 11,928                  | 9,174                   | 13,095                  |
| <b>Non-current liabilities</b> | <b>11,928</b>           | <b>9,174</b>            | <b>13,095</b>           |
| Finance lease liabilities      | 4,934                   | 2,738                   | 4,385                   |
| Trade payables                 | 14,200                  | 19,157                  | 11,099                  |
| Prepayments                    | 2,488                   | 11,190                  | 550                     |
| Other payables                 | 21,459                  | 18,053                  | 24,964                  |
| <b>Current liabilities</b>     | <b>43,081</b>           | <b>51,138</b>           | <b>40,998</b>           |
| <b>Total liabilities</b>       | <b>55,009</b>           | <b>60,312</b>           | <b>54,093</b>           |
| <b>Equity and liabilities</b>  | <b>492,281</b>          | <b>584,803</b>          | <b>516,980</b>          |

**Consolidated statement of cash flow (unaudited)**

| (DKK'000)   | 1. Jan - 31.<br>Mar. 2009 | 1. Jan - 31.<br>Mar. 2008 | 1. Jan - 31.<br>Dec. 2008 |
|---|---------------------------|---------------------------|---------------------------|
| Operating profit                                  | -44,712                   | -26,773                   | -125,999                  |
| Depreciation                                      | 6,001                     | 2,046                     | 19,601                    |
| Non-cash adjustments                              | 1,704                     | 1,761                     | 8,640                     |
| Income tax paid                                   | 0                         | -19                       | 0                         |
| Change in working capital                         | -1,365                    | -26,419                   | -36,493                   |
|   | <b>-38,372</b>            | <b>-49,404</b>            | <b>-134,251</b>           |
| Net interest and value gains                      | 3,001                     | 2,019                     | 10,532                    |
| <b>Cash flows from operating activities</b>       | <b>-35,371</b>            | <b>-47,385</b>            | <b>-123,719</b>           |
| Acquisition of intangible assets                  | -1,733                    | 0                         | -15,090                   |
| Acquisition of property, plant and equipment      | -690                      | -6,080                    | -3,626                    |
| Acquisition of financial assets                   | 0                         | 0                         | 46                        |
| Acquisition of Oncotech                           | 0                         | -5,717                    | 0                         |
| <b>Cash flows from investing activities</b>       | <b>-2,423</b>             | <b>-11,797</b>            | <b>-18,669</b>            |
| Repayment of loans                                | -48                       | 0                         | -12,847                   |
| Proceeds from warrants exercised                  | 0                         | 0                         | 2,915                     |
| Costs in relation to capital increase             | 0                         | -1,445                    | -2,212                    |
| Repayment of lease debt                           | -1,354                    | -793                      | -3,621                    |
| <b>Cash flow from financing activities</b>        | <b>-1,402</b>             | <b>-2,238</b>             | <b>-15,765</b>            |
| <b>Change in cash and cash equivalents</b>        | <b>-39,196</b>            | <b>-61,420</b>            | <b>-158,153</b>           |
| Cash and cash equivalents at beginning of period  | 174,258                   | 332,409                   | 332,411                   |
| Unrealised currency gain/(loss)                   | 1,403                     | 24                        | 0                         |
| <b>Cash and cash equivalents at end of period</b> | <b>136,465</b>            | <b>271,013</b>            | <b>174,258</b>            |

**Consolidated statement of changes in equity (unaudited)**

|   | <b>No. of<br/>shares<br/>No.</b> | <b>Share<br/>capital<br/>(DKK'000)</b> | <b>Other<br/>reserves<br/>(DKK'000)</b> | <b>Total<br/>(DKK'000)</b> |
|---|----------------------------------|--|---|----------------------------|
| <b>Equity at 1 January 2009</b>                               | <b>30,298,295</b>                | <b>30,298</b>                          | <b>432,589</b>                          | <b>462,887</b>             |
| Total recognised income for the period                        |                                  |  | -27,319                                 | -27,319                    |
| <b>Total recognised income and expense<br/>for the period</b> |                                  |  | <b>-27,319</b>                          | <b>-27,319</b>             |
| Share based payment   |                                  | 0                                      | 1,704                                   | 1,704                      |
| <b>Other transactions</b>                                     |                                  | <b>0</b>                               | <b>1,704</b>                            | <b>1,704</b>               |
| <b>Equity at 31 March 2009</b>                                | <b>30,298,295</b>                | <b>30,298</b>                          | <b>406,974</b>                          | <b>437,272</b>             |
|   |                                  |  |   |                            |
| <b>Equity at 1 January 2008</b>                               | <b>24,441,064</b>                | <b>24,441</b>                          | <b>318,925</b>                          | <b>343,366</b>             |
| Total recognised income for the period                        |                                  |  | -24,528                                 | -24,528                    |
| <b>Total recognised income and expense<br/>for the period</b> |                                  |  | <b>-24,528</b>                          | <b>-24,528</b>             |
| Proceeds from capital increases                               | 5,550,274                        | 5,550                                  | 199,810                                 | 205,360                    |
| Costs in relation to capital increases                        |                                  |  | -1,445                                  | -1,445                     |
| Share based payment   |                                  |  | 1,738                                   | 1,738                      |
| <b>Other transactions</b>                                     | <b>5,550,274</b>                 | <b>5,550</b>                           | <b>200,103</b>                          | <b>205,653</b>             |
| <b>Equity at 31 March 2008</b>                                | <b>29,991,338</b>                | <b>29,991</b>                          | <b>494,500</b>                          | <b>524,491</b>             |

**Notes to the interim financial statements****Note 1 Accounting policies**

The interim report of the Exiqon Group for the period 1 January – 31 March 2009 has been presented in accordance with IAS 34 and additional Danish disclosure requirements for the presentation of financial statements by listed companies.

The accounting policies applied to the interim financial statements are consistent with those applied to the annual report for the financial year 2008.

After the annual report for the financial year 2008 was presented, the International Accounting Standards Board (IASB) has issued new and revised Standards and Interpretations. With effect from 1 January 2009 the Group has implemented the revised IAS 1 *Presentation of Financial Statements*, revised IAS 23 *Borrowing Costs* and revised IFRS 2 *Share-Based Payment*. The Group adopted IFRS 8 *Operating Segments* in advance of its effective date, with effect from 1 January 2007.

The changes to IAS 1 did not affect the loss for the period or the equity, but changed the disclosure requirements in relation to the statement of comprehensive income. The changes to IAS 23 and IFRS 2 are not relevant to Exiqon at the present time.

The management has not made new significant accounting estimates and assumptions besides the ones listed in the annual report for 2008.

## Note 2 Revenue

| (DKK'000)                    | 1 Jan. – 31<br>Mar. 2009 | 1 Jan. – 31<br>Mar. 2008 | 1 Jan. – 31<br>Dec. 2008 |
|------------------------------|--------------------------|--------------------------|--------------------------|
| Product sales incl. services | 25,088                   | 14,277                   | 98,513                   |
| License income               | 1,710                    | 1,920                    | 27,257                   |
| Contract research            | 1,154                    | 298                      | 2,503                    |
|                              | <b>27,952</b>            | <b>16,495</b>            | <b>128,273</b>           |

## Note 3 Segment information

Exiqon's Management have organized the reporting into two reportable operating segments: Life Sciences and Diagnostics.

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

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

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

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

| 31 March 2009                      |               |             |                     |              |
|------------------------------------|---------------|-------------|---------------------|--------------|
| (DKK'000)                          | Life Sciences | Diagnostics | Other <sup>1)</sup> | Consolidated |
| Revenue:                           |               |             |                     |              |
| External customers                 | 16,843        | 11,109      | 0                   | 27,952       |
| Internal customers                 | 349           | 0           | -349                | 0            |
| Total revenue                      | 17,192        | 11,109      | -349                | 27,952       |
| Operating profit/ (loss)<br>(EBIT) | -19,237       | -25,212     | 0                   | -44,449      |
| Assets                             | 258,908       | 288,857     | -55,484             | 492,281      |

1) The item 'Other' includes Group eliminations and adjustments.

## Geographic

The revenue of the Exiqon Group is distributed on geographical segments as follows:

| (DKK'000)     | 1 Jan. – 31<br>Mar. 2009 | 1 Jan. – 31<br>Mar. 2008 | 1 Jan. – 31<br>Dec. 2008 |
|---------------|--------------------------|--------------------------|--------------------------|
| Europe        | 9,300                    | 7,360                    | 54,035                   |
| North America | 17,437                   | 8,772                    | 71,326                   |
| Rest of World | 1,215                    | 363                      | 2,912                    |
|               | <b>27,952</b>            | <b>16,495</b>            | <b>128,273</b>           |

#### Note 4 Cash and cash equivalents

Cash and cash equivalents are mainly invested in short fixed-term deposits, which are regularly renewed. These deposits involve only limited risk.

#### Note 5 Warrant status

|  | <b>Executive<br/>Manage-<br/>ment</b> | <b>Board of<br/>Directors</b> | <b>Senior<br/>Employees</b> | <b>Others</b>  | <b>Total</b>     |
|--|---------------------------------------|-------------------------------|-----------------------------|----------------|------------------|
| Outstanding warrants at 1 January 2009       | 1,817,897                             | 564,864                       | 200,000                     | 913,434        | 3,496,195        |
| Adjustment                                   | 0                                     | 0                             | 0                           | 0              | 0                |
| Granted in the financial year                | 0                                     | 0                             | 0                           | 40,000         | 40,000           |
| Exercised in the financial year              | 0                                     | 0                             | 0                           | 0              | 0                |
| Expired in the financial year                | 0                                     | 0                             | 0                           | 0              | 0                |
| <b>Outstanding warrants at 31 March 2009</b> | <b>1,817,897</b>                      | <b>564,864</b>                | <b>200,000</b>              | <b>953,434</b> | <b>3,536,195</b> |

As of 31 March 2009, the following warrant programmes are still outstanding:

| <b>Programme</b> | <b>Exercise<br/>price</b> | <b>Exercise period</b>   | <b>Market value in<br/>DKK million *)</b> |
|------------------|---------------------------|--|---|
| May 2006         | 9.5                       | 4 weeks following the announcement of annual and interim financials statements | 4.1                                       |
| December 2006    | 9.5                       | 4 weeks following the announcement of annual and interim financials statements | 0.3                                       |
| May 2007         | 43.79                     | 4 weeks following the announcement of annual and interim financials statements | 0.1                                       |
| January 2008     | 38.31                     | 4 weeks following the announcement of annual and interim financials statements | 0.1                                       |
| February 2008    | 39.96                     | 4 weeks following the announcement of annual and interim financials statements | 0.0                                       |
| April 2008       | 35.59                     | 4 weeks following the announcement of annual and interim financials statements | 0.4                                       |
| September 2008   | 26.67                     | 4 weeks following the announcement of annual and interim financials statements | 1.2                                       |
| January 2009     | 24.11                     | 4 weeks following the announcement of annual and interim financials statements | 0.1                                       |
| <b>Total</b>     |                           |  | <b>6.3</b>                                |

\*) The market value is calculated on the basis of the Black-Scholes formula for the valuation of warrants. The calculations are based on the assumption of no dividend per share, a volatility of 50.26% based on the average volatility of Exiqon shares during the last 12 months, a risk-free interest rate of 2.00% per annum, and the official Exiqon share price of DKK13.1 at 31 March 2009. 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.

**Warrant programme granted in May 2006**

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

**Warrant programme granted in December 2006**

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

**Warrant programme granted in May 2007**

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

**Warrant programme granted in January 2008**

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

**Warrant programme granted in February 2008**

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

**Warrant programme granted in April 2008**

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

**Warrant programme granted in September 2008**

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

**Warrant programme 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 2011. The exercise price is 24.11 with a premium of 5% p.a. from the date of grant until exercise.

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