Annual Report 2013

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Contents

Exiqon

Exiqon operates in two business segments. Exiqon Life Sciences has established a position for itself as one of the market's leading providers of miRNA (microRNA) research products for gene expression analysis. Exiqon Diagnostics develops novel molecular diagnostic tests for early detection of cancer and stratification of patients to help physicians when making treatment decisions.

Exiqon's products are reagents and kits used by academia and the pharmaceutical industry in biological research and development of novel medicines and molecular diagnostic tests.

Our business is based on Exiqon's proprietary LNA™ detection technology that allows for products with higher specificity and sensitivity, enabling a more precise identification of target molecules than alternative chemistries. We combine our proprietary LNA™ technology with unique bioinformatics tools to provide an exceptional value proposition for our customers. We target customers dedicated to quality in their research and development programs.

The markets for our products vary in size and dynamics depending on biology and technology. Exiqon has initially focused on gaining a leading position as one-stop supplier in the small and rapidly emerging market for miRNA. From this position we have expanded our qPCR product offering during 2013 to include products for the analysis of mRNA (messenger RNA) and lncRNA (long non-coding RNA), which are larger and mature markets. In 2013 we also took first steps to add Next Generation Sequencing technologies to our product offering.

Exiqon has formed strong alliances with top suppliers, distributors and service providers throughout the world to achieve our goal of becoming the preferred supplier of products for RNA analysis to leading academic groups and pharmaceutical companies.

In collaboration with principal hospitals, we use our proprietary technologies and bioinformatics tools to develop groundbreaking novel diagnostic tests that address large unmet needs. In 2013 we extended our diagnostic pipeline to include programs for prostate cancer and a program for the development of a "Danish Next Generation Sequencing and Bioinformatics platform for precision medicine". Our strategy is to market positive results from Exiqon's diagnostic programs in collaboration with world-leading diagnostic companies that can help ensure their commercial success.

The investment opportunity

Exiqon A/S ('EXQ') is listed on NASDAQ OMX in Copenhagen.

Our summarized investment proposition is the following:

- Established top tier provider of miRNA research products with expected double digit growth:
  - Short-term potential for RNA qPCR products, LNA™ longRNA GapmeRs and Next Generation Sequencing services
  - Mid-term potential in applied markets (e.g. toxicological analysis) and LNA™ products for Next Generation Sequencing
  - Long-term diagnostic potential (colorectal and prostate cancer)

- Attractive Risk/Reward profile for the development of groundbreaking novel molecular diagnostic tests to be marketed in collaboration with world-leading diagnostic companies.

- Financed until expected profitability.

Five-Year Key Figures and Ratios

(DKK'000 except key figures)	2013	2012	2011	2010	2009
Income statement					
Revenue	123,584	117,400	111,458	93,510	82,247
Production costs	-48,132	-50,186	-49,296	-45,424	-41,785
Gross profit	75,452	67,214	62,162	48,086	40,462
Research and development costs	-24,253	-22,259	-22,954	-30,204	-113,971
Sales and marketing costs	-41,261	-37,894	-34,043	-35,801	-44,132
Administrative expenses	-18,718	-18,838	-19,435	-22,297	-30,039
EBITDA *)	-4,100	-4,371	-5,081	-30,216	-67,386
Special items	0	0	-14,200	0	0
Operating profit/(loss) (EBIT)	-8,780	-11,777	-28,470	-40,216	-147,680
Profit/(loss) from continued operations	-10,682	-14,595	-24,894	-42,115	-146,596
Profit/(loss) from discontinued operations	0	0	0	-1,427	-192,077
Profit/(loss) for the year	-10,682	-14,595	-24,894	-43,542	-338,818
Total Comprehensive profit/(loss) for the year	-10,997	-13,905	-25,626	-57,605	-345,155
Balance sheet					
Assets					
Intangible assets	61,139	61,576	63,633	64,643	63,698
Property, plant and equipment	4,361	3,142	6,492	11,299	18,440
Total non-current assets	69,037	68,719	76,591	78,181	84,737
Cash and cash equivalents	29,190	17,493	12,151	18,184	45,496
Current assets	58,973	53,470	45,910	51,216	74,542
Assets classified as held for sale	0	0	0	0	16,032
Total assets	128,010	122,189	122,501	129,397	175,311
Equity and liabilities					
Equity	76,219	84,317	80,158	84,667	121,600
Non-current liabilities	15,258	83	1,725	3,631	7,196
Current liabilities	36,533	37,789	40,618	41,098	46,515
Total liabilities	51,791	37,872	42,343	44,730	53,711
Total equity and liabilities	128,010	122,189	122,501	129,397	175,311
Cash flow and investments					
Depreciation, amortization and impairment	4,670	7,402	9,267	10,000	80,937
Cash flows from operating activities	3,228	-5,411	-30,509	-22,453	-67,468
Acquisition of intangible assets and property, plant and equipment	-4,638	-1,604	-2,098	-3,801	-3,732
Cash flows from investing activities	-4,438	-1,601	-1,697	-3,801	-3,732
Cash flows from financing activities	12,992	12,590	24,575	14,291	-4,146
Cash flows from discontinued operations	0	0	0	-16,986	-52,345
Cash and cash equivalents at 31 December	29,190	17,493	12,151	18,184	45,497
Key figures					
Number of shares, average	36,874,082	35,991,281	34,193,409	31,841,002	30,300,181
Basic EPS continued operations (DKK)	-0.29	-0.41	-0.73	-1.32	-4.84
Diluted EPS continued operations (DKK)	-0.29	-0.41	-0.71	-1.28	-4.84
Gross margin	61.1%	57.3%	55.8%	51.4%	49.2%
Assets / Equity	1.68	1.45	1.53	1.53	1.44
Average number of employees	80	73	71	76	109
Market price per share (DKK)	8.2	8.3	9.6	9.5	6.8
Market capitalisation (DKK million)	300.5	291.1	336.7	316.7	206.1
Price / net asset value	3.94	3.45	4.20	3.74	1.69
Net interest bearing debt / Equity	-0.05	-0.07	0.03	-0.13	-0.28
Net interest bearing debt / EBITDA	0.86	1.27	-0.12	0.36	0.50
Interest coverage	0.38	-0.04	-4.36	-29.34	-58.99

*) EBITDA (defined as Earnings Before Special Items, Interest, Tax, Depreciation and Amortization) includes non-cash cost of share-based payment in 2013 with tDKK 2,899.

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.

2013 Highlights

During the year 2013 Exiqon transitioned from being a provider of primarily miRNA research tools to include mRNA and lncRNA in our core product offering. Researchers who study specific developmental or disease pathways can now use Exiqon's products to profile miRNA interactions with target mRNAs and lncRNAs in the same experiment.

Facilitated by a company bond issue of DKK 15 million on 1 March 2013, Exiqon Life Sciences announced its plans to add Next Generation Sequencing to the company's product offering. On 30 May 2013 Exiqon Diagnostics was awarded a new grant by the Danish Technology Foundation to develop the 'Danish Next Generation Sequencing and Bioinformatics platform for Precision Medicine'. In combination, these initiatives allow Exiqon to expand its current business model to incorporate the LNA™ technology for use in Next Generation Sequencing and establish an additional source of future revenue growth.

On 16 August 2013 Exiqon Diagnostics updated expected time lines for the presentation of data in the programs for early detection of colorectal cancer and risk of recurrence for stage II colon cancer patients. In both programs we expect data to be published in 2014.

Operational highlights

- On 19 March 2013 Exiqon launched LNA™ longRNA GapmeR products for specific and efficient inhibition of mRNA and lncRNA.

- On 30 May, 2013 Exiqon was awarded a 5-year grant of DKK 12 million within a total consortium budget of DKK 39 million by the Danish Technology Foundation to develop a "Danish Next Generation Sequencing and Bioinformatics platform for precision medicine".

- On 15 April 2013 Exiqon launched miRSearch V2.0, an online search tool for rapid retrieval of miRNA information and related mRNA and lncRNA information.

- On 18 April 2013 Exiqon launched the 3rd generation of their miRNA qPCR Focus Panel for preclinical toxicology research.

- On 10 June 2013 Exiqon and Asuragen signed a Service Center Agreement, allowing Asuragen to provide real-time PCR services based on Exiqon's miRCURY LNA™ Universal RT microRNA PCR products.

- On 27 June 2013 Exiqon launched miRCURY LNA™ microRNA Target Site Blocker products for efficient and specific blocking of miRNA binding.

- On 3 September 2013 Exiqon launched an extension to the LNA™ longRNA GapmeR product line with the launch of a novel online bioinformatics tool for the design of custom LNA™-gapmer antisense oligonucleotides for specific and efficient inhibition of mRNA and lncRNA.

- On 21 November 2013 Exiqon launched fully customizable qPCR arrays that allow for simultaneous detection of any miRNA, mRNA and lncRNA.

- On 9 December 2013 Exiqon announced that short term supply problems would affect the company's full year results and revised its guidance for 2013.

Financial highlights

- Revenue increased 5% to DKK 123.6 million (DKK 117.4 million), driven primarily by a 7% increase in sales of the company's own proprietary life sciences products and services to DKK 96.7 million (DKK 90.7 million).

- Gross profit improved 12% to DKK 75.5 million (DKK 67.2 million) driven primarily by supply chain optimizations and increased product sales.

- Total operating expenses increased 7% to DKK 84.2 million (DKK 79.0 million) primarily as a result of increased Sales & Marketing costs and preparatory steps to support the planned 2014 launch of Next Generation Sequencing Services.

- EBIT improved 25% to DKK –8.8 million.

- Net result was DKK -10.7 million (DKK-14.6 million).

- EPS amounted to DKK –0.29 (DKK –0.41).

Business Model

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

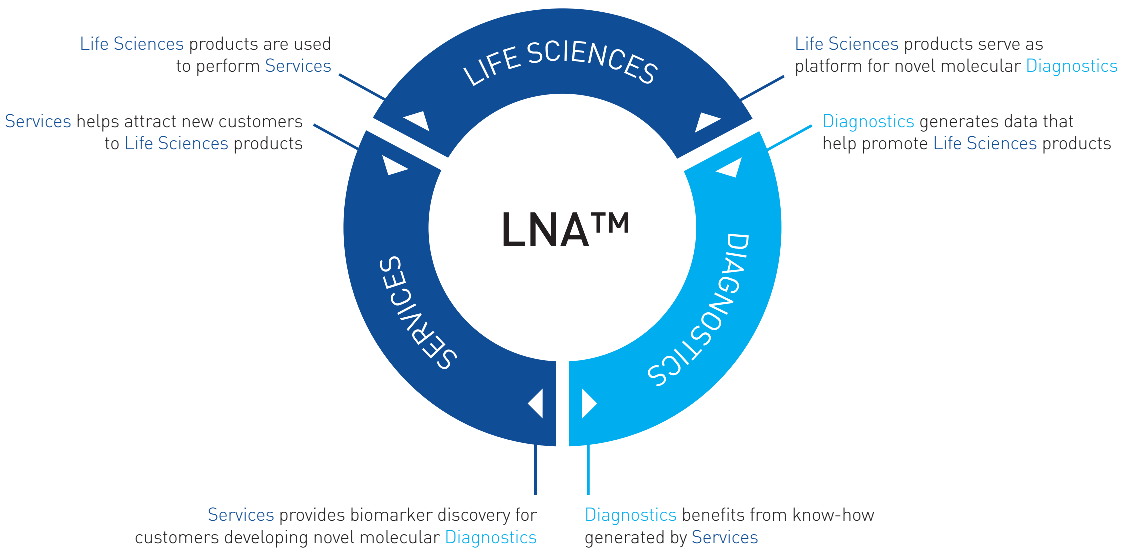
Exiqon Life Sciences generates revenue through the sale of products and services worldwide.

Exiqon Diagnostics pursues biomarker discovery using Exiqon Life Sciences' products as the platform for development of novel molecular diagnostic tests in collaboration with principal hospitals. The publication of results promotes the use of miRNAs and other RNAs as biological markers which, in turn, supports the demand for Exiqon Life Sciences' products and services.

Exiqon Services offers customers ease of use in their discovery work and the benefit of Exiqon's vast experience with RNA profiling. Exiqon Services utilizes the skilled resources of Exiqon Diagnostics that synergistically benefits from the know-how developed in service collaborations with our customers.

Exiqon's business model is highly scalable and during 2013 was used to embrace new biology including mRNA and lncRNA. In addition new technologies within Next Generation Sequencing were added to complement Exiqon's proprietary LNA™ technology in both operating segments.

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 or diagnostic use.

Business Strategy

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

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 the LNA™ technology.

From this position, we have expanded our product offering during 2013 to include other markets for gene expression analysis, including mRNA and lncRNAs, thereby leveraging our existing technologies, organization and customer base to support future growth in new markets.

We plan to continue expanding our product offering in coming years and to include new technologies, most notably Next Generation Sequencing technologies. Our initial focus will be to offer services for miRNA sequencing followed by other RNA sequencing and eventually DNA sequencing. In parallel we plan to develop and market new kits incorporating the LNA™ technology for use in Next Generation Sequencing by our customers.

In 2013 Exiqon Diagnostics was awarded a grant as part of a consortium by the Danish Technology Foundation to develop the 'Danish Next Generation Sequencing and Bioinformatics platform for Precision Medicine'. In combination, these initiatives will allow us to develop company know-how and establish an important new source of revenue.

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 increase of the company's current share capital is planned to reach these goals.

Our immediate strategy is to achieve these goals through organic growth of our life science research product sales. We believe this growth will be achieved through dedicated service to our customers as they seek to find and verify an increasingly deeper understanding of the biology of RNAs, including sncRNA, miRNA, mRNA and lncRNAs.

In our strategy, we prioritize expanding the market for our PCR systems and products for functional analysis as the understanding of the role that RNAs play in biological processes and diseases such as cancer, heart disease and neurological disorders continue to grow.

Exiqon Life Sciences' services play a strategic role in attracting new customers to work closely together with Exiqon's world-leading scientists in the discovery of novel biomarkers and in helping to identify new product needs. Resources are shared with Exiqon Diagnostics.

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 readily available samples such as blood and urine. We finance projects through grants and collaborations to mitigate the risks associated with the development of novel molecular diagnostics. As we validate RNA signatures for diagnostic applications, and the value proposition of a given program becomes concrete, we plan to partner our programs to secure their commercial success in the market for diagnostics.

We believe gene expression analysis is likely to make a profound impact on clinical diagnoses. Exiqon Diagnostics' promising pipeline of novel molecular diagnostic tests holds promise to propel Exiqon to new heights of profitability and revenue growth in the long term.

We also capitalize on the LNA™ 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 licensed third-party product sales that incorporates the LNA™ technology.

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. This market is among the fastest growing segments of the market for nucleic acid analysis and accounted for annual reagent sales of an estimated $100 million in 2013.

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. We expect the market to continue growing approximately 15-20% in the coming years.

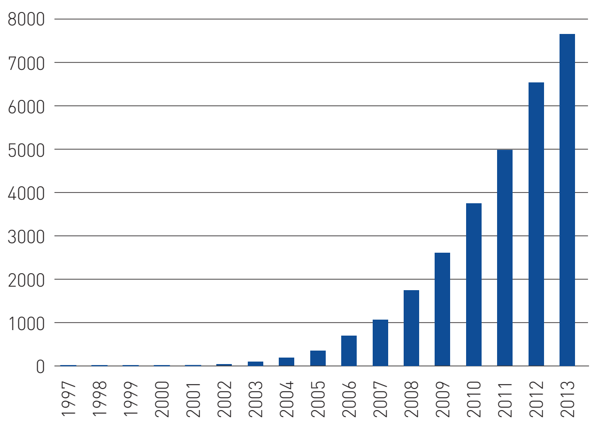
The increasing number of peer-reviewed scientific publications illustrates the growing interest in the miRNA field. In 2013 this number reached a record high, exceeding 7,500 publications.

Although the market for miRNA research tools is still young, it is dynamic with multiple platforms available to study miRNA expression levels. Most notably, microarrays have increasingly been replaced by Next Generation Sequencing in recent years.

Segmented by geography, North America accounts for approximately 45% of the world market, Europe for approximately 35% and Rest of World (including APAC) for approximately 20%.

The North American market is particularly sensitive to the budget of the National Institutes of Health (NIH) and other government-based research funding which were negatively affected in 2013.

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



APAC has gained share of the total market in recent years and this trend is expected to continue.

Next Generation Sequencing has taken market share in recent years and this trend we expect to continue.

Increasingly, customers are interested in the relationships between miRNAs and other RNAs, including most notably mRNA. The market for mRNA research products is a mature market worth around $1 billion in annual reagent sales with limited growth. Segmented by technology and geography, this market does not differ substantially from the miRNA market and customers are often pursuing research in both fields.

Isolation	Expression Analysis	Expression Analysis	Localization	Functional Analysis
miRNA	miRNA	miRNA	miRNA	miRNA
sncRNA	-	sncRNA	sncRNA	sncRNA
mRNA	-	mRNA	mRNA	mRNA
lncRNA	-	lncRNA	lncRNA	lncRNA

Products and services

Exiqon Life Sciences offers products addressing all steps in our customers' RNA research workflow.

On 8 July 2013 Frost & Sullivan recognized Exiqon as the recipient of the 2013 Company of the Year Award in Global microRNA Research Tools in light of the excellence that Exiqon has exhibited in the microRNA research field.

During 2013 we expanded our product offering for miRNA analysis to include a comprehensive portfolio of products for mRNA and lncRNA analysis. Across the areas of sncRNA, miRNA, mRNA and lncRNA, our product offering now includes sample preparation, qPCR products for expression analysis and products for functional analysis, including longRNA GapmeRs.

In addition to expanding our biological coverage, Exiqon Life Sciences plans to broaden its technology offer to include Next Generation Sequencing services in early 2014.

Exiqon was the first commercial miRNA service provider. 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.

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 Life Sciences' Product Launches in 2013

- On 19 March 2013 Exiqon launched its LNA™ longRNA GapmeR products for specific and efficient inhibition of mRNA and lncRNA.

- On 15 April 2013 Exiqon launched miRSearch V2.0, an online search tool for rapid retrieval of microRNA and related mRNA and lncRNA information. miRSearch is based on a simple and intuitive interface which allows easy identification of interesting miRNAs with direct links to relevant miRNA and mRNA/lncRNA products.

- On 18 April 2013 Exiqon launched the 3rd generation of their microRNA qPCR Focus Panel for preclinical toxicology research.

- On 27 June 2013 Exiqon launched its miRCURY LNA™ microRNA Target Site Blocker products for efficient and specific blocking of miRNA binding that enable researchers to study the biological consequences of blocking the microRNA interaction with a specific mRNA.

- On 3 September 2013 Exiqon launched an extension to the LNA™ longRNA GapmeR product line with the launch of a novel online bioinformatics tool for the design of custom LNA™-gapmer antisense oligonucleotides for specific and efficient inhibition of mRNA and lncRNA. The new online LNA™ gapmer design tool allows scientists to effortlessly design optimal LNA™ gapmers through a simple and intuitive interface.

- On 21 November 2013 Exiqon launched fully customizable qPCR arrays that allow for simultaneous detection of any miRNA, mRNA and lncRNA. This enables researchers studying specific developmental or disease pathways to profile miRNA interactions with target mRNA or lncRNA in the same experiment by combining LNA™ primers for miRNA, mRNA and lncRNA in one single qPCR panel.

Sales and marketing

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

An increasing product range helps Exiqon expand its customer base and supports future growth in products and services sales.

Exiqon Life Sciences has witnessed a compounded average growth rate of 21% year over year for the past five years.

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

Our own sales force works directly from our head office in Denmark and through our U.S. subsidiary to address the largest markets in North America and Europe. In Rest of World we market our products through distributors, including APAC for which we have entered in to a distributor agreement with Takara Bio, effective 1 January 2013, to ensure our presence in these increasingly important markets.

The web represents an important sales channel. During 2013 we significantly improved our web services by adding new bioinformatics tools that allow customers to design experiments and products to their own specification. We plan to continue strengthening our online bioinformatics tools in the coming years to increase customer value and sales.

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 its PCR products. Our current PCR manufacturing capacity allows us to meet significant future demand 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 their needs are considered when new products are developed 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 50 man-years have been invested in the development of proprietary bioinformatics tools that are used to develop new products.

Exiqon Diagnostics

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

Our diagnostic programs have all previously been based on Exiqon Life Sciences' highly specific and sensitive miRCURY LNA™ Universal RT PCR system. In 2013 we expanded our PCR platform considerably and with that our diagnostic ability to analyze other RNAs.

Importantly, on 30 May 2013 Exiqon Diagnostics was awarded a 5-year grant of DKK 12 million within a budget of DKK 39 million by the Danish Technology Foundation to develop a "Danish Next Generation Sequencing and Bioinformatics platform for precision medicine" together with Vejle Hospital, Intomics A/S and Center for Biological Sequencing at the Danish Technical University.

In parallel Exiqon Life Sciences is launching Next Generation Sequencing Services in early 2014 followed by a new line of kit products.

Implementation of a new technological platform - Next Generation Sequencing - will expand our diagnostic abilities to analyze RNAs.

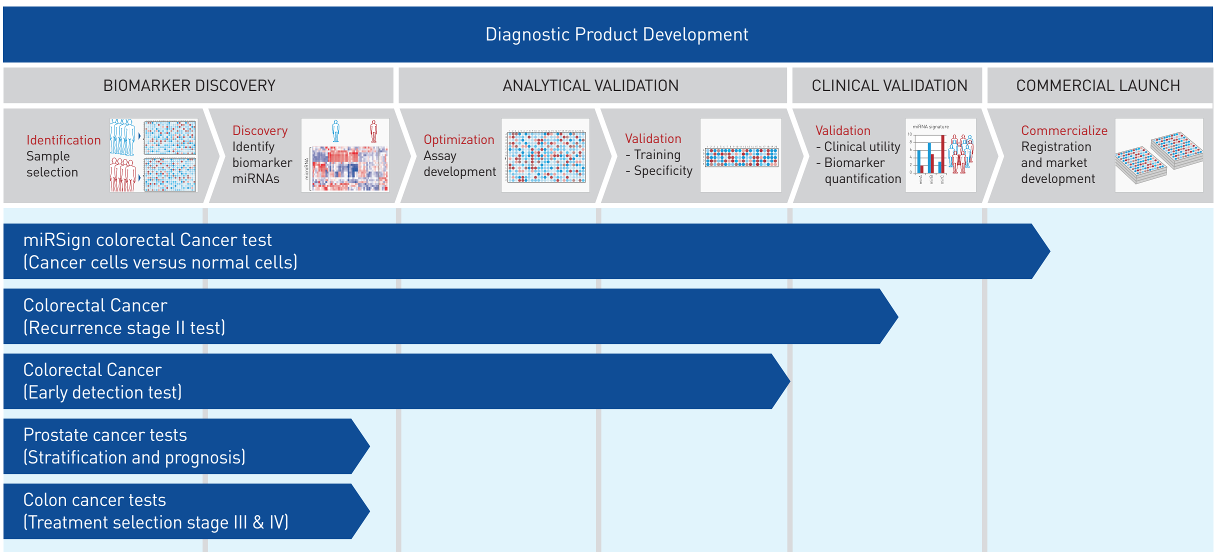
In combination these new initiatives will allow Exiqon to effectively incorporate Next Generation Sequencing into the company's business across segments.

Our present diagnostic programs represent a significant business opportunity in their own right. These scientifically-groundbreaking programs are at the forefront of miRNA research. The opportunity is matched by an inherent risk of failure if 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. The challenges and opportunities identified in this process are translated into new products for unmet market needs for Exiqon Life Sciences to address. This applies to existing as well as future programs. Moreover, data generated and results published from Exiqon Diagnostics' programs help promote interest for biomarker research in general, as well as the sale of Exiqon's Life Sciences products specifically.

All of Exiqon's diagnostic programs are third-party financed, typically through grants to consortiums in which Exiqon participates.

Diagnostic pipeline



Third-party financing, and the associated collaborative product development effort, helps mitigate financial and other risks pertaining to the development of novel diagnostic tests. The programs undergo a competitive independent third-party selection process which ensures that only programs that are scientifically sound and offer an attractive solution to large unmet market needs are pursued. Independent members of a consortium bring valuable know-how to specific programs which maximizes chances of success. The participation of hospitals in the consortiums ensure end-user buy-in to the tests being developed, thereby paving the way for commercial adoption of successfully developed tests.

Including the most recent grants, the total current consortium funding in which Exiqon participates amounts to DKK 239 million at year end 2013, and the total current funding of Exiqon under existing grants amounts to DKK 45 million with some program funding continuing until 2018.

As a result of this collaborative strategy, we believe Exiqon Diagnostics' pipeline represents a unique attractive risk-reward-profile to our shareholders.

In 2013 we made progress in all current programs and have initiated work on a new development program within prostate cancer:

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 Diagnostics has 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)*.

Exiqon plans to offer this product for sale on a Research Use Only (RUO) basis in the form of reagents and protocols in 2014.

Exiqon Diagnostics' Announcements in 2013

On 26 June 2013 Exiqon granted a non-exclusive license to an undisclosed commercial partner to use the LNA™ technology for specific infectious disease testing. Terms and conditions were not disclosed.

On 30 May 2013 Exiqon was awarded a 5-year grant of DKK 12 million within a total budget of DKK 39 million by the Danish Technology Foundation to develop a "Danish Next Generation Sequencing and Bioinformatics platform for precision medicine" together with Vejle Hospital, Intomics A/S and Center for Biological Sequencing at the Danish Technical University.

On 16 August 2013 Exiqon provided an update on status and timelines for its major diagnostic programs.

Colon cancer: 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.

Exiqon Diagnostics is part of a consortium that develops 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 promising data based on Exiqon's proprietary LNA™-based *in situ* hybridization (ISH) was published. In 2013 Exiqon has conducted a validation study using the company's miCURY LNA™ Universal RT microRNA PCR system to analyze the same samples. All samples have been analyzed and data from the study have been processed by our collaborative partner who expects to publish in the first half of 2014.

Provided product development is successful, our colon cancer stage II recurrence test may be commercially available by 2015.

Colorectal cancer - early detection
Colorectal cancer is the third most frequent cancer disease and the second most frequent cause of cancer-related mortality in the Western World.

The current recommendation for early detection of colorectal cancer is endoscopy every 5-10 years for individuals over the age of 50.

Exiqon Diagnostics is part of a consortium that develops a miRNA-based test for early detection of colorectal cancer that can be performed on a standard blood sample using Exiqon's proprietary PCR system. 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.

Recruitment for the prospective trial has been completed and totals approximately 5,000 individuals. The program will continue until 15 June 2014. Data is expected to be available for publication in the second half of 2014.

Provided product development is successful, a blood-based test for early detection of colorectal cancer may be commercially available by 2015.

The potential market in the Western World for a blood-based test for early detection of colorectal cancer is 287 million individuals annually, including 89 million in the U.S. and 1.6 million in Denmark.

Prostate cancer – stratification and prognosis
Prostate cancer is the most prevalent cancer in the male population in the world.

Early stage localized prostate cancer is curable by radical prostatectomy or radiation therapy; however, treatment is associated with risk of impotence and/or incontinence and reduced quality of life.

Exiqon Diagnostics is part of a consortium that developes a set of tests for prostate cancer using Exiqon's proprietary PCR platform. The consortium aims to profile miRNA, other RNA and methylated DNA to develop novel noninvasive (urine-based) or less invasive (biopsy-based) molecular diagnostic tests that can address major unmet clinical needs; (i) early detection of aggressive disease (when it is still curable); (ii) limit unnecessary initial and repeat prostate biopsy caused by exaggerated PSA testing and (iii) distinguish aggressive and nonaggressive prostate cancer at the time of PSA testing/biopsy to avoid overtreatment of clinically insignificant (nonaggressive) prostate cancer.

Provided product development is successful these tests will be commercially available by 2017.

Currently, PSA and PSA-related tests are the only approved tests for prostate cancer. Over 45 million PSA tests are performed annually, worldwide. Most of the tests are based on blood samples and are priced at around $50 per test, indicating a significant market potential of $2-3 billion. The potential market for a urine-based (less invasive) test with improved performance is therefore promising.

Development of miRNA-based diagnostics
The development of molecular diagnostic tests is complex and requires highly specialized skills.

The process of discovery and development of RNA-based diagnostics at Exiqon can be divided 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 RNA signatures related to early detection, prognosis/recurrence or treatment response in FFPE material, blood (serum and plasma) or urine. 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 RNA signature has been identified, typically on the basis of one or two discovery studies in limited samples, the 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.

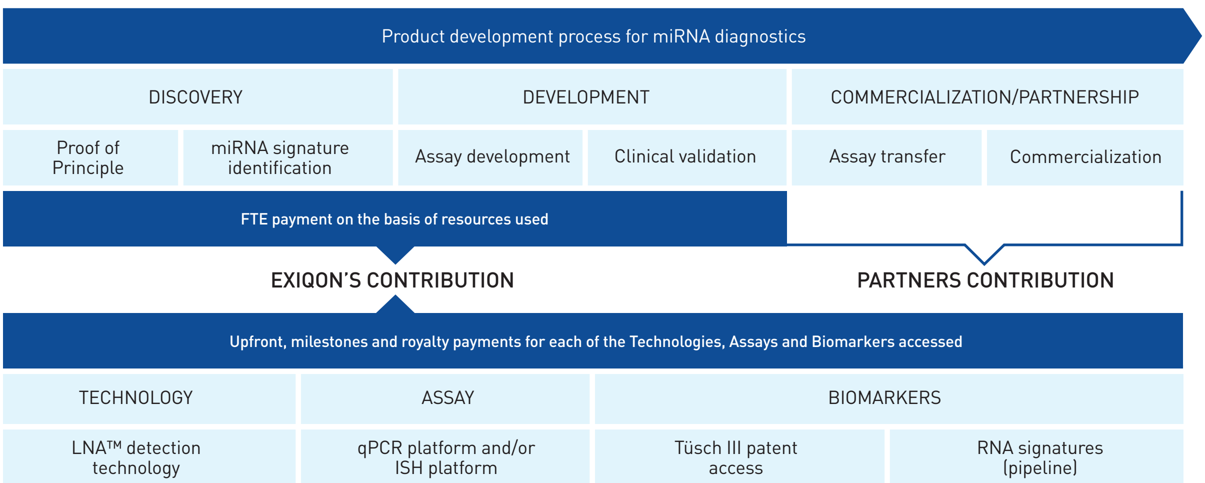
- Provided that the analytical validation process is concluded successfully, clinical validation and commercialization can begin. Initially, marketing material will make no clinical claims and the product will be sold for "Research Use Only" during the process of clinical validation. The product will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

Exiqon cannot control all aspects of its collaborative diagnostic programs. All communicated timelines must therefore be considered approximate.

Commercialization through partners
Exiqon Diagnostics relies on partners to develop its diagnostic programs and to commercialize any resulting tests. Partnering 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 diagnostic products into specific markets.

Partnerships may take on different forms and vary depending on the markets addressed, from test to test. This flexible approach allows us to optimize the chances of commercial success. Exiqon Diagnostics' contribution to the commercialization of novel diagnostic tests includes sample preparation, LNA™ detection technology, our PCR platform, intellectual property rights and access to the RNA profiles that we identify.

Partnership model



Business Risks

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

Despite our best 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 research of miRNA and other RNAs and the development of novel diagnostics) is complex and its future uncertain.

Specific business risks we face differ in our two operating segments, while some risks are shared:

Exiqon Life Sciences' business is predominantly characterized by commercial risks
Exiqon Life Sciences' products and services primarily target new markets and most products are based on new technologies or new approaches. Future demand is inherently uncertain. The life science markets are dynamic and intensely competitive. Our products risk becoming obsolete or subject to unfavorable price competition.

If we are not able to retain a high level of innovation and successfully develop and launch new products for research use, this may adversely affect the growth and sustainability of Exiqon Life Sciences' business. We seek to overcome our limited capital resources by focusing on developing products at minimum cost, prioritizing use of existing technologies for new applications that require little or no investment and by extensive use of bioinformatics to optimize product development.

Exiqon Life Sciences depends extensively on suppliers to manufacture and deliver raw materials and even some finished goods. If our current suppliers fail to honor their obligations towards Exiqon, this could 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 with the development of novel diagnostic tests by Exiqon Diagnostics are multiple and most fundamentally associated with the still unknown characteristics of miRNAs and other RNAs which are not yet fully understood. Exiqon Diagnostics seeks to mitigate the risks of its diagnostics efforts via careful selection and planning, and most importantly through participation in third-party-financed consortiums for all diagnostic development programs.

Exiqon Diagnostics' collaboration with third parties (such as hospitals, academic institutions or pharmaceutical companies) to develop novel molecular diagnostic tests may sometimes cause delays or obstruct the development of any given test within expected timelines.

Exiqon Diagnostics also depends on third parties to commercialize any successful results of our diagnostic programs. Exiqon Diagnostics may fail to convince potential partners to commercialize its tests 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 RNA-based diagnostics tests developed by Exiqon Diagnostics could adversely affect the sale and distribution of our products in any foreseeable future.

The more general risks, which Exiqon faces, include the following:

Risks of a financial nature
Exiqon's financial objectives may change over time, however, focus remains at all times on financial risks relating to revenue by source and segment, cost by function and segment, cash flows and capitalization. In consequence, these areas represent the primary source of financial risks and primary focus for risk management by Exiqon's Finance Department. Associated risks managed by the Finance Department include currency risks, risks associated with internal and external reporting (including risks of unqualified significant accounting estimates, assumptions and uncertainties) and risks pertaining to significant and unusual transactions (reliability), risks pertaining to compliance and risk of fraud and other unlawful behavior.

Exiqon's currency exchange risks relate primarily to the exchange rate between EUR 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.

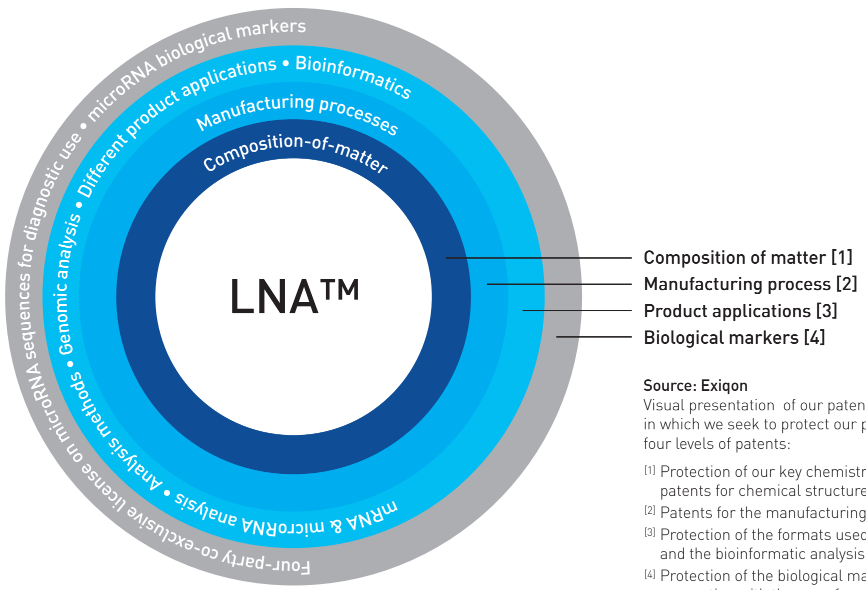
Risks associated with our employees
It will negatively impact our prospects if we cannot recruit and retain key employees.

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 Exiqon does not prevail in current or future patent litigations, we could incur substantial costs and expenses, substantial liability for damages or be required to stop specific product development activities or commercialization efforts.

Exiqon's patent strategy is designed to secure protection in several layers; from composition of matter, through manufacturing processes to the application of the LNA™ detection technology in our proprietary products. Our strategy is depicted below.

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.

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.


A1
EXIQON

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 by 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.

Internal financial risk management

Through Exiqon's internal financial controls the Finance Department seeks to reduce the risk of substantial errors and shortcomings in the reporting of financial information internally and externally and to ensure that accounts are prepared in accordance with IFRS and additional Danish disclosure requirements for listed companies.

Our internal control environment financial risk management measures are summarized below:

Financial control environment

Exiqon has established an organizational structure with few levels, clear reporting lines and segregation of functions and approval procedures. We have implemented standards and procedures for monthly internal financial reporting and controls to ensure an appropriate and efficient control environment. Exiqon's accounting manual and other reporting instructions are continuously updated. Exiqon's approval procedures and accounting instructions are posted on the company's intranet to which all employees have access. All finance and IT functions report to the company's CFO.

Financial control activities

Financial risks are identified and managed primarily through the preparation and follow-up on annual budgets, monthly internal reporting procedures, weekly follow-up on cash flows including trade receivables and daily use of Business Intelligence, including Key Performance Indicators (KPI's), which supports 'one truth' amongst all managers of the company at all times.

Financial information

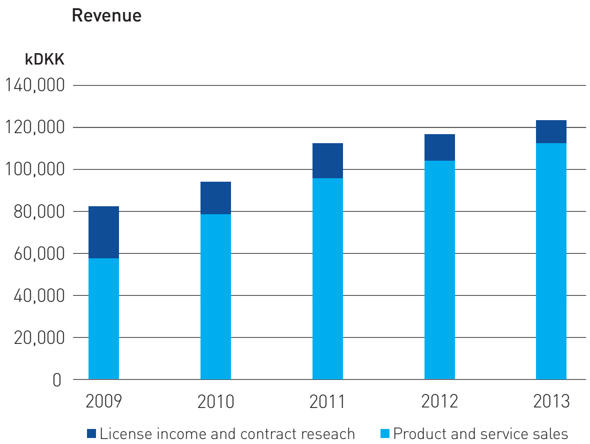
Real-time financial information is available to all managers within their respective area of responsibility via the company's Business Intelligence system on a daily basis. We report financial information to the Board of Directors on a monthly basis and we publish our result quarterly via NASDAQ OMX. All of Exiqon's external communications are approved by the Board of Directors and Executive Management prior to publication.

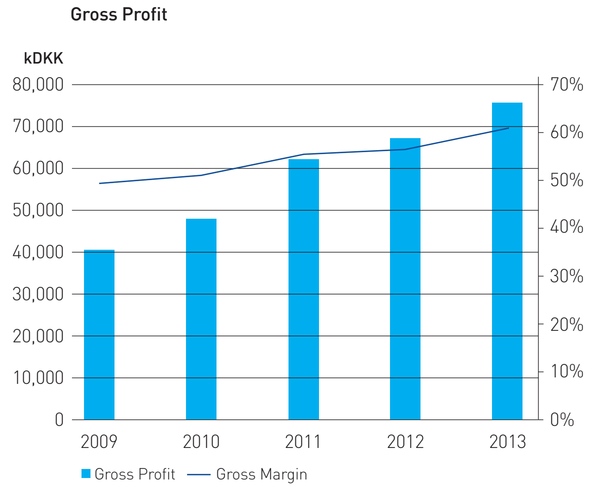
Review and assessment

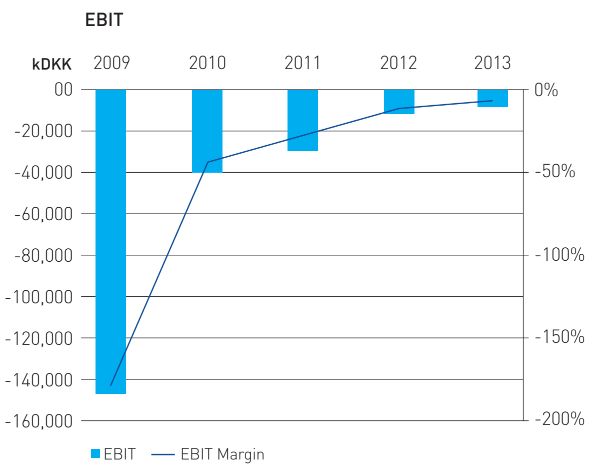
Risks associated with the financial reporting process are regularly assessed by Executive Management together with the Board of Directors. At least once a year, the Board of Directors reviews particular risk areas including changes in accounting policies, important accounting estimates and internal controls.

Financial Performance in 2013

2013 key figures in five-year perspective







2013 financial performance summarized

Realized figures for 2013 are noted below. Comparable figures for 2012 are stated in parenthesis. The average USD/DKK exchange rate applied to translate revenue and expenses was DKK 5.61 in 2013 (DKK 5.76).

In the table below, the company's realized performance in 2013 has been summarized and compared to the full-year guidance announced on 9 December 2013 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 2013 (USD/DKK 5.61)	Realized 2013 adjusted USD/DKK 5.50	Revised guidance 2013 (USD/DKK 5.50)
Revenue	123.6	122.7	125-128
EBITDA	-4.1	-4.5	~ -5
Cash flow from operating activities.	3.2	2.8	< 0

The company depends on continued growth in product sales to become profitable. In 2013, total revenue increased 5% to DKK 123.6 million (DKK 117.4 million), driven primarily by continued organic growth in the company's life sciences product sales.

Total operating expenses increased 7% to DKK 84.2 million (DKK 79.0 million).

EBIT improved 25% to DKK -8.8 million (DKK -11.8 million) including 2.9 million in costs of share based payments.

The net result for 2013 was DKK -10.7 million (-14.6 million). EPS amounted to DKK -0.29 in 2013 (DKK -0.41).

Operating activities generated a cash inflow of DKK 3.2 million in 2013 (DKK -5.4 million), while investing activities caused an outflow of DKK 4.4 million (DKK 1.6 million). Financing activities generated a cash inflow of DKK 13.0 million (DKK 12.6 million).

On December 31, 2013 cash and cash equivalents totaled DKK 29.2 million (DKK 17.5 million) including the company's credit facility.

The 2013 financial numbers are discussed in more detail below:

Revenue

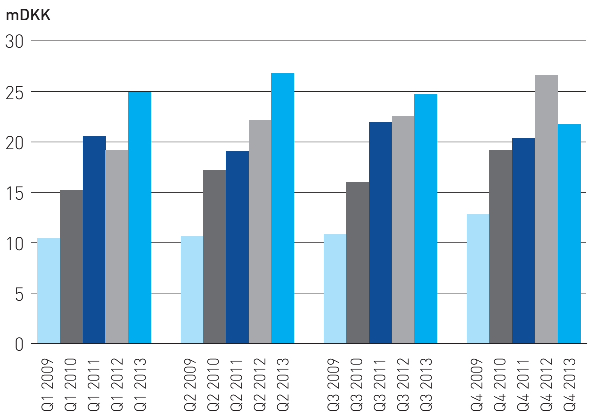
Revenue increased 5% to DKK 123.6 million in 2013 (DKK 117.4 million). Exiqon's revenue is comprised of various sources that are subject to different dynamics, with different short-, mid- and long-term growth potential. Exiqon Life Sciences' product sales constitute the majority of current revenue and the biggest short-term potential for growth.

The increase in 2013 revenue is attributable to a continued organic growth in Exiqon Life Sciences' product sales of 14% to DKK 96.6 million (DKK 85.0 million), driven primarily by the company's proprietary 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 include additional RNAs.

Exiqon Life Sciences' service sales declined 17% to 15.5 million (DKK 18.7 million) which is attributed to periodic deviations.

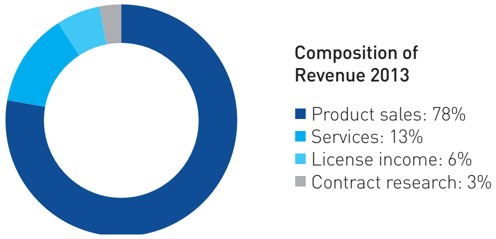
During 2013 Exiqon Life Sciences saw continued growth throughout the first three quarters. However, fourth quarter sales were negatively affected by supplier problems that caused a delay in shipment of open orders and led to an adjustment of the outlook for 2013. In the first three quarters of 2013 sales in North America increased 14% to DKK 34.3 million (DKK 30.1 million) following a revised sales strategy for the North American market in 2013. Although revenue levels are still not satisfactory, Management believes that sales will continue to improve in North America through 2014 and constitute approximately 40% of Exiqon Life Sciences product sales in 2014.

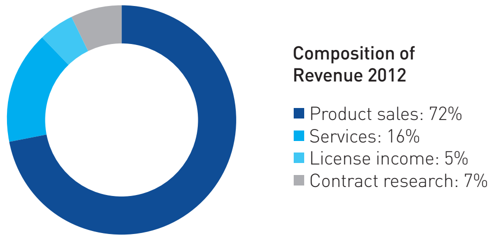
2013 product sales and services per quarter in five-year perspective



Royalty and license income, which includes third-party royalty payments to Exiqon under existing license agreements and upfront payments from new license agreements, accounted for DKK 7.7 million (DKK 6.0 million). In the future license income may include royalties from the sale of diagnostic products. However, in 2013 Exiqon Diagnostics generated all of its revenue of DKK 5.2 million (DKK 6.1 million) from grants.

The composition of revenue in 2013 compared to 2012 is summarized in the table below





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

Gross profit
In 2013 gross profit increased 12% to DKK 75.5 million (DKK 67.2 million).

In 2013 gross profit was affected by the scrapping of products that failed quality control and obsolete products that were scrapped representing a total cost of DKK 1.7 million (DKK 2.8 million). Exiqon Life Sciences gross margin was realized at 59.8% (55.6%) driven by higher volume in product sales and supply chain optimizations.

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 PCR products is sufficient to support four times current sales. 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 2013	Q2 2013	Q3 2013	Q4 2013	2013	2012
Revenue	**31,765**	**33,291**	**29,800**	**28,728**	**123,584**	**117,400**
Year over year change (%)	*33%*	*15%*	*-1%*	*-16%*	*5%*	
Revenue Life Sciences	30,832	30,446	29,176	27,911	118,365	111,262
Year over year change (%)	*37%*	*10%*	*4%*	*-15%*	*6%*	
Revenue Diagnostics	933	2,845	624	817	5,219	6,138
Year over year change (%)	*-37%*	*100%*	*-67%*	*-40%*	*-15%*	
Gross profit	**18,425**	**21,051**	**19,637**	**16,339**	**75,452**	**67,214**
Gross margin	*58.0%*	*63.2%*	*65.9%*	*56.9%*	*61.1%*	*57.3%*
Gross profit Life Sciences	17,633	18,195	19,280	15,663	70,771	61,857
Gross margin	*57.2%*	*59.8%*	*66.1%*	*56.1%*	*59.8%*	*55.6%*
Gross profit Diagnostics	792	2,856	357	676	4,681	5,357
Gross margin	*84.9%*	*100.4%*	*57.2%*	*82.7%*	*89.7%*	*87.3%*

Operating costs
Total operating costs increased 7% to 84.2 million in 2013 (DKK 79.0 million) and 7% to 81.3 million (DKK 76.1 million) when excluding expensed non-cash cost of share-based payment in 2013.

Research and development costs
In 2013, research and development costs increased 9% to DKK 24.3 million (DKK 22.3 million), driven primarily by investment in Next Generation Sequencing, in line with the company's strategy to deepen its product offering across segments, and extraordinary costs of litigation against Sankyo Co., Ltd. concerning intellectual property rights.

In 2013, research and development costs constituted 20% of total revenue (19%). 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 2013, Sales and Marketing costs increased 9% to DKK 41.3 million (DKK 37.9 million) as a result of new hirings.

General and administrative costs (net cost of share based payment) decreased 2% to DKK 15.9 million (DKK 16.2 million).

In 2013, SG&A costs constituted 49% 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 while expanding the company's product offering to include new biology markets and technologies.

Operating costs relative to revenue

DKK ’000	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013	2012
SG&A costs (net of share-based payment)	-14,308	-15,438	-12,901	-14,449	-57,096	-53,927
Year over year change (%)	*4%*	*14%*	*2%*	*4%*	*6%*	
Sales & marketing cost (net of share-based payment)	-10,143	-11,227	-9,543	-10,302	-41,215	-37,707
Year over year change (%)	*13%*	*14%*	*3%*	*8%*	*9%*	
Administrative costs (net of share-based payment)	-4,165	-4,211	-3,358	-4,146	-15,880	-16,220
Year over year change (%)	*-13%*	*13%*	*-2%*	*-3%*	*-2%*	
Share-based payment	-748	-718	-741	-676	-2,883	-2,805
SG&A costs total	-15,056	-16,156	-13,642	-15,125	-59,979	-56,732

EBIT/EBITDA

In 2013, EBIT totaled DKK -8.8 million (DKK -11.8 million). EBITDA totaled DKK -4.1 million (DKK -4.4 million) reflecting increasing depreciations in line with the company’s decision to invest in Next Generation Services. Our existing technologies have required little or no new investment in recent years.

Expensed non-cash costs of share-based payments totaled DKK 2.9 million in 2013 (DKK 2.9 million).

Financial items

Net financial expenses totaled DKK 2.7 million in 2013 (DKK 1.9 million) due to the issue of a company bond on 1 March 2013 and extension of the company’s credit line with associated interests. Financial income primarily consists of interest on fixed-term deposit accounts, while other financial expenses mainly consist of interest on finance leases and currency losses.

In addition to the company bond issue 1 March 2013 of DKK 15 million, Exiqon holds a credit facility of DKK 10 million. The company has no other debt except for trade payables and no risks associated with deferred financial instruments.

Tax for the year

Income taxes represented an income of DKK 0.8 million (DKK -0.9 million), primarily attributable to refund of the tax value of costs relating to research and development and deferred tax adjustments associated with tax losses carried forward in the company’s subsidiary.

Net result for the year

The net result for 2013 totaled DKK -10.7 million (DKK -14.6 million). The net loss for 2013 was in line with the revised expectations announced on 9 December 2013.

Consolidated statement of financial position

Assets

On 31 December 2013 the Group had total assets of DKK 128.0 million (DKK 122.2 million). Intangible assets amounted to DKK 61.1 million (DKK 61.6 million), property, plant and equipment to DKK 4.4 million (DKK 3.1 million), while current assets amounted to DKK 59.0 million (DKK 53.5 million).

Receivables totaled DKK 17.0 million (DKK 23.3 million). The customer base consists of universities and large pharmaceutical companies that represent little risk. In 2013 the realized loss on trade receivables totaled DKK 0.1 million (DKK 0.0 million).

Inventories totaled DKK 12.3 million (DKK 12.7 million). The reduced inventory value is attributable to improved turnover rates.

Equity

At the end of 2013, equity stood at DKK 76.2 million (DKK 84.3 million). The negative movements in equity are attributable to the net loss for the year.

Liabilities

On December 31, 2013 the Group had total liabilities of DKK 51.8 million (DKK 37.9 million.). Non-current liabilities amounted to DKK 15.3 million (DKK 0.1 million), current liabilities amounted to DKK 36.5 million (DKK 37.8 million), of which trade payables represented DKK 12.3 million (DKK 10.1 million).

Cash flow statement

Cash flow from operating activities
Operating activities generated a cash inflow of DKK 3.2 (DKK -5.4 million) which was in line with the expectations announced on 9 December 2013. 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 4.4 million (DKK 1.6 million).

Cash flow from financing activities
Financing activities, in particular the company bond issue undertaken 1 March 2013, generated a cash inflow of DKK 13.0 (DKK 12.6 million).

Capital resources and liquidity
On 31 December 2013 cash and cash equivalents totaled DKK 29.2 (DKK 17.5 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.

In 2013 cash generated through the issue of a company bond was used to invest in Next Generation Sequencing technologies including new laboratories, instrumentation and development of protocols.

Earnings per share
Earnings per share amounted to DKK -0.29 (DKK -0.41).

Events after the reporting period
No material events have occoured after 31 December 2013.

Financial outlook 2014
In 2014, we expect revenue of approximately DKK 150 million and EBITDA around DKK 5 million.

Exiqon Life Sciences has established itself as a leading provider of miRNA research products, and we expect sales of our RNA research products and services to grow approximately 20% in 2014. Exiqon Life Sciences continues to expand its product offering for qPCR analysis and functional analysis, most recently with new products for mRNA and lncRNA analysis.

Exiqon will bring Next Generation Sequencing services and LNA™ products for Next Generation Sequencing to the market in 2014. Planned investments will affect EBIT in 2014 but position Exiqon Life Sciences to accelerate future revenue growth and earnings.

The addition of Next Generation Sequencing services allows Exiqon to leverage its current capabilities and customer relationships to address a significant new market with high growth.

Exiqon Diagnostics will publish data from two diagnostic programs in 2014. We expect data from our qPCR test for identification of stage II colorectal patients at high risk of recurrence to be published during the first half of 2014. During the second half of 2014, we expect data from our blood based test for early detection of colorectal cancer to be published. Assuming positive findings in these programs, Exiqon will be positioned to enter into partnerships that will generate revenue in our diagnostic segment.

The outlook for 2014 is based on an average USD/DKK exchange rate of DKK 5.50 and does not include any significant one-time payments or any extraordinary costs. The cost related to any grant of new warrants is not reflected in the outlook for 2014.

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 include: 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 government 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 RNA products in emerging life science research and diagnostic markets.

With only 83 employees at the end of 2013, we must 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.

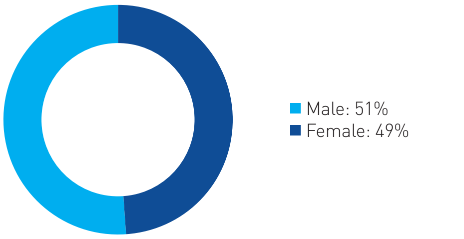
We strive to build our reputation as a preferred employer in order to attract, retain and develop the best talent across all fields of our business.

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.

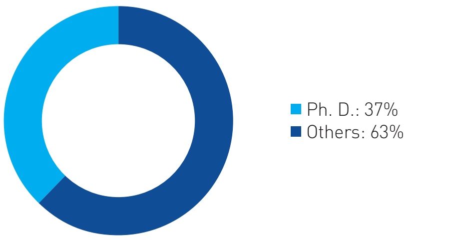
Organized to exploit synergies
Our employees understand that our top priority is serving our customers.

In order to fully exploit the capabilities of our talented employees across business segments, we have organized ourselves in functions that ensure optimal use of resources and benefit from the synergies between our operational business segments: Exiqon Life Sciences and Exiqon Diagnostics.

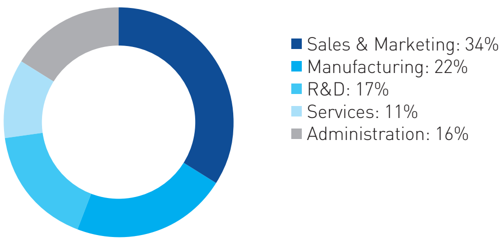
Employees by gender



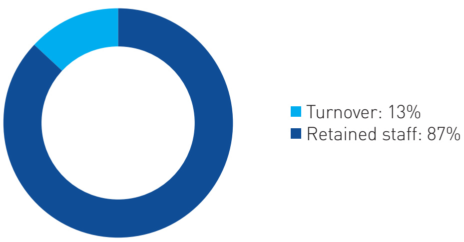
Employees with Ph. D.



Employees by function



Employee turnover



Executive Management Board

Lars Kongsbak, Chief Executive Officer

Lars Kongsbak (born 1961, Danish citizen) joined Exiqon in 2000 as head of the EURAY division, then R&D and lastly 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 conducted postdoctoral research 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 2013	-	-74,036
Holding year-end 2013	143,389	2,416,218

Hans Henrik Chrois Christensen, Chief Financial Officer

Hans Henrik Chrois Christensen (born 1965, Danish citizen) joined Exiqon as CFO in January 2007 from equivalent 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 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 2013	-	-180,050
Holding year-end 2013	100,000	1,001,392

Supervisory Board

Thorleif Krarup, Chairman
(born 1952, Danish citizen, elected May 2007).

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

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

	Shares	Warrants
Changes in 2013	-	-
Holding year-end 2013	288,642	-

Erik Walldén, Deputy Chairman
(born 1949, Swedish citizen, elected May 2007).

Erik Walldén, Chairman and President of WalldenAssociates (Erik Wallden 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, Affibody Holding AB and Gyros AB.

Current directorships and managerial positions:
Healthinvest Partners AB (member of Industrial Supervisory Board)
Tecan Group Ltd. (board member)
Genovis AB (board member)

	Shares	Warrants
Changes in 2013	-	-
Holding year-end 2013	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)
H.J. Nobel 1 ApS
H.J. Nobel 2 ApS
MT Trading ApS
Health Media ApS

	Shares	Warrants
Changes in 2013	-	-
Holding year-end 2013	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) and 2 subsidiaries
Novo A/S (board member)
Gilead Sciences, Inc. (board member)
Medicines for Malaria Venture (vice chairman)

	Shares	Warrants
Changes in 2013	-	-
Holding year-end 2013	159,736	-

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 2013 the Supervisory Board held ten meetings including a one-day strategy seminar.

The Supervisory Board has created two board committees: an audit committee and a compensation committee. 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 assists the Supervisory Board in its oversight with the company's annual and interim financial reporting, including accounting policies and internal controls. The audit committee currently consists of all members of the Supervisory Board and is headed by Michael Nobel. In 2013 the audit committee held one meeting and focused on accounting estimates with significant impact on the annual report.

The compensation committee advises the Supervisory Board on remuneration of employees and Executive Management including incentive schemes. The compensation committee currently consists of all members of the Supervisory Board and is headed by the Chairman, Thorleif Krarup. In 2013, the compensation committee held one meeting and focused on incentive salary.

Gender composition of the Board of Directors
Pursuant to Danish law no. 1383 dated 23 December 2012, Exiqon must report on the gender composition of the Board of Directors. According to § 10 of the Articles of Association, the Board of Directors of Exiqon A/S consists of 3-7 members and is elected every year by the shareholders. At the end of 2013 the Board of Directors of Exiqon A/S consisted of 4 members, all of whom were men.

CSR

Objective: Exiqon prioritizes a reasonably balanced gender composition of the Board of Directors and will work to achieve a reasonably balanced gender composition within four years, i.e. no later than by the time of the Company's Annual General Assembly in 2017.

Ratio: Because of the small size of the Board of Directors a reasonably balanced gender composition is considered achieved when no gender is represented less than 25 % in the Board of Directors.

Planned activities: Exiqon will work to increase the share of the underrepresented gender through attrition and proposal for election of new board members of the underrepresented gender. No less than half of all new candidates, who are nominated for election to the Board of Directors for the first time, will be of the underrepresented gender until the targeted ratio is achieved.

Gender composition of Executive Management Board
According to § 12 of the Articles of Association the Board of Directors appoints an Executive Management Board of Exiqon A/S consisting of 1-3 members. At the end of 2013 the Executive Management Board of Exiqon consisted of 2 members, both of which were men. No objective for a specific gender composition of the Executive Management Board has been defined. Together with non-executive management the ratio of 40% was met.

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

Gender composition of non-executive management
Exiqon recruits its managers and employees solely on the basis of qualifications and abilities without regard to gender, ethnicity, sexual, religious and political beliefs. Exiqon prioritizes a balanced gender composition of the non-executive management group. A balanced gender composition of the non-executive management group is considered achieved when no gender is represented less than 40%. At the end of 2013 this group consisted of a total of 30 employees, of which 14 individuals (46.7%) were women and 16 individuals (53.3%) were men. The target was met.

CSR (Corporate Social Responsibility)
In 2013 Exiqon had no separate policies and did not report on issues relating specifically to corporate social responsibility.

The board of directors has not adopted a formal policy on corporate social responsibility because of the limited resources available to the company at this early stage.

The board of directors intend for the company's practices to follow the UN Global Compact's ten principles that have become a global standard for corporate social responsibility.

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

We are aware of the potential environmental impact of our activities and are continuously evaluating ways to improve our performance by preventing, reducing or remedying any damage to the environment. We have the necessary permissions for our industrial production and the services we carry out. Our discharge into the air, soil and water is very limited. Various kinds of chemicals and small quantities of radioactive trace elements are used in the production of our products and services. These chemicals and radioactive materials are stored and disposed of in compliance with applicable guidelines and instructions, including those issued by the Danish National Institute of Radiation Hygiene.

The company's existing business processes, procedures and internal guidelines provide a solid foundation for running a responsible and sustainable business. In all parts of the organization, the company continuously focuses on improving performance, processes and procedures.

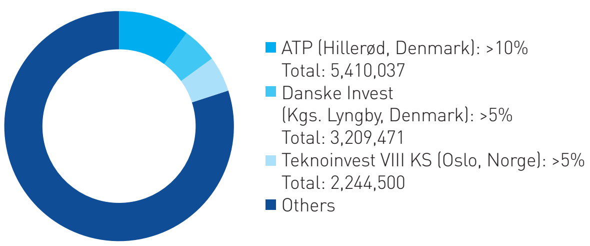
Capital Market Information

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:



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

On 31 December 2013 Exiqon had approximately 1,700 registered shareholders who own 84.17 % of the company's share capital.

Corporate Governance
NASDAQ OMX Copenhagen A/S has decided to include the recommendations of the Committee on Corporate Governance of 6 May 2013 in the Rules for issuers of shares by 1 June 2013. If a company deviates from parts of the recommendations, the company has to explain the reasons for the deviations, cf. section 107 b (1) (iii) of the Financial Statements Act. The recommendations on corporate governance are available on the website of the Committee on Corporate Governance 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/2013

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 when 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 email 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
Email: ir@exiqon.com

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

Stock exchange releases 2013

No.	1/2013	Exiqon reports full year results for 2012
No.	2/2013	Exiqon announces issue of corporate bonds
No.	3/2013	Exiqon calls for an ordinary general meeting on 4 April 2013
No.	4/2013	Exiqon A/S – Decisions at annual general meeting 2013
No.	5/2013	Interim report for the period 1 January - 31 March 2013 (unaudited)
No.	6/2013	Interim report for the period 1 January - 30 June 2013 (unaudited)
No.	7/2013	Exiqon A/S issues new warrants to the company's executive board
No.	8/2013	Interim report for the period 1 January - 30 September 2013 (unaudited)
No.	9/2013	Exiqon A/S announces financial calendar for 2014
No.	10/2013	Revised financial outlook 2013 due to temporary supply issues

Share price performance in 2013

Financial calendar 2014

10 February 2014	Announcement of full-year results 2013
11 February 2014	Deadline for shareholders' proposal to the annual general meeting
25 March 2014	Annual general meeting
5 May 2014	Interim report for the period 1 January 2014 to 31 March 2014
14 August 2014	Interim report for the period 1 January 2014 to 30 June 2014
27 October 2014	Interim report for the period 1 January 2014 to 30 September 2014

Statement by Executive Board and Supervisory Board on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Exiqon A/S for the financial year 1 January - 31 December 2013.

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 2013 and of the results of their operations and cash flows for the financial year 1 January - 31 December 2013.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of 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, 10 February 2014

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 reports

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, 2013, which comprise the income statement, 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 2013, and of the results of their operations and cash flows for the financial year January 1 – December 31, 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the management report
Pursuant to the Danish Financial Statements Act, we have read the management report. 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 report is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 10 February 2014

Deloitte
Statsautoriseret Revisionspartnerselskab

Jens Rudkjær State Authorised Public Accountant	Carsten Vaarby State Authorised Public Accountant

Index to the consolidated financial statements

Contents

Notes to the financial statements

Consolidated statement of comprehensive income

Parent				Group	
2012	2013			2013	2012
DKK'000	DKK'000		Note	DKK'000	DKK'000
97,071	102,243	Revenue	3	123,584	117,400
-43,750	-42,284	Production costs	5,6,7	-48,132	-50,186
53,321	**59,959**	**Gross profit**		**75,452**	**67,214**
-22,259	-24,075	Research and development costs	5,6,7,8	-24,253	-22,259
-25,344	-26,886	Sales and marketing costs	5,6,7,8	-41,261	-37,894
-18,838	-18,718	Administrative expenses	5,6,7,8	-18,718	-18,838
-13,120	**-9,720**	**Operating profit/(loss) (EBIT)**		**-8,780**	**-11,777**
9,274	8,236	Financial income	9	5,085	4,126
-10,211	-10,952	Financial expenses	9	-7,813	-6,014
-14,057	**-12,436**	**Profit/(loss) before tax**		**-11,508**	**-13,665**
1,250	1,250	Tax on the profit/(loss) for the year	10	826	-930
-12,807	**-11,186**	**Profit/(loss) for the year**		**-10,682**	**-14,595**
		Other comprehensive income			
		Items that may be reclassified subsequently to profit or loss:			
0	0	Exchange adjustments relating to foreign subsidiaries		-315	690
-12,807	**-11,186**	**Total comprehensive income for the year**		**-10,997**	**-13,905**
		Earnings per share			
		Earnings per share	11	-0.29	-0.41
		Diluted earnings per share	11	-0.29	-0.41
		Proposed distribution of loss			
		The Supervisory Board proposes that the loss for the year be distributed as follows:			
-12,807	**-11,186**	**Retained earnings**			

Consolidated statement of financial position at 31 December

Parent 2012 DKK'000	Parent 2013 DKK'000		Note	Group 2013 DKK'000	Group 2012 DKK'000
0	0	Goodwill		49,368	49,368
6,985	5,936	Acquired patent rights		5,936	6,985
5,194	4,187	Acquired software licenses		4,187	5,194
29	1,648	Intangible assets under construction		1,648	29
12,208	**11,771**	**Intangible assets**	**12**	**61,139**	**61,576**
236	508	Leasehold improvements		586	321
2,200	3,162	Production and laboratory equipment		3,163	2,206
446	449	Fixtures and fittings, tools and equipment		591	604
11	21	Tangible assets under construction		21	11
2,893	**4,140**	**Property, plant and equipment**	**13**	**4,361**	**3,142**
15,051	15,051	Investments in subsidiaries	14	0	0
0	0	Deferred tax assets	20	1,876	2,252
1,534	1,547	Deposits		1,661	1,749
16,585	**16,598**	**Financial assets**		**3,537**	**4,001**
31,686	**32,509**	**Non-current assets**		**69,037**	**68,719**
11,848	**12,231**	**Inventories**	**15**	**12,771**	**12,686**
14,895	10,237	Trade receivables	16	13,197	20,592
3,894	0	Receivables from group companies	17	0	0
700	1,212	Other receivables		1,216	713
1,250	1,250	Refund from Tax authorities		1,250	1,250
408	1,104	Prepayments		1,349	736
21,147	**13,803**	**Receivables**		**17,012**	**23,291**
15,965	**27,588**	**Cash and cash equivalents**		**29,190**	**17,493**
48,960	**53,622**	**Current assets**		**58,973**	**53,470**
80,646	**86,131**	**Total assets**		**128,010**	**122,189**

Consolidated statement of financial position at 31 December

Parent				Group	
2012 DKK'000	2013 DKK'000		Note	2013 DKK'000	2012 DKK'000
36,874	36,874	Share capital	18,19	36,874	36,874
3,459	-4,827	Reserves		39,345	47,443
40,333	**32,047**	**Equity**		**76,219**	**84,317**
0	15,000	Corporate Bonds	21	15,000	0
83	258	Financial lease liabilities	22	258	83
83	**15,258**	**Non-current liabilities**		**15,258**	**83**
1,775	403	Financial lease liabilities	22	403	1,775
9,393	11,038	Trade payables		11,881	10,132
10,078	10,013	Short term bank loan		10,013	10,078
3,995	3,968	Payables to group companies		0	0
8,656	6,879	Other payables		7,712	9,467
6,333	6,525	Deferred revenue		6,524	6,337
40,230	**38,826**	**Current liabilities**		**36,533**	**37,789**
40,313	**54,084**	**Total liabilites**		**51,791**	**37,872**
80,646	**86,131**	**Total equity and liabilities**		**128,010**	**122,189**
		Other notes	26-30		

Consolidated statement of cash flows

Parent				Group	
2012 DKK'000	2013 DKK'000		Note	2013 DKK'000	2012 DKK'000
-13,120	-9,720	Operating profit from continued operations (EBIT)		-8,780	-11,777
6,785	4,583	Depreciation and amortization	7	4,670	7,402
2,874	2,899	Non-cash adjustments (warrants)	5	2,899	2,874
-321	6,999	Change in working capital	24	6,152	-4,175
-3	-200	Profit on sale of assets	25	-200	-3
-3,785	**4,561**	**Cash flows from primary activities**		**4,741**	**-5,679**
-929	-2,716	Net interest and value gains		-2,716	-942
1,250	1,250	Current tax		1,203	1,210
-3,464	**3,095**	**Cash flows from operating activities**		**3,228**	**-5,411**
-1,109	-2,616	Acquisition of intangible assets	12	-2,616	-1,109
-354	-1,957	Acquisition of property, plant and equipment	13	-2,022	-495
3	200	Sale of assets		200	3
-1,460	**-4,373**	**Cash flows from investing activities**		**-4,438**	**-1,601**
-2,904	-2,022	Repayment of lease debt		-2,022	-2,904
0	15,000	Proceeds from corporate bonds	21	15,000	0
321	-13	Repayment of deposits and loans		79	321
16,246	0	Proceeds from capital increase	18	0	16,246
-1,056	0	Costs in relation to capital increase		0	-1,056
-17	-65	Short term bank loan		-65	-17
12,590	**12,900**	**Cash flows from financing activities**		**12,992**	**12,590**
7,666	**11,623**	**Change in cash and cash equivalents**		**11,782**	**5,578**
-8	0	Unrealised currency gain/loss		-85	-236
8,307	15,965	Cash and cash equivalents at 1 January		17,493	12,151
15,965	**27,588**	**Cash and cash equivalents at 31 December**		**29,190**	**17,493**

Consolidated statement of changes in equity

			Other reserves			
Consolidated	**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 2013	**36,874,082**	**36,874**	**-309**	**13,442**	**34,310**	**84,317**
Profit/(loss) for the year					-10,682	-10,682
Exchange adjustments relating to foreign subsidiaries			-315			-315
Total comprehensive income		**0**	**-315**	**0**	**-10,682**	**-10,997**
Share-based payment				2,899		2,899
Other transactions	**0**	**0**	**0**	**2,899**	**0**	**2,899**
Equity at 31 December 2013	**36,874,082**	**36,874**	**-624**	**16,341**	**23,628**	**76,219**
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
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**

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 2013	**36,874,082**	**36,874**	**13,442**	**-9,983**	**40,333**
Profit/(loss) for the year				-11,186	-11,186
Total comprehensive income				**-11,186**	**-11,186**
Share-based payment			2,899		2,899
Other transactions	**0**	**0**	**2,899**	**0**	**2,899**
Equity at 31 December 2013	**36,874,082**	**36,874**	**16,341**	**-21,169**	**32,047**
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
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**

Notes to the financial statements

Note 1. Accounting policies
The annual report of Exiqon A/S for the year ended 31 December 2013, 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. Accounting policies that affect five-year key figures are included.

IMPLEMENTATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS
The annual report for 2013 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 2013. These Standards and Interpretations are:

- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income.
- IAS 19 Employee Benefits.
- Amendments to IFRS 7 Disclosures-Offsetting Financial Assets and Financial Liabilities.
- IFRS 13 Fair Value Measurement.

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment has affected presentation only but has had no impact on the Group's financial position or performance.

The implementation of the new and revised Standards and Interpretations in the annual report for 2013 has not led to other 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 this 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:

- IFRS 9 Financial Instruments. The new standard is effective for financial years beginning 1 January 2017 or later. The Standard has not yet been adopted by EU.
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities. The amendments are effective for financial years beginning 1 January 2014 or later. The Standard has not yet been adopted by EU.
- Amendments to IFRS 10, 12 and IAS 27 Investment Entities. The amendments are 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 recognised in profit or loss as incurred.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised 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 non-controlling 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 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 6 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 product sales comprises the sale of goods and 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.

Service sales

Revenue from service agreements comprises profiling of customer's biological samples and is recognized by reference to the stage of completion. A service contract can be divided into a number of separate identifiable value-adding processes. Stage of completion is measured by reference to processes completion to date as a percentage of the total overall process and other relevant measures 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

Revenue from licenses comprises royalty and one time payments from licenses and 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. Income from one time payments in the form of license fees and commercial milestones are recognized when the requirements are fulfilled.

Contract research & grants income

Revenue from contract research and grant income comprises third party financed product development and is recognized when there is a reasonable assurance that Exiqon comply with the conditions attached to the contracted research and grants and payment 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. 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 board of directors, executive management and the administrative functions of the Group, including salary staff cost rent, office expenses and depreciation and impairment losses on 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 extraordinary legal proceedings and similar items considered material and extraordinary.

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 recognised 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 labour. The cost of assets held under finance leases is determined as the lower of the fair value of the assets and the present value of future minimum lease payments.

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

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

Production plant and machinery	5 years
Fixtures and fittings, tools and equipment	3-5 years

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

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

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

Deferred income

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

CASH FLOW STATEMENT

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

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

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

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

Cash flows from financing activities comprise changes to the parent company's share capital and related costs as well as the raising and repayment of loans, instalments on interest-bearing debt, acquisition of treasury shares and payment of dividends. Also recognized are cash flows from assets held under finance lease in the form of lease payments made.

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

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

SEGMENT INFORMATION

Executive Management has organized reporting in two operating segments: Life Sciences and Diagnostics.

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	=	$\frac{\text{Profit/(loss) for the year}}{\text{Average no. of shares}}$
Price / net asset value	=	$\frac{\text{Share price * no. of shares end of the year}}{\text{Equity}}$
Gross margin (%)	=	$\frac{\text{Gross profit * 100}}{\text{Revenue}}$
Market capitalization	=	Share price * no. of shares end of the year
Assets equity	=	is defined as total assets divided with equity at the end of the year.
EBITDA	=	(Earnings Before Interest, 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	=	$\frac{\text{Net interest bearing debt}}{\text{Equity}}$
Net interest bearing debt / EBITDA	=	$\frac{\text{Net interest bearing debt}}{\text{EBITDA}}$
Interest coverage	=	$\frac{\text{EBITDA + interest income (excluding foreign exchange gains)}}{\text{Interest expenses (excluding foreign exchange losses)}}$

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.

Capital resources and liquidity

Exiqons 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 associated with achieving the budget.

Management is convinced that the company has sufficient capital resources and liquidity to support the current strategy even if one or more budget assumptions are not achieved, and that other measures can be taken to ensure that sufficient capital resources are available as may be required also in the longer run.

Current capital resources depend in part on a credit facility of DKK 10 million subject to renewal on 15 January 2015, and a company bond of DKK 15 million subject to repayment by 1 March 2016.

Significant accounting estimates

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

Goodwill

The measurement of goodwill, could be materially affected by changes in estimates and assumptions underlying the calculation of values. See note 12 for a detailed description of impairment tests for goodwill hereby incorporated by reference. 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. 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 at 31 December as DKK 49,368 thousands (DKK 49,368 thousands). See note 12 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 2013 were DKK 24,253 thousands (DKK 22,259 thousands).

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 2013.

Deferred tax assets

Deferred tax assets, including tax losses carried forward, are recognized with their expected value. The assessment of deferred tax assets regarding loss carry-forwards, which has 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 20.

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 product or product group and expected product sales. For further details please refer to note 15.

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 16.

Note 3. Revenue

Parent			Group	
2012	2013		2013	2012
DKK'000	DKK'000		DKK'000	DKK'000
69,942	78,303	Product sales	96,633	84,976
13,366	12,478	Services	15,489	18,663
5,987	7,652	License income	7,652	5,985
7,776	3,810	Contract research and grants income	3,810	7,776
97,071	**102,243**		**123,584**	**117,400**

Note 4. Segment information for the Group

Executive Management Board 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 RNA analysis and Services uses the research products in their business.
Executive Management Board monitors the operating results of its business segments separately to decide the resource allocation and performance assessments. Segment performance is monitored on operating results as presented in the tables below. Financial items and taxes are managed on a Corporate level and are not allocated to operating segments.

Diagnostics includes R&D of a variety of diagnostics tests currently under development and not yet ready for sale. Diagnostics are presented as a reporting segment by Executive Management Board, 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 - 2013 (Group)

DKK'000	Life Sciences	Diagnostics	Group eliminations	Other	Total
Revenue	120,818	5,219	-2,453	0	123,584
Gross profit	70,771	4,681	0	0	75,452
Segment operating profit/loss (EBIT)	7,035	-15,815	0	0	-8,780
Profit/(loss) before tax	7,035	-15,815	0	-2,728	-11,508
Addition of assets	5,503	0	0	0	5,503
Segment assets	51,455	49,870	0	26,686	128,011
Depreciation and amortization	3,845	827	0	0	4,672

Segment information on reportable segments - 2012 (Group)

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

Note 4. Segment information for the Group (continued)

Revenue split

Revenue is reported to the Management in the following categories:

	2013 DKK'000	2012 DKK'000
Product sales	96,633	84,976
Services	15,489	18,663
License income	7,652	5,985
Contract research	3,810	7,776
	123,584	117,400

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.

	2013 DKK'000	2012 DKK'000
North America	42,355	42,940
Europe *)	66,102	58,372
Rest of World	15,127	16,088
	123,584	117,400

*) Including Denmark (country of domicile) tDKK 3,934 (tDKK 5,350 in 2012).

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	
	2013 DKK'000	2012 DKK'000	2013 DKK'000	2012 DKK'000
Europe	5,437	2,517	65,283	64,469
North America	66	167	217	249
	5,503	2,684	65,500	64,718

Note 5. Staff costs

Parent			Group	
2012 DKK'000	2013 DKK'000		2013 DKK'000	2012 DKK'000
1,300	1,300	Supervisory Board's fee	1,300	1,300
38,024	39,038	Wages and salaries	49,007	45,557
661	696	Pension scheme	988	903
2,874	2,899	Share-based payment	2,899	2,874
2,893	2,490	Other staff costs	2,560	3,014
45,752	**46,423**		**56,754**	**53,648**
		Staff costs are distributed as follows:		
9,431	8,508	Production costs	8,508	9,431
8,501	8,396	Research and development costs	8,396	8,501
13,853	15,298	Sales and marketing costs	25,628	21,749
13,967	14,221	Administrative expenses	14,222	13,967
45,752	**46,423**		**56,754**	**53,648**
59	65	Average number of employees	80	73

Note 5. Staff costs (continued)

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 2013 (group):					
Supervisory Board					
Chairman Thorleif Krarup	0	600	0	0	600
Deputy Chairman, Erik Walldén	0	300	0	0	300
Michael Nobel	0	200	0	0	200
Per Wold-Olsen	0	200	0	0	200
Executive Management	5,277	0	144	2,834	8,255
	5,277	1,300	144	2,834	9,555
Management remuneration 2012 (group):					
Supervisory Board					
Chairman Thorleif Krarup	0	600	0	0	600
Deputy Chairman, Erik Walldén	0	300	0	0	300
Michael Nobel	0	200	0	0	200
Per Wold-Olsen	0	200	0	0	200
Executive Management	4,827	0	142	2,606	7,575
	4,827	1,300	142	2,606	8,875
Management remuneration 2013 (parent):					
Supervisory Board					
Chairman Thorleif Krarup	0	600	0	0	600
Deputy Chairman, Erik Walldén	0	300	0	0	300
Michael Nobel	0	200	0	0	200
Per Wold-Olsen	0	200	0	0	200
Executive Management	5,277	0	144	2,834	8,255
	5,277	1,300	144	2,834	9,555
Management remuneration 2012 (parent):					
Supervisory Board					
Chairman Thorleif Krarup	0	600	0	0	600
Deputy Chairman, Erik Walldén	0	300	0	0	300
Michael Nobel	0	200	0	0	200
Per Wold-Olsen	0	200	0	0	200
Executive Management	4,827	0	142	2,606	7,575
	4,827	1,300	142	2,606	8,875

Note 6. Share-based payment

For the purpose of motivating and retaining employees and encourage the fulfillment of common goals for employees, management and shareholders, the company has set up share-based incentive programs in the form of warrant schemes for, Executive Management, senior employees and other employees, as approved by shareholders at a previous general meeting. 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 added an annual performance adjustment. Warrants that remain unexercised will lapse. The right to exercise warrants is conditional on continuing employment until the end of the vesting period.

	Executive Management	Others	Total	Weighted average exercise price
Outstanding warrants 1 January 2013	3,671,696	489,683	4,161,379	11.20
Granted in the financial year	553,110	0	553,110	8.82
Expired in the financial year	-807,196	-87,500	-894,696	8.79
Outstanding warrants 31 December 2013	**3,417,610**	**402,183**	**3,819,793**	**12.07**
Of which can be exercised	1,335,388	391,714	1,727,102	11.91
Outstanding warrants 1 January 2012	1,402,847	536,587	1,939,434	9.23
Granted in the financial year	2,268,849	0	2,268,849	13.15
Expired in the financial year	0	-46,904	-46,904	13.63
Outstanding warrants 31 December 2012	**3,671,696**	**489,683**	**4,161,379**	**11.20**
Of which can be exercised	1,133,335	346,356	1,479,691	9.37

2013
No warrants have been exercised during 2013.

2012
No warrants have been exercised during 2012.

The warrants outstanding at the end of 2013 had a weighted average remaining contractual life of 31 months (in 2012: 31 months).

Note 6. Share-based payment (continued)

As of 31 December 2013, the following warrant programs are still outstanding:

Program	Exercise price	Exercise period	Fair value at year end in DKK'000 *)	Estimated fair value at time of grant per warrant in DKK **)
January 2011	10.69	4 weeks following the announcement of annual and interim financial statements	0	3.2
March 2012	13.47	4 weeks following the announcement of annual and interim financial statements	459	4.4
August 2013	8.82	4 weeks following the announcement of annual and interim financial statements	720	1.6
Total			**1,179**	

*) 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 21.92% 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 2013, DKK 8.15. 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 2013 are based on the assumption of no dividend per share, an average volatility of 44.10%, an average risk-free interest rate of 0.20% per annum and finally an average share price of Exiqon of DKK 11.45.

Warrant programs 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 programs granted in March 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 12.9 with a premium of 2.5% p.a. from the date of grant until exercise.

Warrant programs granted in August 2013

Warrants granted in August 2013 are divided into 3 tranches, with 1/3 vesting yearly over a 36 month period. The exercise period expires in 2019. The exercise price is 8.74 with a premium of 2.5% p.a. from the date of grant until exercise.

Note 7. Depreciation, amortization and impairment

Parent 2012 DKK'000	Parent 2013 DKK'000		Group 2013 DKK'000	Group 2012 DKK'000
2,117	2,005	Software	2,005	2,117
1,048	1,048	Acquired patents and licenses	1,048	1,048
1,611	424	Laboratory equipment	431	1,941
1,192	658	Production plant and equipment	658	1,192
817	448	Fixtures and fittings, tools and equipment	530	1,116
-3	-200	Gains and losses on sale of property, plant and equipment *)	-200	-3
6,782	**4,383**		**4,472**	**7,411**
		Depreciation, amortization and impairment are distributed as follows:		
2,318	1,197	Production costs	1,197	2,318
2,851	1,707	Research and development costs	1,707	2,851
1,054	967	Sales and marketing costs	1,056	1,683
559	512	Administrative expenses	512	559
6,782	**4,383**		**4,472**	**7,411**

*) Includes scrapping of equipment in subsidiary

Note 8. Fees to auditors appointed by the general meeting

Parent 2012 DKK'000	Parent 2013 DKK'000		Group 2013 DKK'000	Group 2012 DKK'000
		Fees to the parent company's auditors appointed by the general meeting for the financial year are specified as follows:		
325	335	Statutory audit	335	325
76	73	Other audit opinions with assurance	73	76
25	25	Tax consultancy	25	25
71	88	Non-audit services	88	71
497	**521**		**521**	**497**

Note 9. Financial items

Parent 2012 DKK'000	Parent 2013 DKK'000		Group 2013 DKK'000	Group 2012 DKK'000
		Financial income		
0	0	Interest income from bank deposits etc.	2	2
0	0	Interest income from subsidiaries	1	0
9,274	8,236	Foreign exchange gains	5,082	4,124
9,274	**8,236**		**5,085**	**4,126**
		Financial expenses		
610	2,144	Interest on mortgage and bank loans	2,204	672
30	31	Interest expenses to subsidiaries	0	0
201	59	Interest on financial lease obligations	59	201
9,370	8,718	Foreign exchange losses	5,550	5,141
10,211	**10,952**		**7,813**	**6,014**

Note 10. Tax on profit for the year

Parent 2012 DKK'000	Parent 2013 DKK'000		Group 2013 DKK'000	Group 2012 DKK'000
		Tax on profit for the year is explained as follows:		
-3,514	-3,109	Tax calculated at a rate of 25% *)	-2,877	-3,219
786	788	Permanent deviations	814	848
1,478	1,071	Unrecognized change in tax asset	753	1,478
0	0	Effect of deviating foreign tax rate relative to Danish tax rate	60	128
0	0	Mandatory local company tax	48	40
0	0	Recognized change in tax asset	376	1,655
-1,250	**-1,250**		**-826**	**930**
		Income tax recognized in profit or loss:		
-1,250	-1,250	Current tax	-1,202	-1,210
0	0	Deferred tax	376	2,140
-1,250	**-1,250**		**-826**	**930**

*) Tax on profit for the year is calculated at a rate of 25% (25% in 2012)

Note 11. Earnings per share

	Group	
	2013	2012
The calculation of earnings per share and diluted earnings per share are based on the following data:		
Profit/(loss) (DKK'000)	-10,682	-14,595
Average number of shares	36,874,082	35,991,281
Average number treasury shares	-5,342	-5,342
Average number of circulating shares	36,868,740	35,985,939
Average diluting effect of outstanding warrants (no.)	0	0
Average number of shares, diluted (no.)	36,868,740	35,985,939
Earnings per share	-0.29	-0.41
Diluted earnings per share	-0.29	-0.41

3,819,793 outstanding warrants are out-of-the-money. These are not included in the calculation of diluted earnings.

Note 12. 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 2013 (Group)					
Cost at 1 January 2013	120,032	12,239	13,255	29	145,555
Additions	0	968	0	1,668	2,636
Transfer	0	29	0	-49	-20
Cost at 31 December 2013	**120,032**	**13,236**	**13,255**	**1,648**	**148,171**
Amortization and impairment at 1 January 2012	-70,664	-7,043	-6,271	0	-83,978
Amortization		-2,006	-1,048	0	-3,054
Amortization at 31 December 2013	**-70,664**	**-9,049**	**-7,319**	**0**	**-87,032**
Carrying amount at 31 December 2013	**49,368**	**4,187**	**5,936**	**1,648**	**61,139**
Intangible assets 2013 (parent)					
Cost at 1 January 2013	0	12,237	13,255	29	25,521
Additions	0	968	0	1,668	2,636
Transfer	0	29	0	-49	-20
Cost at 31 December 2013	**0**	**13,234**	**13,255**	**1,648**	**28,137**
Amortization at 1 January 2013	0	-7,042	-6,271	0	-13,313
Amortization	0	-2,005	-1,048	0	-3,053
Amortization at 31 December 2013	**0**	**-9,047**	**-7,319**	**0**	**-16,366**
Carrying amount at 31 December 2013	**0**	**4,187**	**5,936**	**1,648**	**11,771**

Note 12. 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 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**

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 Executive Management's and Board of Directors annual strategy review. Following updated time lines in Exiqon Diagnostics an additional impairment test was conducted per 30 June 2013. 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 2014-2016 and projections for 2017-2023.

Significant parameters are expected revenue, EBIT, and terminal growth rates. The projection for 2014-2016 is prepared on the basis of the company's budget and specific commercial assumptions, while the projection for 2017-2023 is prepared on the basis of a continuation of the company's 2014-2016 budget and the commercial assumptions. Since goodwill relates to new diagnostic tests not yet launched moderate expectations to market penetration and peak sales have been assumed for all tests. The following remains unchanged compared to 2012: A growth rate of 0% in revenue applies for the terminal period. The terminal value represents less than 5% of the total carrying amounts present value. R&D costs and SG&A costs are expected to align with industry standards over time, equal to 15% of revenue as R&D cost and 30% of revenue as SG&A cost. The discount rate (WACC) after tax is set to 12.5% (corresponding to a WACC before tax 13.8%) and the current tax rate gradually reduced to 22%, has been applied. A number of sensitivity analyses on significant parameters such as expected revenue, COGS, EBIT and WACC have been performed and these analyses have not indicated any risk for impairment.

Note 13. 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 2013 (Group)						
Cost at 1 January 2013	11,353	27,533	13,729	10,309	11	62,935
Exchange rate adjustment	0	-93	-43	-53	0	-189
Additions	604	1,444	354	434	10	2,847
Cost at 31 December 2013	**11,957**	**28,884**	**14,040**	**10,690**	**21**	**65,592**
Depreciation at 1 January 2013	-9,922	-26,758	-13,125	-9,988	0	-59,793
Exchange rate adjustment	0	93	39	52	0	184
Depreciation	-660	-431	-363	-168	0	-1,622
Depreciation at 31 December 2013	**-10,582**	**-27,096**	**-13,449**	**-10,104**	**0**	**-61,231**
Carrying amount at 31 December 2013	**1,375**	**1,788**	**591**	**586**	**21**	**4,361**
Assets held under finance leases	585	1,081	0	0	0	1,666
Property, plant and equipment 2013 (parent)						
Cost at 1 January 2013	11,353	25,388	12,676	9,036	11	58,464
Additions	604	1,444	305	418	10	2,781
Cost at 31 December 2013	**11,957**	**26,832**	**12,981**	**9,454**	**21**	**61,245**
Depreciation at 1 January 2013	-9,922	-24,619	-12,230	-8,800	0	-55,571
Depreciation	-660	-426	-302	-146	0	-1,534
Depreciation at 31 December 2013	**-10,582**	**-25,045**	**-12,532**	**-8,946**	**0**	**-57,105**
Carrying amount at 31 December 2013	**1,375**	**1,787**	**449**	**508**	**21**	**4,140**
Assets held under finance leases	585	1,081	0			1,666

Note 13. 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 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
Depreciation 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. Investment in subsidiaries

Parent			Group	
2012 DKK'000	2013 DKK'000		2013 DKK'000	2012 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., 12Gill Street, Suite 1650, Woburn, MA 01801, USA, wholly owned, selling and marketing activities.

Note 15. Inventories

Parent			Group	
2012	2013		2013	2012
DKK'000	DKK'000		DKK'000	DKK'000
4,598	4,871	Raw materials and consumables	4,904	4,609
7,250	7,360	Manufactured goods and goods for resale	7,867	8,077
11,848	**12,231**		**12,771**	**12,686**

Note 16. Trade receivables

Parent			Group	
2012	2013		2013	2012
DKK'000	DKK'000		DKK'000	DKK'000
14,988	10,383	Trade receivables 31 December (gross)	13,435	20,788
-18	-93	Write-down for expected losses 1 January	-196	-128
-93	-146	Write-down for expected losses during the year	-238	-135
18	93	Reversal of previous write-downs for expected losses	196	67
-93	-146	Write-down for expected losses 31 December	-238	-196
14,895	10,237	Trade receivables 31 December (net)	13,197	20,592
		Ageing of past due but not impaired:		
2,823	1,775	Up to 30 days	1,985	4,209
992	795	30 to 90 days	844	1,042
96	17	90 to 180 days	31	97
0	0	More than 180 days	4	0
3,911	2,587		2,864	5,348

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 17. Receivables from group companies

Parent			Group	
2012	2013		2013	2012
DKK'000	DKK'000		DKK'000	DKK'000
3,894	0	Receivables from Group company 31 December	-	-

Note 18. Share capital

Parent			Group	
2012 DKK'000	2013 DKK'000		2013 DKK'000	2012 DKK'000
35,069	36,874	No. of shares at 1 January		
1,805	0	Capital increase		
-	-	Warrant exercises		
36,874	**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	2009 DKK'000	2010 DKK'000	2011 DKK'000	2012 DKK'000	2013 DKK'000
Number of shares at 1 January	30,298	30,305	33,335	35,069	36,874
Capital increase		3,030	1,667	1,805	-
Issue of bonus shares				-	-
Warrant exercise	7		67	-	-
Number of shares at 31 December	**30,305**	**33,335**	**35,069**	**36,874**	**36,874**

Note 19. Treasury shares

	No. in '000	Nominal value DKK'000	% of share capital
Treasury shares at 1 January 2013	5	5	0.01
Acquisition of treasury shares	-	-	-
Sale of treasury shares	-	-	-
Treasury shares at 31 December 2013	**5**	**5**	**0.01**
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**

Note 20. Deferred tax assets

Parent			Group	
2012 DKK'000	2013 DKK'000		2013 DKK'000	2012 DKK'000
540	1,303	Intangible assets	1,303	540
2,603	2,594	Property, plant and equipment	2,751	2,888
0	0	Research and development costs	0	0
1,343	1,375	Prepayments received	1,406	1,343
4,486	**5,272**	**Temporary differences**	**5,460**	**4,771**
108,592	108,876	Tax loss carry-forwards	110,564	110,559
113,078	**114,148**	**Deferred tax asset at 31 December**	**116,024**	**115,330**
-113,078	-114,148	Unrecognized tax asset	-114,148	-113,078
0	**0**	**Recognized tax asset at 31 December**	**1,876**	**2,252**

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 when the deferred tax asset can be utilized, the asset has not been recognized in the financial statements for 2013.

Exiqon Inc.

As of 31 December 2013, Exiqon has capitalized tax asset DKK 1.9 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 0.3 million within 1 year). The local US tax rates are applied in the calculation which averagely corresponds to 34%.

Note 21. Corporate Bonds

	Bonds payment		Present value of bonds	
Group	2013 DKK'000	2012 DKK'000	2013 DKK'000	2012 DKK'000
Due within one year from the balance sheet date	0	0	0	0
Due in 1-5 years from the balance sheet date	15,000	0	15,285	0
	15,000	**0**	**15,285**	**0**
Interest payment due within one year from the balance sheet date	1,328	0		
Interest payment due within 1-5 years from the balance sheet date	1,991	0		
	18,319	**0**		
Parent				
Due within one year from the balance sheet date	0	0	0	0
Due in 1-5 years from the balance sheet date	15,000	0	15,285	0
	15,000	**0**	**15,285**	**0**
Interest payment due within one year from the balance sheet date	1,328			
Interest payment due within 1-5 years from the balance sheet date	1,991	0		
	18,319	**0**		

The following main terms apply for the corporate bonds which are characterized as subordinated loan capital:
Term: 1 March, 2013 until 1 March, 2016
Type: The corporate bonds are a bullet loan
Interest: Fixed rate of 8.85% p.a. which is payable biannually with the first interest payment on 1 September, 2013
Termination: Exiqon is entitled to redeem the principal sum two (2) times before the expiry date of 1 March, 2014 and 1 March, 2015 respectively.

Note 22. Finance lease liabilities

	Lease payment		Present value of lease payments	
Group	2013 DKK'000	2012 DKK'000	2013 DKK'000	2012 DKK'000
Due within one year from the balance sheet date	418	1,829	403	1,775
Due in 1-5 years from the balance sheet date	263	83	258	83
	681	**1,912**	**661**	**1,858**
Amortization premium for future expensing	-20	-54		
	661	**1,858**		
Parent				
Due within one year from the balance sheet date	418	1,829	403	1,775
Due in 1-5 years from the balance sheet date	263	83	258	83
	681	**1,912**	**661**	**1,858**
Amortization premium for future expensing	-20	-54		
	661	**1,858**		

Note 22. Finance lease liabilities (continued)

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	2014-15	Fixed	0-4	661	681
31 December 2013					**661**	**681**
Finance lease liabilities, production equipment	DKK	2013-14	Fixed	0-8	1,858	1,912
31 December 2012					**1,858**	**1,912**

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	2014-15	Fixed	0-4	661	681
31 December 2013					**661**	**681**
Finance lease liabilities, production equipment	DKK	2013-14	Fixed	0-8	1,858	1,912
31 December 2012					**1,858**	**1,912**

Note 23. Operating lease liabilities

Parent			Group	
2012	2013		2013	2012
DKK'000	DKK'000		DKK'000	DKK'000
		Lease payments included in the income statement		
4,937	4,567	Lease commitments	5,101	5,476
		Total future minimum lease payments for non-terminable leases fall due as follows:		
4,423	4,684	Within one year of the balance sheet date	5,364	5,172
12,018	9,096	2-5 years after the balance sheet date	10,514	13,939
0	0	More than 5 years after the balance sheet date	0	0
16,441	**13,780**		**15,878**	**19,111**

Lease commitments are entered into for a period of up to 5 years with fixed payments, which are yearly price-adjusted.

Note 24. Change in working capital

Parent			Group	
2012	2013		2013	2012
DKK'000	DKK'000		DKK'000	DKK'000
1,758	-387	Change in inventories	-122	2,330
-22,182	3,458	Change in receivables	6,007	-4,480
-1,006	61	Change in trade payables etc.	267	-2,025
21,109	3,867	Change in loan from Group Companies	0	0
-321	**6,999**		**6,152**	**-4,175**

Note 25. Non-cash adjustments

Parent			Group	
2012	2013		2013	2012
DKK'000	DKK'000		DKK'000	DKK'000
-3	-200	Profit on the sale of non-current assets	-200	-3
-3	**-200**		**-200**	**-3**

Note 26. Contingent liabilities

Security for loans

The loan mentioned in note 22 above is secured upon leased assets under "Property, plant and equipment". Security for the short term bank loan DKK 10 million recognized as borrowings is secured upon a business mortgage ("virksomhedspant") relating to Exiqon A/S's intangible assets, property, plant and equipment, inventories and receivables amounting to DKK 41.9 million (DKK 46.5 million in 2012).

Note 27. Financial risks

Categories of financial instruments

Parent			Group	
2012	2013		2013	2012
DKK'000	DKK'000		DKK'000	DKK'000
1,534	1,547	Deposits	1,661	1,749
14,895	10,237	Trade receivables	13,197	20,592
3,894	0	Receivables from group companies	0	0
700	1,212	Other receivables	1,216	713
1,250	1,250	Refund from tax authorities	1,250	1,250
15,965	27,588	Cash and cash equivalents	29,190	17,493
38,238	**41,834**	**Cash and receivables**	**46,514**	**41,797**
1,775	403	Finance lease liabilities	403	1,775
9,393	11,038	Trade payables	11,881	10,132
10,078	10,013	Short term bank loan	10,013	10,078
0	15,000	Corporate Bonds	15,000	0
3,995	3,968	Payables from group companies	0	0
9,924	6,879	Other payables	7,712	10,735
35,165	**47,301**	**Financial liabilities**	**45,009**	**32,720**

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 2013.

Liquidity and interest rate risks

The Group does not hedge interest rate risk as this is not considered financially viable.
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 27. 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	15,683	3,212	-4,029	14,867
EUR	1,646	8,480	-1,196	8,929
DKK	11,852	3,890	-46,356	-30,614
Other currencies	9	81	-210	-120
31 December 2013	**29,190**	**15,663**	**-51,791**	**-6,938**
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**

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	14,081	248	-6,322	8,008
EUR	1,646	8,480	-1,196	8,929
DKK	11,852	3,890	-46,356	-30,614
Other currencies	9	81	-210	-120
31 December 2013	**27,588**	**12,699**	**-54,084**	**-13,797**
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**

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 from continued operations by 19% against 8% in 2013 and the equity by 3% against 1% in 2012.

Note 27. 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	29,190	0	0	29,190	0	2-6
Corporate Bonds	0	-15,000	0	-15,000	0	8.85
Short term bank loan	-10,013	0	0	-10,013	0	2-6
Lease arrangements	-403	-258	0	-661	-661	0-4
31 December 2013	**18,774**	**-15,258**	**0**	**3,516**	**-661**	
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**	

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	27,588	0	0	27,588	0	2-6
Corporate Bonds	0	-15,000	0	-15,000	0	8.85
Short term bank loan	-10,013	0	0	-10,013	0	2-6
Lease arrangements	-403	-258	0	-661	-661	0-4
31 December 2013	**17,172**	**-15,258**	**0**	**1,914**	**-661**	
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**	

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.

Parent			Group	
2012 DKK'000	2013 DKK'000		2013 DKK'000	2012 DKK'000
		Not impaired not due receivables are distributed as follows:		
8,907	6,775	Europe	6,775	8,907
0	0	North America	2,683	4,260
2,077	875	Rest of world	875	2,077
10,984	**7,650**		**10,333**	**15,244**

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

Note 27. Financial risks (continued)

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization between the Group's strategy and cash position and also of the debt and equity balance. The Group's overall strategy remains unchanged from 2010. 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:

	2013 DKK'000	2012 DKK'000
Cash and cash equivalents	29,190	17,493
Credit facilities	0	0
Capital resource	**29,190**	**17,493**

Note 28. 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. 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 2013

Transactions with group companies comprised invoicing of contract work in the total amount of DKK 2,453 thousand.

Other related party transactions in 2012

Transactions with group companies comprised invoicing of contract work in the total amount of DKK 1,123 thousand.

Note 29. Events after the reporting period

There have been no material events after 31 December 2013 that have a bearing on the understanding of these consolidated financial statements.

Note 30. Approval of Annual Report

The Annual Report were approved by the board of directors and authorized for issue on 10 February 2014.
The Annual Report is submitted for approval on the Annual General Meeting on 25 March 2014.

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