Annual Report 2012

EXIQON
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Five Year Key Figures and Ratios

(DKK'000 except key figures)	2012	2011	2010	2009	2008
Income statement					
Revenue	117,400	111,458	93,510	82,247	84,821
Production costs	-50,186	-49,296	-45,424	-41,785	-40,387
Gross profit	67,214	62,162	48,086	40,462	44,434
Research and development costs	-22,259	-22,954	-30,204	-113,971	-41,548
Sales and marketing costs	-37,894	-34,043	-35,801	-44,132	-46,668
Administrative expenses	-18,838	-19,435	-22,297	-30,039	-37,176
EBITDA *)	-4,371	-5,081	-30,216	-67,386	-70,249
Special items	0	-14,200	0	0	0
Operating profit/(loss) (EBIT)	-11,777	-28,470	-40,216	-147,680	-80,958
Profit/(loss) from continued operations	-14,595	-24,894	-42,115	-146,596	-69,546
Profit/(loss) from discontinued operations	0	0	-1,427	-192,077	-46,824
Profit/(loss) for the year	-14,595	-24,894	-43,542	-338,818	-116,431
Total Comprehensive profit/(loss) for the year	-13,905	-25,626	-57,605	-345,155	-95,401
Balance sheet					
Assets					
Intangible assets	61,576	63,633	64,643	63,698	211,792
Property, plant and equipment	3,142	6,492	11,299	18,440	82,810
Total non-current assets	68,719	76,591	78,181	84,737	297,216
Cash and cash equivalents	17,493	12,151	18,184	45,496	174,258
Current assets	53,470	45,910	51,216	74,542	218,684
Assets classified as held for sale	0	0	0	16,032	0
Total assets	122,189	122,501	129,397	175,311	515,900
Equity and liabilities					
Equity	84,319	80,158	84,667	121,600	461,807
Non-current liabilities	83	1,725	3,631	7,196	13,095
Current liabilities	37,787	40,618	41,098	46,515	40,998
Total liabilities	37,870	42,343	44,730	53,711	54,093
Total equity and liabilities	122,189	122,501	129,397	175,311	515,900
Cash flow and investments					
Depreciation, amortization and impairment	7,402	9,267	10,000	80,937	7,471
Cash flows from operating activities	-5,411	-30,509	-22,453	-67,468	-66,511
Acquisition of intangible assets and property, plant and equipment	-1,604	-2,098	-3,801	-3,732	-8,982
Cash flows from investing activities	-1,601	-1,697	-3,801	-3,732	-8,936
Cash flows from financing activities	12,590	24,575	14,291	-4,146	-2,567
Cash flows from discontinued operations	0	0	-16,986	-52,345	-81,093
Cash and cash equivalents at 31 December	17,493	12,151	18,184	45,497	174,258
Key figures					
Number of shares, average	35,991,281	34,193,409	31,841,002	30,300,181	29,245,594
Basic EPS continued operations (DKK)	-0.41	-0.73	-1.32	-4.84	-3.98
Diluted EPS continued operations (DKK)	-0.41	-0.71	-1.28	-4.84	-3.98
Gross margin	57.3%	55.8%	51.4%	49.2%	52.4%
Assets / Equity	1.45	1.53	1.53	1.44	1.12
Average number of employees	73	71	76	109	115
Market price per share (DKK)	8.3	9.6	9.5	6.8	20.0
Market capitalisation (DKK million)	291.1	336.7	316.7	206.1	606.0
Price / net asset value	3.45	4.20	3.74	1.69	1.31
Net interest bearing debt / Equity	-0.07	0.03	-0.13	-0.28	-0.34
Net interest bearing debt / EBITDA	1.27	-0.12	0.36	0.50	2.23
Interest coverage	-0.04	-4.36	-29.34	-58.99	-37.11

*) EBITDA (defined as Earnings Before Special Items, Interest, Tax, Depreciation and Amortization) includes non-cash cost of share-based payment in 2012 with tDKK 2.874.

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 2011" issued by the Danish Society of Financial Analysts, dated June 2011.

2012 Highlights

In 2012 we saw continued growth in Exiqon's life sience product sales, driven primarily by our proprietary miRCURY LNA™ Universal RT PCR platform for academic and clinical miRNA research. Exiqon Life Sciences launched new PCR products for detection of miRNA, including a microRNA qPCR Focus Panel for preclinical toxicology research. We also took steps to expand our qPCR system to include products for mRNA analysis and important new bioinformatics tools were introduced to ease customer use of our products.

Exiqon Diagnostics announced the presentation of data holding promise to add prognostic information to the European guidelines for treatment of stage II colon cancer patients, using the company's proprietary LNA™ -based *in situ* hybridization (ISH) technology.

Operational highlights

- On June 1, 2012 Exiqon announced the presentation of data, using the company's proprietary LNA™ -based *in situ* hybridization (ISH), from a clinical study of all stage II colon cancer patients in Denmark in the year 2003 with associated six-year follow-up data at the 2012 ASCO annual meeting.

- On June 14, 2012 Exiqon announced the launch of a unique state-of-the-art online tool for design of LNA™ -enhanced qPCR assays for quantitation of mRNA and ncRNA in combination with associated miRNAs.

- On June 27, 2012 Exiqon announced the registration of a capital increase of 1,805,056 new shares with a nominal value of DKK 1 each with gross proceeds of DKK 16 million.

- On September 27, 2012 Exiqon launched a highly advanced bioinformatics tool 'miRSearch' that allows researchers to simply enter a gene ID, reference number or keyword and find both validated and predicted miRNAs by combining multiple gene reference systems.

- On October 17, 2012 Exiqon announced the appointment of Takara Bio Inc. as the new distributor in Japan, China, Hong Kong, South Korea and India.

Financial highlights

After a difficult first quarter, we ended the year 2012 with three consecutive quarters of record sales of our own products and services for research use with profitability measured on EBIT in the second half year.

- Revenue increased 5% to DKK 117.4 million (DKK 111.5 million), driven primarily by a 11% increase in sales of the company's own proprietary life sciences products and services (excluding OEM) to DKK 90.7 million (81.8 million).

- Gross profit improved 8% to DKK 67.2 million (DKK 62.2 million).

- Total operating expenses increased 3% to DKK 79.0 million (76.4 million).

- EBIT improved 59% to DKK –11.8 million.

- Net result was DKK -14.6 million (DKK-24.9 million).

- EPS amounted to DKK -0.41 (DKK –0.73).

Contents

Business Model

Exiqon pursues a highly synergistic business model. Our two operating segments are both based on Exiqon's proprietary LNA™ detection technology, and both benefit from the same know-how and bioinformatics tools that are used across the segments.

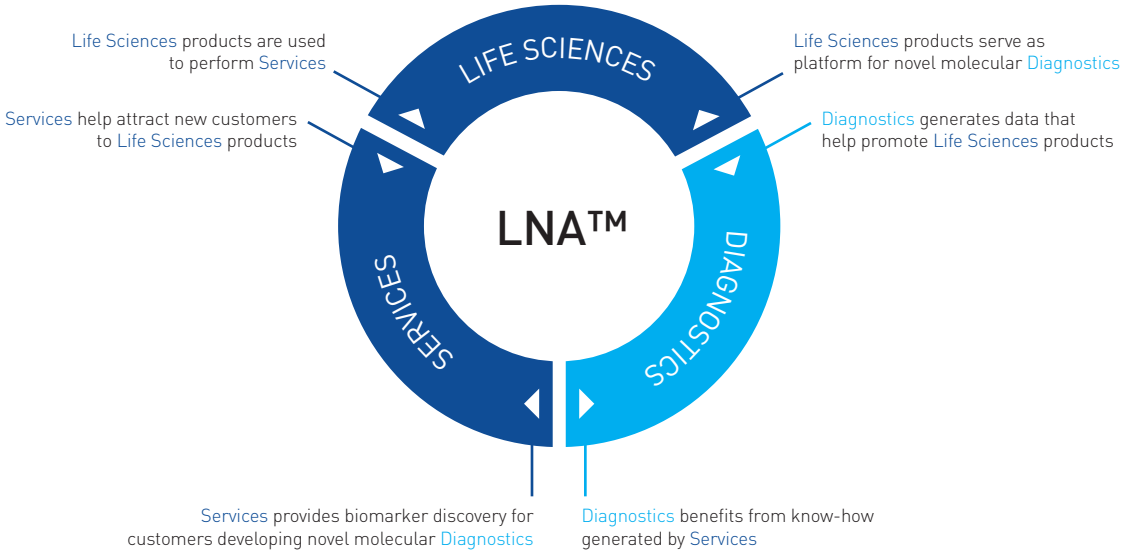
Exiqon Life Sciences generates revenue through the sale of products and services for miRNA research worldwide.

Exiqon Diagnostics pursues biomarker discovery using Exiqon Life Sciences' products as platform for the development of novel molecular diagnostic tests. The publication of results helps promote the potential of miRNAs as biological markers which, in turn, supports the demand for Exiqon Life Sciences' products and services.

Exiqon Services offer customers ease of use in their discovery work and the benefit of Exiqon's vast experience with miRNA profiling. Exiqon Services utilizes the highly skilled resources of Exiqon Diagnostics that simultaneously benefits from the know-how developed in collaboration with customers.

Exiqon's business model is highly scalable and can readily be deployed to embrace other RNAs including messenger RNA and other non-coding RNAs.

Synergistic business model



Exiqon's proprietary LNA™ detection technology
Our proprietary LNA™ technology is a synthetically manufactured derivative of RNA. The LNA™ technology eliminates some of the limitations associated with alternative technologies based on DNA and enables product properties that cannot be obtained using any other technology.

We believe that the protection of our products and technology is fundamental to our business prospects. Therefore, we are pursuing a comprehensive patent program in the United States, Japan, China and Europe and in other regions and countries where we believe significant market opportunities exist.

Exiqon's patent strategy secures protection in several layers: from composition of matter, through manufacturing processes to application of the LNA™ technology in our proprietary products whether for research use or diagnostic use.

Business Strategy

Exiqon's business is based on our proprietary LNA™ detection technology that allows for products with higher specificity and sensitivity, and thus a more precise identification of target molecules than alternative chemistries.

The potential applications of LNA™ detection technology are numerous and particularly profound when used in products for detection of challenging targets including small molecules such as miRNAs.

Our initial strategic focus has been to pioneer the development of miRNA research and diagnostic tools in the emerging niche market for miRNA analysis with cutting-edge products and services based on our proprietary LNA™ detection technology. In the process, we have built a company with a dedicated focus on quality, scalability and efficiency throughout the company's value chain, from R&D through manufacturing to Sales & Marketing.

Today, Exiqon Life Sciences is an established 'one-stop-shop' for miRNA research. Our ability to address the needs of researchers throughout their entire workflow has allowed us to gain a market leading position in the global market for miRNA analysis. From this position, we plan to expand our business to include other markets for gene expression analysis.

Our goal for the coming years is to become a profitable company with gross profits around 65-70%, R&D costs of approximately 15% of total revenue and SG&A costs of no more than 30% of total revenue. No additional increases of the company's current share capital are planned to reach these goals.

Our strategy is to achieve these goals primarily through organic growth of our life science research product sales. We focus on growing Exiqon Life Science research product sales through dedicated service of our customers' needs as they seek to find and verify an increasingly deeper understanding of the biology related to miRNAs and other RNAs including mRNA. In this process, we prioritize expanding the market for our miRCURY LNA™ Universal RT miRNA PCR system as the understanding of the role that miRNAs play in biological processes (including diseases such as cancer, heart disease and neurological disorders) continues to grow. In 2012 this was most recently exemplified by launch of our Toxicology Focus miRNA PCR Panels for identification of drug-induced organ injury or toxic response. In parallel, we seek to deploy our PCR system to new biologies, including mRNA and lncRNA (long non-coding RNA), thereby leveraging our existing technologies and platforms to expand our current markets.

Exiqon Life Sciences' services play a strategic role attracting new customers to work closely together with Exiqon's world leading scientists in the discovery of miRNA biomarkers. Resources are shared with Exiqon Diagnostics to fully utilize and build company know-how within the field of miRNA research.

We believe miRNA is likely to make a profound impact on clinical diagnoses. The long-term potential for novel molecular diagnostics is significant. For the short term, Exiqon Diagnostics has adopted a strategy that will allow us to pioneer the diagnostic application of miRNAs at minimal financial risk. We focus our efforts on the largest potential: qPCR diagnostics based on blood samples. We finance projects through grants or collaborations to mitigate the financial risks associated with the development of novel molecular diagnostics. As we validate miRNA signatures for diagnostic applications, and the value proposition of a given project becomes concrete, we plan to partner our programs to secure their commercial success in the market space.

In addition to expanding our current product offering within the field of miRNA analysis and leveraging our technologies to include other biologies within the field of gene expression, we capitalize on LNA™ detection technology in partnerships and through the grant of licenses for applications outside Exiqon's strategic focus. As a result, we act as OEM supplier and receive royalties from third-party product sales that depend on LNA™ outside the field of gene expression.

Our proprietary technologies and associated know-how is the foundation of our business and provide ample opportunities to cost-effectively expand our current activities in the short, mid and long term.

Exiqon Life Sciences

Markets

Exiqon Life Sciences is an established leader in the emerging market for miRNA research products.

The market for miRNA research products is among the fastest growing segments of the market for nucleic acid analysis and accounted for annual reagent sales of an estimated $70 million in 2012.

Although the market is still in its infancy, the diverse function and role of miRNAs in disease development has captured the interest of researchers across industries.

The number of scientific publications is illustrative of the growing interest in this field. In 2012 the number of scientific publications reached a record high.

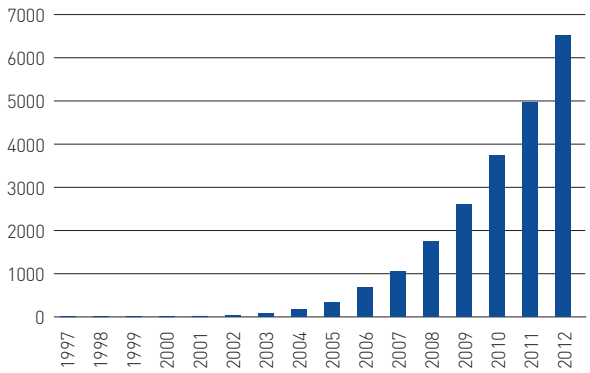
We expect the market for miRNA research products to grow approximately 15-20% in the coming years, increasingly driven by a demand for clinical biomarker discovery. However, academic funding will remain important for customer demand, and in particular the NIH (National Institutes of Health) budget will be important for sales in North America.

Sales and marketing

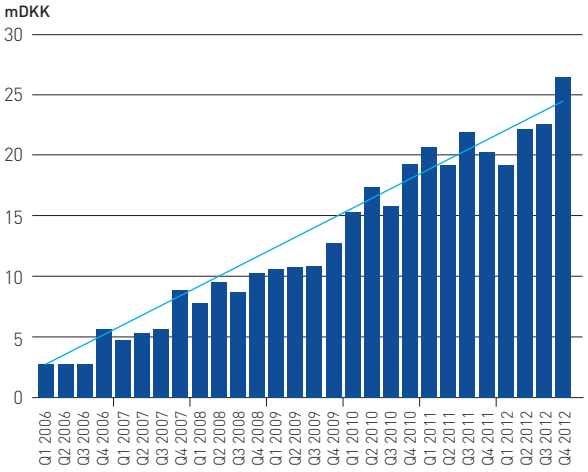
Customers to Exiqon Life Sciences' research products include pharmaceutical and diagnostic companies as well as academic institutions.

Exiqon Life Sciences has witnessed a compounded average growth rate of 9% quarter over quarter for the past 28 consecutive quarters since launch of the first product in 2005.

Number of peer-reviewed scientific publications of miRNA related discoveries



Revenue in product sales and services (excl. OEM)



Terminology

Biomarkers were historically physiological indicators such as blood pressure or heart rate. More recently, biomarkers have become synonymous with molecular biomarkers, including DNA, proteins, messenger RNAs and miRNAs. Molecular biomarkers may be used to identify a specific disease and may have a prognostic value. Biomarkers may also be used to monitor disease progression and drug response.

mRNA (messengerRNA) refers to molecules that act as a template for protein synthesis. Messenger RNAs encode a chemical "blueprint" for proteins.

miRNA (microRNA) miRNAs are post-transcriptional regulators that bind to complementary sequences on target **messenger RNA transcripts** (mRNAs). They are non-coding RNAs that have been linked to many diseases including cancer, heart disease and neurological disorders. miRNAs were discovered in humans in 2002.

We market our research products worldwide through direct sales, distributors and the web.

Our direct sales force works from our head office in Denmark and through our U.S. subsidiary.

In 2012, following disappointing North American sales in the first quarter, our U.S. sales force adopted a new strategy of consultative selling, mirroring our successful European sales strategy, to secure appropriate coverage of key accounts that increasingly include pharmaceutical companies. During 2012 highly qualified sales people and technical personnel were hired to support this new Sales & Marketing approach in North America, which is headed by new management with solid industry experience from local markets.

In South America, Southern Europe and Asia we sell and distribute our products through distributors. In 2012 we appointed Takara Bio Inc. as the new distributor in Japan, China, Hong Kong, South Korea and India. Takara Bio Inc. is a leading provider and distributor of life science research products in Asia. Takara Bio Inc. will initiate distribution of Exiqon Life Sciences' research products in January 2013. However, at the end of 2012 Takara Bio Inc. already began offering services under Exiqon Life Sciences' program for 'Centers of Excellence', which was initiated in 2011 to allow Exiqon to service customer needs via product supply and support to service providers near the customer.

The web represents an increasingly important sales channel. During 2012 we continued to improve our web services, most notably with the launch of new state-of-the-art online tools, including 'miRsearch', a highly advanced bioinformatics tool that allows researchers to simply enter a gene ID, reference number or keyword and find both validated and predicted miRNA-mRNA interactions by combining multiple gene reference systems.

Products and services

Exiqon Life Sciences is a one-stop shop for miRNA research. We offer products addressing all basic processes that our customers conduct in their miRNA research work including:

- Sample preparation products for RNA extraction;
- Detection of miRNA molecules directly in tissue;
- Detection of miRNA molecules by microarrays;
- qPCR products for quantitative and highly sensitive analysis;
- 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 inhibition of the biological function of miRNA molecules.

We continue to broaden our qPCR product offering through various Focus Panels for targeted and cost effective research of miRNAs. An increasing product range helps Exiqon expand its customer base.

An important example from 2012 is the launch of our microRNA qPCR Focus Panel for preclinical toxicology research. Recent research has documented the importance of miRNAs in biofluids as a potential mean to monitor injured tissue. The product offering for toxicology analysis also includes a new sample preparation system optimized for miRNA extraction from urine and validated miRNA assays, as miRNAs in urine appear to be biomarkers for tissue toxicity. In collaboration with leading pharmaceutical companies, Exiqon Life Sciences seeks to validate the potential use of miRNAs as biomarkers for organ injury or toxic response. Pre-clinical toxicology studies constitute a significant unmet market opportunity. If successfully validated, Exiqon's microRNA qPCR Focus Panel for preclinical toxicology research holds promise to become the single most successful commercial product for miRNA research in today's market.

In total, Exiqon Life Sciences now offers almost 2,000 pre-validated qPCR miRNA assays for research use, including assays for miRNAs encoded by human viruses.

Exiqon Life Sciences' product launches in 2012

- **On April 3, 2012** Exiqon announced the launch of highly flexible and customizable microRNA qPCR panels for sensitive and specific quantification of microRNAs in human, rat, mouse, dog, monkey and several other organisms.
- **On April 11, 2012** Exiqon announced the launch of its 7th generation of miRCURY LNA™ microRNA Arrays for expression profiling of microRNA from human, mouse and rat.
- **On April 17, 2012** Exiqon announced the launch of microRNA qPCR panels for stem cell research.
- **On May 8, 2012** Exiqon announced the launch of a microRNA qPCR Focus Panel for preclinical toxicology research.
- **On June 14, 2012** Exiqon announced the launch of a unique state-of-the-art online tool for design of LNA™ enhanced qPCR assays for quantitation of messenger RNA and ncRNA in combination with associated microRNAs.
- **On July 10, 2012** Exiqon launched a miRCURY™ microRNA QC PCR Panel that facilitates the assessment of RNA quality including the testing for occurrence of hemolysis in serum and plasma samples, presence of PCR inhibitors as well as the efficiency of RNA sample preparation.
- **On September 27, 2012** Exiqon launched a highly advanced bioinformatics tool 'miRSearch' that allows researchers to simply enter a gene ID, reference number or keyword and find both validated and predicted microRNAs by combining multiple gene reference systems.
- **On 8 November, 2012** Exiqon launched more than 130 new miRCURY LNA™ Universal RT microRNA PCR assays for detection and quantification of human viral microRNAs.
- **On 27 November, 2012** Exiqon launched a new RNA sample preparation kit for blood serum and plasma. The kit is fully compatible with clinical applications and prepares RNA ready for use in Exiqons miRCURY LNA™ Universal RT microRNA PCR system.

Exiqon was the first commercial miRNA service provider. Since 2006, Exiqon Services has profiled over 15,000 samples and delivered high quality services to more than 1,000 customers in the pharmaceutical industry, biotech and academia.

Exiqon Services offers high-quality RNA isolation and miRNA profiling using microarray and qPCR. All services are performed by Exiqon's experts in state-of-the-art laboratories using the latest generation of our proprietary miRCURY LNA™ products and processes compliant with Good Laboratory Practices (GLP).

Our team takes pride in ensuring that our customers are given the best service throughout any project: from initial consultation and tailored experimental setup to data analysis and scientific follow-up.

Exiqon Services continues to pave the way for new customer relations and focus is increasingly on miRNA biomarker discovery projects.

Manufacturing and supply

Exiqon Life Sciences has successfully outsourced the manufacturing and supply of all custom LNA™ oligonucleotides to a highly qualified supplier licensed to manufacture on behalf of Exiqon.

Outsourcing has secured scalability, reduced our working capital requirements and allowed Exiqon Life Sciences to maintain a gross margin target of 65 to 70% on its product and service sales at lower turnover volumes than would otherwise be necessary to benefit from economies of scale. Importantly, outsourcing has also helped us improve delivery times for our customers.

Exiqon Life Sciences retains the manufacturing of all critical value-adding and customizable aspects of the miRCURY LNA™ Universal RT miRNA PCR system, including all Focus Panels. Our current PCR manufacturing capacity allows us to meet future demand of up to five times the current sales without requiring additional capital expenditure. Manufacturing robotics and storage facilities are located at the company's headquarters in Vedbaek, Denmark.

We will continue to outsource manufacturing, whenever this can help improve margins, minimize working capital requirements and reduce delivery times.

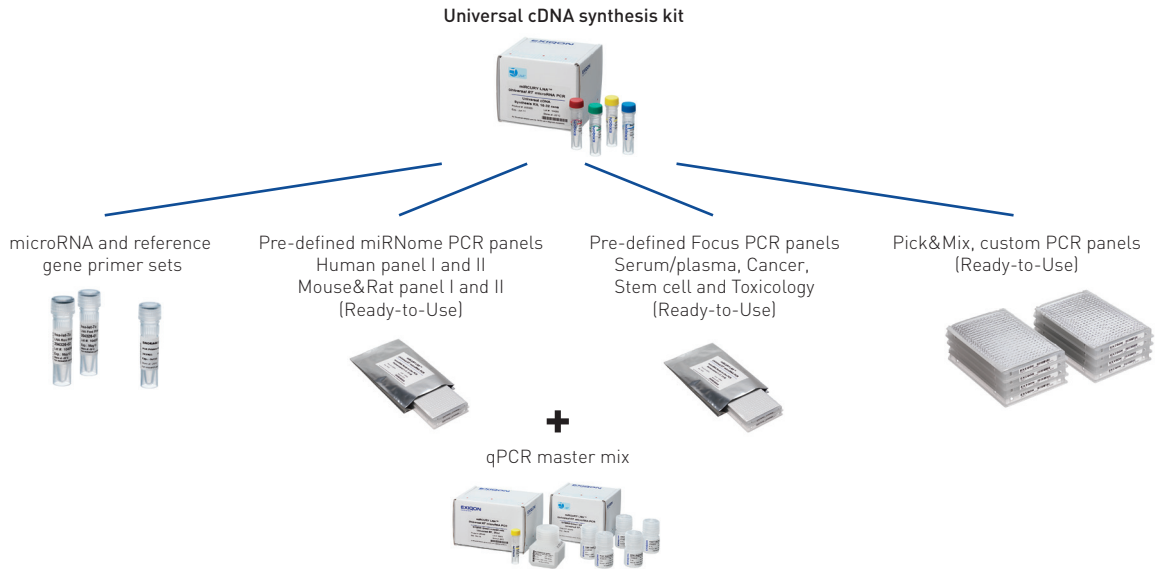
Research and development

Exiqon's R&D organization regularly meets with customers to ensure that market needs are met in the development of new products for research use.

Exiqon's product development is highly sophisticated and guided by advanced bioinformatics to secure fast and inexpensive development of new products at high quality. Over 45 man-years have been invested in the development of proprietary bioinformatics tools that are used to develop new products and take more than 60 parameters into consideration.

New research products are always beta-tested by customers prior to release.

Proprietary qPCR platform



The miRCURY LNA™ Universal RT microRNA PCR system

Exiqon Life Sciences' miRCURY LNA™ Universal RT microRNA PCR system enables pharmaceutical, academic and clinical researchers to quantify expression levels of miRNAs in total RNA corresponding to as little as 1500 cells or 35µl serum/plasma. This product line is market leading based on key parameters that make it ideal for miRNA profiling of clinical samples such as tissue and biofluids.

- Sensitivity - the most sensitive miRNA expression profiling (quantitative measurement of individual miRNAs) available on the market
- Specificity - the most specific miRNA expression profiling (most accurate detection) available on the market
- Reliability – the most reliable miRNA expression profiling with the most wet-lab validated assays available
- Time - the fastest workflow in the market (three hours)

The pre-validated LNA™ enhanced miRNA PCR assays are available individually and on ready-to-use qPCR panels with pre-defined content. In addition, the Pick&Mix panels allow customers to design a ready-to-use custom qPCR array via an on-line configuration tool. In simple intuitive steps, the configuration tool guides customers through selections including choice of 96-well or 384-well plate format, panel layout, target organism, microRNA assays, controls and real-time PCR instrument of choice.

Exiqon Diagnostics

Promising pipeline of miRNA diagnostics

At Exiqon Diagnostics we combine our resources and know-how in a focused effort to develop novel diagnostic tests based on miRNA profiling of standard tissue and blood samples. Our objective is to leverage the potential of miRNA as a novel group of biological markers to help oncologists make early diagnoses and the most appropriate treatment decisions.

All of our current diagnostic programs are based on Exiqon Life Sciences' highly specific and sensitive miRCURY LNA™ Universal RT microRNA PCR system. We are experts on our own products and benefit from the extensive know-how about miRNAs that we have generated through Exiqon Life Sciences' services.

Our diagnostic programs represent a significant business opportunity in their own right. These are scientifically groundbreaking programs at the forefront of miRNA research. The opportunity is matched by an inherent risk of failure in case biological results prove insufficiently conclusive to warrant a commercial test.

As an immediate result, however, Exiqon Life Sciences benefits from the know-how generated throughout the product development process which helps identify challenges and opportunities that may be translated into new products for unmet market needs that Exiqon Life Sciences can address. Moreover, data generated and results published from Exiqon Diagnostics' collaborative programs help promote interest for miRNA research in general, as well as the sale of Exiqon's Life Sciences products.

In 2012 we made progress as planned in select programs, and we maintain our goal to have first sales via a commercial partner in 2014, provided satisfactory results are obtained in the current programs.

Colon stage II recurrence

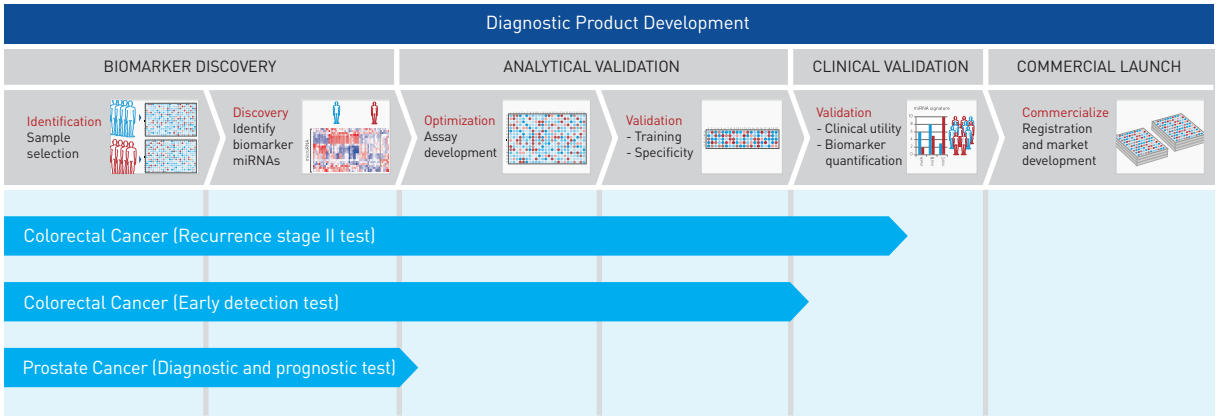
Of the approximately 610,000 new cases of colorectal cancer in the Western world, approximately 25% are diagnosed as stage II colon cancers.

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. Consequently, stage II patients are not treated with adjuvant chemotherapy even though up to 25% of them will relapse.

Exiqon Diagnostics is developing a colon recurrence test that will help identify stage II colon cancer patients who may be at a significantly higher risk of recurrence and for whom adjuvant chemotherapy may be warranted.

In 2012 Exiqon announced the presentation of data, using the company's proprietary LNA™ based *in situ* hybridization (ISH), from a clinical study of all stage II colon cancer patients in Denmark in the year 2003 with associated six-year follow-up data at the 2012 ASCO annual meeting. The study results hold promise to add prognostic information to the European guidelines for

Diagnostic pipeline



treatment of stage II colon cancer patients. The study was selected for presentation at "Best of ASCO®" on July 16, 2012. In the second half of 2012, Exiqon began to validate the test, using the company's proprietary miRCURY LNA™ Universal RT microRNA PCR system by analyzing the same cohort of stage II colon cancer samples.

Provided product development is successful, we expect our colon stage II recurrence test to be commercially available by 2014.

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, including: 26,700 in the U.S. and 900 in Denmark.

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 5-10 years for individuals above the age of 50.

Exiqon Diagnostics is developing a miRNA-based test for early detection of colorectal cancer that can be performed on a standard blood sample. The objective is to develop a test for screening that can easily and reliably identify patients who may have early stage colorectal cancer. These individuals would subsequently undergo endoscopy.

In 2012 Exiqon Diagnostics announced that its collaborative hospital partners had reported they would have the first clinical samples for the prospective study ready for profiling by early 2013.

Exiqon Diagnostics' announcements 2012

On June 1, 2012 Exiqon announced the presentation of data, using the company's proprietary LNA™ based *in situ* hybridization (ISH), from a clinical study of all stage II colon cancer patients in Denmark in the year 2003 with associated six-year follow-up data at the 2012 ASCO annual meeting. The study results hold promise to add prognostic information to the European guidelines for treatment of stage II colon cancer patients. The study was selected for presentation at "Best of ASCO®" on July 16, 2012. In the second half of 2012, Exiqon plans to reproduce data, using the company's proprietary miRCURY LNA™ Universal RT microRNA PCR system by analyzing the same cohort of stage II colon cancer samples.

On October 30, 2012 Exiqon announced that its collaborative hospital partners on the program for early detection of colorectal cancer have reported first clinical samples for the prospective study ready for profiling by early January 2013. By the end of the third quarter 2012, more than 4,300 patients were recruited for the planned prospective trial. Recruitment is expected to be complete by the end of November 2012,totaling approximately 5,000 patients. First samples will be ready for profiling by early January 2013 and the full clinical dataset is expected to be ready for release by April 1, 2013. Publication of data is expected at the end of September 2013.

On December 17, 2012 the Danish Technology Foundation announced that Exiqon Diagnostics was awarded a grant to identify miRNA biomarkers for prostate cancer in urine for use in routine diagnostics.

By the end of 2012, patients were recruited for the planned prospective trial. Full clinical dataset is expected to be ready for release by April 2013. Publication of data is expected by the end September 2013.

Provided the product development is completed successfully, we expect our blood-based test for early detection of colorectal cancer to be commercially available by 2014.

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, including 89 million in the U.S. and 1.6 million in Denmark.

Prostate cancer
We are developing a test that will aid the accurate diagnosis of prostate cancer.

There are conflicting views on the most effective way to screen for prostate cancer. Final recommendation issued by the U.S. Preventive Services Task Force is against routine use of PSA for prostate cancer screening. Currently, PSA and PSA-related tests are the only approved PC tests. Over 45 million PSA tests are performed annually, worldwide. Most of the tests are based on blood samples and are priced at 60–80 USD per test, indicating a current market of 2-3 billion USD. The potential market for a urine-based (less invasive) test with improved performance is significant. A critical unmet need in prostate cancer is the ability to correctly distinguish non-aggressive cancers that can safely be managed by observation from aggressive cancer that will benefit from early intervention. A successful test will allow for a significant reduction in unnecessary treatments as well as improved survival. The development of this test will be based on Exiqon's qPCR technology miRCURY LNA™ Universal RT PCR platform. We expect the test to be commercially available by 2015.

Prostate cancer is one of the most frequently diagnosed cancers in men with approximate 240,000 new cases expected in the U.S. in 2012. Worldwide 1.6 million new cases and 1.3 million deaths each year are attributed to prostate cancer.

Other programs
In addition to the above programs, Exiqon has two other active programs, which are still in the early discovery phase. Both programs are third-party financed.

Exiqon Diagnostics has also developed a kit based on our miRCURY LNA™ Universal RT PCR platform that enables the simple assessment of cancer cell content in colon cancer samples *(mirSign)*. In tissue-based cancer diagnosis, any cancer diagnosis may be compromised, if the tissue sample does not contain sufficient cancer cells to support the intended investigations. Exiqon offers this product for sale on a Research Use Only (RUO) basis in the form of reagents and protocols.

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Exiqon Diagnostics holds promise of big opportunities

Development of miRNA-based diagnostics
The development of molecular diagnostic tests is complex and requires highly specialized skills. All of the biomarker discovery work carried out at Exiqon is conducted under the guidelines of OECD's principles of Good Laboratory Practice (GLP).

The process of discovery and development of miRNA based diagnostics at Exiqon falls in three phases: biomarker discovery, analytical validation and clinical validation, which, if successful, will be followed by commercial launch.

- Once the relevant samples have been identified, the discovery phase takes six to twelve months and focuses on the identification of miRNA signatures related to early detection, prognosis/recurrence or treatment response in FFPE material or blood (serum and plasma). Securing high-quality clinical samples with matching clinical data and developing a well-planned study design during this stage is critical for the later success of any test.

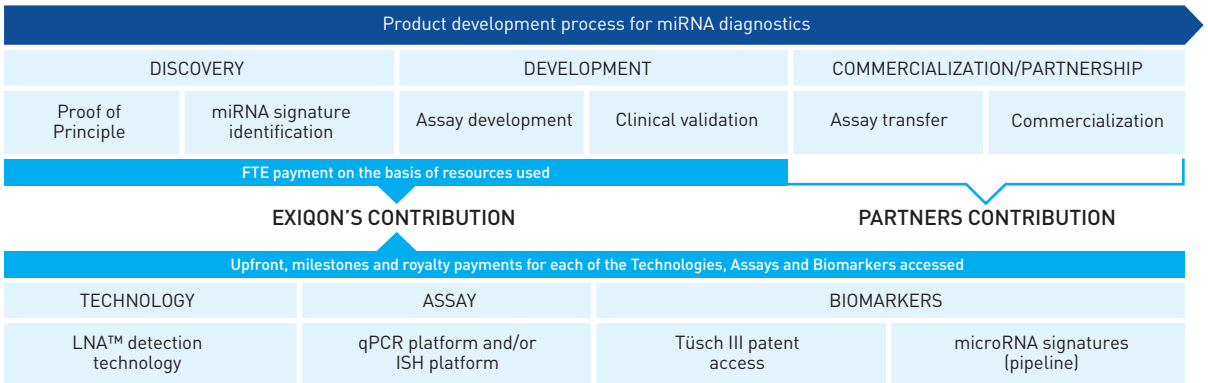
- The next stage is the analytical validation phase, which can take twelve months or more. Once a specific miRNA signature has been identified, typically on the basis of one or two discovery studies in limited samples, the miRNA signature is tested in a larger population of samples. This larger test provides proof of concept, clinical validation and ensures that the assay is robust and functions as expected technically.

- Provided that the analytical validation process is concluded successfully, clinical validation and commercialization can begin. Initially, marketing material will make no clinical claims and the product will be sold for "Research Use Only" during the process of clinical validation. The product will undergo clinical validation studies, which, if successful, will enable the test to be sold as an IVD kit to laboratories worldwide.

Commercialization through partners
Exiqon Diagnostics relies on partners to develop our novel miRNA diagnostic tests. We also depend on partners to commercialize any resulting tests. Partnering through both the development and commercialization of new tests allows Exiqon to share the risk and cost of development and commercialization of new tests with reputable commercial partners. These partners have insight into and an understanding of how to successfully develop, market and sell new products into the diagnostic markets in question.

Partnerships may take on 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. Exiqon Diagnostics' contribution to the commercialization of novel miRNA diagnostics includes LNA™ detection technology, our miRCURY LNA™ Universal RT microRNA PCR platform, intellectual property rights and access to the miRNA profiles that we identify.

Partnership model



Business Risks

Risks are an inherent part of our business
Like any other business, Exiqon must manage a variety of risks, including operational risks, financial and capital market risks.

Despite all of our efforts, an investment in Exiqon involves a high degree of risk. Exiqon has incurred losses since inception, and although we may soon become profitable, the road to profitability is not linear. Our business, the research and development, production, sale and marketing of life science products for the emerging miRNA market and the development of novel miRNA diagnostics, is complex and its future uncertain.

Any investment in Exiqon should be considered carefully and the information obtainable through Exiqon's website including sub-sites must be taken into consideration.

The specific business risks we face differ in our two operating segments, whereas some risks are shared:

Exiqon Life Sciences' business is predominantly characterized by commercial risks
Exiqon Life Sciences' products and services target new and emerging markets and most products are based on new technologies or new approaches. Future demand is inherently uncertain. The life science markets are very dynamic, intensely competitive and our products risk becoming obsolete or subject to unfavorable price competition. In 2012, we scrapped products that failed quality control or became obsolete representing a production cost of DKK 2.9 million.

However, if we are not able to retain a high level of innovation and successfully develop and launch new products for research use, this will adversely affect the growth and sustainability of our business. We seek to overcome our limited capital resources by focusing on product development at minimum cost, including extensive use of bioinformatics and focus on use of existing technologies for new applications that require little or no investment. In 2012 this was exemplified by the launch of new Focus Panels based on the miRCURY LNA™ Universal RT miRNA PCR platform.

Exiqon Life Sciences depends extensively on sub-suppliers to manufacture and deliver raw materials and even some finished goods. If for any reason our current sub-suppliers fail to honor their obligations towards Exiqon, this will harm our ability to realize business objectives. Also, we do not have alternate production capacity. Failure of in-house robotics risks compromising product delivery times and impairing the company's financial performance.

Exiqon Diagnostics is predominantly characterized by biological risks
Risks associated the development of novel miRNA diagnostic tests by Exiqon Diagnostics are multiple and most fundamentally associated with the still unknown characteristics of miRNAs, which is a biology that was only recently discovered and is not yet fully understood. Exiqon Diagnostics seeks to mitigate the risks of its diagnostics efforts via careful planning, a step-by-step approach and third-party financing of all our diagnostic efforts. We also seek to limit the risk of our programs to the actual biological uncertainty of the miRNA target by using proven technologies. All of our diagnostic programs are based on our miRCURY LNA™ Universal RT miRNA PCR platform, and PCR is a recognized platform worldwide for diagnostic use.

Exiqon Diagnostics collaborate with third parties, whether hospitals, academic institutions or pharmaceutical companies to develop its novel molecular diagnostic tests based on miRNA profiling. Any failure or delay by such collaborator to contribute samples, data or payment in a timely manner may delay or obstruct the development of any given test by Exiqon Diagnostics within expected timelines. In 2012, we experienced delays compared to initial time plans in all of our programs although overall time lines were not compromised.

Exiqon also depends on third parties to commercialize successful results in our diagnostic programs. Exiqon Diagnostics may fail to convince potential partners to commercialize its products and the value of these programs is inherently uncertain. The time and expense needed to obtain regulatory approval and commercialize novel molecular diagnostic tests such as the miRNA diagnostics developed by Exiqon Diagnostics could adversely affect the sale and distribution of our products in any foreseeable future.

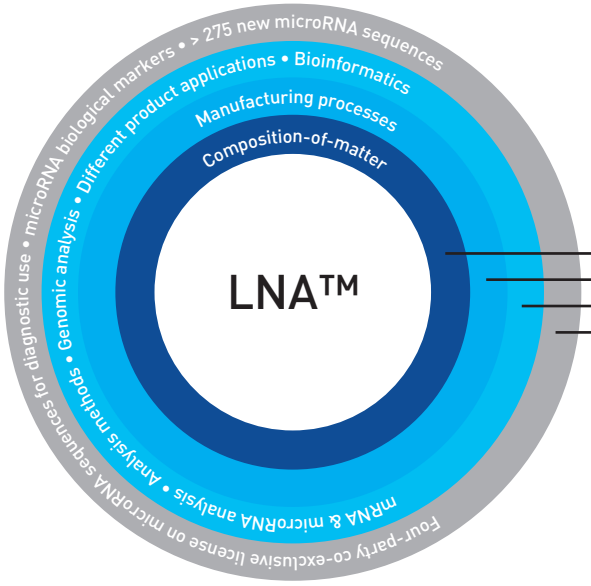
The more general risks commen to Exiqon's two operational segments include the following:

Risks associated with intellectual property rights
Exiqon's business depends on patent protection. If we are not able to obtain and enforce patent protection for our discoveries, our ability to develop and effectively commercialize products, whether for life sciences or diagnostics, may be harmed. If and to the extent Exiqon does not prevail in current or future 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 specific product development activities or commercialization efforts. In 2011 the U.S. patent authorities (USPTO) decided in favor of Exiqon on two re-examination procedures initiated by Isis Pharmaceuticals, Inc. against two of our LNA™-patents. One of these decisions was appealed by Isis Pharmaceuticals and is currently still pending before USPTO. In 2012, Isis Pharmaceuticals filed an opposition against the European equivalent to the American patents and the case is now pending. Recently Sankyo Co., Ltd. filed an interference case against another of our U.S. patents i.e. one that is directed to LNA™ molecules, wherein the bridge is longer than the bridge in standard LNA™ molecule. None of our other U.S. patents reads on this particular bridge and should consequently not be at risk.

Exiqon also relies on patent rights licensed from third-party owners. If we fail to maintain necessary licenses from such owners, our 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 products could be delayed or hindered.

We have designed our patent strategy to protect our business on multiple levels.

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™ amidtes.
[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 products.

Risks associated with our employees
It will negatively impact our prospects if we cannot recruit and retain key employees. Employee turnover decreased to 16,2% in 2012 (26,8% in 2011).

Risks of a financial nature
Macroeconomics in recent years have limited the availability of risk capital and forced Exiqon to reorganize and streamline operations on more than one occasion. Exiqon is operated at minimum manning and the lowest possible cost, which can induce a higher likelihood that any of the risks associated with our business materialize. As a consequence of our limited capital resources, we are at extra risk that whenever operational risks materialize - and inadvertently some always do - these may develop into a financial risk and ultimately a capital market risk, because additional capital may prove necessary to overcome unforeseen events towards our road to profitability.

In June 2012 we completed a directed issue of 1,805,056 new shares of DKK 1 nominal value through an accelerated book-building process following unexpected disappointing sales in the North American market. The subscription raised gross proceeds to Exiqon of approximately DKK 16 million that was used to strengthen the company's capital resources.

Exiqon's currency exchange risks relate primarily to the exchange rate between Euro and USD. Raw materials are purchased in USD, part of our staff receives salaries in USD and part of our revenue is also denominated in USD, which provides for a natural hedging in part.

Risk management is an inherent part of our business operations
Exiqon is dedicated to best practices in all aspects of our business. We seek to manage risks by using IT to support operations whenever possible, and focusing on standardized processes and procedures in everything we do, and by selecting the best people possible.

Our risk management begins with providing relevant information in a timely manner to the people who need it to minimize risks. At Exiqon, real-time information is available to all decision-makers across the entire value chain of the company through integrated IT based on a Microsoft Office SharePoint® Server, a Microsoft data warehouse solution and Microsoft SQL Server® Reporting Services
The combination of highly integrated IT systems and extensive use of business process documentation enables automated reporting of live data, early warnings to company decision-makers and a decentralized approach to risk management. Those parts of the organization that have the most knowledge of risks specific to any area of our business also have the best possibility to adequately address these without undue delay.

End-user demand drives the continued development of our IT systems and business process documentation. Data quality is assured through automated tests that run continuously to validate the data presented to end-users in the form of charts and indicators in support of a one-truth culture for decision-making purposes.

Financial risk management and internal controls
Through Exiqon's internal financial controls we seek to reduce the risk of substantial errors and shortcomings in reporting of internal and external accounts and to ensure that the accounts are prepared in accordance with IFRS and additional Danish disclosure requirements for listed companies. Our internal financial risk management system and control environment is summarized below:

Financial control environment
Exiqon has established an organizational structure with few levels, clear reporting lines and segregation in functions and approval procedures. We have implemented the necessary monthly controls to mitigate risks surrounding the financial reporting. Executive management approves all of Exiqon's primary policies for communication, treasury, finance and risk management as well as Exiqon's code for business practices and all changes are approved by the Board of Directors, at a minimum, once a year.

Financial risk assessment
Executive management together with the Board of Directors regularly assesses company risks, including risks associated with the financial reporting process. At least once a year, the Board of Directors reviews particular risk areas including changes in accounting policies and important accounting estimates.

Financial control activities
Exiqon has established standards and procedures for internal controls of financial reporting and the purpose of these is to ensure an appropriate and efficient control environment. Our control activities are based on a risk assessment and an ongoing review of the skills of the company's financial department to ensure an effective control environment at all times. An organizational structure has been established in which all finance and IT functions report to the company's CFO.

Financial information
Exiqon's accounting manual and other reporting instructions are continuously updated and available to the company's Board of Directors, Executive Management and Finance Department. Exiqon's approval procedures and accounting instructions are also posted on the company's intranet to which all employees have access.

Monitoring
Risks and controls are continuously monitored and include a review of results, budgets and forecasts as well as development in important key figures and working capital. Procedures for control and test of reporting from subsidiaries have been established to ensure that errors and shortcomings are detected and corrected prior to publication of internal and external reporting. All irregularities are reported to the company's CFO.

Corporate social responsibility
In 2012 we had no separate policies and do not report on issues relating specifically to corporate social responsibility.

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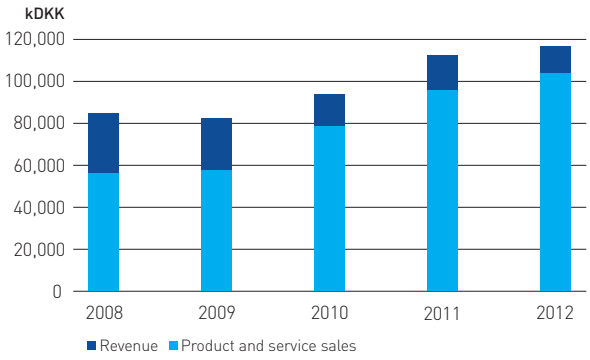
Focus on working capital requirements

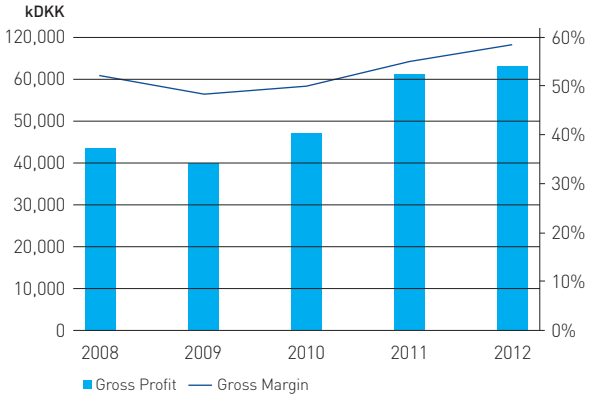
Financial Performance in 2012

2012 key figures in five year perspective

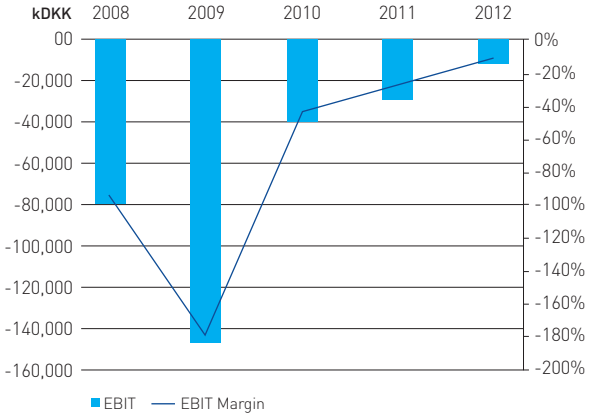
Revenue, product and service sales



Gross Profit



EBIT



2012 financial performance summarized

In the following, realized figures for 2012 are discussed. Comparable figures for 2011 are stated in parenthesis. The average USD/DKK exchange rate applied to translate revenue and expenses was DKK 5.76 in 2012 (DKK 5.33). For estimates and judgements reference is made to note 2 in the Financial Statements.

In the table below, the company's realized performance in 2012 has been summarized and compared to the full year guidance announced after first quarter, including an adjustment of the realized numbers to the exchange rate (USD/DKK 5.50) used as a basis for the full year guidance:

(mDKK)	Realized 2012 (USD/DKK 5.76)	Realized 2012 adjusted USD/DKK 5.50	Revised guidance 2012 (USD/DKK 5.50)
Revenue	117.4	115.4	110-115
EBIT	-11.8	-12.0	~ -10

The company depends on continued growth in product sales to become profitable. In 2012, total revenue increased 5% to DKK 117.4 million (DKK 111.5 million), driven primarily by continued organic growth of 11% in the company's own life sciences product sales and services.

Total operating expenses increased 3% to DKK 79.0 million (DKK 76.4 million).

EBIT improved 59% to DKK -11.8 million (DKK -28.5 million) including 2.9 million in costs of share based payments of which DKK 2.0 million was costs of warrants granted in March 2012.

The net result for 2012 was DKK -14.6 million (-24.9 million). EPS amounted to DKK -0.41 in 2012 (DKK -0.73).

Operating activities generated a cash outflow of DKK 5.4 million in 2012 (DKK 30.5 million), while investing activities caused an outflow of DKK 1.6 million (DKK 1.7 million). Financing activities generated a cash inflow of DKK 12.6 million (DKK 24.6 million).

On December 31, 2012 cash and cash equivalents totaled DKK 17.5 million (DKK 12.2 million).

The 2012 financial numbers are discussed in more detail below:

Revenue

Revenue increased 5% to DKK 117.4 million in 2012 (DKK 111.5 million). Exiqon's revenue is comprised of various sources that are all subject to different dynamics, with different short-, mid- and long-term growth potential. Exiqon Life Sciences' product sales constitute the majority of current revenue and the short-term potential for growth.

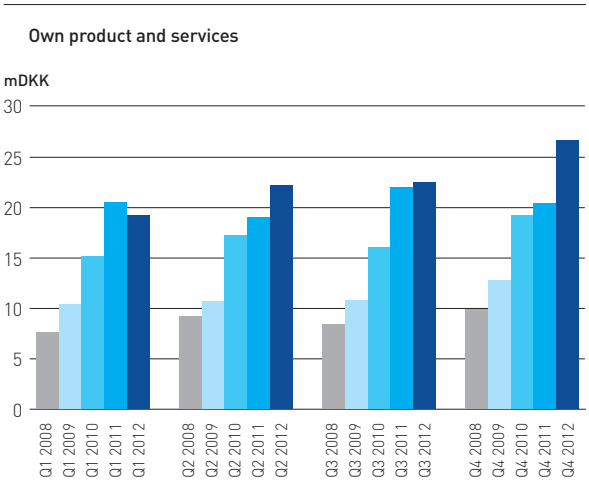
The increase in 2012 revenue is attributable to a continued organic growth in Exiqon Life Sciences' product sales of 8% to DKK 85.0 million (DKK 78.9 million), driven primarily by the company's proprietary miRCURY LNA™ Universal RT miRNA PCR platform. This is in line with the company's strategy and a result of a continued broadening of the company's product offering to a growing worldwide demand for miRNA research products.

Exiqon Life Sciences' product sales and services (excluding OEM) increased 11% to DKK 90.7 million (DKK 81.8 million) and OEM sales increased 3% to 11.3 million (11.0 million).

During 2012 Exiqon Life Sciences saw continued growth in Europe and Rest of World, particularly in Asia. First quarter sales in North America were disappointing following high turnover in sales personnel during 2011 and continued challenging macro-economics. This led to a revision of the company's full-year guidance after the first quarter. New hirings have been made to strengthen the company's direct sales force in North America and a new management is in place to oversee the implementation of Exiqon Life Sciences' revised sales strategy for the North American market. In the fourth quarter of 2012 sales in North America increased 39% to DKK 11.9 million (DKK 8.5 million). Although revenue levels are still considered unsatisfactory, Management believes that sales will continue to improve in North America through 2013 and constitute no less than 40% of Exiqon Life Sciences product sales in 2013.

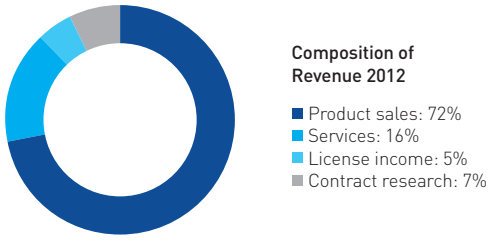
With the exception of first quarter 2012, the growth in research product sales has been consistent quarter-over-quarter since the company launched its proprietary miRCURY LNA™ Universal RT miRNA PCR platform end 2009.

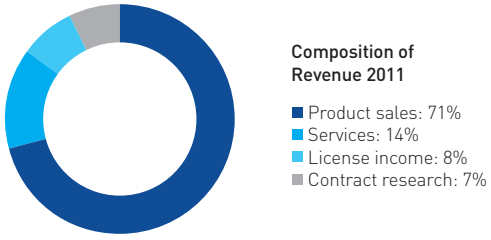
2012 product sales and services per quarter in five year perspective



Royalty and license income, which includes third party royalty payment to Exiqon under existing license agreements and upfront payments from new license agreements, accounted for DKK 6.0 million (DKK 8.8 million). In the future license income may include royalties from the sale of diagnostic products. However, in 2012 Exiqon Diagnostics generated all of its revenue of DKK 6.1 million (DKK 11.1 million) from grants.

The composition of revenue in 2012 compared to 2011 is summarized in the table below.





For more details about revenue, please refer to notes 3 and 4.

Gross profit

In 2012 gross profit increased 8% to DKK 67.2 million (DKK 62.2 million).

Exiqon Life Sciences gross margin was realized at 55.6% (51.4%) driven by higher volume in product sales and relatively lower service revenue.
In 2012 gross profit was negatively affected by the scrapping of products that failed quality control and obsolete products that were scrapped representing a total cost of DKK 2.8 million (DKK 2.9 million).

Exiqon's current target for gross margins of 65-70% may be achieved only through economies of scale. Margins will improve significantly with growing product sales. The company's current production capacity for its proprietary miRCURY LNA™ Universal RT miRNA PCR platform is sufficient to support five times current sales and with production of all custom LNA™ oligonucleotides outsourced, Exiqon may reach current gross margin targets without further investment in production capacity.

Revenue, gross profit and margins

DKK '000	Q1 2012	Q2 2012	Q3 2012	Q4 2012	2012	2011
Revenue	**23,968**	**29,073**	**30,054**	**34,306**	**117,400**	**111,458**
Year over year change (%)	*-13%*	*9%*	*11%*	*14%*	*5%*	
Revenue Life Sciences	22,476	27,654	28,184	32,948	111,262	100,357
Year over year change (%)	*-11%*	*14%*	*11%*	*31%*	*11%*	
Revenue Diagnostics	1,492	1,419	1,869	1,358	6,138	11,101
Year over year change (%)	*-34%*	*-39%*	*13%*	*-72%*	*-45%*	
Gross profit	**12,869**	**15,507**	**19,169**	**19,669**	**67,214**	**62,162**
Gross margin	*53.7%*	*53.3%*	*63.8%*	*57.3%*	*57.3%*	*55.8%*
Gross profit Life Sciences	11,572	14,335	17,441	18,509	61,857	51,580
Gross margin	*51.5%*	*51.8%*	*61.9%*	*56.2%*	*55.6%*	*51.4%*
Gross profit Diagnostics	1,297	1,172	1,728	1,160	5,357	10,582
Gross margin	*86.9%*	*82.6%*	*92.5%*	*85.4%*	*87.3%*	*95.3%*

Operating costs

Total operating costs increased 3% to 79.0 million in 2012 (DKK 76.4 million) and 3% to 76.1 million (DKK 73.7 million) when excluding expensed non-cash cost of share based payment in 2012.

Research and development costs
In 2012, research and development costs decreased 3% to DKK 22.3 million (DKK 23.0 million), driven primarily by a reduction in diagnostic research and development costs, in line with the company's strategy to match costs to diagnostic revenue from third party funding via grants or otherwise.

In 2012, research and development costs constituted 19% of total revenue (21%). Management expects that the company's target for research and development costs of approximately 15% of revenue will be reached as a result of increased revenue.

SG&A costs
In 2012, Sales and marketing costs increased 11% to DKK 37.9 million (DKK 34.0 million) as a result of new hirings.

General and administrative costs (net cost of share based payment) decreased 7% to DKK 16.2 million (DKK 17.5 million).

In 2012, SG&A costs constituted 48% of total revenue (48%). Management expects that the company's target for SG&A costs of approximately 30% of revenue can only be reached as a result of continued growth in revenue. In the interim, the company expects to continue to invest in sales and marketing activities to secure continued growth in product sales whilst the company's markets emerge.

Operating costs relative to revenue

DKK '000	Q1 2012	Q2 2012	Q3 2012	Q4 2012	2012	2011
SG&A costs (net of share-based payment)	-13,778	-13,581	-12,709	-13,858	-53,927	-51,043
Year over year change (%)	*11%*	*9%*	*8%*	*-4%*	*6%*	
Sales & marketing cost (net of share-based payment)	-9,003	-9,869	-9,271	-9,563	-37,707	-33,552
Year over year change (%)	*18%*	*17%*	*18%*	*0%*	*12%*	
Administrative costs (net of share-based payment)	-4,775	-3,712	-3,438	-4,295	-16,220	-17,491
Year over year change (%)	*0%*	*-8%*	*-13%*	*-10%*	*-7%*	
Share-based payment	-293	-925	-867	-720	-2,805	-2,435
SG&A costs total	-14,071	-14,506	-13,576	-14,578	-56,732	-53,478

EBIT/EBITDA

In 2012, EBIT totaled DKK -11.8 million (DKK -28.5 million). EBITDA totaled DKK -4.4 million (DKK -5.1 million) reflective of decreasing depreciations in line with the company's focused product development strategy to use existing technologies for new applications, which has required little or no new investment in later years.

Expensed non-cash costs of share-based payments totaled DKK 2.9 million in 2012 (DKK 2.7 million) of which DKK 2.0 million was costs of warrants granted in March 2012.

Financial items

Net financial expenses totaled DKK 1.9 million in 2012 (DKK 0.8 million). Financial income primarily consists of interest on fixed-term deposit accounts, while financial expenses mainly consist of interest on finance leases and currency losses.

Except for a credit facility of DKK 10 million, the company had no bank debt as of December 31, 2012 and does not make use of any financial instruments. The company has no financial risks associated with financial derivatives.

Tax for the year

Income taxes represented a cost of DKK 0.9 million (DKK -4.4 million), primarily attributable to deferred tax adjustments associated with tax losses carried forward in the company's subsidiary.

Net loss for the year

The net result for 2012 totaled DKK -14.6 million (DKK -24.9 million).

Consolidated statement of financial position

Assets

On December 31, 2012 the Group had total assets of DKK 122.2 million (DKK 122.5 million). Intangible assets amounted to DKK 61.6 million (DKK 63.6 million), property, plant and equipment to DKK 3.1 million (DKK 6.5 million), while current assets amounted to DKK 53.5 million (DKK 45.9 million).

Receivables totaled DKK 23.3 million (DKK 18.7 million). Year-end receivables are typically relatively high as a consequence of strong seasonal sales in the fourth quarter, which was also the case in 2012. The customer base consists of universities and large pharmaceutical companies that represent little risk. In 2012 the realized loss on trade receivables totaled DKK 0.0 (DKK 0.9).

Inventories totaled DKK 12.7 million (DKK 15.0). The reduced inventory value is attributable to improved turnover rates.

Equity

At the end of 2012, equity stood at DKK 84.3 million (DKK 80.2 million). The negative movements in equity are attributable to the net loss for the year that were compensated partly by the company's capital increase in June 2012.

Liabilities

On December 31, 2012 the Group had total liabilities of DKK 37.9 million (DKK 42.3 million.). Non-current liabilities amounted to DKK 0.1 million (DKK 1.7 million), current liabilities amounted to DKK 37.8 million (DKK 40.6 million), of which trade payables represented DKK 10.1 million (DKK 10.4 million).

Cash flow statement

Cash flow from operating activities
Operating activities generated a cash outflow of DKK 5.4 (DKK 30.5 million) which was in line with the expectations announced with first quarter results May 8, 2012. The improved cash flow from operating activities reflects the company's improved operating profit as well as focused working capital management.

Cash flow from investing activities
Investing activities caused an outflow of DKK 1.6 million (DKK 1.7 million).

Cash flow from financing activities
Financing activities, in particular the capital increase undertaken in June 2012, generated a cash inflow of DKK 12.6 (DKK 24.6 million), whereas borrowings generated DKK 0 (DKK 10.1 million). Borrowings are used to address short-term working capital needs attributable to higher trade receivables prior to share capital increases.

Capital resources and liquidity

On December 31, 2012 cash and cash equivalents totaled DKK 17.5 (DKK 12.2 million) including a credit facility of DKK 10 million. As part of the company's growth strategy, working capital primarily is invested in sales and marketing activities, product development, inventories and trade receivables.

Earnings per share

Earnings per share amounted to DKK -0.41 (DKK -0.73).

Events after the reporting period

No material events have occured after 31 December 2012.

Outlook 2013

In 2013 Exiqon expects total revenue of approximately DKK 130 million which reflects an expectation of double digit growth and a positive result measured on EBITDA. We expect cash flow from operating activities to be positive in 2013.

We expect that growth in Exiqon Life Sciences products and service sales (excluding OEM) will be around 20% in 2013, driven primarily by our proprietary miRCURY LNA™ Universal RT PCR platform for academic and clinical miRNA research and the launch of products in new market segments. Recognized grant income for 2013 will be on par with 2012 as we will seek to replace existing grants to support the diagnostic pipeline. The outlook for 2013 is based on an average USD/DKK exchange rate of DKK 5.50.

The outlook for 2013 does not include any significant one-time payments from new license agreements. Exiqon continues to pursue license and partnering opportunities during 2013. However, the financial impact of any such agreements cannot be quantified beforehand and agreed terms will also determine in what amount any received payments may be recognized in 2013. No significant one-time costs are included in the outlook for 2013, nor are any expected. Any cost related to grants of new warrants is not included in the guidance for 2013.

The Board of Directors continuously monitors the company's working capital needs in light of sales performance, loan and credit availability. We expect additional capital needs may be covered by loan arrangements and existing authorizations to the Board of Directors to increase share capital.

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.

People and Organization

Employees
Exiqon's size is small relative to the complexity of our business - the research, development, production and sales of cutting-edge miRNA products in emerging life science research and diagnostic markets.

With only 72 employees at the end of 2012, we have to attract the most dedicated, diverse and goal-oriented people we can find. We work in a performance culture. People are the foundation of our business.

We strive to build our reputation as a preferred employer in order to attract, retain and develop the best talents across all fields of our business.

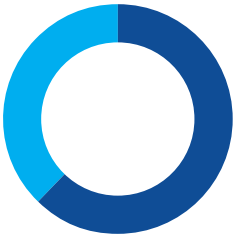
We have been fortunate to attract the best and brightest people in our industry from all over the world, in part due to our leadership position in our current markets and the opportunities for professional growth and development offered at Exiqon. Ultimately, we believe many people come to Exiqon because of the opportunity to make a difference in a new field that holds potential to make a significant positive impact on human health.

Organized to exploit synergies and adapt to market conditions
Our employees understand that our top priority is serving our customers.

In order 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 in an integrated manner.

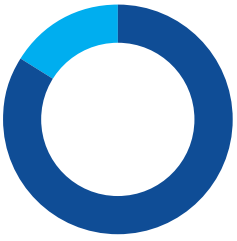
Employees by gender

Employees with Ph. D.



Employees by function

Employee turnover



Executive Management Board

Executive management registered with the Danish Commerce and Companies Agency consists of the following:

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 postdoc 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 2012	-	+1,512,566
Holding year-end 2012	143,389	2,490,254

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 license 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 2012	-	+756,283
Holding year-end 2012	100,000	1,181,442

Supervisory Board

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 2012 the Supervisory Board held nine 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 2012 the audit committee held one meeting 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 2012, the compensation committee held one meeting and focused on incentive salary.

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 from 1985-2003, Thorleif Krarup served as Managing Director/Group CEO in Nykredit (1985-1992), Unibank (1992-2000) and Nordea (2000-2003).

Current directorships and managerial positions:
H. Lundbeck A/S (board memeber)
ALK-Abelló A/S (board member)
Lundbeckfond Invest A/S (board member)
Falck Danmark A/S (vice chairman)
Falck Holding A/S (vice chairman)
Bisca A/S (board member)
The Lundbeck Foundation (board member)
The Crown Prince Frederik Fund (board member)

	Shares	Warrants
Changes in 2012	-	-
Holding year-end 2012	288,642	-

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 and managerial positions:
Healthinvest Partners AB (member of Industrial Supervisory Board)
Tecan Group Ltd. (board member)
Genovis AB (board member)
Sweden Bio, Business & Finance WG (chairman)

	Shares	Warrants
Changes in 2012	-	-
Holding year-end 2012	4,500	-

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.

Current directorships and managerial positions:
Investcom A/S (chairman)
Ejendomsselskabet Vestergade A/S (board member and CEO)

	Shares	Warrants
Changes in 2012	-	-
Holding year-end 2012	77,345	-

Per Wold-Olsen, Board member
(born 1947, Norwegian citizen, elected April 2008)

Per Wold-Olsen, MBA, was CEO of MSD Norway from 1976 to 1986 when he was appointed Regional Director and VP of 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 and managerial positions:
GN Store Nord A/S (chairman)
Novo A/S (board member)
Gilead Sciences, Inc. (board member)
Medicines for Malaria Venture (board member)
Bio Malter (board member)

	Shares	Warrants
Changes in 2012	-	-
Holding year-end 2012	159,736	-

Capital Market Information

Share capital

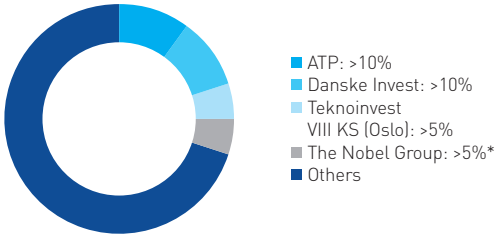
The share capital of Exiqon A/S is DKK 36,874,082 divided into 36,874,082 shares with a nominal value of DKK 1 each. Every share of DKK 1 confers one vote. Article 3 of the company's articles of association includes authorizations to the Supervisory Board to increase the share capital pursuant Section 37 of the Danish Public Companies Act in connection with the exercise of warrants. A copy of Exiqon's articles of association is available at: www.exiqon.com.

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

Ownership structure

The following shareholders have reported ownership of 5% or more of the company's total share capital of DKK 36,874,082.

Shareholders that own more than 5% of the company's total share capital:



*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)

Dividend policy

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

Ownership structure and major shareholders is predominantly Danish and European. On December 31, 2012 Exiqon had approximately 1,600 registered shareholders who own 84.61% of the company's share capital.

Executive remuneration

Guidelines for remuneration for members of the Supervisory Board and the Executive Board of Exiqon A/S are available at: www.exiqon.com/investor/Pages/RemunerationPolicy.aspx

Overall guidelines for incentive pay of members of the Supervisory Board and the Executive Board of Exiqon A/S are available at: www.exiqon.com/investor/incentivepay

Corporate governance

Exiqon A/S is covered by the recommendations on corporate governance available on the website of the Committee on Corporate Governance's at: www.corporategovernance.dk

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/2012

Investor relations policy

Exiqon maintains an open and continuous dialogue with existing and potential shareholders and the general public. We are committed to communicating information in compliance with the disclosure requirements of 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 publishes any changes to certain insiders' shareholdings in accordance with the rules that apply for NASDAQ OMX Copenhagen A/S. Any such publication will be made immediately after the transaction. We have adopted in-house rules that only allow insiders to purchase and sell shares in Exiqon A/S during a 28-day period after the company's publication of 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 have requested the receipt of e-mail news from Exiqon via our website will receive the information immediately thereafter.

Investor relations 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

Subsidiary

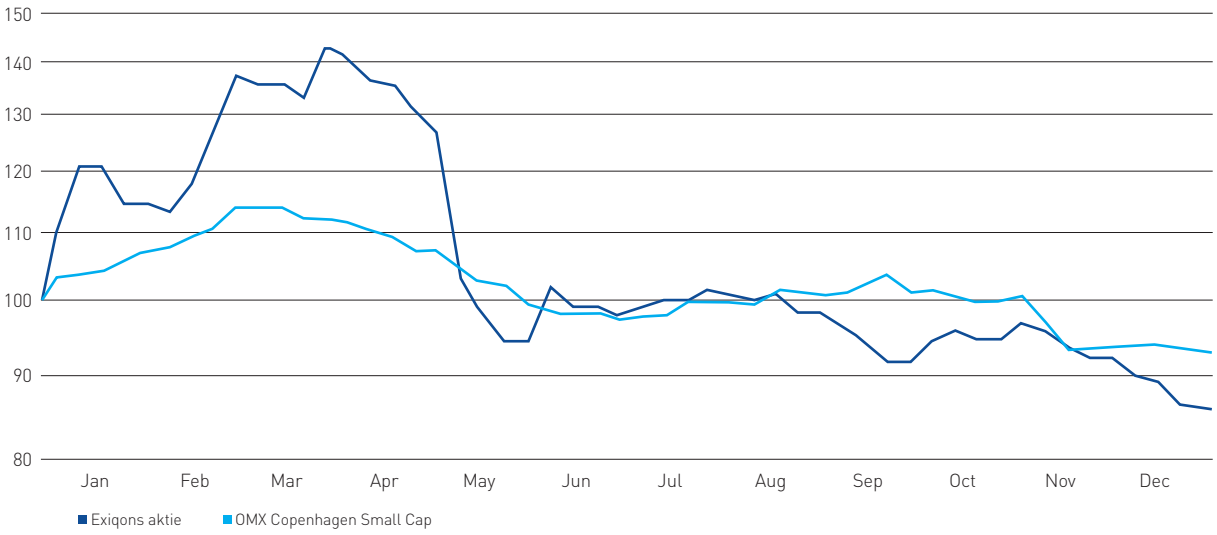
Exiqon A/S has one wholly-owned subsidiary:
Exiqon, Inc.
12 Gill Street, Suite 1650
Woburn, MA 01801 · United States

Stock exchange releases 2012

No.	1/2012	Exiqon reports full year results for 2011
No.	2/2012	Exiqon calls for an ordinary general meeting on 28 March 2012
No.	3/2012	Proxies received
No.	4/2012	Exiqon A/S – Decisions at annual general meeting 2012
No.	5/2012	Exiqon A/S issues new warrants to the company's executive board
No.	6/2012	Exiqon A/S - Report regarding the management's and closely related parties' transactions with securities in Exiqon A/S
No.	7/2012	Interim report for the period 1 January - 31 March 2012 (unaudited)
No.	8/2012	Prognostic importance of microRNA-21 demonstrated in a unique, large population-based cohort of stage II colon cancer patients using LNA™ based *in situ* hybridization (ISH).
No.	9/2012	Exiqon A/S launches a directed issue of up to 1,805,056 new shares at market price
No.	10/2012	Exiqon A/S completes directed issue of 1,805,056 new shares at market price
No.	11/2012	Registration of capital increase completed
No.	12/2012	Interim report for the period 1 January - 30 June 2012 (unaudited)
No.	13/2012	Changes to Exiqon's Financial Calendar 2012
No.	14/2012	Interim report for the period 1 January - 30 September 2012 (unaudited)
No.	15/2012	Exiqon A/S announces financial calender for 2013

Share price performance in 2012

Share price performance in 2012 compared to small cap share index on NASDAQ OMX Copenhagen



Financial calendar 2013

6 February 2013	Announcement of full-year results 2012
21 February 2013	Deadline for shareholders' proposal to the annual general meeting
4 April 2013	The annual general meeting is scheduled to be held on
6 May 2013	Interim report for the period 1 January 2013 to 31 March 2013
16 August 2013	Interim report for the period 1 January 2013 to 30 June 2013
29 October 2013	Interim report for the period 1 January 2013 to 30 September 2013

Statement by Executive Board and Supervisory Board

The Board of Directors and the Executive Board have today considered and approved the annual report for the financial year January 1 - December 31, 2012.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2012 as well as of their financial performance and their cash flow for the financial year January 1 – December 31, 2012.

We 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 position as well as the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

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

Vedbaek, 6 February 2013

Executive Board

Lars Kongsbak
CEO

Hans Henrik Chrois Christensen
CFO

Supervisory Board of Directors

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 parent financial statements
We have audited the consolidated financial statements and parent financial statements of Exiqon A/S for the financial year January 1 - December 31 2012, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as for the Parent. The consolidated financial statements and parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and parent financial statements
Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control as Management determines is necessary to enable the preparation and fair presentation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and parent financial statements are free from material misstatement.

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

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2012, and of the results of their operations and cash flows for the financial year January 1 - December 31, 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the management commentary
Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 6 February 2013

Deloitte
Statsautoriseret Revisionspartnerselskab

Jens Rudkjær
State Authorised
Public Accountant

Carsten Vaarby
State Authorised
Public Accountant

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Consolidated statement of comprehensive income

Parent				Group	
2011 DKK'000	2012 DKK'000		Note	2012 DKK'000	2011 DKK'000
93,340	97,071	Revenue	3	117,400	111,458
-37,600	-43,750	Production costs	5,6,7	-50,186	-49,296
55,740	**53,321**	**Gross profit**		**67,214**	**62,162**
-22,954	-22,259	Research and development costs	5,6,7,8	-22,259	-22,954
-21,467	-25,344	Sales and marketing costs	5,6,7,8	-37,894	-34,043
-19,435	-18,838	Administrative expenses	5,6,7,8	-18,838	-19,435
-14,200	0	Special items	9	0	-14,200
-22,316	**-13,120**	**Operating profit/(loss) (EBIT)**		**-11,777**	**-28,470**
5,288	9,274	Financial income	10	4,126	2,953
-8,714	-10,211	Financial expenses	10	-6,014	-3,745
-25,742	**-14,057**	**Profit/(loss) before tax**		**-13,665**	**-29,262**
0	1,250	Tax on the profit/(loss) for the year	11	-930	4,368
-25,742	**-12,807**	**Profit/(loss) for the year**		**-14,595**	**-24,894**
0	**0**	**Exchange adjustments relating to foreign subsidiaries**		**690**	**-732**
0	**0**	**Total other comprehensive income**		**690**	**-732**
-25,742	**-12,807**	**Total comprehensive income and expenses for the year**		**-13,905**	**-25,626**
		Earnings per share			
		Earnings per share	12	-0.41	-0.73
		Diluted earnings per share	12	-0.41	-0.71
		Proposed distribution of loss			
		The Supervisory Board proposes that the loss for the year be distributed as follows:			
-25,742	**-12,807**	**Retained earnings**			

Consolidated statement of financial position at 31 December

Parent				Group	
2011 DKK'000	2012 DKK'000		Note	2012 DKK'000	2011 DKK'000
0	0	Goodwill		49,368	49,368
8,033	6,985	Acquired patent rights		6,985	8,033
5,517	5,194	Acquired software licenses		5,194	5,518
714	29	Intangible assets under construction		29	714
14,264	**12,208**	**Intangible assets**	13	**61,576**	**63,633**
520	236	Leasehold improvements		321	751
4,623	2,200	Production and laboratory equipment		2,206	4,960
637	446	Fixtures and fittings, tools and equipment		604	781
0	11	Tangible assets under construction		11	0
5,780	**2,893**	**Property, plant and equipment**	14	**3,142**	**6,492**
15,051	15,051	Investments in subsidiaries	15	0	0
0	0	Deferred tax assets	22	2,252	4,393
1,855	1,534	Deposits		1,749	2,073
16,906	**16,585**	**Financial assets**		**4,001**	**6,466**
36,950	**31,686**	**Non-current assets**		**68,719**	**76,591**
13,606	**11,848**	**Inventories**	16	**12,686**	**15,037**
14,388	14,895	Trade receivables	17	20,592	17,682
2,947	3,894	Receivables from group companies	18	0	0
389	700	Other receivables	19	713	398
0	1,250	Refund from Tax Authorities		1,250	0
280	408	Prepayments		736	642
18,004	**21,147**	**Receivables**		**23,291**	**18,722**
8,307	**15,965**	**Cash and cash equivalents**		**17,493**	**12,151**
39,917	**48,960**	**Current assets**		**53,470**	**45,910**
76,868	**80,646**	**Total assets**		**122,189**	**122,501**

Consolidated statement of financial position at 31 December

Parent				Group	
2011 DKK'000	2012 DKK'000		Note	2012 DKK'000	2011 DKK'000
35,069	36,874	Share capital	20,21	36,874	35,069
7	3,459	Reserves		47,443	45,089
35,076	**40,333**	**Equity**		**84,317**	**80,158**
1,725	83	Financial lease liabilities	23	83	1,725
1,725	**83**	**Non-current liabilities**		**83**	**1,725**
2,657	1,775	Financial lease liabilities	23	1,775	2,657
8,720	9,393	Trade payables		10,132	10,371
10,097	10,078	Short term bank loan		10,078	10,097
2,142	3,995	Payables to group companies		0	0
10,528	8,656	Other payables		9,467	11,562
5,923	6,333	Prepayments		6,337	5,931
40,067	**40,230**	**Current liabilities**		**37,789**	**40,618**
41,792	**40,313**	**Total liabilites**		**37,872**	**42,343**
76,868	**80,646**	**Total equity and liabilities**		**122,189**	**122,501**

Consolidated statement of cash flows

Parent				Group	
2011 DKK'000	2012 DKK'000		Note	2012 DKK'000	2011 DKK'000
-22,316	-13,120	Operating profit from continued operations (EBIT)		-11,777	-28,470
7,991	6,785	Depreciation and amortization	7	7,402	9,267
2,694	2,874	Non-cash adjustments (warrants)	6	2,874	2,694
-14,830	-321	Change in working capital	25	-4,175	-10,435
-229	-3	Profit/(loss) on sale of assets	26	-3	-401
-26,690	**-3,785**	**Cash flows from primary activities**		**-5,679**	**-27,345**
-3,427	321	Net interest and value gains		268	-3,164
-30,117	**-3,464**	**Cash flows from operating activities**		**-5,411**	**-30,509**
-1,586	-1,109	Acquisition of intangible assets	13	-1,109	-1,586
-512	-354	Acquisition of property, plant and equipment	14	-495	-512
229	3	Sale of assets		3	401
-1,869	**-1,460**	**Cash flows from investing activities**		**-1,601**	**-1,697**
-4,113	-2,904	Repayment of lease debt		-2,904	-4,113
172	321	Repayment of deposits and loans		321	172
19,002	16,246	Proceeds from capital increase	20	16,246	19,002
-1,130	-1,056	Costs in relation to capital increase		-1,056	-1,130
10,095	-17	Short term bank loan		-17	10,095
549	0	Proceeds from warrant exercises		0	549
24,575	**12,590**	**Cash flows from financing activities**		**12,590**	**24,575**
-7,411	**7,666**	**Change in cash and cash equivalents**		**5,578**	**-7,631**
172	-8	Unrealised currency gain/loss		-236	1,598
15,546	8,307	Cash and cash equivalents at 1 January		12,151	18,184
8,307	**15,965**	**Cash and cash equivalents at 31 December**		**17,493**	**12,151**

Consolidated statement of changes in equity

			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 2012	**35,069,026**	**35,069**	**-999**	**10,861**	**35,227**	**80,158**
Profit/(loss) for the year					-14,595	-14,595
Exchange adjustments relating to foreign subsidiaries			690			690
Total comprehensive income		**0**	**690**	**0**	**-14,595**	**-13,905**
Proceeds from capital increases	1,805,056	1,805			14,441	16,246
Warrant exercise	0	0			0	0
Costs in relation to capital increases					-1,056	-1,056
Share-based payment				2,874		2,874
Reclassification of exercised or renounced programmes				-293	293	0
Other transactions	**1,805,056**	**1,805**	**0**	**2,581**	**13,678**	**18,064**
Equity at 31 December 2012	**36,874,082**	**36,874**	**-309**	**13,442**	**34,310**	**84,317**
Equity at 1 January 2011	**33,335,249**	**33,335**	**-267**	**27,741**	**23,858**	**84,667**
Profit/(loss) for the year					-24,894	-24,894
Exchange adjustments relating to foreign subsidiaries			-732			-732
Total comprehensive income		**0**	**-732**	**0**	**-24,894**	**-25,626**
Proceeds from capital increases	1,666,777	1,667			17,335	19,002
Warrant exercise	67,000	67			482	549
Costs in relation to capital increases					-1,129	-1,129
Share-based payment				2,694		2,694
Reclassification of exercised or renounced programmes				-19,574	19,574	0
Other transactions	**1,733,777**	**1,734**	**0**	**-16,880**	**36,262**	**21,116**
Equity at 31 December 2011	**35,069,026**	**35,069**	**-999**	**10,861**	**35,227**	**80,158**

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 2012	**35,069,026**	**35,069**	**10,861**	**-10,854**	**35,076**
Profit/(loss) for the year				-12,807	-12,807
Total comprehensive income				**-12,807**	**-12,807**
Proceeds from capital increases	1,805,056	1,805		14,441	16,246
Warrant exercise	0	0		0	0
Costs in relation to capital increases				-1,056	-1,056
Share-based payment			2,874		2,874
Reclassification of exercised or renounced programmes			-293	293	0
Other transactions	**1,805,056**	**1,805**	**2,581**	**13,678**	**18,064**
Equity at 31 December 2012	**36,874,082**	**36,874**	**13,442**	**-9,983**	**40,333**
Equity at 1 January 2011	**33,335,249**	**33,335**	**27,741**	**-21,375**	**39,701**
Profit/(loss) for the year				-25,742	-25,742
Total comprehensive income				**-25,742**	**-25,742**
Proceeds from capital increases	1,666,777	1,667		17,335	19,002
Warrant exercise	67,000	67		482	549
Costs in relation to capital increases				-1,129	-1,129
Share-based payment			2,694		2,694
Reclassification of exercised or renounced programmes			-19,574	19,574	0
Other transactions	**1,733,777**	**1,734**	**-16,880**	**36,263**	**21,117**
Equity at 31 December 2011	**35,069,026**	**35,069**	**10,861**	**-10,854**	**35,076**

Notes to the Financial Statements

Note 1. Accounting policies

The annual report of Exiqon A/S for the year ending 31 December 2012, 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 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 2012 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 2012. These Standards and Interpretations are:

- Amendments to IAS 12, Income Taxes - recovery of underlying assets
- Amendments to IFRS 7, Financial Instruments: Disclosure - enhanced derecognition

The implementation of the new and revised Standards and Interpretations in the annual report for 2012 has not led to changes in the accounting policies, and has not had any impact on the amounts and disclosures 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 the annual report, a number of Standards and Interpretations have not become effective, for which reason they have not been incorporated in the annual report. Of these Standards and Interpretations only the following are deemed relevant for the parent and consolidated financial statements:

- IAS 1, Presentation of items of Other Comprehensive Income. The new standard is effective for financial years beginning 1 January 2013 or later. The Standard has been adopted by EU.
- IFRS 13, Fair Value Measurement. The new standard is effective for financial years beginning 1 January 2013 or later. The Standard has been adopted by EU.
- IFRS 10, Consolidated Financial Statements. The new standard is effective for financial years beginning 1 January 2014 or later. The Standard has been adopted by EU.
- IFRS 9, Financial Instruments. The new standard is effective for financial years beginning 1 January 2014 or later. The Standard has not yet been adopted by EU.

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.

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

Business combinations
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see note 3.16.2); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

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.

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.

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 materialize 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

Product sales

Revenue from the sale of goods is recognized in the statement of comprehensive income when delivery and transfer of risk to the purchaser have taken place and it is probable that future economic benefits will flow to the group and these benefits can be measured reliably. If all risks and rewards have not been transferred, the revenue is recognized as deferred income until all components of the transaction have been completed.

Services

Revenue from a contract to provide services is recognized by reference to the stage of completion. Stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours and other relevant measurement basis for each contract. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

License income

License income is recognized on accrual basis when it is probable those future economic benefits will flow to the company and that these can be measured reliably.

Contract research

Remuneration of grants originating from a third party is recognized as revenue when there is a reasonable assurance that Exiqon comply with the conditions attached to the grants and the grants will be received.

Production costs

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

Research and development costs

Research and development costs include salaries and costs directly attributable to the company's research and development projects, including projects remunerated through grants. Furthermore, salaries and costs supporting direct research and development, including costs of ongoing maintenance

of patents, rent, leasing and depreciation attributable to the laboratories and external scientific consultancy services, are recognized under research and development costs.

All research costs are 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.

Special items
Special items include significant and unusual income and/or costs that do not originate from the ordinary course of business, including cost of fundamental structural adjustments of the company's organization, income and/or cost arising from unusual legal proceedings and similar items considered material and unusual.

Special items are shown in a separate line in the company's statement of comprehensive income in order to give a true and fair presentation of the Group's operating profit over time.

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.

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.
Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

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

Goodwill

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

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

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

Other intangible assets

Development projects which are clearly defined and identifiable are recognized as intangible assets if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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 licenses 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.

Tangible fixed assets

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 labor. 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.

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 cash-generating unit, respectively.

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

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

For cash-generating units, the write-down is allocated in such a way that goodwill amounts are written down first, and any remaining need for write-down is allocated to other assets in the unit, although no individual assets are written down to a value lower than their fair value less costs to sell. Impairment write-downs are recognized in the 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 cash-generating unit would have had, had the write-down not been made.

Impairment of goodwill is not reversed.

Investments in subsidiaries

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

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 labor 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 non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables (including trade and other receivables) are measured at amortised cost using the effective interest method, less any impairment.

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

Cash and cash equivalents
Cash and cash equivalents comprises cash bank balances.

Equity
Share capital comprises the nominal share capital. Reserve for exchange rate adjustments comprises the exchange deviations arising on the translation of foreign subsidiaries statement of comprehensive income and statement of financial position from their respective currency to Exiqon's functional currency, Danish Kroner. Share-based payment comprises the value of included costs for share-based payment measured at fair value at the time of grant. Retained profit comprises the accumulated profit/(loss) and share premium in connection with the issuance of shares.

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
Financial lease liabilities regarding assets held under financial 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, installments 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.

Cash and cash equivalents comprise cash and bank balances subject to an insignificant risk of changes in value.

SEGMENT INFORMATION

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 in-house financial management.

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

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

DEFINITION OF KEY RATIOS

EPS	=	Profit/(loss) for the year / Average no. of shares
Price / net asset value	=	Share price * no. of shares end of the year / Equity
Gross margin (%)	=	Gross profit * 100 / 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, Tax, Depreciation and Amortization) is defined as operating profit/(loss) (EBIT) before depreciation and amortization.
Net interest bearing debt	=	Net interest bearing debt is defined as Finance lease liabilities plus Borrowings minus Cash and cash equivalents
Net interest bearing debt / Equity	=	Net interest bearing debt / Equity
Net interest bearing debt / EBITDA	=	Net interest bearing debt / EBITDA
Interest coverage	=	EBITDA + interest income (excluding foreign exchange gains) / Interest expenses (excluding foreign exchange losses)

Note 2. Significant accounting estimates, assumptions and uncertainties

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

Going concern

Exiqon's financial statements are prepared on a going concern basis based on a budget which inherently is subject to a number of assumptions and uncertainties including most notably an assumption of continued growth in the company's sale of life sciences products and services, and associated uncertainties relating to the emerging nature of the markets, which the company addresses, and accentuated by a challenging and unparalleled macroeconomic environment. Management acknowledges that there are risks and uncertainties 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 appropriate measures can be taken to ensure that sufficient capital resources are available as may be required also in the longer run.

Significant accounting estimates

In applying the accounting policies described in note 1 to the financial statements, Management has exercised the following critical accounting judgments 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 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 carrying amount of goodwill as of 31 December is DKK 49,368 thousand (DKK 49,368 thousand). 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, 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 2012 were DKK 22,259 thousand (DKK 22,954 thousand). 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, 2012.

Deferred tax assets

Deferred taxes, including the tax value of loss carry-forwards, are recognized with their expected value. The assessment of deferred tax assets regarding loss carry-forwards, which have not been activated, is based on the expected, future taxable income of the respective company and the due date of their losses. For further details please refer to note 22.

Inventories

Inventories are measured at the lower of cost computed in accordance with the FIFO method and net realizable value. The net realizable value of inventories is calculated based on the size of the inventory and decreases in the recoverable amount of purchased raw materials, technical obsolescence, physical obsolescence or financial obsolescence. Write-downs of inventories are based on an individual assessment of a product or product group and expected product sales. For further details please refer to note 16.

Trade receivables

Trade receivables are measured at amortized cost using the effective interest method, less any impairment. Write downs for expected bad debt losses are based on an individual assessment of each customer's creditworthiness. If a customer's financial condition deteriorates, and thus the ability to meet the financial obligation to Exiqon, further write-downs may be required in future accounting periods. For further details please refer to note 17.

Note 3. Revenue

Parent			Group	
2011	2012		2012	2011
DKK'000	DKK'000		DKK'000	DKK'000
67,130	69,942	Product sales	84,976	78,913
10,337	13,366	Services	18,663	15,371
8,766	5,987	License income	5,985	8,766
7,107	7,776	Contract research *)	7,776	8,408
93,340	**97,071**		**117,400**	**111,458**

*) 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 are 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

The Executive Board and the Board of Directors monitor 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 are 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.

Segment information on reportable segments - 2012 (Group)

DKK'000	Life Sciences	Diagnostics	Other *)	Total
Revenue	112,385	6,138	-1,123	117,400
Gross profit	61,857	5,357	0	67,214
Segment operating profit/loss (EBIT)	4,789	-16,566	0	-11,777
Profit/(loss) before tax	4,789	-16,566	-1,888	-13,665
Addition of assets	5,626	30	0	5,656
Segment assets	58,751	49,517	13,920	122,188
Depreciation and amortization *)	5,492	1,919	0	7,411

Segment information on reportable segments - 2011 (Group)

DKK'000	Life Sciences	Diagnostics	Other *)	Total
Revenue	101,007	11,101	-650	111,458
Gross profit	51,580	10,582	0	62,162
Segment operating profit/loss (EBIT)	-8,764	-19,706	0	-28,470
Profit/(loss) before tax	-8,764	-19,706	-792	-29,262
Addition of assets	5,626	30	0	5,656
Segment assets	63,401	49,574	9,526	122,501
Depreciation and amortization	6,655	2,135	0	8,790

*) Includes intercompany elimination

Note 4. Segment information for the Group (continued)

Revenue split

Revenue is reported to the Management in the following categories:

	2012 DKK'000	2011 DKK'000
Product sales	84,976	78,913
Services	18,663	15,371
License income	5,985	8,766
Contract research	7,776	8,408
	117,400	111,458

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.

	2012 DKK'000	2011 DKK'000
North America	42,940	42,712
Europe *)	58,372	56,701
Rest of World	16,088	12,045
	117,400	111,458

*) Including Denmark (country of domicile) tDKK 5,350 (tDKK 4,122 in 2011).

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	
	2012 DKK'000	2011 DKK'000	2012 DKK'000	2011 DKK'000
Europe	2,517	5,656	64,469	69,413
North America	167	0	249	712
Rest of World	0	0	0	0
	2,684	5,656	64,718	70,125

Note 5. Staff costs

Parent			Group	
2011 DKK'000	2012 DKK'000		2012 DKK'000	2011 DKK'000
1,300	1,300	Supervisory Board's fee	1,300	1.300
37,959	38,024	Wages and salaries	45,557	44.762
647	661	Pension scheme	903	854
2,694	2,874	Share-based payment	2,874	2.694
2,334	2,893	Other staff costs	3,014	2.369
44,934	**45,752**		**53,648**	**51.979**
		Staff costs are distributed as follows:		
7,291	9,431	Production costs	9,431	7,291
12,006	8,501	Research and development costs	8,501	12,006
12,647	13,853	Sales and marketing costs	21,749	19,692
12,990	13,967	Administrative expenses	13,967	12,990
44,934	**45,752**		**53,648**	**51,979**
59	59	Average number of employees	73	71

Remuneration for the Management:

	Fixed salary, bonus etc.	Supervisory Board's fee	Pensions	Share-based payment	Total remuneration
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Management remuneration 2012 (group):					
Board of Directors	0	1,300	0	0	1,300
Executive Management	4,827	0	142	2,606	7,575
	4,827	**1,300**	**142**	**2,606**	**8,875**
Management remuneration 2011 (group):					
Board of Directors	0	1,300	0	5	1,305
Executive Management	6,063	0	92	1,846	8,001
	6,063	**1,300**	**92**	**1,851**	**9,306**
Management remuneration 2012 (parent):					
Board of Directors	0	1,300	0	0	1,300
Executive Management	4,827	0	142	2,606	7,575
	4,827	**1,300**	**142**	**2,606**	**8,875**
Management remuneration 2011 (parent):					
Board of Directors	0	1,300	0	5	1,305
Executive Management	6,063	0	92	1,846	8,001
	6,063	**1,300**	**92**	**1,851**	**9,306**

Note 6. 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 programmes 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 2010 to 2012 added an annual performance adjustment. Vesting periods range from 0 to 3 years. Warrants that remain unexercised for a period of 3-5 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 2012	1,402,847	0	0	536,587	1,939,434	9.23
Granted in the financial year	2,268,849	0	0	0	2,268,849	13.15
Expired in the financial year	0	0	0	-46,904	-46,904	13.63
Outstanding warrants 31 December 2012	**3,671,696**	**0**	**0**	**489,683**	**4,161,379**	**11.20**
Of which can be exercised	1,133,335	0	0	346,356	1,479,691	9.37
Outstanding warrants 1 January 2011	1,404,464	89,973	0	495,242	1,989,679	20.20
Granted in the financial year	595,651	0	0	418,711	1,014,362	9.76
Exercised in the financial year	-67,000	0	0	0	-67,000	8.22
Expired in the financial year	-530,268	-89,973	0	-377,366	-997,607	33.29
Outstanding warrants 31 December 2011	**1,402,847**	**0**	**0**	**536,587**	**1,939,434**	**9.23**
Of which can be exercised	643,386	0	0	206,653	850,039	9.25

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

2012

No warrants have been exercised during 2012.

2011

At the time of exercise of warrants the average share price was DKK 9.0.

The warrants outstanding at the end of 2012 had a weighted average remaining contractual life of 31 months (in 2011: 20 months).

Note 6. Share-based payment (continued)

As of 31 December 2012, the following warrant programmes 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 **)
May 2010	8.63	4 weeks following the announcement of annual and interim financial statements	492	3.2
January 2011	10.23	4 weeks following the announcement of annual and interim financial statements	510	3.2
March 2012	13.15	4 weeks following the announcement of annual and interim financial statements	1,601	4.4
Total			**2,603**	

*) 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 32.10% based on the average volatility on the Exiqon share during the last 12 months, a risk-free interest rate of 0.3% per annum, and finally the share price of Exiqon on 31 December 2012, DKK 8.30. 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 2012 are based on the assumption of no dividend per share, an average volatility of 44.10%, an average risk-free interest rate of 0.22% per annum and finally an average share price of Exiqon of DKK 12.90.

Warrant programme 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.

Warrant programme granted in January 2011

Warrants granted in January 2011 are divided into 36 tranches, with 1/36 vesting monthly over a 36 month period. The exercise period expires in 2014. The exercise price is 9.31 with a premium of 5% p.a. from the date of grant until exercise.

Warrant programme granted in January 2012

Warrants granted in March 2012 are divided into 3 tranches, with 1/3 vesting yearly over a 36 month period. The exercise period expires in 2018. The exercise price is 12.90 with a premium of 2,5% p.a. from the date of grant until exercise.

Note 7. Depreciation, amortization and impairment

Parent			Group	
2011 DKK'000	2012 DKK'000		2012 DKK'000	2011 DKK'000
1,546	2,117	Software	2,117	1,546
1,048	1,048	Acquired patents and licenses	1,048	1,048
2,158	1,611	Laboratory equipment	1,941	2,700
1,556	1,192	Production plant and equipment	1,192	1,556
1,682	817	Fixtures and fittings, tools and equipment	1,116	2,087
-229	-3	Gains and losses on sale of property, plant and equipment *)	-3	-147
7,761	**6,782**		**7,411**	**8,790**
		Depreciation, amortization and impairment are distributed as follows:		
3,220	2,318	Production costs	2,318	3,220
3,112	2,851	Research and development costs	2,851	3,112
754	1,054	Sales and marketing costs	1,683	1,783
675	559	Administrative expenses	559	675
7,761	**6,782**		**7,411**	**8,790**

*) Includes scrapping of equipment in subsidiary

Note 8. Fees to auditors appointed by the general meeting

Parent			Group	
2011 DKK'000	2012 DKK'000		2012 DKK'000	2011 DKK'000
		Fees to the parent company's auditors appointed by the general meeting for the financial year are specified as follows:		
400	325	Statutory audit	325	400
123	76	Other audit opinions with assurance	76	123
25	25	Tax consultancy	25	25
85	71	Non-audit services	71	85
633	**497**		**497**	**633**

Note 9. Special items

In 2011 special items comprise total costs of litigation against Santaris Pharma a/s, a former spin out of Exiqon A/S, originating from two separate arbitration proceedings concluded in 2011.

Note 10. Financial items

Parent			Group	
2011 DKK'000	2012 DKK'000		2012 DKK'000	2011 DKK'000
		Financial income		
14	0	Interest income from bank deposits etc.	2	16
0	0	Interest income from subsidiaries	0	0
5,274	9,274	Foreign exchange gains	4,124	2,937
5,288	**9,274**		**4,126**	**2,953**
		Financial expenses		
1,014	610	Interest on mortgage and bank loans	672	1,075
347	30	Interest expenses to subsidiaries	0	0
485	201	Interest on financial lease obligations	201	485
6,868	9,370	Foreign exchange losses	5,141	2,185
8,714	**10,211**		**6,014**	**3,745**

Note 11. Tax on profit for the year

Parent			Group	
2011 DKK'000	2012 DKK'000		2012 DKK'000	2011 DKK'000
		Tax on profit for the year is explained as follows:		
-6,435	-3,514	Tax calculated at a rate of 25% *)	-3,219	-7,088
846	786	Permanent deviations	848	863
5,589	1,478	Unrecognized change in tax asset	1,478	5,589
0	0	Effect of deviating foreign tax rate relative to Danish tax rate	128	-230
0	0	Mandatory local company tax	40	23
0	0	Recognition of previously unrecognized tax asset	0	-3,525
0	0	Recognized change in tax asset	1,655	0
0	**-1,250**		**930**	**-4,368**

*) Tax on profit for the year is calculated at a rate of 25% (25% in 2011)

Note 12. Earnings per share

	Group	
	2012	2011
The calculation of earnings per share and diluted earnings per share are based on the following data:		
Profit/(loss) (DKK'000)	-14,595	-24,894
Average number of shares	35,991,281	34,193,409
Average number treasury shares	-5,342	-5,342
Average number of circulating shares	35,985,939	34,188,067
Average diluting effect of outstanding warrants (no.)	0	897,196
Average number of shares, diluted (no.)	35,985,939	35,085,263
Earnings per share	-0.41	-0.73
Diluted earnings per share	-0.41	-0.71

All outstanding warrants are out-of-the-money. These are not included in the calculation of diluted earnings.

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

	Goodwill DKK'000	Acquired software licenses DKK'000	Acquired patent rights DKK'000	Intangible assets under construction *) DKK'000	Intangible assets DKK'000
Intangible assets 2012 (Group)					
Cost at 1 January 2012	120,032	10,938	13,255	714	144,939
Additions	0	1,080	0	29	1,109
Transfer	0	714	0	-714	0
Disposals	0	-493	0	0	-493
Cost at 31 December 2012	**120,032**	**12,239**	**13,255**	**29**	**145,555**
Amortization and impairment at 1 January 2012	-70,664	-5,420	-5,222	0	-81,306
Amortization	0	-1,907	-1,048	0	-2,955
Amortization regarding assets disposed of	0	282	0	0	282
Amortization at 31 December 2012	**-70,664**	**-7,045**	**-6,270**	**0**	**-83,979**
Carrying amount at 31 December 2012	**49,368**	**5,194**	**6,985**	**29**	**61,576**
Intangible assets 2012 (parent)					
Cost at 1 January 2012	0	10,936	13,255	714	24,905
Additions	0	1,080	0	29	1,109
Transfer	0	714	0	-714	0
Disposals	0	-493	0	0	-493
Cost at 31 December 2012	**0**	**12,237**	**13,255**	**29**	**25,521**
Amortization at 1 January 2012	0	-5,419	-5,222	0	-10,641
Amortization	0	-1,906	-1,048	0	-2,954
Amortization regarding assets disposed of	0	282	0	0	282
Amortization at 31 December 2012	**0**	**-7,043**	**-6,270**	**0**	**-13,313**
Carrying amount at 31 December 2012	**0**	**5,194**	**6,985**	**29**	**12,208**

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

	Goodwill DKK'000	Acquired software licenses DKK'000	Acquired patent rights DKK'000	Intangible assets under construction DKK'000	Intangible assets DKK'000
Intangible assets 2011 (Group)					
Cost at 1 January 2011	120,032	7,818	13,255	2,249	143,354
Additions	0	871	0	714	1,585
Disposals	0	2,249	0	-2,249	0
Cost at 31 December 2011	**120,032**	**10,938**	**13,255**	**714**	**144,939**
Amortization and impairment at 1 January 2011	-70,664	-3,873	-4,174	0	-78,711
Amortization	0	-1,547	-1,048	0	-2,595
Amortization at 31 December 2011	**-70,664**	**-5,420**	**-5,222**	**0**	**-81,306**
Carrying amount at 31 December 2011	**49,368**	**5,518**	**8,033**	**714**	**63,633**
Intangible assets 2011 (parent)					
Cost at 1 January 2011	0	7,816	13,255	2,249	23,320
Additions	0	871	0	714	1,585
Transfer	0	2,249	0	-2,249	0
Cost at 31 December 2011	**0**	**10,936**	**13,255**	**714**	**24,905**
Amortization at 1 January 2011	0	-3,873	-4,174	0	-8,047
Amortization	0	-1,546	-1,048	0	-2,594
Amortization at 31 December 2011	**0**	**-5,419**	**-5,222**	**0**	**-10,641**
Carrying amount at 31 December 2011	**0**	**5,517**	**8,033**	**714**	**14,264**

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 Board of Directors 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 Board of Directors for 2013-2015 and projections for 2016-2022.

The significant parameters are expected revenue, EBIT, working capital requirements and growth rates. The projection for 2013-2015 is prepared on the basis of the company's budget and specific commercial assumptions, while the projection for 2016-2022 is prepared on the basis of a continuation of the company's 2013-2015 budget and general commercial assumptions. Goodwill relates in part on new products that have not yet been marketed and moderate expectations to market penetration and market share has been assumed for such products. Only products for which ongoing research and development is financed, whether through third party grants or otherwise, have been included. A growth rate of 0% 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 10% 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 the current tax rate of 25% 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

	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 DKK'000
Property, plant and equipment 2012 (Group)						
Cost at 1 January 2012	11,352	27,191	13,389	10,232	0	62,164
Exchange rate adjustment	0	-38	-15	-19	0	-72
Additions	1	380	417	96	11	905
Disposals	0	0	-62	0	0	-62
Cost at 31 December 2012	**11,353**	**27,533**	**13,729**	**10,309**	**11**	**62,935**
Depreciation at 1 January 2012	-8,730	-24,853	-12,608	-9,481	0	-55,672
Exchange rate adjustment	0	29	7	14	0	50
Depreciation	-1,192	-1,934	-586	-521	0	-4,233
Depreciation regarding assets disposed of	0	0	62	0	0	62
Depreciation at 31 December 2012	**-9,922**	**-26,758**	**-13,125**	**-9,988**	**0**	**-59,793**
Carrying amount at 31 December 2012	**1,431**	**775**	**604**	**321**	**11**	**3,142**
Assets held under finance leases	999	507	78	0	0	1,584
Property, plant and equipment 2012 (parent)						
Cost at 1 January 2012	11,353	25,008	12,395	9,036	0	57,792
Additions	0	380	343	0	11	734
Disposals	0	0	-62	0	0	-62
Cost at 31 December 2012	**11,353**	**25,388**	**12,676**	**9,036**	**11**	**58,464**
Depreciation at 1 January 2012	-8,730	-23,008	-11,758	-8,517	0	-52,013
Depreciation	-1,192	-1,611	-534	-283	0	-3,620
Depresiation regarding assets disposed of	0	0	62	0	0	62
Depreciation at 31 December 2012	**-9,922**	**-24,619**	**-12,230**	**-8,800**	**0**	**-55,571**
Carrying amount at 31 December 2012	**1,431**	**769**	**446**	**236**	**11**	**2,893**
Assets held under finance leases	999	507	78	0	0	1,584

Note 14. Property, plant and equipment (continued)

	Production equipment DKK'000	Laboratory equipment DKK'000	Fixtures and fittings DKK'000	Leasehold improve-ments DKK'000	Tangible assets under construction DKK'000	Property, plant and equipment DKK'000
Property, plant and equipment 2011 (Group)						
Cost at 1 January 2011	9,944	27,818	13,344	10,004	9	61,119
Exchange rate adjustment	0	66	27	28	0	121
Additions	1,408	22	189	202	0	1,821
Transfers	0	-31	1	-2	0	-32
Disposals	0	-684	-172	0	-9	-865
Cost at 31 December 2011	**11,352**	**27,191**	**13,389**	**10,232**	**0**	**62,164**
Depreciation at 1 January 2011	-7,174	-22,627	-11,384	-8,634	0	-49,819
Exchange rate adjustment	0	-42	-17	-16	0	-75
Transfers	0	3	2	-1	0	4
Depreciation	-1,556	-2,744	-1,289	-830	0	-6,419
Depreciation regarding assets disposed of	0	557	80	0	0	637
Depreciation at 31 December 2011	**-8,730**	**-24,853**	**-12,608**	**-9,481**	**0**	**-55,672**
Carrying amount at 31 December 2011	**2,622**	**2,338**	**781**	**751**	**0**	**6,492**
Assets held under finance leases	1,740	1,102	401	0	0	3,243
Property, plant and equipment 2011 (parent)						
Cost at 1 January 2011	9,944	24,986	12,206	8,834	9	55,979
Additions	1,409	22	189	202	0	1,822
Disposals	0	0	0	0	-9	-9
Cost at 31 December 2011	**11,353**	**25,008**	**12,395**	**9,036**	**0**	**57,792**
Depreciation at 1 January 2011	-7,174	-20,850	-10,647	-7,946	0	-46,616
Depreciation	-1,556	-2,158	-1,111	-571	0	-5,396
Depreciation at 31 December 2011	**-8,730**	**-23,008**	**-11,758**	**-8,516**	**0**	**-52,012**
Carrying amount at 31 December 2011	**2,623**	**2,000**	**637**	**520**	**0**	**5,780**
Assets held under finance leases	1,740	1,102	401	0	0	3,243

Note 15. Investment in subsidiaries

Parent			Group	
2011 DKK'000	2012 DKK'000		2012 DKK'000	2011 DKK'000
15,051	15,051	Cost at 1 January		
0	0	Capital injection in subsidiaries		
0	0	Disposals		
15,051	**15,051**	**Cost at 31 December**		
0	0	Impairment at 1 January		
0	0	Impairment regarding assets disposed		
0	**0**	**Impairment at 31 December**		
15,051	**15,051**	**Carrying amount at 31 December**		

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

Note 16. Inventories

Parent			Group	
2011 DKK'000	2012 DKK'000		2012 DKK'000	2011 DKK'000
4,637	4,598	Raw materials and consumables	4,609	4,644
8,969	7,250	Manufactured goods and goods for resale	8,077	10,392
13,606	**11,848**		**12,686**	**15,037**

Note 17. Trade receivables

Parent			Group	
2011 DKK'000	2012 DKK'000		2012 DKK'000	2011 DKK'000
14,406	14,988	Trade receivables 31 December (gross)	20,788	17,810
-212	-18	Write-down for expected losses 1 January	-128	-324
-5	-93	Write-down for expected losses during the year	-135	-64
199	18	Reversal of previous write-downs for expected losses	67	260
-18	-93	Write-down for expected losses 31 December	-196	-128
14,388	**14,895**	**Trade receivables 31 December (net)**	**20,592**	**17,682**
		Ageing of past due but not impaired:		
5,605	2,823	Up to 30 days	4,209	6,380
367	992	30 to 90 days	1,042	511
50	96	90 to 180 days	97	59
27	0	More than 180 days	0	28
6,049	**3,911**		**5,348**	**6,978**

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	
2011 DKK'000	2012 DKK'000		2012 DKK'000	2011 DKK'000
2,947	3,894	Receivables from Group company 31 December	-	-

Note 19. Other receivables

Parent			Group	
2011 DKK'000	2012 DKK'000		2012 DKK'000	2011 DKK'000
389	700	Receivables from grant owners	713	398
389	**700**		**713**	**398**

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

Note 20. Share capital

Parent			Group	
2011 DKK'000	2012 DKK'000		2012 DKK'000	2011 DKK'000
33,335	35,069	No. of shares at 1 January		
1,667	1,805	Capital increase		
67	-	Warrant exercises		
35,069	**36,874**	**No. of shares at 31 December**		

The share capital consists of 36,874,082 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.

Changes in share capital

Parent	2008 DKK'000	2009 DKK'000	2010 DKK'000	2011 DKK'000	2012 DKK'000
Number of shares at 1 January	24,441	30,298	30,305	33,335	35,069
Capital increase	5,550		3,030	1,667	1,805
Issue of bonus shares					
Warrant exercise	307	7		67	
Number of shares at 31 December	**30,298**	**30,305**	**33,335**	**35,069**	**36,874**

Note 21. Treasury shares

	No. in '000	Nominal value DKK'000	% of share capital
Treasury shares at 1 January 2012	5	5	0.01
Acquisition of treasury shares	-	-	-
Sale of treasury shares	-	-	-
Treasury shares at 31 December 2012	**5**	**5**	**0.01**
Treasury shares at 1 January 2011	5	5	0.01
Acquisition of treasury shares	-	-	-
Sale of treasury shares	-	-	-
Treasury shares at 31 December 2011	**5**	**5**	**0.01**

Note 22. Deferred tax assets

Parent			Group	
2011 DKK'000	2012 DKK'000		2012 DKK'000	2011 DKK'000
-751	540	Intangible assets	540	-751
1,152	2,603	Property, plant and equipment	2,888	1,857
-179	0	Research and development costs	0	-179
1,862	1,343	Prepayments received	1,343	1,862
2,084	**4,486**	**Temporary differences**	**4,771**	**2,789**
116,812	108,592	Tax loss carry-forwards	110,559	120,500
118,896	**113,078**	**Deferred tax asset at 31 December**	**115,330**	**123,289**
-118,896	-113,078	Unrecognized tax asset	-113,078	-118,896
0	**0**	**Recognized tax asset at 31 December**	**2,252**	**4,393**

The Group offsets tax assets and liabilities if and only if it has legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authorities.

Tax losses can be carried forward indefinitely under current tax legislation.

Exiqon A/S

The parent company has generated losses in the past few years. As it is still uncertain whether the deferred tax asset can be utilized, the asset has not been recognized in the financial statements for 2012.

Exiqon Inc.

As of 31 December 2012, Exiqon has capitalized tax asset DKK 2.3 million in the wholly owned US subsidiary Exiqon, Inc. Continuing growth in the US market implies that the criteria for future utilization are fulfilled. The tax asset is expected to be utilized within 5 years (DKK 0.6 million within 1 year). The local US tax rates are applied in the calculation which averagely corresponds to 34%.

Note 23. Finance lease liabilities

	Lease payment		Present value of lease payments	
Group	2012 DKK'000	2011 DKK'000	2012 DKK'000	2011 DKK'000
Due within one year from the balance sheet date	1,829	2,855	1,775	2,657
Due in 1-5 years from the balance sheet date	83	1,779	83	1,725
	1,912	**4,634**	**1,858**	**4,382**
Amortization premium for future expensing	-54	-252		
	1,858	**4,382**		
Parent				
Due within one year from the balance sheet date	1,829	2,855	1,775	2,657
Due in 1-5 years from the balance sheet date	83	1,779	83	1,725
	1,912	**4,634**	**1,858**	**4,382**
Amortization premium for future expensing	-54	-252		
	1,858	**4,382**		

Group	Currency	Expiry	Fixed/ floating	Effective interest rate %	Present value of lease payments DKK'000	Fair value DKK'000
Finance lease liabilities, production equipment	DKK	2013-14	Fixed	0-8	1,858	1,912
31 December 2012					**1,858**	**1,912**
Finance lease liabilities, production equipment	DKK	2012-14	Fixed	0-8	4,382	4,634
31 December 2011					**4,382**	**4,634**

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	2013-14	Fixed	0-8	1,858	1,912
31 December 2012					**1,858**	**1,912**
Finance lease liabilities, production equipment	DKK	2012-14	Fixed	0-8	4,382	4,634
31 December 2011					**4,382**	**4,634**

Note 24. Operating lease liabilities

Parent			Group	
2011 DKK'000	2012 DKK'000		2012 DKK'000	2011 DKK'000
		Lease payments included in the income statement		
4,570	4,937	Rent commitment	5,476	5,755
		Total future minimum lease payments for non-terminable leases fall due as follows:		
4,375	4,423	Within one year of the balance sheet date	5,172	4,912
15,736	12,018	2-5 years after the balance sheet date	13,939	17,883
0	0	More than 5 years after the balance sheet date	0	0
20,111	**16,441**		**19,111**	**22,795**

Rent commitments are entered into for a minimum of 6 months up to 5 years with fixed payments, which are yearly price-adjusted. The agreements are interminable in the mentioned period and can afterwards be extended for periods between 6 months and up to a year.

Note 25. Change in working capital

Parent			Group	
2011 DKK'000	2012 DKK'000		2012 DKK'000	2011 DKK'000
-3,421	1,758	Change in inventories	2,330	-3,036
-32,639	-22,182	Change in receivables	-4,480	3,294
-6,121	-1,006	Change in trade payables etc.	-2,025	-10,693
27,351	21,109	Change in loan from Group Companies	0	0
-14,830	**-321**		-4,175	-10,435

Note 26. Non-cash adjustments

Parent			Group	
2011 DKK'000	2012 DKK'000		2012 DKK'000	2011 DKK'000
-229	-3	Gain and loss on the sale of non-current assets	-3	-401
-229	**-3**		**-3**	**-401**

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 10 million recognized as borrowings is secured upon a business mortgage ("virksomhedspant") relating to Exiqon A/S' intangible assets, property, plant and equipment, inventories and receivables amounting to DKK 46.5 million.

Note 28. Financial risks

Categories of financial instruments

Parent			Group	
2011 DKK'000	2012 DKK'000		2012 DKK'000	2011 DKK'000
15,051	15,051	Investment in subsidiaries	0	0
0	0	Deferred tax assets	2,252	4,393
1,855	1,534	Deposit	1,749	2,073
14,388	14,895	Trade receivables	20,592	17,682
2,947	3,894	Receivables from group companies	-	-
389	1,950	Other receivables	1,963	398
8,307	15,965	Cash and cash equivalents	17,493	12,151
42,937	**53,289**	**Cash and receivables**	**44,049**	**36,697**
2,657	1,775	Finance lease liabilities	1,775	2,657
8,720	9,393	Trade payables	10,132	10,371
10,097	10,078	Short term bank loan	10,078	10,097
2,142	3,995	Payables from group companies	-	-
10,528	9,924	Other payables	10,735	11,562
34,144	**35,165**	**Financial liabilities**	**32,720**	**34,687**

Policy for managing financial risks

The parent company manages the Group's financial risks centrally and co-ordinates the Group's cash management, including capital procurement and investment of excess cash. The Group's follows a finance policy, approved by the Board of Directors, based on a low risk profile so that currency, interest rate and credit risk 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 2012.

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.

Credit risks

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

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	6,514	2,304	-13,541	-4,723
EUR	2,960	5,963	-5,960	2,963
DKK	8,018	13,877	-17,911	3,984
Other currencies	1	411	-460	-48
31 December 2012	**17,493**	**22,555**	**-37,872**	**2,176**
USD	4,446	4,345	-11,861	-3,070
EUR	1,579	5,864	-3,538	3,906
DKK	6,093	7,463	-26,434	-12,878
Other currencies	33	408	-513	-72
31 December 2011	**12,151**	**18,080**	**-42,345**	**-12,114**

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	4,986	488	-15,982	-10,508
EUR	2,960	5,963	-5,960	2,963
DKK	8,018	13,877	-17,911	3,984
Other currencies	1	411	-460	-48
31 December 2012	**15,965**	**20,739**	**-40,313**	**-3,609**
USD	603	3,989	-11,317	-6,725
EUR	1,579	5,864	-3,538	3,906
DKK	6,093	7,463	-26,423	-12,867
Other currencies	32	408	-514	-74
31 December 2011	**8,307**	**17,724**	**-41,792**	**-15,761**

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

Fluctuations in the exchange rate of 10% for USD against DKK can be expected to impact the Group's net result by 3% against 3% in 2011 and the equity by 1% against 2% in 2011.

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	17,493	0	0	17,493	0	2-6
Short term bank loan	-10,078	0	0	-10,078	0	2-6
Lease arrangements	-1,775	-83	0	-1,858	-1,858	0-8
31 December 2012	**5,640**	**-83**	**0**	**5,557**	**-1,858**	
Bank deposits	12,151	0	0	12,151	0	2-6
Short term bank loan	-10,097	0	0	-10,097	0	2-6
Lease arrangements	-2,657	-1,725	0	-4,382	-4,382	0-8
31 December 2011	**-603**	**-1,725**	**0**	**-2,328**	**-4,382**	

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	15,965	0	0	15,965	0	2-6
Short term bank loan	-10,078	0	0	-10,078	0	2-6
Lease arrangements	-1,775	-83	0	-1,858	-1,858	0-8
31 December 2012	**4,112**	**-83**	**0**	**4,029**	**-1,858**	
Bank deposits	8,307	0	0	8,307	0	2-6
Short term bank loan	-10,097	0	0	-10,097	0	2-6
Lease arrangements	-2,657	-1,725	0	-4,382	-4,382	0-8
31 December 2011	**-4,447**	**-1,725**	**0**	**-6,172**	**-4,382**	

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 limited impact on the Group's net result or equity.

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.

Note 28. Financial risks (continued)

Parent			Group	
2011 DKK'000	2012 DKK'000		2012 DKK'000	2011 DKK'000
		Not impaired not due receivables are distributed as follows:		
7,354	8,907	Europe	8,907	7,354
0	0	North America	4,260	2,365
985	2,077	Rest of world	2,077	985
8,339	**10,984**		**15,244**	**10,704**

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 2011.
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:

	2012 DKK'000	2011 DKK'000
Cash and cash equivalents	17,493	12,151
Credit facilities	0	0
Capital resource	**17,493**	**12,151**

Note 29. Related parties

No third party has control over Exiqon A/S.
Related parties exercising significant influence comprise Exiqon A/S' Management and Board of Directors including their families and including companies in which members of management and Board of Directors exercise a significant influence. Other related parties comprise the subsidiary Exiqon, Inc.

Remuneration etc. paid to Board of Directors, Management and key management personal
For information on remuneration paid to the Group's Board of Directors, Management and key management personal, see note 5.

Other related party transactions in 2012
Transactions with group companies comprised invoicing of contract work in the total amount of DKK 1,123 thousand.

Other related party transactions in 2011
Transactions with group companies comprised invoicing of contract work in the total amount of DKK 613 thousand.

Note 30. Events after the reporting period

There have been no material events after 31 December 2012 that have a bearing on the understanding of these consolidated financial statements.

Note 31. Approval of Annual Report

The Annual Report were approved by the board of directors and authorized for issue on 6 February 2013. The Annual Report is submitted for approval on the Annual General Meeting on 4 April 2013.

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