

Announcement No. 5/2014

To NASDAQ OMX Copenhagen

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INTERIM REPORT FOR THE PERIOD 1 JANUARY - 31 MARCH 2014

First quarter highlights include 18% growth in North American sales, 20% increase in gross profit, positive EBIT of DKK 0.5 million and first ever reported positive Earnings Per Share of DKK 0.02.

Exiqon A/S (NASDAQ OMX Copenhagen: "EXQ") today announced results for the first quarter of 2014:

In summary (DKK million)	Q1 2014	Q1 2013	FY 2013	Outlook 2014
Revenue	32.5	31.8	123.6	~ 150
Gross profit	22.0	18.4	75.5	
EBITDA	1.6	-2.0	-4.1	~ 5
EBIT	0.5	-3.4	-8.8	
Net profit	0.8	-4.5	-10.7	
Cash flows from operating activities	-2.3	-3.2	3.2	
EPS	0.02	-0.12	-0.29	

Financial highlights

- Revenue increased 2% to DKK 32.5 million (DKK 31.8 million). Research product sales and services (excluding OEM) increased 1% to DKK 24.9 (DKK 24.7 million) driven by North America and Rest of World.
- Gross profit increased 20% to DKK 22.0 million (DKK 18.4 million) driven by optimizations in the supply chain and manufacturing in combination with increased income from licensing.
- Total operating expenses decreased 1% to DKK 21.6 million (DKK 21.8 million).
- EBITDA improved to DKK 1.6 million (DKK -2.0 million) including non-cash costs of share-based payments of DKK 0.9 million (DKK 0.8 million). EBIT improved to DKK 0.5 million (DKK -2.0 million).
- Net result was DKK 0.8 million (DKK -4.5 million). EPS amounted to DKK 0.02 (DKK -0.12).
- Cash flow from operating activities was DKK -2.3 million (DKK -3.2 million).
- The financial outlook for 2014 is unchanged.

Operational highlights

- On 21 January 2014 Exiqon announced the launch of the company's new Next Generation Sequencing services for microRNAs and other RNAs.
- On 4 February 2014 Exiqon announced the launch of a new version of miRSearch, an established online search tool for rapid retrieval of detailed information about microRNA as well as related mRNA and lncRNA.
- After end period, on 23 April 2014 Exiqon announced the launch of highly potent miRCURY LNA™ microRNA Mimics to complement the company's product offering for functional analysis.

In a comment CEO Lars Kongsbak said: *“First quarter 2014 marks an important milestone of positive earnings, driven by improved gross profit, that has taken priority for the past three years. Our qPCR product offering and products for functional analysis including LNA™ Gapmers continue to pave the way for profitability. We have launched our new Next Generation Sequencing Services and completed the first service projects during the first quarter to support our continued growth.”*

Key figures for the Exiqon Group (unaudited)

	1 Jan. – 31 Mar. 2014	1 Jan. – 31 Mar. 2013	1 Jan. – 31 Dec. 2013
(DKK'000 except key figures)			
Income statement			
Revenue	32,471	31,765	123,584
Production costs	-10,425	-13,340	-48,132
Gross profit	22,046	18,425	75,452
Research and development costs	-6,669	-6,738	-24,253
Sales and marketing costs	-10,391	-10,163	-41,261
Administrative expenses	-4,515	-4,893	-18,718
EBITDA *)	1,646	-2,045	-4,100
Operating profit/(loss) (EBIT)	471	-3,369	-8,780
Profit/(loss) for the period	793	-4,470	-10,682
Total Comprehensive profit/(loss) for the period	749	-4,228	-10,997
Balance sheet			
Assets			
Intangible assets	60,880	60,968	61,139
Property, plant and equipment	5,454	2,715	4,361
Non-current assets	69,806	67,616	69,037
Cash and cash equivalents	25,516	28,591	29,190
Current assets	59,824	65,584	58,973
Total assets	129,630	133,200	128,010
Equity and liabilities			
Equity	77,897	80,844	76,219
Non-current liabilities	15,744	15,000	15,258
Current liabilities	35,989	37,356	36,533
Total liabilities	51,733	52,356	51,791
Total equity and liabilities	129,630	133,200	128,010
Cash flow statement			
Depreciation, amortization and impairment	1,174	1,328	4,670
Cash flows from operating activities	-2,312	-3,189	3,228
Acquisition of intangible assets and property, plant and equipment	-982	-286	-4,638
Cash flows from investing activities	-982	-286	-4,438
Cash flows from financing activities	-356	14,407	12,992
Cash and cash equivalents at the end of period	25,516	28,591	29,190
Key figures			
Number of shares, average	36,874,082	36,874,082	36,874,082
Basic EPS (DKK)	0.02	-0.12	-0.29
Diluted EPS (DKK)	0.02	-0.12	-0.29
Gross margin	67.9%	58.0%	61.1%
Assets/Equity (gearing)	1.66	1.65	1.68
Average number of employees	83	76	80
Market price per share (DKK)	8.8	8.9	8.2
Market capitalisation (DKK million)	322.6	326.3	300.5
Price / net asset value	4.14	4.04	3.94
Net interest bearing debt / Equity	0.01	-0.03	-0.05
Net interest bearing debt / EBITDA	0.52	1.09	0.86
Interest coverage	3.02	-13.84	0.38

Basic and diluted EPS have been calculated in accordance with IAS 33 "Earnings per share". Other ratios have been calculated in accordance with "Recommendations & Financial Ratios 2010" issued by the Danish Society of Financial Analysts. dated June 2010. (*) EBITDA (defined as Earnings Before Special Items, Interest, Tax, Depreciation and Amortization) includes non-cash cost of share-based payment in the first three months of 2014 with tDKK 929.

FINANCIAL REVIEW

Reported figures are for the full reporting period. Figures for the comparable reporting period last year are stated in parenthesis. The average USD/DKK exchange rate applied to translate revenue and expenses was DKK 5.45 for the first three months of 2014 (DKK 5.67).

Revenue

Total revenue increased 2% to DKK 32.5 million (DKK 31.8 million).

The increase in revenue is attributable to a continued organic growth in Exiqon Life Sciences' product sales of 5% to DKK 21.0 million (DKK 20.0 million) driven primarily by new products whereas revenue from Services, which is characterized by periodic variations, decreased 19% during the first three months to DKK 3.8 million (DKK 4.7 million).

Research product sales and services (excluding OEM) increased 1% to DKK 24.9 million (DKK 24.7 million). In Europe research product sales and services (excluding OEM) decreased 12% to DKK 11.2 million (DKK 12.7 million), however, the comparative period last year was unusually strong. In North America research product sales and services (excluding OEM) increased 18% (23% when adjusted for currency effect) to DKK 8.9 million (DKK 7.5 million). Rest of World sales increased 8% to DKK 4.8 million (DKK 4.5 million).

Royalty and license income accounted for DKK 2.3 million (DKK 1.2 million). Exiqon realized revenue of DKK 1.5 million (DKK 1.0 million) from consortium grants reported separately as contract research income.

Gross profit and margins

Gross profit increased 20% to DKK 22.0 million (DKK 18.4 million) due to improved margins and increased license income. Gross margins on product sales and services, excluding license income and contract research, increased to 63.7% compared to 54.9% in the same period last year driven by optimizations in the supply chain and manufacturing, including improved economies of scale, and an increase in income from licenses.

Operating costs

Total operating costs excluding production costs decreased 1% to DKK 21.6 million (DKK 21.8 million), primarily attributable to a decrease in administration costs of 8% which was partly compromised by an increase in sales and marketing costs of 2%.

EBITDA and EBIT

EBITDA improved to DKK 1.6 million (DKK -2.0 million) and EBIT improved to DKK 0.5 million (DKK -3.4 million).

Cash flow

Cash flow from operating activities improved to DKK -2.3 million (DKK -3.2 million) primarily reflective of cash flow from primary activities of DKK -2.7 million and net finance costs of DKK 0.4 million.

Summarized first three months' financial numbers compared to full year outlook

In the table below, the company's realized performance for the first three months of 2014 has been summarized and compared to the outlook for the full year; including an adjustment of the realized numbers to the exchange rate (USD/DKK 5.50) used as basis for the full year outlook:

(mDKK)	Realized 2014		
	Realized 2014 (USD/DKK 5.45)	adjusted to USD/DKK 5.50	Outlook 2014 (USD/DKK 5.50)
Revenue	32.5	32.6	~ 150
EBITDA	1.6	1.6	~ 5

FINANCIAL OUTLOOK 2014

In 2014 Exiqon expects revenue of approximately DKK 150 million and EBITDA around DKK 5 million.

The outlook for 2014 is based on an average USD/DKK exchange rate of DKK 5.50.

The outlook for 2014 does not include any significant one-time income from new license agreements. Exiqon continues to pursue license and partnering opportunities during 2014. No significant one-time costs are included in the outlook for 2014, nor are any expected. Any costs related to new warrant grants are not included in the guidance for 2014.

Directors' and Management's statement on the interim report

The Board of Directors and the Executive Management have today considered and approved the interim report of Exiqon A/S for the period 1 January – 31 March 2014.

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

We consider the accounting policies to be appropriate, the accounting estimates made to be reasonable and the overall presentation of the interim report to be adequate, so that the interim report, in our opinion, gives a true and fair view of the assets, liabilities, financial position and results of operations and cash flows of the group for the period 1 January – 31 March 2014. We consider the Management's statement to give a true and fair description of the development in the Group's activities and economic situation, the results of operations and the Group's financial position as a whole and a description of the significant risks and uncertainty factors, which the Group faces.

Vedbaek, 5 May 2014

Executive Management

Lars Kongsbak, CEO
Hans Henrik Chrois Christensen, CFO

Board of Directors

Thorleif Krarup
Chairman
Erik Walldén
Deputy Chairman
Michael Nobel
Per Wold-Olsen

Additional information

Lars Kongsbak, CEO. Phone +45 4566 0888 (cell: +45 4090 2101)
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Forward-looking statements

Certain parts of this release contain forward-looking information with respect to the plans, projections and future performance of the company, each of which involves significant uncertainties. The company's actual results may differ materially from the information set forth in these statements.

Consolidated statement of comprehensive income (unaudited)

(DKK'000)	Note	1 Jan. – 31 Mar. 2014	1 Jan. – 31 Mar. 2013	1 Jan. – 31 Dec. 2013
Revenue	2,3	32,471	31,765	123,584
Production costs		-10,425	-13,340	-48,132
Gross profit		22,046	18,425	75,452
Research and development costs		-6,669	-6,738	-24,253
Sales and marketing costs		-10,391	-10,163	-41,261
Administrative expenses		-4,515	-4,893	-18,718
Operating profit/(loss) (EBIT)		471	-3,369	-8,780
Financial income		360	558	5,085
Financial expenses		-907	-1,514	-7,813
Profit/(loss) before tax		-76	-4,325	-11,508
Tax on profit/(loss) for the period		869	-145	826
Profit/(loss) for the period		793	-4,470	-10,682
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange adjustments relating to foreign subsidiaries		-44	242	-315
Total comprehensive income and expenses for the period		749	-4,228	-10,997
Earnings per share				
Basic EPS		0.02	-0.12	-0.29
Diluted EPS		0.02	-0.12	-0.29

Consolidated statement of financial position (unaudited)

(DKK'000)	Note	31 Mar. 2014	31 Mar. 2013	31 Dec. 2013
Goodwill		49,368	49,368	49,368
Acquired patent rights		5,674	6,722	5,936
Acquired software licenses		5,470	4,875	4,187
Intangible assets under construction		368	3	1,648
Intangible assets		60,880	60,968	61,139
Leasehold improvements		671	289	586
Production and laboratory equipment		3,943	1,850	3,163
Fixtures and fittings, tools and equipment		615	576	591
Tangible assets under construction		225	0	21
Property, plant and equipment		5,454	2,715	4,361
Deferred tax assets		1,788	2,155	1,876
Deposits		1,684	1,778	1,661
Financial assets		3,472	3,933	3,537
Non-current assets		69,806	67,616	69,037
Inventories		13,579	14,027	12,771
Trade receivables		15,588	19,556	13,197
Other receivables		1,094	650	1,216
Refund from Tax Authorities		2,250	1,250	1,250
Prepayments		1,797	1,510	1,349
Receivables		20,729	22,966	17,012
Cash and cash equivalents		25,516	28,591	29,190
Current assets		59,824	65,584	58,973
Total assets		129,630	133,200	128,010
Share capital		36,874	36,874	36,874
Reserves		41,023	43,970	39,345
Equity		77,897	80,844	76,219
Corporate Bonds		15,000	15,000	15,000
Financial lease liabilities		744	0	258
Non-current liabilities		15,744	15,000	15,258
Financial lease liabilities		603	1,377	403
Trade payables		11,203	12,042	11,881
Short term bank loan		10,020	9,987	10,013
Other payables		7,343	7,811	7,712
Deferred revenue		6,820	6,139	6,524
Current liabilities		35,989	37,356	36,533
Total liabilities		51,733	52,356	51,791
Total equity and liabilities		129,630	133,200	128,010

Consolidated statement of cash flow (unaudited)

(DKK'000)	1 Jan. – 31 Mar. 2014	1 Jan. – 31 Mar. 2013	1 Jan. – 31 Dec. 2013
Operating profit (EBIT)	471	-3,369	-8,780
Depreciation and amortization	1,174	1,328	4,670
Non-cash adjustments (warrants)	929	755	2,899
Change in working capital	-5,284	-782	6,152
Profit on sale of assets	0	0	-200
Cash flows from primary activities	-2,710	-2,068	4,741
Net interest and value gains	-559	-1,074	-2,716
Current tax	957	-47	1,203
Cash flows from operating activities	-2,312	-3,189	3,228
Acquisition of intangible assets	-502	-167	-2,616
Acquisition of property, plant and equipment	-480	-119	-2,022
Sale of assets	0	0	200
Cash flows from investing activities	-982	-286	-4,438
Repayment of lease debt	-340	-481	-2,022
Proceeds from corporate bonds	0	15,000	15,000
Repayment of deposit and loans	-23	-21	79
Short term bank loan	7	-91	-65
Cash flows from financing activities	-356	14,407	12,992
Change in cash and cash equivalents	-3,650	10,932	11,782
Unrealised currency gain/(loss)	-24	166	-85
Cash and cash equivalents at the beginning of the period	29,190	17,493	17,493
Cash and cash equivalents at the end of the period	25,516	28,591	29,190

Consolidated statement of changes in equity (unaudited)

Consolidated	Number of shares No.	Share capital (DKK'000)	Other reserves			Total (DKK'000)
			Reserve for exchange adjustments (DKK'000)	Share- based payment (DKK'000)	Retained profit (DKK'000)	
Equity at 1 January 2014	36,874,082	36,874	-624	16,341	23,628	76,219
Profit/(loss) for the year					793	793
Exchange adjustments relating to foreign subsidiaries			-44			-44
Total comprehensive income	0	0	-44	0	793	749
Share-based payment				929		929
Other transactions	0	0	0	929	0	929
Equity at 31 March 2014	36,874,082	36,874	-668	17,270	24,421	77,897
Equity at 1 January 2013	36,874,082	36,874	-309	13,442	34,310	84,317
Profit/(loss) for the year					-4,470	-4,470
Exchange adjustments relating to foreign subsidiaries			242			242
Total comprehensive income	0	0	242	0	-4,470	-4,228
Share-based payment				755		755
Other transactions	0	0	0	755	0	755
Equity at 31 March 2013	36,874,082	36,874	-67	14,197	29,840	80,844

Notes to the interim financial statements

Note 1 Accounting policies

The interim report of the Exiqon Group for the period 1 January – 31 March 2014 is presented in accordance with IAS 34 and additional Danish disclosure requirements for the presentation of financial statements by listed companies. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of 31 December 2013.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year that ended 31 December 2013, except for the adoption of the new standards IFRS 10-12 effective as of 1 January 2014. The nature and the impact of the new standards/amendments are described below:

IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its return.

IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for.

IFRS 12 is a new disclosure standard and is applicable to entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

The implementation of the new and revised Standards and Interpretations have not affected the recognition or measurement.

The Management has not made new significant accounting estimates and assumptions besides the ones listed in the annual report for 2013.

Note 2 Revenue

(DKK'000)	1 Jan. – 31 Mar. 2014	1 Jan. – 31 Mar. 2013	1 Jan. – 31 Dec. 2013
Product sales	24,841	24,881	96,633
Services	3,846	4,682	15,489
License income	2,315	1,215	7,652
Contract research *)	1,469	987	3,810
	32,471	31,765	123,584

*) Third party financed product development including consortium grants

Note 3 Segment information

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

Exiqon Life Sciences includes the sale of research products for RNA analysis and services. Life Sciences product sales and services based on the same products are considered to have similar financial characteristics. For reporting purposes these are considered as one segment.

Exiqon Diagnostics includes research and development of a variety of diagnostic tests not yet ready for sale. Exiqon Diagnostics is presented as a reporting segment in accordance with the quantitative thresholds guidance in IFRS 8.

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.

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

31 March 2014

(DKK'000)	Life Sciences	Diagnostics	Other ¹⁾	Consolidated
Revenue:				
External customers	31,790	681		32,471
Internal customers	359	0	-359	0
Total revenue	32,149	681	-359	32,471
EBITDA	5,586	-3,940		1,646
Operating profit/(loss) (EBIT)	4,576	-4,105		471
Net non-operating cost			-547	-547
Profit (loss) before tax	4,576	-4,105	-547	-76
Assets	49,954	51,909	27,767	129,630

1) The item 'Other' includes Group eliminations, adjustments and net non-operating items.

Geography

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

(DKK'000)	1 Jan. – 31 Mar. 2014	1 Jan. – 31 Mar. 2013	1 Jan. – 31 Dec. 2013
North America	11,479	8,993	42,355
Europe	15,831	18,095	66,102
Rest of World	5,161	4,677	15,127
	32,471	31,765	123,584

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