Prospectus dated 8 February 2008

Exiqon A/S
(a Danish public limited company, CVR no. 18984431)
Private placement of up to 6,161,004 new shares of DKK 1 nominal value each
at DKK 36.4 per Share

This prospectus (the "Prospectus") has been prepared in connection with a private placement (the "Placement") of up to 6,161,004 new ordinary shares of DKK 1 nominal value each (the "Offer Shares") in Exiqon A/S (the "Company" to the shareholders of Oncotech Inc. ("Oncotech") according to a merger agreement among, inter alia, Oncotech, certain shareholders of Oncotech and the Company (see the section "The Oncotech Transaction") and in connection with the official listing of the Offer Shares on the OMX Nordic Exchange Copenhagen ("OMX Copenhagen").

The Company's existing ordinary shares, including the Offer Shares, are referred to as the "Shares". As at the Prospectus Date, but prior to the Placement, Exiqon's share capital totals DKK 24,441,064 nominal value divided into 24,441,064 shares of DKK 1 nominal value each, which are all fully paid up (the "Existing Shares"). The placement is made without pre-emption rights for the Company's existing shareholders. The Placement is made solely to the shareholders of Oncotech in reliance on Rule 506 of Reg D under the U.S. Securities Act.

The offer price (the "Offer Price") per Offer Share is DKK 36.4 based on the closing price on the Exiqon shares on 26 November 2007 immediately prior to conclusion of a binding letter of intent on 27 November 2007. The Offer Price shall be paid by contribution in kind of the shares in Oncotech.

The investors should be aware that an investment in the Offer Shares involves a high degree of risk. For a description of factors to consider before investing in the Offer Shares, see "Risk factors", beginning on page 13.

The Company's Existing Shares have been admitted for trading and official listing on the OMX Copenhagen in the isin code DK0060077758 and under the symbol "EXQ". An application has been made for the Offer Shares to be traded and listed on the OMX Copenhagen in the same isin code as the Company's Existing Shares. Trading in the Offer Shares on the OMX Copenhagen is expected to commence on 29 February 2008. The Offer Shares will rank pari passu in all respects, mutually and relative to the Company's Existing Shares.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States or the securities laws of any jurisdiction outside Denmark and may only be offered and sold in transactions exempt from, or not subject to, the registration requirements in the relevant jurisdictions. See "Jurisdictions in which the Placement is made and restrictions relating to the Placement" for a description of these and certain other restrictions regarding resale and transfer of the Offer Shares.

It is expected that issue of the Offer Shares will take place on or about 28 February 2008. The Offer Shares will be delivered in book-entry form to an exchange agent appointed by Exiqon, who will deliver the Offer Shares to the Oncotech Shareholders. The Placement will be made in accordance with Danish law. This Prospectus has been prepared in compliance with the standards and requirements of Danish law, including the rules issued by the OMX Copenhagen.

General information

This Prospectus has been prepared in compliance with Danish legislation and regulations, including the Danish Securities Trading Act, the rules of the OMX Copenhagen and Executive Order no. 1232 of 22 October 2007 issued by the Danish FSA on prospectuses (the "Prospectus Order"). This Prospectus is subject to Danish law.

This Prospectus has been prepared in a Danish-language version and has been translated into an English-language version. The two versions are identical except that statements by the Company's Board of Directors and the Executive Management as well as by the auditors required by the OMX Copenhagen are included in the Danish-language version. In the event of any discrepancies, the Danish-language version shall be the governing text.

No person is authorized to give any information or to make any representation in connection with the Placement other than as contained in this Prospectus. If given or made, such information or representation must not be relied upon as having been made or authorized by Exiqon which are not liable therefore.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities by any person in any jurisdiction in which it is unlawful for such person to make such offering or solicitation. The distribution of this Prospectus must not create any implication that there have been no changes in the business of Exiqon, its assets and liabilities or any other affairs since the date hereof, or that the information contained in this Prospectus is correct as at any time subsequent to the date of this Prospectus. In the event of any material changes to the information reproduced in this Prospectus during the period from the date of publication to the first day of trading of the Offer Shares, such changes will be announced in a prospectus supplement pursuant to the rules in the Prospectus Order.

This Prospectus has been prepared in connection with the Placement and official listing of the Offer Shares on the OMX Copenhagen. Exiqon's Shares are traded and listed only on OMX Copenhagen. No public market exist for the Shares outside of the trading and listing on OMX Copenhagen In making an investment decision, investors should rely on their own examination of the Company and the terms of this Placement, including the risks involved.

The distribution of this Prospectus and the Placement may be restricted by law in certain jurisdictions, and this Prospectus may not be used for, or in connection with, any offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorized or to any persons to whom it is unlawful to make such offer or solicitation. This Prospectus does not constitute an offer of or a solicitation to buy the Offer Shares in any jurisdiction where such an offer or solicitation is unlawful. The Company requires persons into whose possession this Prospectus may come to inform themselves of and observe such restrictions. The Company does not assume any legal responsibility for any violation of these restrictions by any person, irrespective of whether such person is a potential purchaser of the Offer Shares. See "Terms and conditions of the Placement" for a more detailed description of certain restrictions in connection with the Placement.

NOTICE TO US INVESTORS

The Offer Shares offered hereby have not been registered under the U.S. Securities Act or the securities laws of any state and are being offered and sold in reliance on exemptions from the registration requirements of said act and such laws. The Offer Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under said act and such laws pursuant to registration or exemption therefrom. Investors should be aware that they will be required to bear the financial risks of this investment for an indefinite period of time. The Offer Shares offered hereby have not been approved or disapproved by the securities and exchange commission, any state securities commission or any other regulatory authority, nor have any of the foregoing authorities reviewed, passed upon or endorsed the merits of this placement or the accuracy or adequacy of this prospectus. Any representation to the contrary is unlawful.

The Offer Shares offered hereby are to be purchased for investment only and not with a view to their subsequent resale or distribution, and may not be offered, sold, pledged, or otherwise transferred in the absence of an effective registration statement under the securities act and applicable state securities laws, or an opinion of counsel satisfactory to the company, acting reasonably, that such registration is not required.

The Offer Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the securities act and the applicable state securities laws, pursuant to registration or exemption therefrom. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Each purchaser will be required to represent that it is acquiring the Offer Shares purchased by it for investment and not with a veiw to resale or distribution. There is no public market for the Offer Shares in the united states and none is expected to develop in the future. An investor must, therefore, be prepared to bear the economic risks of the investment for an indefinite period of time.

NOTICE REGARDING THE EUROPEAN ECONOMIC AREA

In relation to the individual member states of the European Economic Area which have implemented the Prospectus Directive (each a "Relevant Member State") no offering of Offer Shares to the public will be made in any Relevant Member State prior to the publication of a prospectus concerning the Offer Shares, which has been approved by the competent authority in such Relevant Member State or, where relevant, approved in another Relevant Member State and notified to the competent authority in such Relevant Member State all pursuant to the Prospectus Directive, except that with effect from and including the date of implementation of the Prospectus Directive in such Relevant Member State, an offering of Offer Shares may be made to the public at any time in such Relevant Member State:

a) to legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

b) to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43 million; and (3) an annual net revenue of more than EUR 50 million, as shown in its latest annual or consolidated accounts;

c) to less than 100 individuals or legal persons (except for "qualified investors" as defined in the Prospectus Directive); or

d) in any other circumstances which do not require the publication by the Company of a prospectus under Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an "offering of Offer Shares to the public" in relation to the Offer Shares in a Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offering and the Offer Shares so as to enable an investor to decide to purchase Offer Shares as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the "Prospectus Directive" means Council Directive 2003/71/EC and comprises all relevant implementation procedures in each Relevant Member State.

NOTICE TO UK INVESTORS

The Offering will solely be made to (i) "investment professionals" as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) "high net worth companies, unincorporated associations, partnerships, trusts" or others to whom the Prospectus may lawfully be redistributed under Article 49(2)(a)-(d) of the Order (all such persons covered by (i) and (ii) are referred to as "Qualified Persons"). The Offer Shares may solely be offered to Qualified Persons and any solicitation, offer, subscription, purchase or other agreement to buy the Offer Shares may solely be made or signed with Qualified Persons. This Prospectus must not be acted on or relied on by persons other than Qualified Persons. This Prospectus may only be distributed in accordance with the legal restrictions contained in this Prospectus.

INDUSTRY AND MARKET DATA AND INFORMATION PROVIDED BY THIRD PARTIES

This Prospectus contains information on the markets in which Exiqon operates. A substantial part of the information comes from analyses prepared by external organizations. Such information is considered to be reliable, but the information has not been verified, and Exiqon makes no declaration as to the accuracy of such information. Thus, developments in Exiqon's activities may deviate from the market developments stated in this Prospectus. Exiqon does not assume any obligation to update such information. If information has been obtained from third parties, we confirm that such information has been accurately reproduced and to the best of the Company's knowledge and belief and in so far as can be ascertained from the information published by such third party, no facts have been omitted which would render the information provided inaccurate or misleading.

EXCHANGE CONTROL REGULATIONS IN DENMARK

There are no governmental laws, decrees or regulations in Denmark that restrict the export or import of capital (except as stated in applicable resolutions adopted by the United Nations and the European Union), including, but not limited to, foreign exchange controls, or that affect the remittance of dividend, interest or other payments to non-resident holders of the Offer Shares. As a measure to prevent money laundering and financing of terrorism persons travelling in and out of Denmark carrying amounts of money etc. (including, but not limited to, cash and travellers checks) worth the equivalent of EUR 10,000 or more must declare such amounts with the Danish Customs Authority when travelling in or out of Denmark.

PRESENTATION OF FINANCIAL INFORMATION AND OTHER INFORMATION

References to "DKK" are to Danish kroner. References to "EUR" or "euro" are to the single currency of the member states participating in the third stage of the European Economic and Monetary Union pursuant to the Treaty Establishing the European Community as amended from time to time, and references to "USD" and "dollar" are to US dollars. Exiqon publishes its financial statements in Danish kroner. The exchange rates used in this Prospectus are stated on the relevant pages in this Prospectus. Unless otherwise indicated, the exchange rate used is USD 1 = DKK 5.2574. These rates are only included for the convenience of the reader and are not necessarily the rates used by the Company when preparing the financial statements included elsewhere in this Prospectus. No declaration will be made that EUR or USD could have been translated or may be translated into DKK at the exchange rates set out above.

Exiqon's annual financial statements for the year ended 31 December 2006 with comparative figures for 2005 and 2004, which are included in this Prospectus, are extracts from the Company's official 2006 Annual Report. The 2006 Annual Report was prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports. Exiqon's unaudited interim report for the nine months ended 30 September 2007 with comparative figures for the same period of 2006, which are included in this Prospectus, was prepared in accordance with IAS 34 and additional Danish disclosure requirements for interim reports of listed companies.

Various figures and percentages in this Prospectus have been rounded, and thus they may not conform to the sums stated.

The words "we" "us" and "ours" in this Prospectus refer to the Company.

WARNING RELATING TO FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements, including statements on Exiqon's goals. In addition to statements that are forward-looking by nature or by virtue of the context, forward-looking statements are identified by terminology such as "would", "assess", "target", "expect", "intend", "should", "plan", "estimate", "deem", "wish", "may" and similar expressions. Such forward-looking statements are based on information, assumptions and beliefs deemed reasonable by the Company. They may change or be changed due to uncertainty relating to the economic, financial, competitive or regulatory environment.

Investors should carefully consider the risk factors described in this Prospectus in "Risk factors" before making any investment decision. If one or more of these risks materialize, it may have an adverse impact on Exiqon's business, position, results of operations or objectives. In addition, other risks that have not yet been identified or which Exiqon has not considered to be material may have an adverse impact, and investors may lose all or part of their investment.

Forward-looking statements only apply as at the Prospectus Date. Exiqon expressly disclaims any obligation or undertaking to publish any updates or revisions to any forward-looking statement contained in this Prospectus to reflect any change in Exiqon's expectations with regard thereto or any change in events, conditions or circumstances on which the forward-looking statements contained in this Prospectus are based.

Forward-looking statements and objectives in this Prospectus may be affected by known and unknown risks, uncertainties and other factors which may cause Exiqon's future results of operations, development and performance to be materially different from the objectives stated or implied. Such factors may include changes in the financial or commercial conditions and legislation as well as factors stated in this Prospectus, see "Risk factors".

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Summary

The following summary should be read as an introduction to this Prospectus. Any decision to invest in the Offer Shares should be based on this Prospectus as a whole, including the documents incorporated by reference and the risks involved in investing in the Shares as set forth in "Risk factors" herein. This summary is not complete and does not include all information which should be taken into account in a decision related to the Offer Shares.

We do not accept civil liability for claims on the basis of this summary, including the summary of the Placement, and the summary financial highlights and key figures contained in the summary, nor for translations thereof, unless they are misleading, incorrect or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in an EEA member state, the plaintiff might, under the national legislation in the member state where such claim is brought, have to bear the costs of translating the Prospectus before such legal proceedings are initiated.

Summary of the Oncotech Transaction

This Prospectus has been prepared in connection with the Oncotech Transaction and is in addition to being published in accordance with applicable rules being provided to shareholders of Oncotech in connection with a proposed acquisition of Oncotech by Exiqon.

On 21 January 2008 the Company announced that it had entered into an agreement with Oncotech on the merger of Oncotech and Exiqon Acquisition, Inc. and the contribution in kind by the Oncotech Shareholders of their shares in Oncotech into Exiqon against delivery of new Shares in Exiqon. Closing of the agreement (the "Merger Agreement") is expected to take place on 27 February 2008 upon which the merger will become effective.

The transaction has been structured as a reverse triangular merger pursuant to which a newly formed subsidiary of the Company, Exiqon Acquisition, Inc. will merge with and into Oncotech. The shares of Exiqon Acquisition, Inc., which are owned by Exiqon, are being converted into shares of Oncotech upon completion of the transaction, with the result being that Oncotech shall become a wholly owned subsidiary of Exiqon. The transaction is being structured in this manner to enable Oncotech Shareholders to treat the transaction as a tax fee reorganization under Section 368(a) of the US Internal Revenue Code of 1986, as amended.

Closing of the transactions contemplated under the Merger Agreement is subject to a number of conditions precedent including, inter alia, compliance by Oncotech of certain covenants, reconfirmation of certain representation and warranties and non occurrence of material adverse events. Upon closing of the transactions contemplated under the Merger Agreement, Exiqon Acquisition, Inc. will cease to exist and Oncotech will become a wholly owned subsidiary of Exiqon.

Pursuant to the transaction, Oncotech's Shareholders will receive up to an aggregate of 6,161,004 shares of the Company in exchange for a contribution in kind of their shares in Oncotech. The issue of the maximum number of Offer Shares (6,161,004) amount to an aggregate consideration for all the shares in Oncotech of USD 45 million (app. DKK 225 million at the exchange rate on on 26 November 2007). The number of Offer Shares to be issued is subject to reduction to the extent that Oncotech's liabilities as of the Closing Date exceed its liabilities as of 31 December 2006 reflected in Oncotech's audited financial statements for 2006 ("the "Closing Liabilities"). The Company has received a preliminary calculation of the Closing Liabilities, if closing was to occur at the end of February 2008, amounting to approximately USD 7 million. A formal calculation of these Closing Liabilities cannot be made until around the Closing Date. If the Closing Liabilities eventually are determined to be USD 6.5 million, and the trading price of Exiqons shares during the five trading days prior to the Closing Date average DKK 36.4 per share and the USD/DKK exchange rate for the five business days preceding the Closing Date average USD 1 = DKK 5, then this would lead to an adjustment in the number of Offer Shares to be issued as consideration totalling 892,857. In consequence the total Offer Shares that would have to be issued would be 5,268,147.

At the closing of the transaction, each existing Oncotech share shall immediately be cancelled and converted into a right to receive shares in Exiqon. The Offer Shares will be issued to an exchange agent appointed by Exiqon, who will release the Offer Shares to the Oncotech Shareholders upon each Oncotech Shareholder's surrender to the exchange agent of their Oncotech stock certificate and supporting documents, provided, however, that 10% of the Offer Shares will remain deposited with the exchange agent for a period of 12 months as security for any claims of Exiqon.

The transaction has been approved by the Board of Directors of Oncotech and requires the approval of the holders of 50% of the issued and outstanding Oncotech shares. Oncotech shareholders that dissent from the merger have the right to require an appraisal of their Oncotech shares and a cash payment. Amounts payable, if any, to dissenting shareholders will be treated as a Closing Liability of Oncotech and will result in an adjustment of the purchase price and return to Exiqon of part of the Offer Shares.

Overview of Exiqon

Exiqon is a biotechnology business whose core business is to develop, manufacture and market products for molecular biology analyses. Our customers primarily include

molecular biologists in the pharmaceutical, diagnostic and agrotechnology industries and academic institutions in the field of molecular biology. Exiqon's customers are typically involved in basic biological research, research into diseases such as cancer, metabolic diseases, neurological disorders, etc. and stem-cell research.

Exiqon's products are based on patented technology that facilitates very precise and sensitive measurement of gene activity. We aim to expand the existing product-based business and to apply our technology and analysis products in the future development of new proprietary molecular diagnostic products.

Customer needs for Exiqon's products

There has been a growing need for nucleic acid analyses since the sequencing and cataloguing of the human genome was finalized in 2003. There is a need for analyzing the activity of the genes discovered (gene activity measurement) both in the research field and in clinical diagnostic settings (figure 1). Sequence information is knowledge about gene composition which we use as a basic component in our product design through sophisticated bioinformatic analyses.

Exiqon's technology and products

With our patented LNA (Locked Nucleic Acid) technology, consisting of a number of synthetic DNA/RNA molecules (DNA/RNA analogues), we have developed a portfolio of products for use in analyzing mRNA as well as miRNA, which in comparison with alternative technologies offers greater sensitivity, greater precision, more freedom in product design, enhanced product stability and in some cases even allows for the development of products that cannot be designed using other technologies. The most frequently used competing technology is based on DNA, but DNA has a number of limitations which we have eliminated with our patented LNA technology (see the section on competing technologies and table 10).

We currently supply reagents and products (kits) based on the LNA technology to a rapidly growing number of scientists working in the biomedical industry and research laboratories around the world. In addition to product sales, we generate income from the sale of services involving biological analyses for our customers, as well as license income from our patent portfolio.

License agreements

We have entered into a number of license and distribution agreements with a number of highly recognised companies to ensure rapid and effective dissemination of our technology and products in the market. Our most important agreements are with Roche Diagnostics for the distribution of our Universal ProbeLibraryTM and with Luminex Corporation, under which we develop and manufacture products for miRNA analysis for Luminex's platform (see "Additional information–Collaborative and license agreements"). We believe that our position as a trustworthy market player will allow us to form partnerships for the development of diagnostic products based on our technology in collaboration with major international companies in the field of molecular diagnostics and pharmaceutical development.

Exiqon's strategy

Exiqon is a product-oriented company experiencing rapidly growing revenues. Our existing and expected future products are molecular biology products for research purposes and diagnostics. We aim to become one of the leading suppliers in the market segments in which we market our products. We pursue a strategy of employing our patented technology (as described in the section "Research and development, patents and licenses") and to actively use bioinformatics and a strongly focused product development strategy and targeted marketing. Our strategy is furthermore to develop products that presently can only be developed using our patented technology, including our Universal ProbeLibraryTM and miRCURYTM LNA Detection for in situ hybridization, in order to distinguish ourselves from our competitors.

Our products target the market for nucleic acid analyses, which cover products to analyze genes for research purposes but also for clinical molecular diagnostics. The overall market is currently dominated by DNA-based nucleic acid analysis reagents. Our patented LNA technology facilitates a more precise and sensitive profiling of gene activity, and in many cases LNA technology may successfully replace or complement DNA technology resulting in a number of enhanced product properties, or may even enable products that cannot presently be developed using other technologies.

We market our products and services for nucleic acid analyses worldwide directly from our headquarters in Denmark and our sales organization in the United States as well as through carefully selected distributors in Asia. Our marketing strategy focuses on offering state-of-the-art products with competent and responsible technical support and customer service. Our strategy is to brand Exiqon as a company offering innovative and state-of-the-art products.

Products for molecular biology research

Based on our patented LNA technology, our primary market segment is gene activity profiling. We already have a broad product portfolio for analyzing both mRNA and miRNA, which we intend to develop further.

Our strategy is to supply complete kit-based solutions so that our products cover the working process from sampling to the completed analysis, and kits that cover complete laboratory processes and, where relevant, web based software systems supporting the use of the kit products.

Customers for our research products include molecular biologists in the pharmaceutical, diagnostic and agrotechnology industries and academic institutions in the field of molecular biology. Exiqon's customers are typically involved in basic biological research, research into diseases such as cancer, metabolic diseases, neurological disorders, etc. and stem-cell research.

As a number of potential customers do not have the necessary expertise and/or capacity to carry out the requested analyses, and also in order to increase the value of the product, we expect to continue to offer miRNA gene activity profiling in our ISO 9001 certified laboratories. Fuji-Kenzai U.S.A. Inc. ("The Worldwide Biochip and Equipment market 2007") estimates the value of the combined market for microarray-based service research at DKK 600 million in 2007 with estimated market growth of approximately 48% in 2007 in the Unites States, which is the largest market.

Products for molecular diagnostics
In recent years, scientific literature has demonstrated that miRNA activity is often involved in with a specific disorder. This discovery opens up new business opportunities which we intend to pursue, using the products we have developed for research purposes as the foundation. The greater biological understanding and the development of enhanced systems for gene activity profiling have opened up for developing and marketing molecular biology products that can classify patient groups with a view to selecting the optimum treatment. Based on scientific literature, own trials and a need in the market to improve treatment selection, we have opted to focus our future molecular diagnostics business on cancer. Frost & Sullivan estimates the present market for molecular diagnostics of cancer at approximately DKK 2.4 billion in 2007.

We will actively seek to protect the future diagnostics business through own patent applications, through in licensing of patents and by building know-how as well as laboratories and processes with regulatory approval in Europe and the United States where such work can be performed. The US market for molecular diagnostic analyses is the most well-developed market, and we therefore intend to initially market this product category in the United States and subsequently in the rest of the world, wherever there is a demand.

Technology platform

Our LNA technology – Locked Nucleic Acid – comprises a number of synthetic DNA/RNA analogues. When the LNA technology is used in genetic analyses, the identification ability of the target measured is improved significantly. In fact, no known analogue provides as strong an identification ability as the LNA technology – and it is also highly precise.

Our analysis technology offers a benefit over competing technologies as we can obtain stronger and more precise identification. This may also be illustrated through in situ identification of miRNA as shown in figure 2, where only our technology facilitates activity measurement of a given miRNA. The analysis shown here can only be performed with our products, and none of our competitors have been able to market a similar product.

Products for research purposes
Based on our patented LNA technology and our insight into and ability to analyze large and complex volumes of biological sequence data (bioinformatic analysis), we develop, manufacture and market products for purification, measurement and functional analysis of the two RNA classes called mRNA and miRNA.

Our product design is based on a bioinformatic analysis of the large volume of genetic sequence information that exists on the code of the genes. Based on this bioinformatic analysis, we develop products for analyzing gene activity. In order to cover the typical work process, our ambition is also to develop products for sampling and the functional analysis (deactivation of gene activity). Our products, which are highly value-added reagent kits, consist of optimized analysis reagents and thoroughly prepared protocols, allowing the customer quickly and effectively to use our products in its own laboratory and obtain precise results.

In 2005, we marketed our first miRCURYTM LNA products for analyzing miRNA, targeting the growing customer needs for sensitive and precise miRNA analysis methods. Using our miRCURY™ LNA product range, the market's most comprehensive miRNA detection tool, our customers can effectively and consistently study the miRNA's function. Using our knowledge of the customers' work processes in laboratories around the world, we develop solutions for all steps of the analysis process.

Using the Universal ProbeLibraryTM product range, we have developed a unique product that offers outstanding value for our customers, as they achieve:

- A high rate of coverage of human genes (99%) with only 90 probes;
- High flexibility – mRNA splice variants can be identified;
- Simple web-based assay design (www.universalprobelibrary.com); and
- Time from assay design to data is only 24 hours.

Using comprehensive web-based software, the product range offers the customer the possibility of analyzing gene activity in every organism in which gene sequence information is available as well as various control kits.

Developed and manufactured by Exiqon, these products are currently sold by Roche Diagnostics.

Services

In 2006, we established our service business as part of our strategy of increasing the value of our product range. With our services we are taking a step up the value chain by offering our customers a more complete solution which includes quality control of the RNA test, miRNA analysis and data analysis employing our miRCURYTM LNA products. By sending their tests to us, our customers avoid investments in a complex infrastructure and expertise for performing miRNA analyses. We return quality-controlled and value-added data to the customer, which we have performed in our ISO 9001-certified laboratory in Denmark. To meet customer needs for performing analyses in the United States, we expect to establish a similar service laboratory in the United States.

Developing diagnostic products based on miRNA measurement

We believe that our patented technology gives us a competitive edge and, by extension, good possibilities of developing and marketing unique products in the field of molecular classification of diseases based on miRNA activity profiles. We pursue a strategy of utilizing our technology platform, our miRCURYTM LNA miRNA products and our experience to develop a number of new products for molecular classification of diseases, including cancer.

We plan to develop diagnostic anal yses for improved classification of cancer for the individual patients based on miRNA measurements in three areas:

- Prediction of treatment response – analyses that indicate the optimum treatment regime;
- Better prognosis of cancers – analyses that indicate the risk of relapse; and
- Clinical testing – analyses that may provide the background for more focused patient selection for clinical drug trials.

We estimate that miRNA can be used both as predictive screening markers for early detection of unrecognized cancer and for improved classification of cancer in the individual patient.

Diagnostic products in our pipeline

Table 1 describes some of the product development programs that may lead to new diagnostic products.

Developing diagnostic products via partnerships

Exiqon is aware of several companies that pursue drug discovery initiatives in which the miRNA activity could be of interest not only to the pharmaceutical development but also as a biomarker intended for classifying patient groups in clinical trials or in connection with the diagnosis and treatment. Exiqon continuously evaluates the opportunity to form partnerships with pharmaceutical companies with respect to developing companion diagnostics products, which are products for which the prescription of a given medication is made against the background of a diagnostic test. In addition, Exiqon will enter into partnerships concerning the development of diagnostic products where we believe that such alliances will be beneficial.

Principal markets

Exiqon's technology has the potential to be used in a number of segments of the nucleic acid analysis market, but we have decided to target our own products on specific market segments, primarily gene expression analysis. To some extent, we aim to realize the potential outside our core markets by signing outlicensing agreements for our patented technology.

Our overall market: Nucleic acid analysis

Our patented LNA technology can be used to measure DNA as well as RNA, and that basically makes the market for nucleic acid analyses our principal market. The market is currently dominated by DNA-based analysis reagents, but in many cases LNA is a viable replacement or supplement to DNA, resulting in a number of enhanced product qualities.

Exiqon's existing and future products target the markets outlined in table 7.

Table 1: Potential miRNA diagnostic projects

Medical indication	Application	Status
Breast cancer	Recurrence/treatment selection	Screening for markers
Identification of unknown primary tumour	Recurrence/treatment selection	Sampling/screening
Ovarian cancer	Recurrence/treatment selection	Sampling/screening
Colon cancer	Recurrence/treatment selection	Screening
Lung cancer	Recurrence/treatment selection	Sampling/screening
Home brewed assays (several indications)		Assay development Biomarkers identified

Source: Exiqon 2008

The nucleic acid analysis market can be divided into two main segments by function:

- products for research & development; and
- products for regulated as well as non-regulated diagnostics.

The market for nucleic acid analysis represents a considerable market segment, which according to Business Communications Company Inc. is estimated at a combined value of DKK 57 billion in 2007, consisting of products for research, development and applied research (DKK 35 billion) and molecular diagnostic analyses (DKK 22 billion). Our products target the market for cancer diagnostics.

We believe that we hold a strong position from which to continue expanding our market position as we are among the technology leaders in the market for RNA activity measurement, have a strong patented technology platform, a broad product portfolio, and because our products are used in leading molecular biology laboratories in academic institutions worldwide.

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

As a result of our patent strategy, we own an ever growing number of patents and patent applications currently exceeding 150 active patents and patent applications, including 79 issued patents. Our patent portfolio derives from 30 patent families, including Danish and US priority applications. Over the past 12 months, we have filed six new patent applications that may form the basis of new patent families. It is the Company's strategy to continuously expand the patent portfolio in order to secure patent protection beyond the term of the basic LNA patents by applying for patents on the use of the LNA technology.

Summary of risk factors

An investment in Exiqon's Shares involves a high degree of risk. You should consider carefully the following risk factors, which Management considers material, in conjunction with other information contained in this Prospectus prior to making any investment decision with respect to the Offer Shares. These are not the only risk factors Exiqon faces. Should any of the following risks occur, Exiqon's business, financial position, results of operations or future growth prospects could suffer materially. In such an event, the market price of Exiqon's Shares, including the Offer Shares, could depreciate, and investors could lose all or part of the money invested to purchase the Company's Shares. However, additional risks not presently known to Exiqon or that Exiqon currently deems immaterial may also impair the Company's business operations and development.

This Prospectus also contains forward-looking statements that involve risks and uncertainties. Exiqon's actual results could differ materially from those indicated in these forward-looking statements as a result of certain factors, including but not limited to the risks Exiqon faces and which are described below and elsewhere in this Prospectus. The risk factors set out below are not listed in any order of priority with regard to significance or probability. It is not possible to quantify the significance to Exiqon of each individual risk factor as each of the risk factors mentioned below may materialize to a greater or lesser degree and may have unforeseen consequences.

Exiqon has incurred losses since its inception, and expects negative future results, which may adversely affect Exiqon.

Exiqon may incur liabilities in connection with the Oncotech Transaction, and there is a risk that closing of the Oncotech Transaction cannot be completed.

Because Oncotech Shareholders will receive a fixed maximum number of shares in Exiqon in the merger, rather than a fixed value, if the market price of Exiqon's Shares declines, Oncotech Shareholders will receive consideration in the merger of lesser value.

Failure to complete the merger could adversely affect Exiqon's stock price and Exiqon's and Oncotech's future business and operations.

Completion of the merger may result in dilution of future earnings per share to the shareholders of Exiqon.

The costs associated with the merger are difficult to estimate, may be higher than expected and may adversely affect the financial results of the two companies.

Oncotech executive officers and directors may have interests that are different from, or in addition to, those of Oncotech stockholders generally.

After the merger, we will need to modify our finance and accounting systems, procedures and controls to integrate the operations of Oncotech, which modifications may be time consuming and expensive to implement, and there can be no assurance that we will be able to do so.

If we are not successful in integrating our organizations, we may not be able to operate efficiently after the merger.

Integrating our the Company and Oncotech may divert management's attention away from our operations.

We expect to incur significant costs integrating the companies into a single business.

If we fail to retain key employees, the benefits of the merger could be diminished.

If one or more of the product candidates in The New Exiqon Group cannot be shown to be safe and effective in clinical trials, is not approvable or not commercially successful, then the benefits of the merger may not be realized.

Exiqon may need additional funding, which may be difficult to obtain, and this could adversely affect Exiqon.

Exiqon may not be able to successfully develop its products, which may adversely affect Exiqon.

Exiqon may not be able to obtain regulatory approval of its diagnostic products, which may have a materially adverse effect on Exiqon.

If Exiqon or its production partners fail to obtain or maintain applicable standards, Exiqon may not be able to commercialize its product candidates.

If the validity of Exiqon's own or its inlicensed rights is challenged, it could have an adverse impact on Exiqon's results of operations and prospects and the value of Exiqon's Shares.

If Exiqon or Exiqon's collaborators are unable to obtain and maintain protection for their intellectual property rights, the value of Exiqon's technology and products may be significantly and adversely affected.

If Exiqon is unable to protect the confidentiality of certain information, the value of Exiqon's technology and products could be significantly and adversely affected.

Third parties may own or control patents or patent applications that would be infringed by Exiqon's technology, molecular targets or potential products.

The Company relies on a number of licenses that may expire and may not be replaced Exiqon and its collaborators may not be able to maintain the marketing of its products, which may have an adverse effect on Exiqon.

Exiqon faces substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than Exiqon does.

Price regulation, third-party reimbursement practices or healthcare reform initiatives could limit Exiqon's potential product revenue.

There can be no assurance of future funding from the authorities to a number of customers, which could adversely affect the future demand for Exiqon's products.

Exiqon faces the risk of product liability claims and may not be able to obtain adequate insurance, which may have an adverse effect on Exiqon.

If Exiqon uses biological or hazardous materials in a manner that causes injury or violates laws, Exiqon may be liable for damages and/or subject to other sanctions that may have an adverse effect on the Company.

If Exiqon is not able to recruit and retain qualified scientific and management personnel, this may have an adverse effect on the Company.

As the major part of Exiqon's revenue has been in the past and in the future will be in currencies other than DKK, Exiqon is exposed to a currency risk in relation to EUR and USD, which may have an adverse effect on Exiqon.

Exiqon's Major Shareholders control a significant part of Exiqon's Shares, and their interests may conflict with the interests of other shareholders, which may have an adverse effect on Exiqon.

There may be limited liquidity in the Shares, which may adversely affect the value of the Shares

Subscribers of the Offer Shares will suffer immediate and substantial dilution of their investment.

Exiqon has never paid dividends.

The market price of Exiqon's Shares may be highly volatile and purchasers of Exiqon's Shares could incur substantial losses.

Exiqon may issue additional Shares in the future which may have an adverse impact on the price of Exiqon's Shares.

A sale of Shares by Management could also have an adverse effect on Exiqon's share price.

There are additional risks to investors resident outside Denmark, which may affect the value of the Shares for the shareholders in question.

There is a risk that pre-emptive subscription rights cannot be exercised by shareholders in jurisdictions outside Denmark, which may affect the value of the pre-emptive rights and may cause dilution.

Shareholders outside Denmark are subject to exchange rate risk.

Company details

Exiqon A/S was founded on 1 November 1995 but did not become operational until in the spring of 1996. The Company is located north of Copenhagen and has 101 employees as of the Prospectus Date. The Company's registered office is at the address Bygstubben 9, DK-2950 Vedbæk (Municipality of Rudersdal), Denmark. Our telephone number is +45 45 66 0888.

Summary of the Placement

For a complete description of the Placement, see Part III

Issuer:	Exiqon A/S, CVR no. 18984431
The Placement:	The Placement comprises up to 6,161,004 Offer Shares of DKK 1 nominal value each to be issued to the shareholders of Oncotech as consideration for such person's contribution in kind of the shares in Oncotech into the Company in accordance with the Merger Agreement. The issue of the Offer Shares in connection with the Placement is expected to take place on or around 28 February 2008.
Offer Price:	The offer price (the "Offer Price") per Offer Share is DKK 36.4. The Offer Price shall be paid by contribution in kind of the shares in Oncotech.
Share capital:	Prior to the Placement Exiqon's share capital amount to DKK 24,441,064 divided into 24,441,064 Existing Shares of DKK 1 nominal value each, which have all been fully paid up. Following completion of the Placement, Exiqon's share capital will amount to up to DKK 30,602,068 divided into up to 30,602,068 Shares of DKK 1 nominal value each.
ISIN/Securities Identification codes:	Existing Shares: DK0060077758
Trading symbol at the OMX Copenhagen:	"EXQ"
Trading and listing:	An application has been submitted for the trading and listing of the Offer Shares on the OMX Copenhagen. First day of trading in the Offer Shares under the existing isin code DK0060077758 is expected to be 29 February 2008.
Payment and delivery of the Offer Shares:	It is expected that issue of the Offer Shares will take place on or around 28 February 2008. The Offer Shares will be delivered in book-entry form on the Closing Date to an exchange agent appointed by Exiqon, who will deliver the Offer Shares to the Oncotech Shareholders.
Voting rights:	Shareholders in Exiqon are entitled to one vote for each share amount of DKK 1 nominal value at general meetings after recording of the Shares in the name of the holder in the company's register of Shareholders. As each Share has a nominal value of DKK 1, each Share carries one vote.
Dividend rights:	The Offer Shares are eligible for dividends, which are distributed by Exiqon following registration of the Offer Shares with the Danish Commerce and Companies Agency, and are thus eligible for any dividends declared and payable as from the financial year 2007. However, no dividends are expected to be paid in respect of the financial year 2007.
Lock-up agreements in connection with the Placement:	The Oncotech Shareholders receiving the Offer Shares as consideration for their Oncotech Shares shall enter into lock up agreements with the Company pursuant to which they may not, subject to certain exemptions, for the period until 29 May 2008, without the prior written consent of the Company, sell, offer for sale, contract to sell, assign, encumber or in any other way, directly or indirectly, dispose of Shares in the Company or publish that any such action will be made.
Governing law and jurisdiction:	The Placement is subject to Danish law. Any dispute arising out of the Placement must be brought before the Court of Lyngby.
Selling and transfer restrictions:	Certain selling and transfer restrictions for the Offer Shares will apply. See "Terms and conditions of the Placement–Jurisdictions in which the Placement is made and restrictions relating to the Placement".

Expected timetable of principal events

Publication of prospectus	8 February 2008
Closing Date	27 February 2008
Registration of the share capital increase with the Danish Commerce and Companies Agency	28 February 2008
First day of listing and trading in the Offer Shares	29 February 2008

Financial calendar

Announcement of full-year results 2007	12 March 2008
The annual general meeting is scheduled to be held on	2 April 2008
Interim report for the period 1 January 2008 to 31 March 2008	15 May 2008
Interim report for the period 1 January 2008 to 30 June 2008	28 August 2008
Interim report for the period 1 January 2008 to 30 September 2008	26 November 2008

Selected financial information and key figures for Exiqon

Set out below are selected financial information and key figures for Exiqon for 2006, 2005 and 2004 and for the periods 1 January to 30 September 2007 and 2006.

The following review should be read in conjunction with Exiqon's full-year and interim financial statements and the notes thereto appearing elsewhere in this Prospectus.

The financial statements have been extracted from the audited annual report for 2006, which has been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU and additional Danish disclosure requirements for annual reports. The 2006 financial year was the first financial year in which the financial statements were presented in accordance with IFRS. The comparative figures for 2005 and 2004 have also been restated to IFRS and included in the audited annual report for 2006.

The interim financial statements for the period 1 January to 30 September 2007 with comparative figures for the same period in 2006 are presented in accordance with IAS 34 and additional Danish disclosure requirements for interim reports of listed companies. The interim financial statements and the comparative figures are unaudited.

Table 2. Financial highlights for Exiqon for 2006, 2005 and 2004

	2006 Group		2005 Group		2004 Group	
Key figures (DKK million)	**DKK**	**USD**	**DKK**	**USD**	**DKK**	**USD**
		unaudited		unaudited		unaudited
Income statement:						
Revenue	43.1	8.2	16.0	3.0	10.3	2.0
Production costs	(11.9)	(2.3)	(5.4)	(1.0)	(4.7)	(0.9)
Research and development costs	(27.6)	(5.3)	(14.2)	(2.7)	(17.0)	(3.2)
Sales and marketing costs	(19.5)	(3.7)	(9.6)	(1.8)	(4.2)	(0.8)
Administrative expenses	(9.6)	(1.8)	(6.8)	(1.3)	(6.0)	(1.1)
Operating profit/(loss)	(25.5)	(4.9)	(20.0)	(3.8)	(21.6)	(4.1)
Net financials	0.6	0.1	(3.2)	(0.6)	(7.2)	(1.4)
Profit/(loss) before tax	(24.9)	(4.7)	(23.3)	(4.4)	(28.7)	(5.5)
Profit/(loss) for the year	(24.9)	(4.7)	(23.3)	(4.4)	(28.7)	(5.5)
Balance sheet:						
Assets						
Intangible assets	8.1	1.5	0.6	0.1	0.7	0.1
Property. plant and equipment	10.6	2.0	7.4	1.4	4.6	0.9
Financial assets	1.1	0.2	0.9	0.2	0.7	0.1
Non-current assets	19.7	3.8	8.9	1.7	6.0	1.1
Inventories	4.6	0.9	2.4	0.5	1.3	0.2
Receivables	22.2	4.2	2.3	0.4	1.0	0.2
Cash and cash equivalents	20.4	3.9	40.2	7.7	1.7	0.3
Current assets	47.3	9.0	44.9	8.6	3.9	0.7
Total assets	67.0	12.8	53.8	10.2	9.9	1.9
Equity and liabilities						
Equity	34.0	6.5	28.0	5.3	(43.9)	(8.4)
Non-current liabilities	5.3	1.0	2.8	0.5	1.5	0.3
Current liabilities	27.7	5.3	23.0	4.4	52.3	10.0
Total liabilities	33.0	6.3	25.8	4.9	53.8	10.2
Equity and liabilities	67.0	12.8	53.8	10.2	9.9	1.9
Cash flow statement:						
Cash flows from operating activities	(35.6)	(6.8)	(5.0)	(1.0)	(16.3)	(3.1)
Cash flows from investing activities	(9.9)	(1.9)	(2.4)	(0.5)	(2.0)	(0.4)
Cash flows from financing activities	25.7	4.9	45.9	8.7	0.0	0.0
Cash and cash equivalents at year end	20.4	3.9	40.2	7.7	1.7	0.3
Financial ratios:						
Earnings per share	(4)	(0.8)	(7)	(1.3)	(18)	(3.4)
Diluted earnings per share	(4)	(0.8)	(7)	(1.3)	(18)	(3.4)
Assets/Equity (gearing)	2.0	0.4	1.9	0.4	(Neg.)	(Neg.)
Average number of employees	62		42		30	

Note: The ratios are stated in accordance with "Recommendations and Financial Ratios" issued by the Danish Society of Financial Analysts.

Table 3. Financial highlights for Exiqon for the reporting periods 1 January to 30 September 2007 and the same period in 2006

	2007 Group		2006 Group	
Key figures (DKK million)	**DKK**	**USD**	**DKK**	**USD**
	unaudited	unaudited	unaudited	unaudited
Income statement:				
Revenue	29.5	5.6	19.2	3.7
Production costs	(14.6)	(2.8)	(10.0)	(1.9)
Research and development costs	(20.2)	(3.8)	(15.6)	(3.0)
Sales and marketing costs	(23.8)	(4.5)	(11.5)	(2.2)
Administrative expenses	(22.9)	(4.4)	(8.0)	(1.5)
Operating profit/(loss)	(51.9)	(9.9)	(26.0)	(4.9)
Net financials	5.0	1.0	0.2	0.0
Profit/(loss) before tax	(47.0)	(8.9)	(25.8)	(4.9)
Profit/(loss) for the period	(47.0)	(8.9)	(25.8)	(4.9)
Balance sheet:				
Assets				
Intangible assets	7.6	1.4	1.2	0.2
Property, plant and equipment	16.0	3.0	8.5	1.6
Financial assets	2.2	0.4	1.5	0.3
Non-current assets	25.8	4.9	11.2	2.1
Inventories	5.1	1.0	2.9	0.6
Receivables	10.2	1.9	5.2	1.0
Cash and cash equivalents	358.4	68.2	31.2	5.9
Current assets	373.6	71.1	39.3	7.5
Total assets	399.4	76.0	50.6	9.6
Equity and liabilities				
Equity	361.5	68.8	26.9	5.1
Non-current liabilities	8.7	1.7	3.7	0.7
Current liabilities	29.2	5.6	20.0	3.8
Total liabilities	37.9	7.2	23.7	4.5
Equity and liabilities	399.4	76.0	50.6	9.6
Cash flow statement:				
Cash flows from operating activities	(24.1)	(4.6)	(27.8)	(5.3)
Cash flows from investing activities	(6.7)	(1.3)	(4.1)	(0.8)
Cash flows from financing activities	366.4	69.7	20.8	4.0
Cash and cash equivalents at 30 September	358.4	68.2	31.2	5.9
Financial ratios:				
Earnings per share	(2.5)	(0.5)	(1.9)	(0.4)
Diluted earnings per share	(2.5)	(0.5)	(1.9)	(0.2)
Assets/Equity (gearing)	1.1	0.2	1.9	0.4
Average number of employees	75		46	

Note: The ratios are stated in accordance with "Recommendations and Financial Ratios" issued by the Danish Society of Financial Analysts.

Risk factors

An investment in Exiqon's Shares involves a high degree of risk. You should consider carefully the following risk factors, which Management considers material, in conjunction with other information contained in this Prospectus prior to making any investment decision with respect to the Offer Shares. These are not the only risk factors Exiqon faces. Should any of the following risks occur, Exiqon's business, financial position, results of operations or future growth prospects could suffer materially. In such an event, the market price of Exiqon's Shares, including the Offer Shares, could depreciate, and investors could lose all or part of the money invested to purchase/receive the Company's Shares. However, additional risks not presently known to Exiqon or that Exiqon currently deem immaterial may also impair the Company's business operations and development.

This Prospectus also contains forward-looking statements that involve risks and uncertainties. Exiqon's actual results could differ materially from those indicated in these forward-looking statements as a result of certain factors, including but not limited to the risks Exiqon faces and which are described below and elsewhere in this Prospectus. The risk factors set out below are not listed in any order of priority with regard to significance or probability. It is not possible to quantify the significance to Exiqon of each individual risk factor as each of the risk factors mentioned below may materialize to a greater or lesser degree and may have unforeseen consequences.

Risks related to the Oncotech Transaction

There can be no assurance that the conditions to close the Agreement with Oncotech will be fulfilled.
The acquisition of Oncotech is the Exiqon's first major acquisition. Prior to the acquisition of Oncotech, Exiqon has conducted certain investigations, including legal and financial due diligence exercises. However, there can be no assurance that Exiqon has obtained sufficient knowledge of Oncotech's business and development projects, or that adverse matters, including related to the integration of Oncotech, will not emerge.

Under the Merger Agreement, Oncotech has issued certain representations and warranties in favour of Exiqon subject to certain disclosures and other limitations. There can be no assurance that Exiqon will be able to claim adequate damages for adverse matters relating to Oncotech. There can be no assurance that Exiqon will be able to obtain full coverage if it gets a claim under the Merger Agreement.

Because Oncotech Shareholders will receive a fixed maximum number of shares in Exiqon in the merger, rather than a fixed value, if the market price of the Exiqon Shares declines, Oncotech Shareholders will receive consideration in the merger of lesser value.
The aggregate maximum number of Offer Shares to be issued to Oncotech Shareholders is fixed. Accordingly, the aggregate number of shares that Oncotech Shareholders will receive in the merger will not change, even if the market price of Exiqon's Shares changes. In recent years, the stock market in general, and the securities of biotechnology companies in particular, have experienced extreme price and volume fluctuations. These market fluctuations may adversely affect the market price of the Shares in Exiqon. The market price of the Shares in Exiqon upon and after the consummation of the merger could be lower than the market price on the date of the Merger Agreement or the current market price.

Failure to complete the merger could adversely affect Exiqon's stock price and Exiqon's and Oncotech's future business and operations.
The merger is subject to the satisfaction of closing conditions, including approval by Oncotech Shareholders. In the event that the merger is not consummated, Exiqon and Oncotech may be subject to many risks, including the costs related to the merger, such as legal, accounting and advisory fees, which must be paid even if the merger is not completed, and the payment of a termination fee under certain circumstances. If the merger is not consummated, the market price of Exiqon Shares could decline.

Completion of the merger may result in dilution of future earnings per share to the shareholders of Exiqon.
The completion of the merger may result in greater net losses or a weaker financial condition compared to that which would have been achieved by either Exiqon or Oncotech on a stand-alone basis. The merger could fail to produce the benefits that the companies anticipate, or could have other adverse effects that the companies currently do not foresee. In addition, some of the assumptions that either company has made, such as the achievement of operating synergies, may not be realized. In this event, the merger could result in greater losses as compared to the losses that would have been incurred by Exiqon if the merger had not occurred.

The costs associated with the merger are difficult to estimate, may be higher than expected and may adversely affect the financial results of the combined company.
Exiqon estimates that the Company will incur aggregate direct transaction costs and costs in connection with the preparation of this Prospectus of approximately DKK 3 million (USD 0,571 million) associated with the merger, and additional costs associated with the consolidation and integration of operations, which cannot be estimated accurately at this time. If the total costs of the merger exceed

our estimates or the benefits of the merger do not exceed the total costs of the merger, the financial results of The New Exiqon Group could be adversely affected.

Oncotech executive officers and directors may have interests that are different from, or in addition to, those of Oncotech stockholders generally.
The executive officers and directors of Oncotech may have interests in the merger that are different from, or are in addition to, those of Oncotech stockholders generally. These interests include the negotiation of new employment agreements for certain Oncotech executives in connection with the merger and/or the provision and continuation of indemnification and insurance arrangements for current directors of Oncotech following consummation of the merger, and transaction bonus payments to certain Oncotech executives upon the consummation of the merger.

Risks after the Oncotech Transaction
The acquisition of Oncotech will increase the resources Exiqon must allocate to the running of its business. There can be no assurance that Exiqon will be able to finance the running of its business. The acquisition of Oncotech will result in an increased number of diagnostic product candidates in the pipeline and a faster track to market for such products, however, there can be no assurance that Exiqon will have the necessary resources to exploit all of them.

After the merger, we will need to modify our finance and accounting systems, procedures and controls to incorporate the operations of Oncotech, which modifications may be time consuming and expensive to implement, and there is no guarantee that we will be able to do so.
As a listed company we are required to have efficient management reporting systems and internal control systems. Although we believe that we currently have adequate finance and accounting systems for our business on a stand alone basis, after the merger we will need to upgrade the existing, and implement additional, procedures and controls to integrate the operations of Oncotech. These updates may require significant time and expense, and there can be no guarantee that we will be successful in implementing them. If we are unable to complete the required modifications to our internal control over financial reporting or if our independent registered public accounting firm continues to be unable to provide us with an unqualified report as to the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our internal control over financial reporting, which could have a material adverse effect on our stock price.

If we are not successful in integrating our organizations, we may not be able to operate efficiently after the merger.
Achieving the benefits of the merger will depend in part on the successful integration of Exiqon's and Oncotech's technical and business operations and personnel in a timely and efficient manner. The integration process requires coordination of the personnel of both companies, and involves the integration of systems, applications, policies, procedures, business processes and operations. This process may be difficult and unpredictable because of possible conflicts and differing opinions on business, scientific and regulatory matters. Moreover, the integration of the two companies will present challenges resulting from the combined company. If we cannot successfully integrate our technical and business operations and personnel, we may not realize the expected benefits of the merger.

Integrating our companies may divert management's attention away from our operations.
The successful integration of Exiqon's and Oncotech's technical and business operations and personnel may place a significant burden on our management and internal resources. The diversion of management's attention and any difficulties encountered in the transition and integration process could result in delays in clinical trial and product development programs of The New Exiqon Group and could otherwise harm our business, financial condition and operating results.

We expect to incur significant costs integrating the companies into a single business.
We expect to incur significant costs integrating Exiqon's and Oncotech's technical and business operations and personnel, which include costs for:

- Integration of the personnel groups of the companies;
- conversion and integration of information systems;
- combining administrative processes; and
- Establishment of new product development capacity.

If we fail to retain key employees, the benefits of the merger could be diminished.
The successful combination of Exiqon and Oncotech will depend, in part, on the retention of key personnel. There can be no assurance that the combined company will be able to retain its key management and scientific personnel. If we fail to retain such key employees, we may not realize the anticipated benefits of the merger.

If one or more of the product candidates in The New Exiqon Group cannot be shown to be safe and effective in clinical trials, is not approvable or not commercially successful, then the benefits of the merger may not be realized.
The New Exiqon Group is expected to carry out clinical trials with new diagnostic product candidates. Failure to demonstrate that one or more of our product candidates are effective could diminish the benefits of the merger. Failure to obtain marketing approval of one or more of our product candidates from appropriate regulatory authorities, or significant delays in obtaining such approval, could diminish the benefits of the merger.

Risks related to Exiqon's activities

Exiqon is still at an early stage of commercialization, and there can be no assurance that the Company will achieve its strategy as described in this Prospectus. Both existing and contemplated new activities that form part of Exiqon's strategy are in a rapidly changing market, and developments in this market are not controlled by the Company. Exiqon still has only a limited track record in selling its existing product portfolio, and its expectations of future developments as described in "Management's review of prospective financial information" are subject to a high degree of uncertainty. As Exiqon commenced its activities in the field of "Research products" and "Services" only a few years ago, and as Exiqon has still not developed products for the molecular diagnostics market, there is also uncertainty as to whether the Company will be able to achieve its strategy as described in this Prospectus. In order to achieve its strategy, Exiqon will, in addition to relying on continuing favourable market trends, rely on its skills and know-how to (i) develop new products, (ii) significantly increase production and sales of existing products and services on competitive terms and conditions, (iii) obtain any required regulatory approvals of new diagnostic products, (iv) build a new business unit in the field of diagnostic products, (v) maintain and establish strategic alliances, (vi) retain strong intellectual property protection of its products and (vii) retain the necessary focus on tight control of the Company's expenditure in spite of the strong growth. If Exiqon fails to achieve its strategy as described in this Prospectus, it could adversely affect the Company's growth potential and results of operations.

Risks related to Exiqon's financial results and financial resources

Exiqon has incurred losses since its formation, and there is a risk of negative future results, which may adversely affect Exiqon.
Exiqon has incurred losses since its formation in 1996, and since its future profitability is uncertain, an investment in Exiqon involves significant risk. Despite generating revenue of DKK 43.096 million (USD 8.2 million) in 2006, Exiqon incurred an operating loss of DKK 25.505 million (USD 4.9 million) and a net loss of DKK 24.918 million (USD 4.7 million). For the financial year ending 31 December 2007, the Company expects an operating loss in the region of DKK 60 - 65.000 million (USD 11 – 12.4 million) and a net loss in the region of DKK 50 – 55.000 million (USD 9.5 – 10.5 million). Exiqon does not expect to generate an operating profit until in 2011 at the earliest, and that goal is subject to uncertainty.

There can be no assurance that Exiqon will achieve profitability or that it will be able to sustain future profitability. Nor can there be any assurance that the Company has sufficient capital to generate the revenue and the earnings expected from the pursuit of the Company's strategy. Exiqon's ability to achieve profitability relies, inter alia, on whether the Company will achieve the expected sales to customers by winning the expected market shares for Exiqon's existing and future products. See "Risks related to the market in which Exiqon operates" and "Risks related to Exiqon's production and production facilities" for a description of risks associated herewith.

Exiqon may need additional funding, which may be difficult to obtain, and this could adversely affect Exiqon.
Exiqon may need additional funds in the future. There can be no assurance that Exiqon will be able to attract the necessary capital from other sources to secure the Company's ongoing operations after the time when the Company's existing cash resources have been used. Exiqon may wish to acquire businesses or technologies as part of the Company's strategy and may fail to raise the required funding for such acquisitions.

Risks related to development and regulatory and legal requirements

Exiqon may not be able to successfully develop its products, which may adversely affect Exiqon.
Exiqon may not be able to successfully develop its new products. The development of new products, including clinical trials, is time-consuming and expensive, and the outcome is uncertain. Early development success may not mean later success. Exiqon has developed a number of products and has a number of products in development for research purposes. In the field of cancer diagnostics, the Company is at an early stage, and there can be no assurance that it will be possible to launch any new products in the market.

Exiqon may not be able to obtain regulatory approval of its diagnostic products, which may have a materially adverse effect on Exiqon.
If Exiqon is unable to obtain approval under the FDA rules for the Company's products, Exiqon may not be able to adhere to its expected development and commercialization plans.

If Exiqon or its production partners fail to obtain or maintain applicable standards, Exiqon may not be able to commercialize its product candidates.
Exiqon relies on other third-party collaboration partners to manufacture products employing the Company's technology. Prior to any commercialization of a new diagnostic product, the manufacturers must comply with applicable GLP, CLIA and cGMP regulations established by the FDA, European and other regulatory bodies, including, inter alia, requirements on quality control and quality assurance and the maintenance of records and other documentation. Manufacturing facilities are subject to requirements of unannounced inspections and regular periodic inspections by the FDA, the European regulatory authorities and comparable government bodies, including unannounced inspections, and the facilities must be approved before they can be used for commercial manufacturing of products employing Exiqon's technology. Once a regulatory approval or permission has been obtained, any subsequent discovery of previously unknown problems in terms of manufacturing, quality control or regulatory documentation or failure to comply with regulatory requirements could lead to restrictions in terms of marketing a product, withdrawal of the permission, withdrawal of the product from the market, product seizures, injunctions or criminal prosecution. There can be no assurance that such third-party collaboration partners will be able to adequately comply with applicable regulations, and any such non-compliance could have an adverse impact on Exiqon's results of operations and prospects as well as on the value of the Company's Shares.

Risks related to dependence on third parties

Exiqon relies on the position and ability of its suppliers to deliver the raw materials demanded by Exiqon, and there can be no assurance that Exiqon's suppliers will always be able to deliver the raw materials used in Exiqon's planned production on time and in the required quality. The market for nucleic acid analyses is immature, and there can be no assurance that Exiqon can purchase the raw materials necessary to manufacture Exiqon's existing and future products at prices that are not significantly higher than has historically been the case. For specific raw materials and components that are part of the Company's products, Exiqon relies on a single or a few specific suppliers, and there can be no assurance that Exiqon would at short notice be able to replace such suppliers without the Company incurring a loss.

For part of its sales in a few product groups and in specific territories, Exiqon relies on distributors, including exclusive distributors, and there can be no assurance that these distributors will meet the expectations that Exiqon has in terms of product sales generated by such distributors. Moreover, there can be no assurance that the financial situation of such distributors will not have an adverse impact on Exiqon's financial position.

Risks related to intellectual property rights

If the validity of Exiqon's own or its inlicensed rights is challenged, it could have an adverse impact on Exiqon's results of operations and prospects and the value of Exiqon's Shares.
The biotechnology and pharmaceutical industries are characterized by extensive litigation regarding patents and other intellectual property rights. The defense and prosecution of contractual or intellectual property lawsuits, United States Patent and Trademark Office interference proceedings or European Patent Office oppositions and related legal and administrative proceedings in the United States, Europe and internationally, involve highly complex legal and factual questions. As a result, such proceedings may be costly and time-consuming to pursue and their outcome is uncertain. Litigation may be necessary to:

- protect and enforce inlicensed patents and any future patents of its own;
- enforce or clarify the terms of the licenses Exiqon has been granted or may be granted in the future;
- protect and enforce trade secrets, know-how and other intellectual property rights that Exiqon owns or inlicenses; or
- determine the enforceability, scope and validity of the intellectual property rights of third parties and defend Exiqon against alleged patent infringement.

If Exiqon or Exiqon's collaborators are unable to obtain and maintain protection for their intellectual property rights, the value of Exiqon's technology and products may be significantly and adversely affected.
Exiqon's success will depend on its ability to obtain, maintain and enforce its patent and other intellectual property rights in Europe, the United States and elsewhere. There is a risk that:

- future inventions and product candidates will not be patentable;
- patents issued or licensed to Exiqon or its collaborators will be challenged and held to be invalid or unenforceable;
- patents for which applications are now pending will not be issued to Exiqon;
- the scope of any patent protection will not be sufficiently broad to exclude other manufacturers; or
- others will claim rights or ownership with regard to patents and other intellectual property rights which Exiqon holds or has licensed.

The issuance of a patent does not guarantee its validity or enforceability, and third parties may challenge either. The issuance and enforceability of a patent within Exiqon's type of products is generally highly uncertain and involves complex legal and scientific issues. To date, no uniform and worldwide policy has emerged regarding this or the

scope of claims allowable in biotechnology patents. Exiqon has an extensive portfolio of patents and patent applications. Exiqon cannot predict the breadth of claims that will ultimately be allowed in its patent applications. The claims of Exiqon's pending patent applications may have to be significantly narrowed in order to secure the issuance of patents, thereby reducing the scope of protection available from such patents and, by extension, Exiqon's commercial sphere of activity. Litigation or other proceedings may be necessary to enforce Exiqon's intellectual property rights, to protect the Company's trade secrets and to determine the validity and scope of the Company's intellectual property rights. Any litigation could result in substantial expense, may reduce Exiqon's profits and may fail to adequately protect the Company's intellectual property rights. The competition may successfully challenge patents issued or licensed to Exiqon in court or in other proceedings, resulting in limitations of the coverage of the Company's patents. Moreover, patents issued or licensed to Exiqon may be infringed or successfully circumvented. Accordingly, rights under any issued patents may not provide Exiqon with sufficient protection against competitive products or processes.

In addition, changes in or deviating interpretations of patent laws in Europe, the United States and other countries may permit others to use Exiqon's discoveries and to develop and commercialize its technology and products without providing any compensation to Exiqon. The laws of some countries do not protect intellectual property rights to the same extent as European or US laws and those countries may lack adequate rules and procedures for defending Exiqon's intellectual property rights. If Exiqon fails to obtain and maintain patent protection and trade secret protection of its products, proprietary technologies and their uses, Exiqon could lose competitive advantages and the competition it faces would increase, adversely affecting the Company's ability to attain or maintain profitability.

If Exiqon is unable to protect the confidentiality of certain information, the value of Exiqon's technology and products could be significantly and adversely affected.
In addition to patented products, Exiqon relies upon unpatented proprietary technology, processes, know-how and data that Exiqon regards as trade secrets. Exiqon seeks to protect its proprietary information in part by confidentiality agreements with its employees, consultants and third parties. These agreements may be breached, and Exiqon may not have adequate remedies for any such breach. In addition, Exiqon's trade secrets may otherwise become known or be independently developed by competitors in a manner providing Exiqon with no practical recourse against the other parties involved, and this could cause the Company's business to suffer.

Third parties may own or control patents or patent applications that would be infringed by Exiqon's technology, molecular targets or potential products.
Exiqon may infringe or violate the intellectual property rights of others by the technology that Exiqon employs in its research, by the molecular targets that Exiqon selects, or by the products that Exiqon seeks to develop and commercialize. These third parties could bring claims against Exiqon or its collaborators, which could cause Exiqon to incur substantial expense and could cause the Company to have to pay substantial damages. Further, if a patent infringement suit were brought against Exiqon's collaborators or Exiqon, they or Exiqon could be forced to stop or delay research, development, manufacturing or the sale of the product or product candidate or technology that is the subject of the suit.

As a result of intellectual property infringement claims, or in order to avoid potential claims, Exiqon or its collaborators may choose to seek, or be required to seek, a license from third parties and would most likely be required to pay license fees or royalties. Such licenses may not be available on acceptable terms, or at all. Even if Exiqon's collaborators or Exiqon were able to obtain a license, the rights may be non-exclusive, which would give Exiqon's competitors access to the same intellectual property rights. Ultimately, Exiqon could be prevented from commercializing a product, or be forced to cease some aspect of its business operations if, as a result of actual or threatened patent infringement claims, Exiqon or its collaborators are unable to enter into licenses on acceptable terms. This could harm Exiqon's business significantly.

In addition to infringement claims against Exiqon, Exiqon may become a party to other patent litigation and other proceedings, including interference proceedings declared by the US Patent Office and opposition proceedings in the European Patent Office, regarding intellectual property rights with respect to Exiqon's products and technology. The cost to Exiqon of any patent litigation or other proceedings, even if resolved in Exiqon's favour, could be substantial. Some of Exiqon's competitors may be able to sustain the costs of such litigation or proceedings more effectively than Exiqon can because of their substantially greater financial resources. Patent litigation and other proceedings may also absorb significant Management time. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on Exiqon's ability to compete in the market.

The Company relies on a number of licenses that may expire and may not be replaced
Exiqon relies on its ability to maintain a number of inlicensing agreements that provide the Company with access to employing third party technology, and Exiqon must be expected to require an additional number of such licenses

in the future. Failure to obtain or maintain some of these licenses on commercially acceptable terms may adversely affect Exiqon's future opportunities to develop and sell products and services and, by extension, the Company's results of operations and prospects.

Risks related to Exiqon's production and production facilities

There can be no assurance that Exiqon will be able to produce and supply the required number of products for research or future diagnostic use in the required quality, at a competitive price, or within the timeframe requested by Exiqon's customers and collaborators.

There can be no assurance that Exiqon's existing or future production facilities will be able to meet the future requirements imposed by the regulatory authorities. Nor can there be any assurance that Exiqon will be able to comply with the conditions to ensure that Exiqon receives and maintains the necessary approvals for manufacturing products for diagnostic use in the future.

As at the Prospectus Date, Exiqon is dependent on one production facility, and if this facility should fully or partly cease to operate for a limited period or permanently due to an accident, fire or for any other reason, it would have a material, adverse impact on the Company's results of operations and prospects.

Risks related to commercialization

Exiqon and its collaborators may not be able to maintain the marketing of its products, which may have an adverse effect on Exiqon.
Even if Exiqon and its collaborators succeed in developing a product and obtaining regulatory approvals, Exiqon's possibility of generating revenues will depend on customer acceptance of Exiqon's products.

The degree of market acceptance of any product depends on a number of factors, including demonstration of product effectiveness and safety, cost-effectiveness, convenience and ease of administration, potential advantages over alternative treatment methods, competition and marketing and distribution support. If Exiqon's products fail to achieve market acceptance, Exiqon may be unable to successfully market and sell its products directly or through partners, which would limit Exiqon's ability to generate revenues.

If Exiqon's market for products for research purposes should cease to exist, or if Exiqon is unable to supply the products demanded by customers, it may have the effect that Exiqon's expected revenue cannot be generated, because it is uncertain whether Exiqon can find alternative ways of using its technology and products to fully or partly replace the lost earnings.

Exiqon faces substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than Exiqon.
The pharmaceutical and biotechnology industries are subject to rapid change, making it difficult to predict the future competitive environment for Exiqon's existing and future products. Technological competition from existing companies and others diversifying into the product field in which Exiqon operates is intense and expected to increase. Many companies are engaged in the research and development of products that may compete with Exiqon's products, although very little information is made public regarding these activities. A number of other companies operating in the same field as Exiqon have sustantially greater ressources than Exiqon, e.g. with research and development, manufactoring, marketing, financing and management, and these companies are major competitors. Mergers or agreements between competing companies may lead to a strenghtening of these competitors' financial, marketing and other ressources. Competitors succeeding in concluding clinical studies obtaining the required studies and initiating commercial sales of their products before Exiqon may gain a strong competitive edge.

Price regulation, third-party reimbursement practices or healthcare reform initiatives could limit Exiqon 's potential product revenue.
In the field of cancer diagnostics and the diagnostic field as such, regulatory approvals, including price regulation, are of critical importance to Exiqon's ability to commercialize its products.

There can be no assurance of future funding from the authorities to a number of customers, which could adversely affect the future demand for Exiqon's products.
A number of Exiqon's customers for products used for research purposes are universities in countries such as the United States, whose demand for Exiqon's products depends on funding through reimbursement for molecular biology research from relevant authorities providing funding. Should such funding cease, it could adversely affect Exiqon's sales.

Exiqon faces the risk of product liability claims and may not be able to obtain adequate insurance, which may have an adverse effect on Exiqon.
Exiqon's business exposes it to potential product liability risks which are inherent in development, manufacturing, marketing and use of clinical analysis products. Even in cases where Exiqon may license others to manufacture and sell Exiqon's products, there can be no assurance that product liability claims would not be filed against Exiqon for such products or that indemnification or other relief would not be sought from Exiqon for any such claims. Exiqon intends to expand its insurance cover to include the sale of all of its commercial products. Exiqon may not be able to obtain or maintain adequate protection against potential liabilities

at acceptable cost. If Exiqon is unable to obtain insurance or other protection against potential product liability claims, Exiqon may be exposed to significant liabilities, which may materially and adversely affect its business and financial position. These liabilities could prevent or interfere with Exiqon's product development and commercialization efforts. If Exiqon is sued for any injury caused by any of its products or processes, Exiqon's liability could exceed its product liability insurance cover and its own financial resources.

If Exiqon uses biological or hazardous materials in a manner that causes injury or violates laws, Exiqon may be liable for damages and/or subject to other sanctions that may have an adverse effect on the Company.
Exiqon's research and development activities involve the controlled use of potentially harmful biological materials as well as hazardous materials, chemicals and various radioactive compounds. Exiqon uses small quantities of radioactive trace elements in certain laboratory experiments, and Exiqon uses solvents that could be flammable in conducting its research and development activities. Exiqon cannot completely eliminate the risk of accidental contamination or injury from the use, storage, handling or disposal of these materials. Exiqon does not maintain a separate insurance policy for these types of risks. In the event of contamination or injury, Exiqon could be held liable for any resulting damages, and any liability could exceed Exiqon's resources.

Risks related to the market in which Exiqon operates

The market for products based on LNA is still in its infancy, and it is uncertain whether the market will develop in the way that Exiqon expects and how fast it will develop. If the market grows by a lower margin or at a slower pace than expected by Exiqon, it could affect its opportunities to realize its strategy.

Since 2004, when the Company launched its first LNA-based product, Exiqon has experienced ever-increasing sales of the products which it manufactures and markets, but there can be no assurance that this development will continue or that Exiqon will be able to retain its current market share or expand this share as assumed in Exiqon's business plans.

Exiqon has new products under development for research purposes, but it remains uncertain whether these products can be manufactured, sold and marketed in the volumes expected by Exiqon.

Exiqon has not yet completed the development of any product for the diagnostics market and has still not generated any income from the commercialization of its technology in the diagnostics market. There can be no assurance that Exiqon will be able to position itself in the diagnostics market in the way that Exiqon expects.

There can be no assurance that competing products will not be developed that will be cheaper and more effective than Exiqon's existing or future products, and this could adversely affect the Company's sales prospects.

Historically, Exiqon has generated income in the form of non-recurring payments and royalties from licenses granted by Exiqon to a third party in respect of the Company's technology. There can be no assurance that such income will be maintained in the future, as this relies on factors such as Exiqon's ability to protect and retain its intellectual property rights (see "Risks related to intellectual property rights").

Risks related to employees

If Exiqon is not able to recruit and retain qualified scientific and management personnel, this may have an adverse effect on the Company.
Recruiting and retaining qualified scientific personnel to perform future research and development work will be critical to Exiqon's success. Exiqon expects to recruit a large number of employees in the years ahead. There can be no assurance that Exiqon will be able to attract and retain such employees given the demand for experienced scientists from numerous pharmaceutical and chemical companies, specialized biotechnology firms, universities and other research institutions. Furthermore, there are no restrictive covenants in the employees' contracts of employment which would prevent them from joining a competitor or collaborator of Exiqon's after leaving the Company. Management and Key Employees are described in "Board of Directors, Executive Management and Key Employees".

Exiqon's strategic initiatives will require additional expertise and manpower in areas such as clinical trial management, regulatory affairs, manufacturing and marketing. Such activities will require the recruitment of new personnel, including management, and the development of additional expertise by the existing Management.

Risks related to currency and other financial risks

As the major part of Exiqon's revenue has been in the past and in the future will be in currencies other than DKK, Exiqon is exposed to a currency risk in relation to EUR and USD, which may have an adverse effect on Exiqon.
Exiqon presents its financial statements in DKK. Exiqon's income from collaborations with Roche Diagnostics and Luminex are settled in EUR and USD respectively. A strengthening of DKK vis-à-vis these currencies would have an adverse impact on Exiqon's earnings and financial performance.

Exiqon has placed a significant part of its cash and cash equivalents from the proceeds in low-risk, short-term fixed interest rate securities. Nevertheless, Exiqon carries financial risks in relation to the market value of such cash and cash equivalents.

Risks related to the Placement

Exiqon's Major Shareholders control a significant part of Exiqon's Shares, and their interests may conflict with the interests of other shareholders, which could have an adverse effect on Exiqon.

Exiqon's Major Shareholders control a significant part of Exiqon's Shares, and their interests may conflict with the interests of other shareholders. Upon completion of the Placement, Exiqon's Major Shareholders, will own approximately 36.9% of Exiqon's Shares, assuming that all issued warrants are exercised and assuming that 6,161,004 Offer Shares are issued, and approximately 40.0% of Exiqon's Shares assuming no exercise of the warrants issued but assuming that 6,161,004 Offer Shares are issued. As a result, these persons may have the ability either alone or voting together as a group to determine and/or significantly influence the outcome of matters submitted to the shareholders for approval, including the election and removal of members of the Board of Directors, payment of dividends, amendments to the Articles of Association, including changes to the share capital or any merger. In addition, this group of shareholders may have the ability to control Exiqon's Management and affairs. Such control and concentration of ownership may affect the market price of the Shares and may discourage certain types of transactions, including those involving actual or potential change of control of Exiqon (whether through merger, consolidation, take-over or other business combination), which might otherwise have a positive effect on the market price of the Shares.

There may be limited liquidity in the Shares, which may adversely affect the value of the Shares

Following the Placement, up to app. 20.1% of Exiqon's Shares will be held by the Oncotech Shareholders (assuming that 6,161,004 Offer Shares are issued) who shall enter into lock up agreements with Exiqon according to which they shall agree that they will not, subject to certain exemptions, for the period until 29 May 2008, without the prior written consent of the Company, sell, offer for sale, contract to sell, assign, encumber or in any other way, directly or indirectly, dispose of Shares in the Company or publish that any such action will be made.

Furthermore, in connection with Exiqon's IPO in May 2007 Exiqon agreed with Danske Markets and Handelsbanken not without the prior consent of Danske Markets to issue any further Shares for a period from 14 May 2007 (the date of publication of the prospectus in connection with Exiqon's listing on OMX Copenhagen) to 365 days following the closing date for the IPO (29 May 2007). The Company has received the consent to issue the Offer Shares. Furthermore, Exiqon's Board of Directors and Executive Management and Hans Henrik Chrois Christensen, CFO, and Major Shareholders agreed in the same respect not to dispose of their shareholdings in any such case, subject to certain exceptions, from 14 May 2007until 365 days following the closing date for the IPO (29 May 2007), without the consent of Danske Markets and Handelsbanken. The limited public market for Exiqon's Shares may impair the ability of investors to sell their Shares at the time or times they wish to do so or at an acceptable price, and may increase the volatility of the price of Exiqon's Shares.

There can be no assurance that a liquid market for the Offer Shares will develop, which could impair an investment in the Offer Shares.

The price at which the Shares will trade depends on a number of factors, including any of the risks described in "Risk Factors" and in "Warning relating to forward-looking statements", Exiqon's results of operations, its collaborators and competitors and general or forecast market and economic conditions.

Subscribers of the Offer Shares will suffer immediate and substantial dilution of their investment.

The price investors will pay for the Offer Shares will be significantly greater than the net asset value per Share after the Placement. Accordingly, investors will suffer immediate and substantial dilution of their investment. In addition, there are 2,396,993 outstanding warrants of which (i) 1,142,666 warrants each confer a right to subscribe one Share at an exercise price of DKK 9.50, (ii) 1,062,566 warrants each confer a right to subscribe one Share at an exercise price equal to DKK 40 plus 5% p.a. calculated per calendar day from the date of grant until the date of exercise and (iii) 191,761 warrants each confer a right to subscribe one Share at an exercise price equal to DKK 36.20 plus 5% p.a. calculated per calendar day from the date of grant until the date of exercise. If any of such warrants are exercised, subscribers of the Offer Shares will suffer further dilution.

The Board of Directors has been authorized to issue an additional 3,245,673 warrants to the members of the Board of Directors, Executive Management, employees and Exiqon's consultants and advisers. Each warrant will, upon issuance, confer the right to subscribe one Share at not less than the market price of the Shares on the date of issuance of the warrants. This price may be lower than the Offer Price depending on the market price of the Shares on the date such warrants are granted. See "Additional information". The issuance and exercise of such warrants may cause investors in the Offer Shares to suffer further dilution.

Exiqon has never paid dividends.
Exiqon has never paid dividends or made distributions, and Exiqon does not currently contemplate the payment of dividends or distributions within the foreseeable future. Exiqon is a public limited liability company organized under the laws of Denmark. The rights of holders of Shares are accordingly governed by Danish law and by Exiqon's Articles of Association. Such rights may be substantially different from rights typically enjoyed by shareholders in other jurisdictions.

The market price of Exiqon's Shares may be highly volatile and purchasers of Exiqon's Shares could incur substantial losses.
The market price of Exiqon's Shares may be highly volatile. The stock market in general and the market for biotechnology companies in particular have experienced high volatility that has often been unrelated to the operating performance of the particular companies. No assurance can be given that such fluctuations, even if otherwise unrelated to Exiqon's business, will not have a material adverse effect on the price of Exiqon's Shares.

The market price of Exiqon's Shares may be influenced by many factors, including but not limited to:

- fluctuations in Exiqon's revenue and earnings and financial position in general;
- Exiqon's ability to realize its strategy for sales of products and services in the fields of research and diagnostics respectively, including fluctuations in the market for nucleic acid analyses, and market acceptance of Exiqon's products for diagnostic use;
- developments concerning Exiqon's collaborators;
- regulatory developments;
- developments in or disputes concerning patents or other intellectual property rights;
- Exiqon's ability to manufacture products to commercial standards;
- public concern over Exiqon's products;
- litigation;
- changes in key personnel;
- future sales of Exiqon's Shares;
- variations in Exiqon's financial results or those of companies that are perceived to be similar to Exiqon;
- changes in the structure of healthcare payment systems;
- general stock market fluctuations;
- a change in Exiqon's credit rating or level of indebtedness or sales of assets;
- recommendations by securities analysts and investors' perceptions of Exiqon; and
- general economic, industry and market conditions.

Exiqon may issue additional Shares in the future which could have an adverse impact on the price of Exiqon's Shares.
Exiqon is restricted by lock-up arrangements which, inter alia, regulate Exiqon's opportunities to issue additional Shares in future. See "Lock-up agreements" for a more detailed description of the agreements. Following the end of the lock-up periods, Exiqon will be free to issue new Shares, which could cause the market price of Exiqon's Shares to decline. An additional offering or placement of Shares or a public perception that an offering or placement may occur could have an adverse effect on the market price of the Shares.

A sale of Shares by Management or the Oncotech Shareholders could also have an adverse impact on Exiqon's share price.
The Board of Directors and the Executive Management as well as the Oncotech Shareholders are restricted by lock-up agreements (subject to certain exceptions therein). See "Lock-up agreements" for a more detailed description of these agreements. Following the end of the lock-up period, members of the Board of Directors, the Executive Management as well as the Oncotech Shareholders (for the latter group subject to compliance with applicable provision of the US Securities Act) will be free to sell their Shares, which could cause the market price of Exiqon's Shares to decline.

There are additional risks to investors resident outside Denmark, which could have an impact on the value of the Shares for the shareholders in question.
Exiqon is a public limited company organized under the laws of Denmark, which may make it difficult for shareholders of Exiqon resident outside Denmark to exercise or enforce certain rights.

The rights of the Company's shareholders are governed by Danish law and by Exiqon's Articles of Association. These rights may differ from the typical rights of shareholders in the United States and other jurisdictions. See "Terms and conditions of the Placement".

For example, it may be difficult or impossible for investors outside Denmark to serve process on or enforce judgments against Exiqon in connection with the Placement or in connection with their rights as Shareholders.

In addition, the members of the Board of Directors and the Executive Management are residents of countries other than the United States. All or a substantial portion of the assets of Exiqon and such non-resident persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon Exiqon or such persons, or to enforce against them in the U.S. or other courts outside Denmark, judgments obtained in such courts based upon the

civil liabilities provisions of the federal securities laws of the United States. Additionally, shareholders outside Denmark may face difficulties exercising their rights to vote.

There is a risk that pre-emptive rights cannot be exercised by shareholders in jurisdictions outside Denmark, which may affect the value of the pre-emptive rights and cause dilution.

Holders of Offer Shares in jurisdictions outside Denmark may be unable to exercise any pre-emptive rights to subscribe for securities on the basis of their shareholdings in Exiqon, unless the Offer Shares or any rights or other securities being offered have been registered with the relevant authorities in such jurisdictions. Exiqon is under no obligation and does not intend to file a registration statement in any other jurisdiction outside Denmark in respect of any of the Offer Shares, and makes no representation as to the availability of any exemption from the registration requirement under the laws of any other jurisdiction outside Denmark in respect of any such rights in the future.

Shareholders outside Denmark are subject to exchange rate risks.

The Offer Shares are issued in Danish kroner, offered for sale and traded via the OMX Copenhagen in Danish kroner. Accordingly, the value of the Offer Shares calculated in a foreign local currency will fluctuate as the exchange rate between the local currency of the country in which an investor outside Denmark is based and the Danish krone fluctuates. If the value of the Danish krone depreciates against the local currency of the country in which an investor outside Denmark is based, the value of the Offer Shares will decrease.

I. Company information - Exiqon

Persons responsible

Responsibility statements are not included in the English-language version of this Prospectus.

Auditors

The Company's auditors are:
Deloitte Statsautoriseret Revisionsaktieselskab
Jens Rudkjær, State Authorized Public Accountant
Jørgen Holm Andersen, State Authorized Public Accountant
Weidekampsgade 6
DK-2300 Copenhagen S
Denmark

Jens Rudkjær and Jørgen Holm Andersen are both members of the Institute of State Authorized Public Accountants in Denmark (Foreningen af Statsautoriserede Revisorer (FSR)).

Exiqon A/S's annual reports for 2006, 2005 and 2004 were audited by Deloitte Statsautoriseret Revisionsaktieselskab, Weidekampsgade 6, DK-2300 Copenhagen S, Denmark ("Deloitte").

Selected financial information and key figures

Set out below are selected financial information and key figures for Exiqon for 2006, 2005 and 2004 and for the period 1 January to 30 September 2007 and 2006.

The following review should be read in conjunction with Exiqon's full-year and interim financial statements and the notes thereto appearing elsewhere in this Prospectus.

The financial statements have been extracted from the audited annual report for 2006, which has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("IFRS") and additional Danish disclosure requirements for annual reports. The 2006 financial year was the first financial year in which the financial statements were presented in accordance with IFRS. The comparative figures for 2005 and 2004 have also been restated to IFRS and included in the audited annual report for 2006.

The interim financial statements for the period 1 January to 30 September 2007 with comparative figures for 2006 are presented in accordance with IAS 34 and additional Danish disclosure requirements for interim reports of listed companies. The interim financial statements and the comparative figures are unaudited.

Audited financial information for years prior to 2004 are not available in IFRS or US GAAP and cannot be obtained by Exiqon without unreasonable effort and expense.

Table 4. Financial highlights for Exiqon for 2006, 2005 and 2004

Key figures (DKK million)	2006 Group DKK	2006 Group USD	2005 Group DKK	2005 Group USD	2004 Group DKK	2004 Group USD
		unaudited		unaudited		unaudited
Income statement:						
Revenue	43.1	8.2	16.0	3.0	10.3	2.0
Production costs	(11.9)	(2.3)	(5.4)	(1.0)	(4.7)	(0.9)
Research and development costs	(27.6)	(5.3)	(14.2)	(2.7)	(17.0)	(3.2)
Sales and marketing costs	(19.5)	(3.7)	(9.6)	(1.8)	(4.2)	(0.8)
Administrative expenses	(9.6)	(1.8)	(6.8)	(1.3)	(6.0)	(1.1)
Operating profit/(loss)	(25.5)	(4.9)	(20.0)	(3.8)	(21.6)	(4.1)
Net financials	0.6	0.1	(3.2)	(0.6)	(7.2)	(1.4)
Profit/(loss) before tax	(24.9)	(4.7)	(23.3)	(4.4)	(28.7)	(5.5)
Profit/(loss) for the year	(24.9)	(4.7)	(23.3)	(4.4)	(28.7)	(5.5)
Balance sheet:						
Assets						
Intangible assets	8.1	1.5	0.6	0.1	0.7	0.1
Property. plant and equipment	10.6	2.0	7.4	1.4	4.6	0.9
Financial assets	1.1	0.2	0.9	0.2	0.7	0.1
Non-current assets	19.7	3.8	8.9	1.7	6.0	1.1
Inventories	4.6	0.9	2.4	0.5	1.3	0.2
Receivables	22.2	4.2	2.3	0.4	1.0	0.2
Cash and cash equivalents	20.4	3.9	40.2	7.7	1.7	0.3
Current assets	47.3	9.0	44.9	8.6	3.9	0.7
Total assets	67.0	12.8	53.8	10.2	9.9	1.9
Equity and liabilities						
Equity	34.0	6.5	28.0	5.3	(43.9)	(8.4)
Non-current liabilities	5.3	1.0	2.8	0.5	1.5	0.3
Current liabilities	27.7	5.3	23.0	4.4	52.3	10.0
Total liabilities	33.0	6.3	25.8	4.9	53.8	10.2
Equity and liabilities	67.0	12.8	53.8	10.2	9.9	1.9
Cash flow statement:						
Cash flows from operating activities	(35.6)	(6.8)	(5.0)	(1.0)	(16.3)	(3.1)
Cash flows from investing activities	(9.9)	(1.9)	(2.4)	(0.5)	(2.0)	(0.4)
Cash flows from financing activities	25.7	4.9	45.9	8.7	0.0	0.0
Cash and cash equivalents at year end	20.4	3.9	40.2	7.7	1.7	0.3
Financial ratios:						
Earnings per share	(4)	(0.8)	(7)	(1.3)	(18)	(3.4)
Diluted earnings per share	(4)	(0.8)	(7)	(1.3)	(18)	(3.4)
Assets/Equity (gearing)	2.0	0.4	1.9	0.4	(Neg.)	(Neg.)
Average number of employees	62		42		30	

Note: The ratios are stated in accordance with "Recommendations and Financial Ratios" issued by the Danish Society of Financial Analysts.

Table 5. Financial highlights for Exiqon for the reporting periods 1 January to 30 September 2007 and 2006

	2007 Group		2006 Group	
Key figures (DKK million)	DKK	USD	DKK	USD
	unaudited	unaudited	unaudited	unaudited
Income statement:				
Revenue	29.5	5.6	19.2	3.7
Production costs	(14.6)	(2.8)	(10.0)	(1.9)
Research and development costs	(20.2)	(3.8)	(15.6)	(3.0)
Sales and marketing costs	(23.8)	(4.5)	(11.5)	(2.2)
Administrative expenses	(22.9)	(4.4)	(8.0)	(1.5)
Operating profit/(loss)	(51.9)	(9.9)	(26.0)	(4.9)
Net financials	5.0	1.0	0.2	0.0
Profit/(loss) before tax	(47.0)	(8.9)	(25.8)	(4.9)
Profit/(loss) for the period	(47.0)	(8.9)	(25.8)	(4.9)
Balance sheet:				
Assets				
Intangible assets	7.6	1.4	1.2	0.2
Property, plant and equipment	16.0	3.0	8.5	1.6
Financial assets	2.2	0.4	1.5	0.3
Non-current assets	25.8	4.9	11.2	2.1
Inventories	5.1	1.0	2.9	0.6
Receivables	10.2	1.9	5.2	1.0
Cash and cash equivalents	358.4	68.2	31.2	5.9
Current assets	373.6	71.1	39.3	7.5
Total assets	399.4	76.0	50.6	9.6
Equity and liabilities				
Equity	361.5	68.8	26.9	5.1
Non-current liabilities	8.7	1.7	3.7	0.7
Current liabilities	29.2	5.6	20.0	3.8
Total liabilities	37.9	7.2	23.7	4.5
Equity and liabilities	399.4	76.0	50.6	9.6
Cash flow statement:				
Cash flows from operating activities	(24.1)	(4.6)	(27.8)	(5.3)
Cash flows from investing activities	(6.7)	(1.3)	(4.1)	(0.8)
Cash flows from financing activities	366.4	69.7	20.8	4.0
Cash and cash equivalents at 30 September	358.4	68.2	31.2	5.9
Financial ratios:				
Earnings per share	(2.5)	(0.5)	(1.9)	(0.4)
Diluted earnings per share	(2.5)	(0.5)	(1.9)	(0.2)
Assets/Equity (gearing)	1.1	0.2	1.9	0.4
Average number of employees	75		46	

Note: The ratios are stated in accordance with "Recommendations and Financial Ratios" issued by the Danish Society of Financial analysts.

Information about Exiqon

Name, registered office, etc.

Exiqon A/S
Company reg. (CVR) no.: 18984431
Bygstubben 9
DK-2950 Vedbæk (Municipality of Rudersdal)
Denmark
Tel.: +45 45 66 08 88
Exiqon has no secondary names.

Date of incorporation and legislation
Exiqon A/S was incorporated on 1 November 1995 and registered with the Danish Commerce and Companies Agency on 29 November 1995 under the name of A/S PSE 38 nr. 1774. The business activities commenced in 1996.

Exiqon A/S is governed by Danish law.

Financial calendar

Announcement of full-year results 2007	12 March 2008
The annual general meeting is scheduled to be held on	2 April 2008.
Interim report for the period 1 January 2008 to 31 March 2008	15 May 2008
Interim report for the period 1 January 2008 to 30 June 2008	28 August 2008
Interim report for the period 1 January 2008 to 30 September 2008	26 November 2008

Financial year, financial reporting and stock exchange announcements

The Company's financial year runs from 1 January to 31 December.

The Company publishes quarterly reports for the first, second and third quarters of the year and a full-year report. In addition, the Company publishes an annual report in an electronic and a print version. The Company publishes all its stock exchange announcements, including its annual report and interim reports, in both Danish and English.

Objects

The objects of the Company are to carry out research, development, production and trade.

Principal bankers

Danske Bank A/S
Gentofte Branch
Gentoftegade 50
DK-2820 Gentofte
Denmark

Danske Bank A/S
Greater Copenhagen Finance Centre Hovedvejen 107, 2nd floor
DK-2600 Glostrup
Denmark

Registrar

VP Investor Services A/S (VP Services A/S)
Helgeshøj Allé 61
P.O. Box 20
DK-2630 Taastrup
Denmark

Share issuing agent

Danske Bank A/S
Holmens Kanal 2-12
DK-1092 Copenhagen K
Denmark

Exiqon's history and development

Exiqon A/S was founded on 1 November 1995 but did not become operational until in the spring of 1996. At the end of 1997, the Company secured the exclusive rights to the LNATM (Locked Nucleic Acid) technology from the Danish inventors of the technology.

The Company spent the time from the inception of Exiqon A/S until the implementation of the current strategy in 2003 mainly developing the LNA technology, developing procedures for large-scale manufacturing of LNA chemistry and developing a large number of applications of the LNA technology and applying for patents thereon.

In 1999, Cureon A/S was founded as a subsidiary of Exiqon A/S for the purpose of exploiting the therapeutic potential of the LNA technology. Cureon A/S was later merged with Panteco A/S, thereby forming the company Santaris Pharma A/S. Exiqon A/S has retained all the rights to the LNA technology, except for the therapeutic applications of the LNA technology.

In 2003, the Company developed and implemented the existing product-oriented strategy. The first product developed according to the new strategy was Universal ProbeLibrary™, which was launched in the spring of 2004.

In 2005, Exiqon formed a strategic alliance with Roche Diagnostics for selling Universal ProbeLibrary™ (see section 20: "Material contracts"), and in the same year the Company's other main product range mmiRCURY™ LNA was marketed for analyses of miRNA (see "Company information").

In 2006, Exiqon A/S established de-facto in-house production through its subsidiary in the United States, using its own US sales organization. The Company was also certified to the ISO 9001 standard, and both the Universal ProbeLibrary™ and the miRCURY™ product lines were substantially expanded during the year. The Company entered into a strategic collaboration with Luminex for the development, production and sale of a number of products

for miRNA analysis based on Luminex' "bead"- based analysis platform. The first products (FlexmiR™) under this agreement were launched at the end of 2006 (see "Additional information– Collaborative and licence agreements").

In 2006, the Company took the first steps towards using the existing LNA products for miRNA analysis in diagnostic applications, as we initiated the Identification of miRNA biomarkers in cancer.

At the end of 2006, the Company entered into a number of contracts giving it full control over basic LNA technology patents:

- A fully paid-up licence was entered into with the Japanese inventor of LNA (our basic chemistry);
- The patents held by the Japanese inventor were transferred to joint ownership by Exiqon and Santaris Pharma A/S – Exiqon now has full control over the patents;
- Exiqon entered into a fully paid-up licence with the Danish inventors of LNA, i.e. without future royalty obligations; Exiqon also owns those patents; and
- Exiqon entered into a fully paid-up licence with Santaris Pharma A/S for a number of Exiqon's patents, which provided important working capital to Exiqon, and the Company also entered into a number of cross licenses giving Exiqon full, royalty-free access to a number of LNA patents and patent applications.

Exiqon was certified to the ISO 9001 standard in late 2006.

In early 2007, Exiqon announced that it had signed a number of distributor contracts so that Exiqon now has distributors on the largest markets in Asia, including Japan, China and Australia, and in Spain and Italy.

In early 2007, approval was given for a large miRNA research project in the EU in which Exiqon participates. The project has a budget of approximately DKK 90 million.

In May 2007, the Company made an initial public offering and was listed on the OMX Copenhagen.

In September 2007, Exiqon launched its new miRCURY™ LNA Array product line.

On 18 September, Exiqon announced that Per Wold-Olsen had accepted to candidate for Exiqon's Board of Directors at the next annual general meeting.

In October, Exiqon received confirmation that the Company had been selected to receive funding by the EU for two research projects within miRNA over the coming 4-5 years at a combined value of approximately DKK 7 million; one project - OncomiR – focuses on basic research and the other project – ProspeR – focuses on diagnostic methods within prostate cancer.

On 16 October, Exiqon announced it had signed a Cooperative Research and Development Agreement (CRADA) with the National Cancer Institute (NCI) to develop microRNA-based diagnostics for colon cancer.

On 6 November 2007, Exiqon announced that it had granted a license to Applied Biosystems (NYSE:ABI) an Applera Corporation business, to use Exiqon's proprietary Locked Nucleic Acids (LNA™) in siRNA.

On 19 November, Exiqon announced that it had signed an agreement to exclusively license a microRNA quantitative real-time PCR technology from Rosetta Inpharmatics LLC, a wholly owned subsidiary of Merck & Co., Inc. (NYSE: MRK) that provides Exiqon A/S with a validated product portfolio for quantitative analysis of miRNA. Exiqon has also obtained a license to parts of Roche's and Applied Biosystems' PCR patent portfolio providing Exiqon with the opportunity to market this product line and other products for quantitative analysis of miRNA using real-time qPCR technology.

On 12 December, Exiqon commenced the marketing of a new product line for quantitative measurement of miRNA. The product line is sold under the name miCURY™ LNA miRNA system.

On 21 January 2008, Exiqon announced that it had entered into a conditional agreement regarding Exiqon's acquisition of California based Oncotech Inc.

Investments

The Company has no contractual commitments to make any future investments. Historical investments are set out in table 6 below.

The Company has no material contracts in progress.

Table 6. Investments

DKK million	Financial year	Investment
Software, patent rights, production equipment, other operating equipment, etc.	2004	2.162
Software, patent rights, production equipment, other operating equipment, etc.	2005	5.683
Software, patent rights, production equipment, other operating equipment, etc.	2006	13.855

Company information

Exiqon is a biotechnology business whose core business is to develop, manufacture and market products for molecular biology analyses. Our customers primarily include molecular biologists in the pharmaceutical, diagnostic and agrotechnology industries and academic institutions in the field of molecular biology. Exiqon's customers are typically involved in basic biologic research, research into diseases such as cancer, metabolic diseases, neurological disorders, etc. and stem-cell research.

Exiqon's products are based on patented technology that facilitates very precise and sensitive measurement of gene activity. We aim to expand the existing product-based business and to apply our technology and analysis products in the future development of new proprietary molecular diagnostic products.

Exiqon's products target the market for nucleic acid analyses, which covers products to analyze genes for research purposes and for clinical molecular diagnostics. Business Communications Company Inc. estimates the total market for nucleic acid analysis products at a combined value of DKK 57 billion in 2007, consisting of products for research, development and applied research DKK 35 billion and molecular diagnostic products DKK 22 billion.

Table 7 below summarizes the main characteristics of the market segment in which we sell our products and the market which our future diagnostic products will target.

Table 7. Characteristics of Exiqon's principal markets

Market	mRNA[1]	miRNA[2]	Molecular diagnostics[3]
Market size			
(DKK million)	6,000	120	22,000
Market profile	Consolidated	Immature/strong growth	Expanding

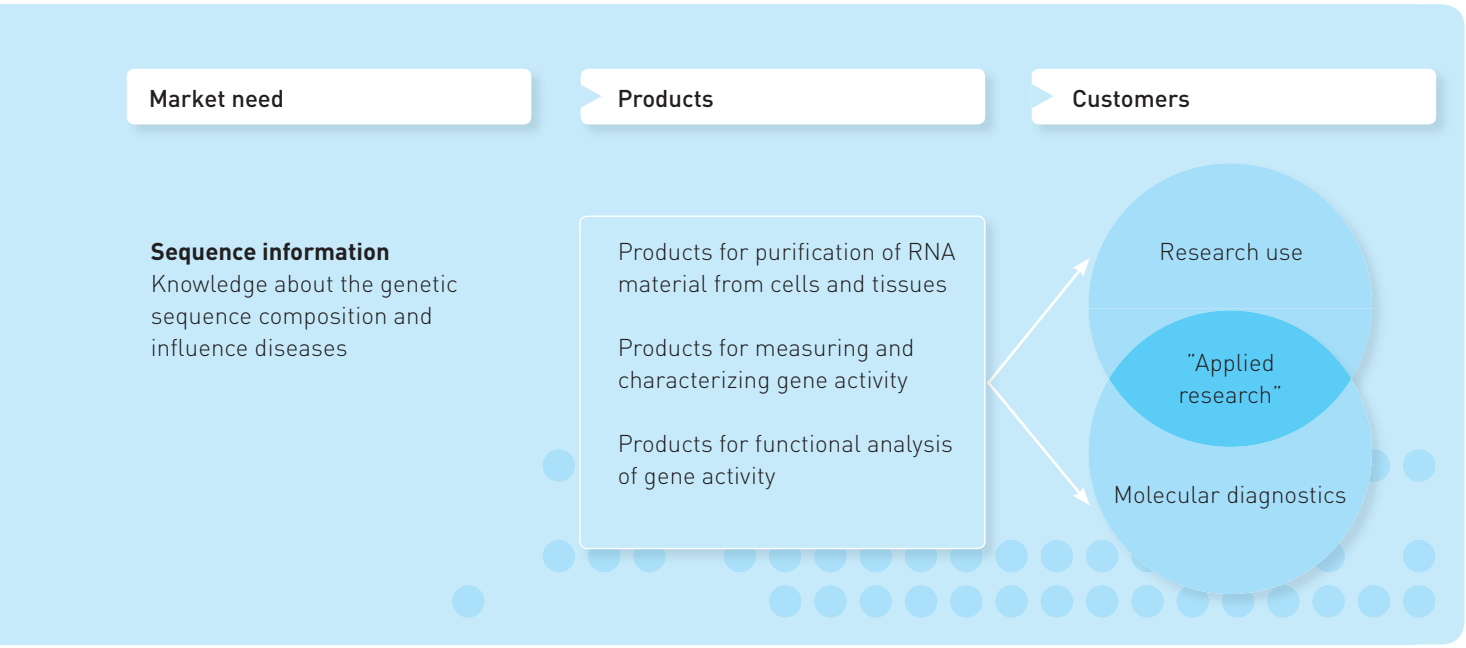
[1] Based on the following sources; Fuji-Keizai U.S.A. Inc. "The Worldwide Biochip and Equipment Market 2007", Frost & Sullivan Report #B079-55: "European Nucleic Acids Amplification Kits and Reagents Market", Frost & Sullivan: US qRT-PCR Markets, 2006, Qiagen GmbH's annual report 2005, Fluidigm Inc. press release dated 18 December 2006, and the Company's own estimates.

[2] Based on the following sources; Luminex Corporation Inc. investor presentation 2007 and the Company's estimates.

[3] Based on the following sources; Business Communications Company, Inc., Report#RB-141R "The DNA Diagnostic Business", Frost & Sullivan Report#B933-55, "EU Molecular Diagnostics Markets", Frost & Sullivan Report#F743-55, "U.S. Molecular Diagnostics Markets", Roche annual report for 2006, and the Company's estimates.

The table shows that our products target different market segments with different profiles in terms of growth and volume. The estimated market sizes are for 2007. The market estimates do not include devices, and it should be noted that a substantial part of the molecular diagnostic market is comprised of products related to infectious diseases.

Figure 1. Exiqon sells products to measure and visualize gene activity



Source: Exiqon 2008

The figure shows that our products are based on customer needs for analyzing gene activity. Our products are used in the process from purification of nucleic acids to the actual activity measurement. In addition, we market products for functional analysis, which are products capable of down-regulating gene activity used for determining the biological function of a gene. Sequence information means genetic information.

Customer needs for Exiqon's products

There has been a growing need for nucleic acid analyses since the sequencing and cataloguing of the human genome was finalized in 2003. There is a need for analyzing the activity of the genes discovered (gene activity measurement) both in the research field and in clinical diagnostic settings (figure 1). Sequence information is knowledge about gene composition which we use as a basic component in our product design through sophisticated bioinformatic analyses.

Genes are organized in chromosomes built by DNA. Human chromosomes contain information about approximately 30,000 genes, which, when activated, will give rise to at least as many proteins. However, very few of the genes are active at the same time and in the same cell, and this is the reason why different cells in the body are capable of handling different functions (e.g. blood cells to transport oxygen versus insulin-producing cells). When a gene is active, RNA is produced and subsequently translated into protein. It is therefore natural to measure the activity of a specific gene by measuring the cell contents of this specific gene's RNA. There are two types of RNA: mRNA (messengerRNA), which is RNA that is translated into protein, and non-coding RNA which is RNA that has regulatory or catalytic functions in the cells and which therefore does not produce protein. MicroRNA (miRNA) belongs to the latter category. These are small regulatory RNA molecules that regulate the amount of protein produced by a given mRNA. Typically, most of a cell's RNA is of the non-coding type.

Exiqon's technology and products

With our patented LNA (Locked Nucleic Acid) technology, consisting of a number of synthetic DNA/RNA molecules (DNA/RNA analogues), we have developed a portfolio of products for use in analyzing mRNA as well as miRNA, which in comparison with alternative technologies offers greater sensitivity, greater precision, more freedom in product design, enhanced product stability and in some cases even allows for the development of products that cannot be designed using other technologies. The most frequently used competing technology is based on DNA, but DNA has a number of limitations which we have eliminated with our patented LNA technology (see the section on competing technologies and table 11).

We currently supply reagents and products (kits) based on the LNA technology to a rapidly growing number of scientists working in the biomedical industry and research laboratories around the world. In addition to product sales, we generate income from the sale of services involving biological analyses for our customers, as well as licence income from our patent portfolio. Our product portfolio is illustrated in table 8.

Table 8. Exiqon's existing product portfolio for research purposes

Product category	Products	Application
miRCURY™ LNA miRNA PCR System 	miRNA specific primer sets	Sensitive and quantitative analyses based on real-time PCR
	First-strand cDNA synthesis kit	
	SYBR Green buffer kit	
miRCURY™ LNA Detection 	Available with many different visualisation systems	Visualisation of miRNA activity in e.g. tissue
miRCURY™ LNA Array 	miRNA microarrays	Parallel measuring of miRNA activity
	Labelling kits	Fluorescence labelling of miRNA
	Ready to spot set	Probes for manufacturing own miRNA microassays
	Buffer systems	Reagents for array analyses
miRCURY™ LNA KnockDown 	Antisense LNA oligonucleotides	System for functional knockdown of miRNA activity
Universal ProbeLibrary™ (UPL) 	UPL Human set	Activity profiling of mRNA in human cells
	UPL Mouse set	Activity profiling of mRNA in mouse cells
	UPL Rat set	Activity profiling of mRNA in rat cells
	UPL Extension set	Kit that provides access to the combined set of probes when the human set is also sourced
FlexmiR™ (bead-based) 	FlexmiR™ Human	Analysis of human miRNA molecules
	FlexmiR™ Extension kit	Enables analysis of miRNA in mice and rats
	FlexmiR™ Select	Custom design of assay composition
	FlexmiR™ Labelling	Labelling of miRNA molecules
LNA oligonucleotides 	Special oligonucleotides	*In situ* hybridisation, chromosomal analysis, PCR primers, etc.
Reagents 	LNA amidites	Polymerisation of LNA oligonucleotides
	AQ-Link™ reagents	Used for working with our photo chemistry

Source: Exiqon 2008

The products mentioned in the table are developed and produced by Exiqon.

The products shown in table 8 are sold via our own sales force or by our distributors or partners. Universal ProbeLibrary™ is sold exclusively by Roche, and the FlexmiR™ products are marketed in collaboration with Luminex.

We expect to expand the application of our existing miRNA analysis-based product portfolio to molecular biology diagnostics. The research products and the diagnostic products will then share the same patent platform and analysis technology, providing us with product development synergies. Molecular diagnostics is diagnostics involving the profiling of DNA or RNA, which means that the diagnosis is made on the basis of gene structure and activity. Our expectations of developing molecular biology diagnostic products build on key components such as our patented technology, synergies between the development of products for the research market and the diagnostic market and our track record of forming partnerships with market leaders.

Our business development activities are based on broad market understanding, as illustrated by our ISO 9001 certification. A common feature of our product development efforts in both areas will be the inclusion of a sophisticated bioinformatic analysis of the large volume of biological sequence information available and also that the products will typically contain our patented LNA technology, as this allows us to develop products that none of our competitors can develop at this point in time. Universal ProbeLibrary™ and miRCURY™ LNA Detection for in situ measurement of miRNA are examples of such products.

Licence agreements

We have entered into a number of licence and distribution agreements with a number of highly recognised companies to ensure rapid and effective dissemination of our technology and products in the market. Our most important agreements are with Roche Diagnostics for the distribution of our Universal ProbeLibrary™ and with Luminex Corporation, under which we develop and manufacture products for miRNA analysis for Luminex's platform (see "Additional information– Collaborative and licence agreements"). We believe that our position as a trustworthy market player will allow us to form partnerships for the development of diagnostic products based on our technology in collaboration with major international companies in the field of molecular diagnostics and pharmaceutical development.

Corporate strategy

Exiqon is a product-oriented company experiencing rapidly growing revenues. Our existing and expected future products are molecular biology products for research purposes and diagnostics. We aim to become one of the leading suppliers in the market segments in which we market our products. We pursue a strategy of employing our patented technology (as described in "Research and development, patents and licenses") and to actively use bioinformatics and a strongly focused product development strategy and targeted marketing. Our strategy is furthermore to develop products that presently can only be developed using our patented technology, including our Universal ProbeLibrary™ and miRCURY™ LNA Detection for in situ hybridisation, in order to distinguish ourselves from our competitors.

Our products target the market for nucleic acid analyses, which cover products to analyze genes for research purposes but also for clinical molecular diagnostics. The overall market is currently dominated by DNA-based nucleic acid analysis reagents. Our patented LNA technology facilitates a more precise and sensitive profiling of gene activity, and in many cases LNA technology may successfully replace or complement DNA technology resulting in a number of enhanced product properties, or may even enable products that cannot presently be developed using other technologies.

Our patented LNA technology allows us to develop the Company, both short-term and long-term. In the short term, our revenue will derive primarily from our products for molecular biology research, but longer term we expect that a substantial proportion of our revenue will be generated from molecular diagnostics applications. Historically, a significant part of our income has consisted of licence payments. We expect to continue to receive licence income, but our strategy is that our own sales, including our service business, should represent the bulk of our income base.

We market our products and services for nucleic acid analyses worldwide directly from our headquarters in Denmark and our sales organization in the United States as well as through carefully selected distributors in Asia. Our marketing strategy focuses on offering state-of-the-art products with competent and responsible technical support and customer service. Our strategy is to brand Exiqon as a company offering innovative and state-of-the-art products.

The Company has established in-house production in Denmark and uses a large selection of suppliers. Additional manufacturing capacity will be required, and we therefore expect also to set up in-house production in the United States within the foreseeable future. This step will bring production closer to our largest market and closer to our most important suppliers. We expect that this will make us less sensitive to exchange rate fluctuations whilst also giving us logistical benefits. Furthermore, we expect to establish a laboratory in the United States to increase our service business capacity. The Company has signed an agreement covering production facilities and a service laboratory. Until we have established US manufacturing facilities, all service and production activities will take place in our new laboratories in Denmark.

We will actively pursue opportunities to acquire other companies and additional patents where such an acquisition would complement our business strategy, in other words provide an increase in revenue, better patent coverage and value added products.

Products for molecular biology research
Based on our patented LNA technology, our primary market segment is gene activity profiling. We already have a broad product portfolio for analyzing both mRNA and miRNA (table 8), which we intend to develop further.

Our strategy is to supply complete kit-based solutions so that our products cover the working process from sampling to the completed analysis, and kits that cover complete laboratory processes and, where relevant, webbased software systems supporting the use of the kit products.

The market for our research products is divided into two segments: one for mRNA analysis and one for miRNA analysis. The market for mRNA analysis is characterized by being more mature, and Management estimates that this market is growing by about 15-20% per annum. The miRNA market segment, on the other hand, is in its infancy, and Management estimates a growth rate of approximately 100% per annum in this segment.

The market segment for mRNA analysis is dominated by a few large international corporations (Applied Biosystems, Invitrogen, Roche, Illumina, Affymetrix and Qiagen), whereas the miRNA market segment is still immature. In order to optimize our market access, we have resolved to use Roche as the distributor of our product range for quantitative mRNA analysis, as Roche is already a leading supplier of analysis instruments in this market segment. For the miRNA market segment, we have decided to establish direct sales through our own sales organization and through a network of local distributors, as this strategy allows us to optimize and realign our market initiatives much faster than if we had collaborated with a major business partner. This new market segment calls for a high degree of technology insight and support, which we achieve through direct customer relations. To maintain close contact with the US market, where we expect to sell a substantial proportion of our products, we have established a US-based sales organization consisting of experienced sales people who have worked in the industry for many years and therefore have the necessary network and sales experience in the United States. Europe and Asia are both served directly from our organization in Denmark and through a number of local distributors. We will consider strategic partnerships where such alliances may facilitate access to important customer segments.

Customers for our research products include molecular biologists in the pharmaceutical, diagnostic and agrotechnology industries and academic institutions in the field of molecular biology. Exiqon's customers are typically involved in basic biological research, research into diseases such as cancer, metabolic diseases, neurological disorders, etc. and stem-cell research.

As a number of potential customers do not have the necessary expertise and/or capacity to carry out the requested analyses, and also in order to increase the value of the product, we expect to continue to offer miRNA gene activity profiling in our ISO 9001 certified laboratories. Fuji-Keizai U.S.A. Inc. ("The Worldwide Biochip and Equipment Market 2007") estimates the value of the combined market for microarray-based service research at DKK 600 million in 2007.

Products for molecular diagnostics
In recent years, scientific literature has demonstrated that miRNA activity is often involved in a specific disorder. This discovery opens up new business opportunities which we intend to pursue, using the products we have developed for research purposes as the foundation. The greater biological understanding and the development of enhanced systems for gene activity profiling have opened up for developing and marketing molecular biology products that can classify patient groups with a view to selecting the optimum treatment. Based on scientific literature, own trials and a need in the market to improve treatment selection, we have opted to focus our future molecular diagnostics business on cancer. Frost & Sullivan estimates the present market for molecular diagnostics of cancer at approximately DKK 2.4 billion in 2007 with estimated market growth of approximately 48% in 2007 in the United States, which is the largest market, (Business Communications Company, Inc., Report#RB-141R "The DNA Diagnostic Business", Frost & Sullivan Report#B933- 55, "EU Molecular Diagnostics Markets", Frost & Sullivan Report#F743-55, "U.S. Molecular Diagnostics Markets"). Our strategy is to seek to generate revenue in this market already before products with full regulatory approval can be launched in the market by forming partnerships with players in the pharmaceutical and biotechnology industries. The drug discovery industry increasingly employs molecular biology test systems in its product development initiatives to classify and characterize patient groups before and during clinical development projects. Such classification is expected to ensure a higher success rate in the pharmaceutical product development, and an increasing proportion of this classification is expected to be performed in collaboration with companies such as Exiqon.

We will actively seek to protect the future diagnostics business through own patent applications, through inlicensing of patents and by building know-how as well as laboratories and processes with regulatory approval in Europe and the United States where such work can be performed.

The US market for molecular diagnostic analyses is the most well-developed market, and we therefore intend to initially market this product category in the United States and subsequently in the rest of the world, wherever there is a demand.

Technology platform

Our control of our key technology gives us a competitive edge as the technology allows us to market products with a high customer value and, for some products, products that only use our patented technology.

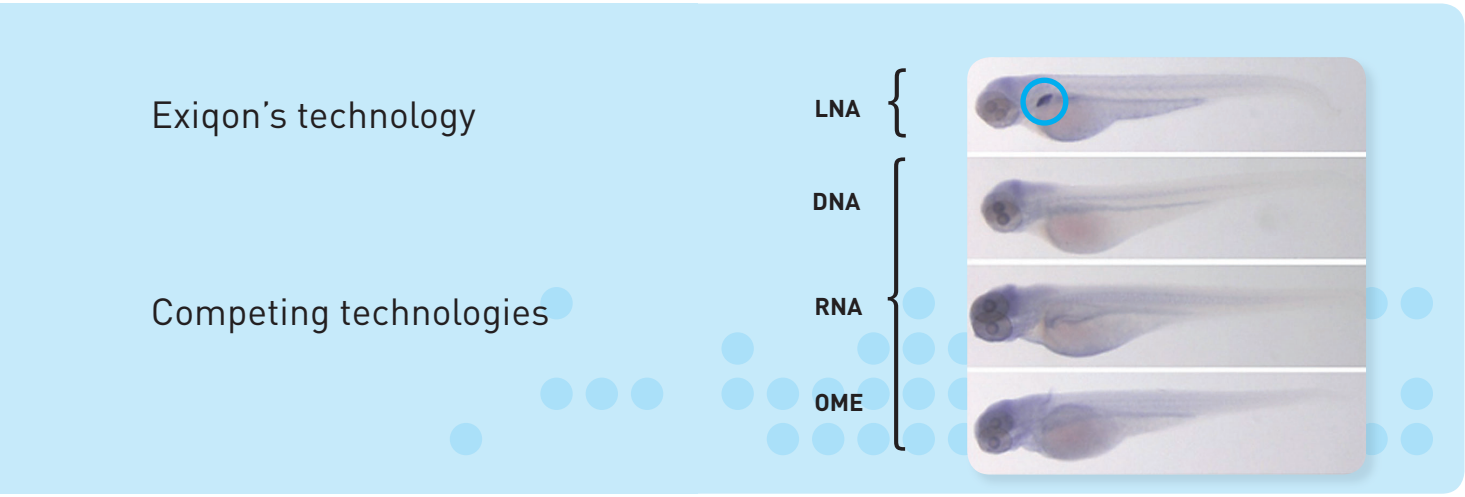
The LNA™ (Locked Nucleic Acid) technology

Our LNA technology – Locked Nucleic Acid – comprises a number of synthetic DNA/RNA analogues. When the LNA technology is used in genetic analyses, the Identification ability of the target measured is improved significantly. In fact, no known analogue provides as strong an Identification ability as the LNA technology – and it is also highly precise (figure 2).

Short strands of DNA or LNA as used in the experiment in figure 2 are called oligonucleotides, which are manufactured using automated synthesis machines. We have designed protocols for synthesis of LNA oligonucleotides so that they can be manufactured using standard DNA synthesis equipment. Oligonucleotides used for gene activity measurement are called probes.

Our analysis technology offers a benefit over competing technologies as we can obtain stronger and more precise identification. This may also be illustrated through in situ Identification of miRNA as shown in figure 2, where only our technology facilitates activity measurement of a given miRNA. The analysis shown here can only be performed with our products, and none of our competitors have been able to market a similar product.

Figure 2. The figure shows the unique ability of LNA to effectively measure gene activity in cells and organs, here exemplified in zebrafish embryos



Source: The pictures are sourced from Kloosterman et al., which has also partly published the figure in Kloosterman et al., Nat Methods vol 3, No. 1, January 2006, p27-29.
The blue colour indicates gene activity, and in this case miR122a is only active in the liver and measurable only by using the LNA technology. DNA, RNA and 2'-O-methyl (OME) are competing technologies.

Products for research purposes

Based on our patented LNA technology and our insight into and ability to analyze large and complex volumes of biological sequence data (bioinformatic analysis), we develop, manufacture and market products for purification, measurement and functional analysis of the two RNA classes called mRNA and miRNA (figure 3).

Our products, which are highly value-added reagent kits, consist of optimized analysis reagents and thoroughly prepared protocols, allowing the customer quickly and effectively to use our products in its own laboratory and obtain precise results.

Products for the measurement of microRNA

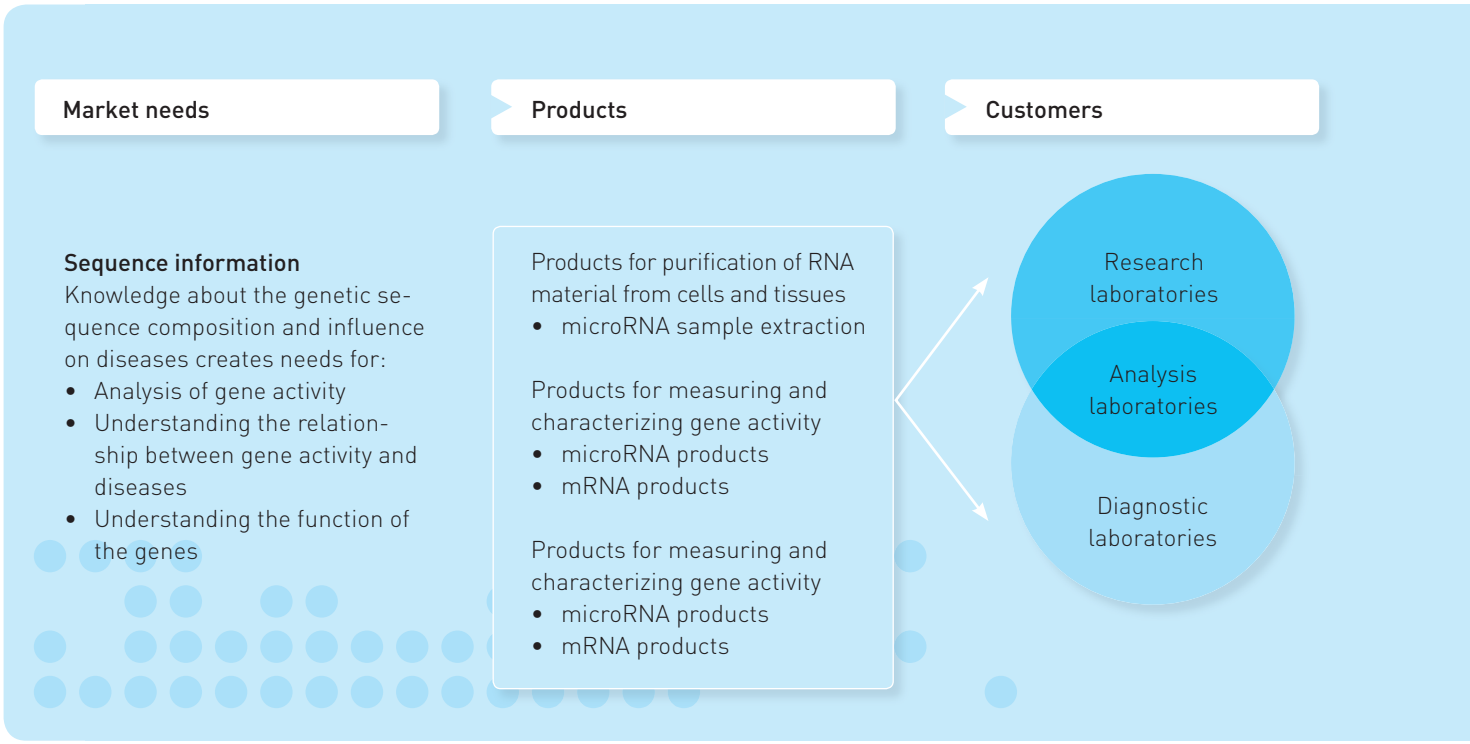
We have a broad product range for analyzing miRNA as we supply products for microarray analysis (multiparallel analysis of many different miRNA at once), in situ hybridisation, which is an analysis on tissue sections, products for conventional analysis using the Northern blot technology, which provides information about the size of the miRNA molecules, and finally products for functional analysis, involving an analysis of the biological function (figure 4).

MicroRNA is a family of natural, evolutionarily conserved, small, non-protein-coding RNA molecules that regulate the expression of a very large proportion of the human genes. It is currently estimated that there are about 900-1000 human miRNAs (Berezikov E, et. al. Cell. 2005 Jan 14;120(1):21-4.). MicroRNA's role as a component in the cell's regulatory apparatus was not described in the peer-reviewed scientific literature until five or six years ago, and scientists around the world have started to examine the function of miRNA in various biological processes. The results have shown that miRNA is involved in distinct disease groups such as cancer, neurological disorders and metabolic diseases.

The expression level of microRNAs reveal their activity in the cell, and by employing our miRNA products our customers can establish a miRNA "profile" from a sample, which will thus describe the miRNA activity in the sample.

In 2005, we marketed our first miRCURY™ LNA products for analyzing miRNA, targeting the growing customer needs for sensitive and precise miRNA analysis methods. Using our miRCURY LNA product range, the market's most comprehensive miRNA detection tool, our customers can effectively and consistently study the miRNA's function.

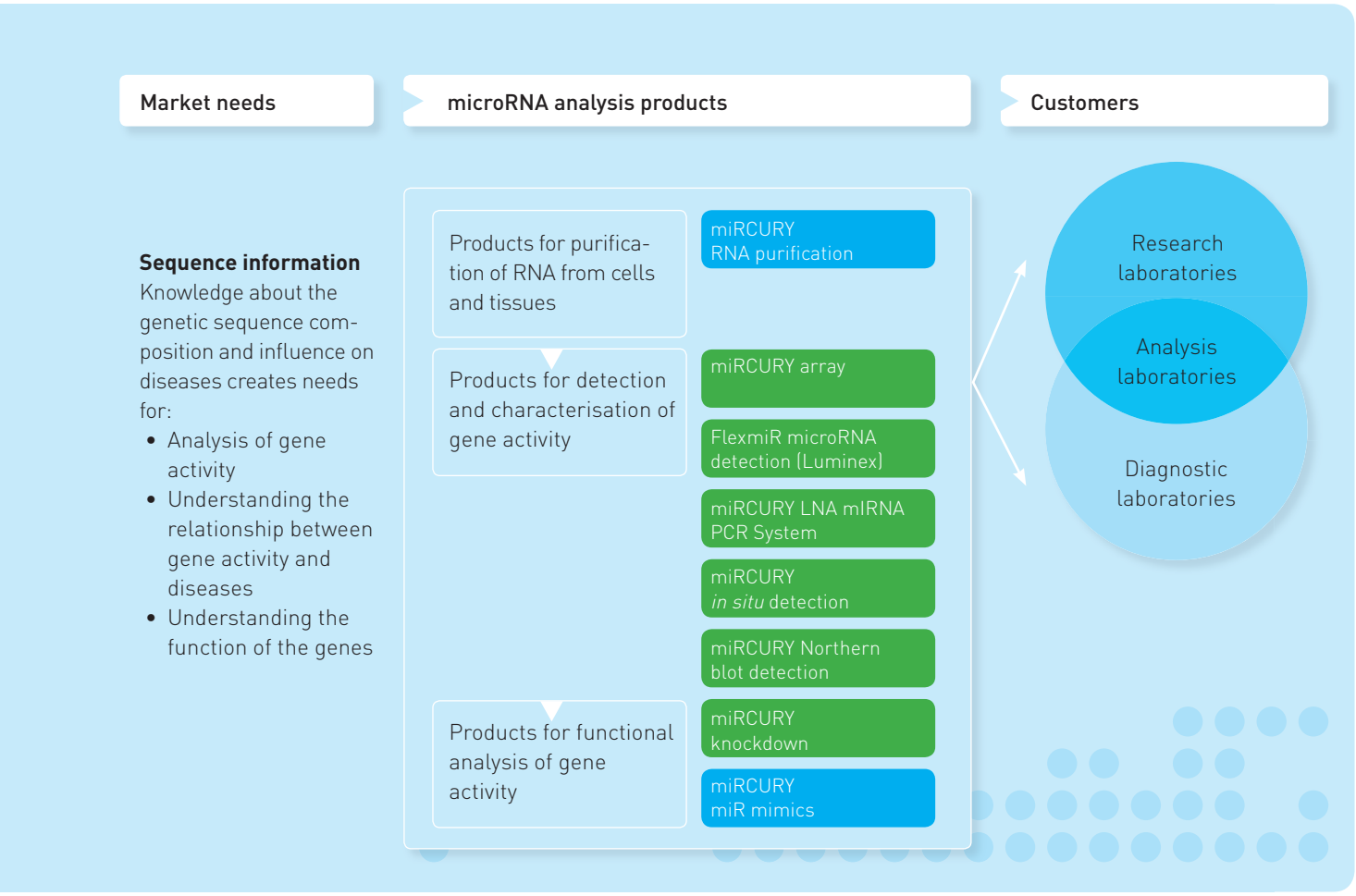
Figure 3. Product overview: Exiqon's research products to measure gene activity



Source: Exiqon 2008

Our product design is based on a bioinformatic analysis of the large volume of genetic sequence information that exists. Based on this bioinformatic analysis, we develop products for analyzing gene activity. In order to cover the typical work process, our ambition is also to develop products for sampling and the functional analysis (deactivation of gene activity).

Figure 4. Product overview: Exiqon's research products to measure miRNA activity



Source: Exiqon 2008
The green colour indicates that the products have been launched, whilst blue indicates products under development.

Using our knowledge of the customers' work processes in laboratories around the world, we develop solutions for all steps of the analysis process (figure 4).

In research and analysis laboratories, a number of different tools and methods are employed for molecular biology analyses. We develop our miRCURY™ LNA products in such a way that they can be applied on most of the tool platforms in the market. The customer may need to analyze many biological samples for a small number of miRNA molecules or vice versa. Our current product range for research purposes is illustrated in table 8.

The miRCURY™ LNA Array product range
The microarray technology facilitates the analysis of thousands of RNA molecules in a simple test and is employed primarily for analyzing all miRNA molecules on a relatively limited number of tests. To accommodate the growing need to be able to screen for all known miRNA molecules, we have developed our miRCURY™ LNA Array product range for analyzing all known miRNA molecules in a single experiment. Our miRCURY™ LNA Array product range offers a fast and sensitive analysis process, which means that the customer only needs a minimum of biological material to be able to perform the analysis. Our miRCURY™ LNA Array product range allows for optimum separation between almost identical miRNA molecules. We expect to update the product range in an ongoing process as the volume of sequence information increases.

miRCURY™ LNA miRNA PCR product range
The PCT technology allows a very sensitive and qualitative analysis of miRNA gene activity. With this product line we offer products to high throughput analysis of miRNA from very small volumes of material.

miRCURY™ LNA in situ Detection
Biological tissue is highly structured at the single cell level, and the structure depends on the tissue type, e.g. organ type. Most quantitative methods to measure gene activity build on material extracted from tissue, representing an average of gene activity in the different types of cells included in the analyzed material.

Combined with modern and highly sensitive microscopy techniques, in situ gene activity measurements reveal important information about gene activity in each individual cell, whilst maintaining the tissue structure. The information obtained in this process may be very important for example in clinical laboratories.

Our miRCURY™ LNA Detection product range for in situ measurement of miRNA was developed in close collaboration with our customers, and this resulted in a groundbreaking article in the peer-reviewed journal Science (Wienholds et al. Science 309, 310-311, 2005). The product range is the only one of its kind, as our patented technology provides us with major technological benefits.

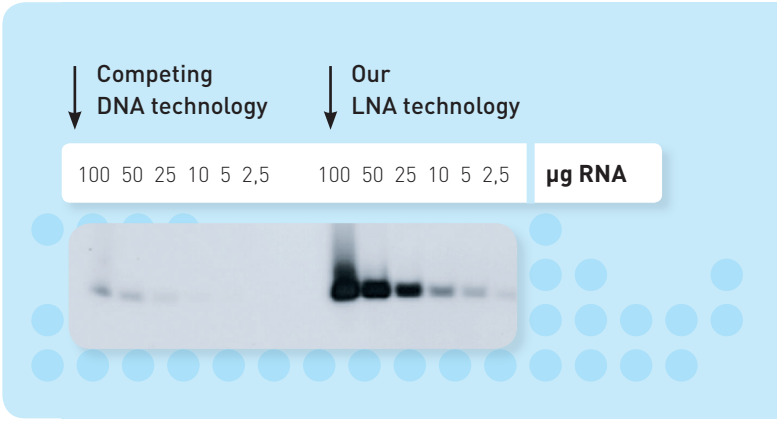
miRCURY™ LNA Northern blot detection
Northern blot analysis is the conventional method of measuring all forms of RNA. We have developed products for miRNA analysis using the Northern blot analysis method, and as illustrated in figure 5 , our patented technology gives us a major advantage, for example in the form of higher sensitivity, securing our product range a unique position in this market segment.

miRCURY™ LNA Knockdown
Our miRCURY™ LNA Knockdown is a product range for functional analysis of miRNA, and it works by deactivating a specific miRNA in the cells. This product meets the growing customer requirements for functional analysis, which is the analysis of the biological function of a given miRNA. LNA adds some good properties to this product range as LNA's strong binding ability ensures highly effective deactivation of a given miRNA. The LNA technology is characterized by very low toxicity and very high biological stability. Management believes that the LNA technology has facilitated the development of a product that is superior to similar competing products in terms of efficacy. The product range may also be employed in target validation studies, in which the mechanism of action of new therapeutics is evaluated.

Products for measuring mRNA
Research in mRNA (protein-coding RNA) requires the same type of analyses as those used in miRNA research, i.e. a qualitative profiling of gene activity and visualization of cell and tissue-specific gene activity in in situ analyses. Based on our knowledge of customers' work processes in laboratories around the world, we also develop solutions that cover unmet customer demands for mRNA analyses (figure 6).

The market for mRNA analysis is dominated by two platforms; microarrays for multi-parallel analysis and qPCR analysis for quantitative and highly specific analyses. We have developed products for the latter product category. To be successful in this mature market, we have designed a unique product that can only be developed using our patented LNA technology. We have managed to develop a product that integrates a web-based assay design software with a ground-breaking approach to employing the qPCR analysis technology.

Figure 5. Example of Northern blot analysis

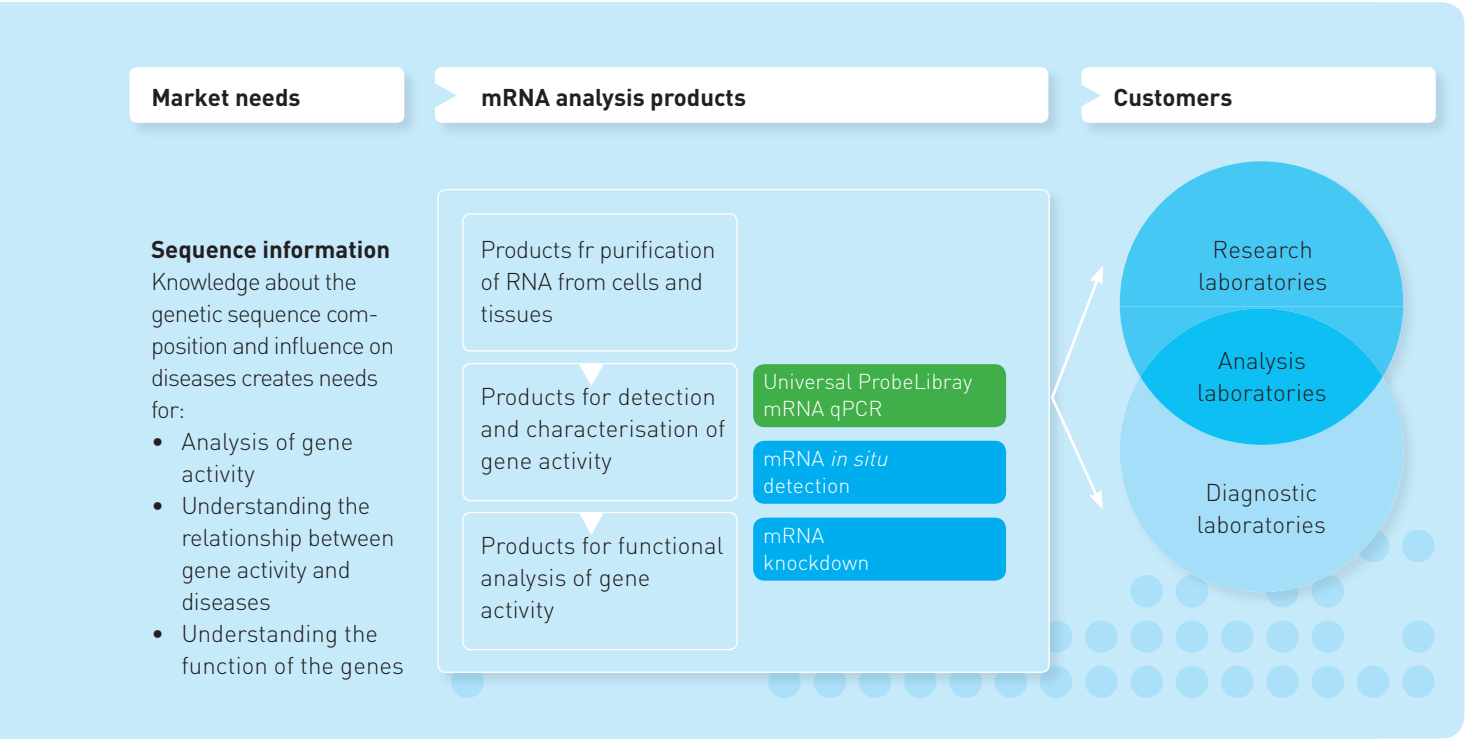


Source: Válóczi et al., NAR 2004, vol 32, No. 22, el175
The figure shows a comparison of the LNA and DNA technologies. As illustrated, miRCURYTM LNA Detection by Northern blotting is up to 10 times more sensitive than the competing DNA technology. The analysis employs total RNA (i.e. non-enriched RNA) in the volumes indicated.

Universal ProbeLibrary™
In 2004, we launched our first product range – Universal ProbeLibrary™ – for analyzing mRNA targeting customer demands for a flexible solution for quantitative determination of mRNA expression profiles using qPCR. This type of product entails the major challenge of meeting customer needs for analyzing the more than 30,000 different mRNA molecules that exist in human cells and an even greater number of splice variants. To meet this demand, we use the Company's competencies to analyze biological sequence data, and our patented LNA technology offers brand new product design opportunities.

Through sophisticated bioinformatic analysis of all human mRNA molecules, we have succeeded in identifying 90 short sequences traceable in all known mRNA molecules. Employing LNA, we have developed a unique product in which these 90 maintained sequences can be measured using 90 short probes. In other words, our efforts have allowed our customers to maintain a library of only 90 probes, providing them with easy and quick access to quantitative measurement of any mRNA. Our competitors offer products with one probe per mRNA, which requires tens of thousands of probes. This results in a lower user-friendliness and major manufacturing challenges in terms of production and inventory logistics.

Figure 6. Exiqon's existing and potential mRNA products for research purposes



Source: Exiqon 2008
The green colour indicates that the products have been launched, whilst blue indicates products under development.

Using the Universal ProbeLibrary™ product range, we have developed a unique product that offers outstanding value for our customers, as they achieve:

- A high rate of coverage of human genes (99%) with only 90 probes;
- High flexibility – mRNA splice variants can be identified
- Simple web-based assay design (www.universalprobelibrary.com); and
- Time from assay design to data is only 24 hours

Using comprehensive web-based software, the product range offers the customer the possibility of analyzing gene activity in every organism in which gene sequence information is available as well as various control kits.

Developed and manufactured by Exiqon, these products are currently sold by Roche Diagnostics. Our bioinformatics group also develops and maintains the advanced website (www.universalprobelibrary.com).

Services

In 2006, we established our service business as part of our strategy of increasing the value of our product range. With our services we are taking a step up the value chain by offering our customers a more complete solution which includes quality control of the RNA test, miRNA analysis and data analysis employing our miRCURY™ LNA products. By sending their tests to us, our customers avoid investments in a complex infrastructure and expertise for performing miRNA analyses. We return quality controlled and value-added data to the customer, which we have performed in our ISO 9001-certified laboratory in Denmark. To meet customer needs for performing analyses in the United States, we expect to establish a similar service laboratory in the United States.

By offering miRNA expression analysis we are able to offer the use of our products to customers who do not have the resources or infrastructure to make such analyses. This is expected to ensure that our products reach a broader section of the market. In the short term, this brings us into contact with customers who might otherwise not use our products. In the longer term, it gives us the opportunity to communicate directly with scientists in the pharmaceutical industry, which is expected to potentially lead to strategic collaboration in areas such as classification of patients in clinical trials based on our services. Our existing customers come from a broad section of the academic world and from the pharmaceutical industry, which indicates that we could potentially achieve closer contact with scientists in the pharmaceutical industry.

We established our service operations in response to direct customer enquiries, and through collaboration with selected customers we have developed a product that meets our customers' demands for more complex solutions.

Developing diagnostic products based on miRNA measurement

We believe that our patented technology gives us a competitive edge and, by extension, good possibilities of developing and marketing unique products in the field of molecular classification of diseases based on miRNA activity profiles. We pursue a strategy of utilizing our technology platform, our miRCURY™ LNA miRNA products and our experience to develop a number of new products for molecular classification of diseases, including cancer

MicroRNA – a potential new tool for molecular classification

MicroRNA is a family of natural, evolutionarily conserved, small, non-protein-coding RNA molecules that regulate the expression of a very large proportion of all human genes. The expression level of microRNAs reveal their activity in the cell, and by employing our miRNA products it is possible to establish a miRNA "profile" from a sample, which will thus describe the miRNA activity in the sample. Following the discovery of miRNA, scientists around the world have started to examine the function of miRNA in various biological processes, and this research has shown that miRNA is involved in key disease groups such as cancer, neurological disorders and metabolic diseases.

MicroRNA and cancer

Cancer is a disease strongly correlated to genetic changes and it occurs when mutations or other changes activate or block biological systems whose function is important for central cellular processes. Due to the key role of miRNAs in regulating cell division and cell differentiation, this research area focuses on the possible role played by miRNA in the development of cancer. A total of more than 200 scientific papers have been published on miRNA and cancer since the correlation between miRNA and cancer was first described in 2001, including more than 130 in 2006 alone (PubMed, National Library of Health, NIH). Despite a lower complexity, studies show that miRNA biomarkers are better at classifying cancer than a similar classification based on mRNA. A study published in Nature in 2005 shows that miRNA analyses are better at classifying cancer according to origin than similar mRNA analyses (Lu et al., Nature 2005, vol 439, No. 9, p834- 838). As such, there is a scientific foundation for miRNA's prominent role in the pathogenesis of cancer.

We plan to develop diagnostic analyses for improved classification of cancer for the individual patients based on miRNA measurements in three areas:

- Prediction of treatment response – analyses that indicate the optimum treatment regime;
- Better prognosis of cancers – analyses that indicate the risk of relapse; and
- Clinical testing – analyses that may provide the background for more focused patient selection for clinical drug trials.

Since 2006, we have investigated the correlation between miRNA and cancer ourselves, as outlined below. At the beginning of 2007, we signed an agreement with Herlev University Hospital in Denmark, under which we have access to a large number of samples of different cancers. We believe that this agreement gives us a unique advantage in our efforts to develop diagnostic products for cancer based on miRNA. Access to human tissue samples is a necessity and a critical precondition for developing diagnostic products, and the agreement with Herlev University Hospital therefore provides a good foundation for our further development of a diagnostic pipeline.

Diagnostic products in our pipeline

Table 9 describes some of the product development programmes that may lead to new diagnostic products.

We have initiated two diagnostic projects, one in breast cancer and one in cancers with unknown primary tumours, for which miRNA based classification fulfils a need for improved treatment selection.

Breast cancer – Need for better prediction of cancer development

Breast cancer is one of the most frequent cancers in the western world. In the United States, the National Cancer Institute expects more than 178,000 new cases of breast cancer and more than 40,000 deaths related to breast cancer in 2007. In the EU, about 370,000 cases of breast cancer were recorded in 2004. On a global scale, the WHO estimated that there were about 1 million cases of breast cancer in 2003.

We believe that miRNA based molecular classification of breast cancer may optimize the choice of treatment and, thereby extension, improve survival rates and the quality of life for breast cancer patients in the longer term.

Current diagnostic methods

The diagnostic assessment of breast cancer is based on clinical examinations, mammography and/or ultrasound scans and a histological examination of biopsy samples (according to the Danish Breast Cancer Cooperative Group).

Based on the overall tumour description, the patient's prognosis for a relapse is evaluated, and the patient is then offered adjuvant systemic treatment in the form of various chemotherapeutic regimes.

We believe that molecular classification of breast cancer based on miRNA may improve the choice of treatment for patients and thereby lead to improved treatments for

breast cancer patients. In the United States, more than 140,000 patients receive treatment with adjuvant chemotherapy every year. A large number of the patients do not respond adequately to this treatment, and we therefore expect that there is a substantial market for a successful classification test.

Unknown primary tumour – Need for better classification and better choice of treatment

In most cases, a cancer will occur in specified tissue somewhere in the body (primary tumour), after which it may or may not spread to other tissue (secondary tumours or metastases). The diagnosis unknown primary tumour covers those patients in whom a cancer tumour has been established (e.g. through a biopsy), but where the histology does not match the tissue where it was identified, and where thorough examinations cannot provide a background for locating the primary tumour.

According to Diagnostic and Therapeutic Management of Cancer of Unknown Primary, a review published in the European Journal of Cancer, and the American Cancer Society Report 2006, about 3-5% of the more than 1,400,000 cancers diagnosed in the United States in 2006 alone will be metastases from an unknown primary tumour. In Denmark, an incidence of between 0.5% and 0.6% has been recorded (Co-operative Cancer Departments in Denmark: "Treatment of unknown primary tumour").

Current diagnostic methods

Today, a large number of conventional methods are primarily used in the attempt to identify the primary tumour. These include a medical examination (palpation), a large number of histopathological analyses of biopsies, imaging techniques, including X-rays, CT and PET scans, MR imaging and methods such as gastrointestinal endoscopy. These methods are cost-intensive and unpleasant for the patient, and in spite of this it is only possible to identify the primary tumour of between 10- 30% of the patients during the treatment and diagnostic process.

Patients with an unknown primary tumour have a poor prognosis with a median survival time of 3-5 months (literature review on CUP, published in Annals of Oncology 2003; 14 supl 3: iii1 1-8). In Denmark, approximately 25% of the patients are alive one year after the date of diagnosis, and the 3-year and 5-year survival rates are 11% and 6% respectively (Co-operative Cancer Departments in Denmark: "Treatment of unknown primary tumour", reference programme 2006).

Cancer treatments are to a large extent based on knowledge about the tissue of origin of the tumour, as very different treatment regimes are recommended for different types of cancers. As a result, tumours with unknown primary represent a major therapeutic challenge, thereby creating a large market demand.

Developing products to classify tumour origin

Our own research results as well as those achieved by others show that miRNA are very tissue-specific. This means that they are very promising biomarker candidates for the Identification of the tumour's origin tissue. Moreover, we and others (Lu et al., Nature 2005, vol 439, No. 9, p834-838) have demonstrated that metastases largely retain the miRNA signature that is characteristic of the origin tissue. Accordingly, miRNA has the potential to classify unknown primary tumours.

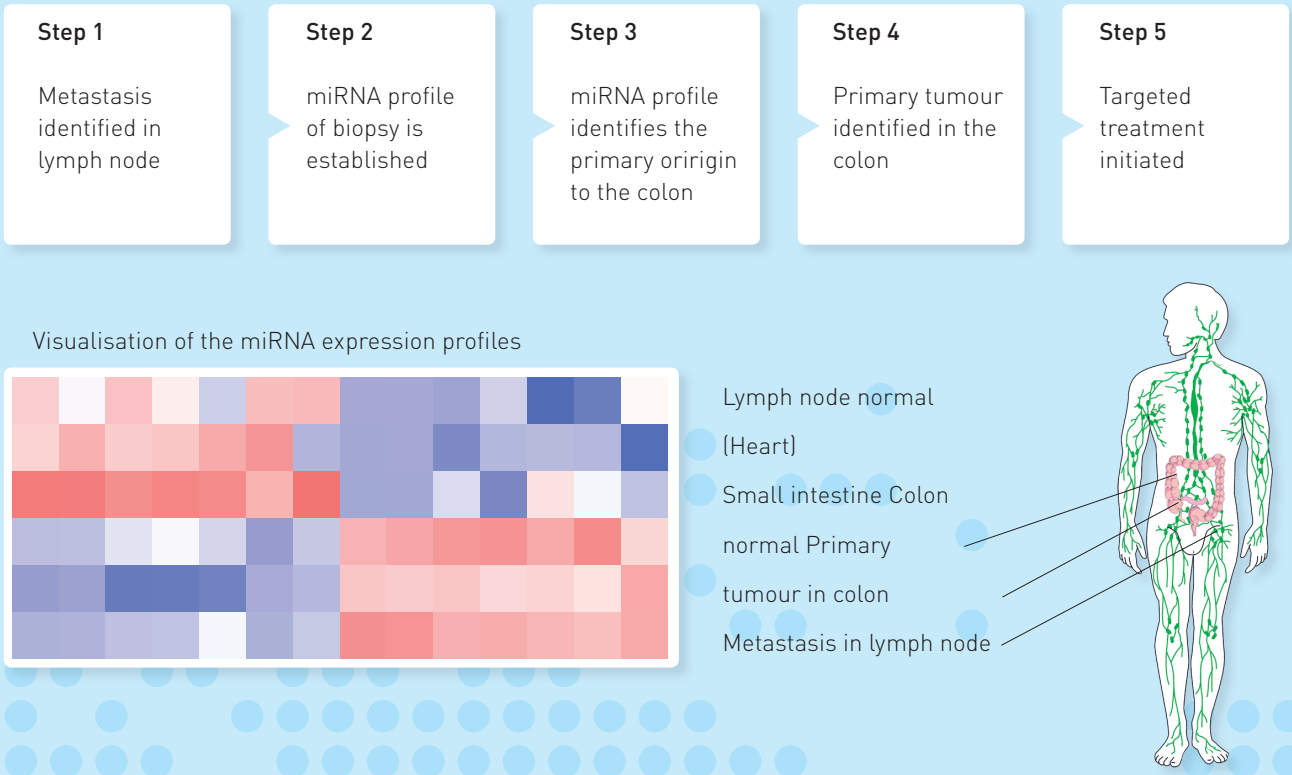
Table 9. Potential miRNA diagnostic projects

Medical indication	Application	Status
Breast cancer	Recurrence/ treatment selection	Screening for markers
Identification of unknown primary tumour	Recurrence/ treatment selection	Sampling/screening
Ovarian cancer	Recurrence/ treatment selection	Sampling/screening
Colon cancer	Recurrence/ treatment selection	Screening
Lung cancer	Recurrence/ treatment selection	Sampling/screening
Home brewed assays (several indications)	Assay development Biomarkers identified	

Source: Exiqon 2008

As seen in the table, there is a potential for products for early Identification of cancer and for products for the classification of patient groups for optimum treatment selection. ASR: Analytic Specific Reagent.

Figure 7. Identification of primary tumour using miRNA activity profiles



Source: Exiqon 2007
The figure shows the primary tumour was identifiedin the colon on the basis of a metastasis found in a lymph mode. The coloured "heat-map" is a visual presentation of the miRNA profile of different tissue and as appears from the figure the profile depends on the tissue type and therefore functions as a fingerprint that may be used to identify the primary tumour by comparing the "metastasis" profile to the profile of the healthy tissue.

Figure 7 illustrates an example of how miRNA may be used to identify the primary tumour based on a tissue-specific miRNA profile. As shown in figure 7, the miRNA profile of a metastasis taken from a lymph node has been analyzed. The miRNA profile generated was then compared to the miRNA profiles from healthy tissue, and the comparison showed that the profile was identical to healthy colon tissue. It was also confirmed that the primary tumour was located in the colon. Our vision is therefore to develop a "tissue atlas" of miRNA profiles that may be used as a reference tool to identify primary tumours.

We intend to analyze the miRNA profile of a large number of cancers in order to establish a classification database which, with a high degree of certainty, will be able to determine the identity of an unknown sample by comparing its profile with the classification database. With such a database, we have created a foundation for fulfilling the market need for Identification of the primary tumour, which is necessary in up to 5% of all cancer patients.

ASR reagents for in situ analysis

In situ analysis represents a cornerstone in cancer diagnostics in the pathology laboratory. Our patented technology provides us with major technological benefits in connection with in situ detection of miRNA, and no similar products are currently available in the market. We intend to develop a selection of our existing miRNA in situ detection analyses for ASR reagents with a view to marketing to pathology laboratories and commercial laboratory test providers.

Developing diagnostic products via partnerships

Exiqon is aware of several companies that pursue drug discovery initiatives in which the miRNA activity could be of interest not only to the pharmaceutical development but also as a biomarker intended for classifying patient groups in clinical trials or in connection with the diagnosis and treatment. Exiqon continuously evaluates the opportunity to form partnerships with pharmaceutical companies with respect to developing companion diagnostics products,

which are products for which the prescription of a given medication is made against the background of a diagnostic test. In addition, Exiqon will enter into partnerships concerning the development of diagnostic products where we believe that such alliances will be beneficial.

Principal markets

Exiqon's technology has the potential to be used in a number of segments of the nucleic acid analysis market, but we have decided to target our own products on specific market segments, primarily gene expression analysis. To some extent, we aim to realize the potential outside our core markets by signing outlicensing agreements for our patented technology.

Our principal markets are described below. In the opinion of Management, the market description has been reproduced correctly, and Management believes that no facts have been omitted that would render the data provided inaccurate or misleading. However, there can be no assurance that other sources may not have different opinions of the market in which we operate and the product types we sell.

Our overall market: Nucleic acid analysis

Our patented LNA technology can be used to measure DNA as well as RNA, and that basically makes the market for nucleic acid analyses our principal market. The market is currently dominated by DNA-based analysis reagents, but in many cases LNA is a viable replacement or supplement to DNA, resulting in a number of enhanced product qualities.

Exiqon's existing and future products target the markets outlined in table 10.

Table 10. Overview of selected market segments in nucleic acid analyses (2007)

Market specified by miRNA and mRNA analysis	
miRNA market	DKK 120m (1)
mRNA market	DKK 6,000m (2)
Market specified by selected technologies	
Oligonucleotides	DKK 4,000m (3)
qPCR products	DKK 5,600m (4)
Microarray products	DKK 4,000m (5)
Microarray services	DKK 590m (5)
siRNA products	DKK 925m (6)
Market for diagnostic analyses in cancer therapy	
Molecular cancer diagnostics	DKK 2,400m (7)

(1) Based on the following sources; Luminex Corporation Inc. investor presentation 2007 and the Company's own estimates.

(2) Based on the following sources; Fuji-Keizai U.S.A. Inc. "The Worldwide Biochip and Equipment Market 2007", Frost & Sullivan Report #B079-55: "European Nucleic Acids Amplification Kits and Reagents Market", Frost & Sullivan: US qRT-PCR Markets, 2006, Qiagen GmbH's annual report for 2005. Fluidigm Inc. press release of 18 December 2006, and the Company's own estimates.

(3) Based on the following sources; Frost & Sullivan. Report# B348-01 "Strategic Analysis of the World Oligonucleotides Markets", Bioinformatics LLC. Report #06-058. "The Global Market for Synthetic Oligonucleotides." September 2006, Agilent press release of 17 April, 2006, and the Company's estimates.

(4) Based on the following sources; Frost & Sullivan Report #B079-55: "European Nucleic Acids Amplification Kits and Reagents Market". Frost & Sullivan report: US qRT-PCR Markets, 2006, Qiagen GmbH's annual report 2005, Fluidigm Inc. press release of 18 December 2006, and the Company's estimates. In the market report, it is estimated that sampling reagents account for 20% of the market.

(5) Based on the following sources; Fuji-Keizai U.S.A. Inc. "The Worldwide Biochip and Equipment Market 2007".

(6) Based on the following sources; Frost & Sullivan Report, # B349: "World RNAi Markets - Current and Future Outlook.

(7) Based on the following sources; Business Communications Company, Inc., Report#RB-141R "The DNA Diagnostic Business", Frost & Sullivan Report#B933-55, "EU Molecular Diagnostics Markets", Frost & Sullivan Report#F743-55, "U.S. Molecular Diagnostics Markets", Roche annual report for 2006, and the Company's estimates.

The market estimates do not include instruments. The estimated market sizes are for 2007.

The nucleic acid analysis market can be divided into two main segments by function:

- products for research & development; and
- products for regulated as well as non-regulated diagnostics.

The market for nucleic acid analysis represents a considerable market segment, which according to Business Communications Company Inc. is estimated at a combined value of DKK 57 billion in 2007, consisting of products for research, development and applied research (DKK 35 billion) and molecular diagnostic analyses (DKK 22 billion). Our products target the market for cancer diagnostics.

It should be noted that the market segmentation in terms of volume between the US, Europe and Asia will typically be 60/30/10, but in terms of value Asia will often represent an even larger proportion as prices there are generally high, particularly in Japan.

Our research products in nucleic acid analysis predominantly target the market for analysis of mRNA and miRNA, which can be analyzed using a range of technologies such as microarrays, qPCR, in situ and siRNA, as well as the use of oligonucleotides (table 10).

The nucleic acid analysis market for research products
Our products for research purposes target research laboratories around the world, and our customers are scientists from pharmaceutical companies and other biomedical industries, from clinical research laboratories and from all types of biologically-founded academic research institutions.

The markets for miRNA and mRNA analysis
The market for miRNA analysis is in its infancy and the market segment is therefore still not covered by major independent market research reports. Our product sales indicates that the market is very buoyant, and this trend is supported by the fact that the number of scientific papers on miRNA research has increased by 70-100% each year over the past three years (NCBI PubMed database). Moreover, the number of research grants from the National Institute of Health in the US for miRNA related projects has also doubled on a year-by-year basis and in 2008 alone, and these grants are expected to amount to more than USD 100 million as compared with an estimated USD 13.5 million in 2005 (BioCognito: The Academic microRNA Market: An Emerging Opportunity, 2006). A US study last year (Biocompare 2006 Fall Purchasing Survey) revealed that 27% of responding scientists were planning to engage in miRNA research within 12 months, indicating that the market is set to more than double, as only 10% of the respondents already worked with miRNA.

Management estimates that the miRNA market has a value of approximately DKK 120 million in 2007.

Based on market reports, the mRNA analysis market is estimated at a value of at least DKK 6 billion (see table 9). In recent years, the ability to visualize mRNA activity in tissue has been a focus area. It is difficult to estimate the market size of this segment, as most of the work is based on "home brewed" solutions, which underlines the need for a more commercially viable solution. The market for functional analysis of mRNA has witnessed strong growth during the past few years, driven especially by the development of the siRNA technology. We have noted a need in the market for an alternative method that may be used to validate functional analyses performed with the siRNA technology. The siRNA analysis method is today the leading approach for functional deactivation of gene activity. However, the siRNA method has not always provided the necessary specificity, leading to demand for an alternative method. To meet this demand, we supply a solution as our patented LNA technology can be used in antisense molecules for specific deactivation of gene activity. The antisense technology differs from the siRNA method because it results in mRNA degeneration via RNaseH, whilst the siRNA method employs other RNase systems (degeneration systems). The market for siRNA products is reporting strong growth and is estimated at a value of DKK 925 million in 2007 (Frost & Sullivan Report, # B349: "World RNAi Markets - Current and Future Outlook").

We believe that we hold a strong position from which to continue expanding our market position as we are among the technology leaders in the market for RNA activity measurement, have a strong patented technology platform, a broad product portfolio, and because our products are used in leading molecular biology laboratories in academic institutions worldwide.

Competition in the nucleic acid market is to a large extent driven by the type and quality of data which the customer generates from using a given product. The data quality and robustness of a given analysis often depend on the analysis technology employed. Our primary technology is LNA, while our competitors' products are developed on the basis of other technologies and often on the basis of DNA. Table 10 sets out the main competing technologies used in products for nucleic acid analyses.

Table 11. List of competing technologies and their applicability

	Binding ability	Flexibility in product design	Measurement specificity	Ability to measure short DNA/RNA molecules such as miRNA	Product and bio stability
LNA	+++	+++	+++	+++	+++
DNA	+	+	+	+	+
RNA	++	+	++	++	+
OME	+	+	+	+	++
PNA	++	+	++	++	+++
MGB	++	+	++	++	+

Source: Exiqon 2008
LNA: Locked Nucleic Acid, DNA: Deoxyribonucleic Acid, RNA: Ribonucleic Acid, OME: Methoxyethylnucleic Acid, PNA: Peptide Nucleic Acid, and MGB: Minor Grove Binder

Nucleic acid analysis market for diagnostic products
The nucleic acid analysis market for molecular diagnostic products is substantial and represents a value of DKK 22 billion. Our potential diagnostic products primarily target clinical laboratories in hospitals and providers of clinical analyses around the world.

The most logical way of segmenting the market is by clinical application areas, i.e. genetic tests, infectious diseases, cancer and non-clinical diagnostics. In all these market segments, a number of different techniques are applied analogously to the research segment. The needs of our future customers can therefore be divided into an extraction component and an analysis component. The analysis component may be performed using a large number of methods, the most important of which are qPCR analyses, direct sequencing, in situ hybridisation and a number of other methods, including flow-cytometric analyses. In recent years, microarray analyses have also gained a foothold in the field of molecular diagnostics.

Market for diagnostic analyses in cancer therapy
According to WHO, more than 11 million people are diagnosed with cancer every year, and the disease causes more than 7 million deaths each year – or 12.5% of all deaths worldwide. According to the American Cancer Association, the US spends more than DKK 400 billion on cancer therapies every year, and the market for nucleic acid analysis-based cancer diagnostics is estimated at DKK 2.4 billion in 2007 with estimated growth of approximately 48% in 2007 in the United States, which is the largest market (see table 10). For 2007 the American Cancer Association expects more than 1.4 million new cases of cancer and more than half a million deaths in the United States, specified by a number of different cancers as illustrated in table 1 2 (ACA, Cancer Facts and Figures 2007).

Table 12. Expected new cancers in the United States in 2007

Type of cancer	New cases in 2007
All types	1,444,920
Breast	180,510
Colon	112,340
Lung	213,380
Malignant melanoma	59,940
Ovarian	22,430
Pancreas	37,170
Prostate	218,890
Unknown primary tumour (3-5%)*	42-84,000

Source: American Cancer Association, 2007. Pavlidis N, et al. Eur J Cancer. 2003 Sep;39(1 4): 1990-2005, American Cancer Society. Cancer Facts and Figures 2006, Co-operative Cancer Departments in Denmark: "Treatment of unknown primary tumour", reference programme 2006" and Pavlidis N. Cancer of unknown primary: Biological and clinical characteristics. Ann Oncol. 2003;14 Suppl 3:iii1 1-8.
* Unknown primary tumours are not registered separately but are calculated on the basis of published prevalence figures for unknown primary tumours in the United States.
The table shows some of the most significant cancers in the United States.

Tumour markers
Most of our potential competitors in the diagnostic area apply a number of different biological markers as indicators of the presence of cancer or to classify the type of cancer, including mRNA, DNA mutations, DNA methylation and a range of proteins. MicroRNA is a new class of RNA molecules expected to offer a number of benefits as tumour markers and classification molecules.

MicroRNA molecules as classification molecules in cancer
Whilst there are more than 30,000 human genes (characterized as expressed mRNA molecules), only 541 human miRNA molecules have been registered to date in the generally accepted miRNA database (miRBase Sequence Database Release 10.1 December 2007). miRNA molecules thus represent a group that is much less complex than mRNA. On the other hand, each miRNA molecule can typically regulate hundreds of mRNAs, and the gene activity profile of a given miRNA can potentially reflect the activity of hundreds of genes. The microRNA molecules thus play an overall regulatory role in the cell, allowing scientists and clinicians to source a much greater amount of biological information from much fewer measurements. In addition, the expression of miRNA is characterized by a much greater dynamic range, making miRNA measurements far more robust compared to similar measurements on mRNA. Table 13 below shows a comparison of different cancer biomarker molecules.

Competition

The market for the Company's products is highly competitive and subject to considerable and rapid technological changes. We are aware of a number of companies that have commercialized products in the same areas that we target. Many of these companies have, either alone or together with their partners, substantially greater financial resources and more extensive research and development facilities than the Company has. Furthermore, many of these competitors have, either alone or together with their collaboration partners, substantially greater experience in product development, manufacturing and marketing of products than we do. Our competitors may thus succeed in obtaining patent protection or in commercializing products faster and more effectively than the Company.

Our existing and future products target nucleic acid analysis both for research and diagnostic purposes. Our patented LNA technology gives us a competitive edge as we can develop and manufacture products that cannot presently be developed using competing technologies. The perspectives of our technological position are set out in table 11.

The access and the right to use patented technologies is a key competitive factor. Other than Exiqon, only three companies (Asuragen, Strategene and Rosetta Genomics) have obtained a licence to the original miRNA patent applications, which describe the use of miRNA expression profiles for diagnostic purposes. Only Asuragen and Rosetta Genomics are known for sure to seek to employ miRNA as a biomarker to classify cancer patients.

The market for our research products for nucleic acid analyses comprises a number of large and established competitors such as Applied Biosystems, Invitrogen, Affymetrix, Roche Applied Science, Illumina and Qiagen, but also many smaller players. Broadly speaking, our major competitors are US-based companies.

The market for molecular diagnostics includes very large companies such as Roche Diagnostics, Abbott Diagnostics, Celera Diagnostics, Siemens Diagnostics, Digene (acquired by Quiagen) and Gen-Probe, but also a large number of smaller companies. Especially the smaller businesses have sought to use more recent biomarkers such as mRNA and miRNA in their development of next-generation molecular diagnostic products.

Genomic Health and Agendia both seek to use mRNA expression profiles as biomarkers for the classification of cancer patients.

Table 13. Benefits and drawbacks of a number of different cancer biomarkers, including miRNA

	Typical number of biomarkers	Stability of target molecules	Dynamic measurement area	General ability to classify cancer	Prognostic properties
miRNA	5-25	Høj	High	High	High
mRNA	20-10,000	Lav	Low	High	High
Chromosomal deletion/ Amplification	1-2	Very high	On/Off	Low	High in specific cases
Chromosomal methylation	1-10	Very high	On/Off	Medium	High in specific cases
SNP analysis	1-10	Very high	On/Off	Low	Lav
Protein analysis	1-2	Very high	Low	Low	Høj i specifikke tilfælde

Source: Exiqon 2008
The statements in the table may vary from case to case, and future cases may deviate from the table.

Marketing strategy for research and diagnostic products

Research products

We market our products and services for gene activity profiling worldwide directly from our head office in Denmark and our sales organization in the United States. In addition, we have distributors in Asia and Australia and in parts of Europe. Most of our sales and marketing staff are experienced scientists with a scientific background in molecular biology or similar areas as well as sales experience. Our distributors are carefully selected on the basis of their skills, know-how and network in products for gene activity profiling.

Our marketing strategy focuses on offering quality products and services that provide our customers with unique benefits and, also, on offering strong and competent technical support and customer service. At the same time, we will continue to collaborate with and support leading scientists around the world and in that way bridge state-of-the-art research with our products and brand.

Customers for our research products include molecular biologists in the pharmaceutical, diagnostic and agrotechnology industries and academic institutions in the field of molecular biology. Exiqon's customers are typically involved in basic biological research, research into diseases such as cancer, metabolic diseases, neurological disorders, etc. and stem-cell research.

Our customers have direct access via telephone and email to our technical support teams in Denmark and the US staffed by researchers holding a PhD or Master of Science degree, who are prepared to answer technical questions about our products and other molecular biology issues. This dialogue allows us to identify new market needs and business opportunities and gain further insight into the molecular biology challenges our customers face. The information collected is transferred into our dynamic innovation process, which we believe will ultimately ensure that we can retain our position as one of the most innovative and technologically advanced suppliers of products for measuring miRNA activity.

We will continue to focus on the distribution of product information, including via articles from our customers and our own scientists about our products and their application in molecular biology research, but also via scientific seminars at leading research institutions and in pharmaceutical companies worldwide. At the same time, we will intensify our targeted advertising in leading journals and use direct e-mailing that includes product information in order to increase product and brand awareness. Combined with our focus on competent technical support, we believe that these activities will contribute to ensuring a high brand image in the future.

We will extend and enhance our value offering as the most innovative and technologically advanced supplier of products and services for the measurement of gene activity levels through additional product launches based on our patented chemistries and with consistent focus on products for expression analysis of protein-coding and non-protein-coding genes.

Diagnostic products

Exiqon's strategy for commercializing diagnostic products will build on in-house development and the sale of products with regulatory approval and marketing of our own ASR products and services.

Commercialization of own products

Our ambition is to become one of the leading suppliers of micro-RNA based diagnostic products in the following areas:

- simple ASR reagents for in situ analysis of individual miRNAs;
- service analyses based on home brewed tests for simultaneous analysis of multiple miRNA molecules; and
- IVD products (In Vitro Diagnostic products) which have been given the final approval.

The commercial strategy for a given product depends on the complexity of the product, as complex products may require that analyses are performed at certified laboratories, while more simple kits may be sold broadly to many laboratories. The optimum detection platform for a diagnostic miRNA measurement will depend partly on how many different miRNAs are to be measured, and partly on the degree to which the measurement is quantitative or primarily qualitative. For example, if an analysis merely requires a non-quantitative measurement of a single or two miRNAs, an in situ or a PCR analysis will be relevant. On the other hand, if an analysis requires quantitative measurement of many miRNAs, a microarray analysis or analysis on a Luminex platform could be more relevant.

Offering of reagents for home brew analyses (ASR reagents)

We plan to develop products for in situ analysis of individual miRNAs as ASR reagents, and we have identified a number of businesses capable of manufacturing these products according to cGMP standards.

Offering of analyses based on ASR reagents

Exiqon currently has the required permissions to perform the Company's present activities in the fields of research, production and sale of products for research purposes.

The Company has not yet filed applications for permissions to manufacture or sell diagnostic products.

Our strategy is to obtain access to facilities approved for diagnostic testing. In the United States for example, the

approval must be at CLIA level, and the activities will be performed either independently in our own laboratories or via a partnership.

Companies such as Genomic Health, XDx and Agendia have developed and market diagnostic products based on mRNA activity measurements. Products from these companies target cancer diagnoses or organ transplant. The analyses are sold as an external service in which the hospital/doctor sends a sample to the company which then performs the analysis. Accordingly, we believe that this business model is validated in the market.

IVD product with final regulatory approval
We expect to prepare and file the necessary applications to obtain registered products so that we can independently market IVD products. In Europe, the actual process of obtaining regulatory approval is expected to be completed within one year from the date of filing. In the United States, the FDA will spend at least six months reviewing our application. The Company believes that the review of the application will most likely take longer than that, as the expected product will be based on a new technology. The Company's diagnostic products may need an additional approval by the FDA, the so-called premarket approval ("PMA").

In addition, our research success will have a material impact on the timing of our filing for registration of the relevant product. However, the Company will seek to have the necessary competencies to ensure that its development projects are conducted under registration and other conditions that allow us to subsequently file an IVD registration application.

Regulatory approval

Exiqon's products for nucleic acid research require no regulatory approval, whereas products for in vitro diagnostics (IVD) are subject to a number of regulatory approvals and supervision.

Regulation of IVD products

Actual IVD products ("Kits") sold to end-users (hospitals, doctors and patients) must either be registered or approved by the relevant authorities before they can be sold in the markets selected by Exiqon. One of the requirements is documentation that an IVD product/test has been developed and manufactured under the control of a quality system, and that the analytical results such as sensitivity, specificity, robustness, reproducibility, etc. are documented and in accordance with the product's defined and intended use. The approval process is less comprehensive than for pharmaceuticals but still quite resource-intensive. Exiqon's principal markets for IVD products are expected to be Europe and the United States.

IVD products in Europe

In Europe, IVD products are regulated by Council Directive 98/79/EC of 27 October 1998 on in vitro diagnostic medical devices. This directive was implemented in Denmark in 2005. To be able to market an IVD product in Europe, the Directive's so-called "essential requirements" must be met, and the IVD product must have been subjected to a relevant compliance evaluation and furnished with a CE label.

Compliance with the requirements is assessed by an authorized body, which also issues the necessary certificates that enable the manufacturer to provide his products with a CE label. There are approximately 22 bodies in the EU authorized to approve IVD products. An approval by any of these bodies has legal effect everywhere in the EU. The manufacturer is free to select any of the authorizing bodies. In Denmark, the authorizing body is Danish Medical Devices Certification (Dansk Godkendelse af Medicinsk Udstyr – DGM), which is also authorized to approve IVD products.

Much of the data to be included with the application for approval is generated during the product development stage. Such data must be documented and demonstrate compliance with the above-mentioned "essential requirements", etc. The approval period will be relatively short (30 to 45 days) if documentation is produced to confirm that the product complies with the requirements. However, the volume of documentation is often quite comprehensive, especially with respect to product description, description of operation, verification of correct function and validation of the product's performance at the end user, and therefore approvals are seldom obtained in the first attempt.

To this should be added documentation of the quality system that is later to be used to control the production of the IVD product. For IVD products with a higher classification, this quality system must also be certified by the authorizing body.

IVD products in the United States

In the United States, the Food and Drug Administration (FDA) is in charge of IVD product approvals. The US process is more demanding than it is in Europe, more clinical/performance data is generally required, and the approval process typically takes a longer time.

IVD products are classified into two main categories. If approved equivalent products are already available in the market, which means that the new product can be said to be substantially equivalent to the one already approved, the new product will be classified into Class II and may be approved via a PreMarket Notification, also known as 510(k). The manufacturer must be able to document equivalence with the analogue product ("predicate device") or several predicates which combine to cover the specifi-

cations of the new product. For a 510(k) the data filed must document that the product is safe and performs at least as effectively as the existing analogue product(s) and that it performs at the end user in accordance with the defined and intended use.

If, on other hand, there are no approved analogue products in the market, a premarket approval ("PMA") will be necessary. Such an approval by the FDA may become necessary for Exiqon's diagnostic products. A PMA application must contain more elaborate scientific data than a 510(k) application. This will often be data from clinical/performance trials documenting and demonstrating the test's safety, qualities, accordance with the intended use, etc. The FDA initially has 180 days to respond to an application for a PMA, and more than one round is often required before an approval is granted. The method used to determine whether the IVD product is to be accepted under a 510(k) or a PMA process is to evaluate whether the predicate product(s) adequately cover(s) the IVD product's properties and then start by proposing a 510(k) process. Pre-approval meetings with the FDA may also be necessary to be certain about the choice of approval procedure.

Exiqon's products may involve the measurement of multiple analysis points (different miRNAs) and a subsequent analysis of data using an algorithm. These products may therefore be covered under a new, tentative category with the FDA called In Vitro Diagnostic Multivariate Index Assay Device or IVDMIA. The FDA defines an IVDMIA as a test system that employs data derived in part from one or more in vitro assays, and an algorithm that usually runs on software to generate a result that diagnoses a disease, condition or data used in the treatment/cure of a patient. The FDA believes that most IVDMIAs will be classified as either Class II or III devices. This classification will rely on a risk assessment. For example, devices whose intended use is to function as an indicator for the risk of relapse in a cancer patient will most likely be classified as a Class II IVD product. However, if the intended use is to predict which patients are to receive chemotherapy, the same system will most likely require premarket approval.

The first IVDMIA product approved with reference to this category is a 70 gene analysis and algorithm to predict breast cancer relapses from the company Agendia. According to the FDA, samples from about 2 x 300 patients have been used in the validation trials submitted to the FDA in connection with the approval of the test.

The FDA also operates with an "Investigational Device Exemption" ("IDE") category, which may be used before the issuance of a market permission. IDE-approved products must be labelled "For investigational use only" and cannot be sold to end users (hospitals, doctors and patients). Products released under this arrangement are only intended for the collection of clinical data/ performance data documenting that a product complies with the intended use among end users. The arrangement has no commercial importance and can only be used as part of an approval process.

In addition to the marketing authorization from the authorities, the production unit must also be approved at the manufacturer's address. For a final marketing authorization and as long as the product is on the market, the FDA will regularly perform inspections of the entire quality system for the IVD product.

Home brew tests

In addition to the production and sale of diagnostic systems for end users in the form of kits, it is possible to start selling so-called home brew tests and reagents for such tests. To be able to offer home brew tests, the method, reagent and laboratory must be approved according to the CLIA (Clinical Laboratory Improvement Amendments) Act. Each laboratory test system, reagent and method is divided into levels according to the complexity of the method by allocating a score of 1, 2 or 3 for each of the following seven criteria:

1. know-how;
2. training and experience;
3. reagent and material preparation;
4. characterization of the operational steps;
5. calibration, quality control and skills in sample testing;
6. troubleshooting of test system and maintenance of equipment; and
7. interpretation and evaluation ability.

A score of 1 indicates the lowest level of complexity, 3 the highest. The scores are added together. Test systems, reagents or methods that achieve a score of 12 or lower are categorized as moderately complex, while those with a score above 12 are categorized as highly complex.

The actual physical product does not need any advance approval, but the method and the laboratory that performs the analysis must be approved by the FDA after the filing of an application, and reagents must be produced to certain quality standards. The laboratory could either be the Company's own laboratory or that of a business partner. Reagents for home brew are referred to as Analyte Specific Reagents (ASRs) in the United States. ASR reagents must be manufactured in compliance with GMP and be registered with the FDA.

Organizational structure

Organization

Exiqon A/S has a subsidiary Exiqon Inc., registered in Delaware, United States, and has a sales and distribution office at 14-F G and Gill Street, Woburn, MA 01801, United States. The subsidiary, Exiqon Acquisition Inc. which was formed for purposes of the Oncotech Transaction, is registered as a shell company in California, USA.

Functional structure

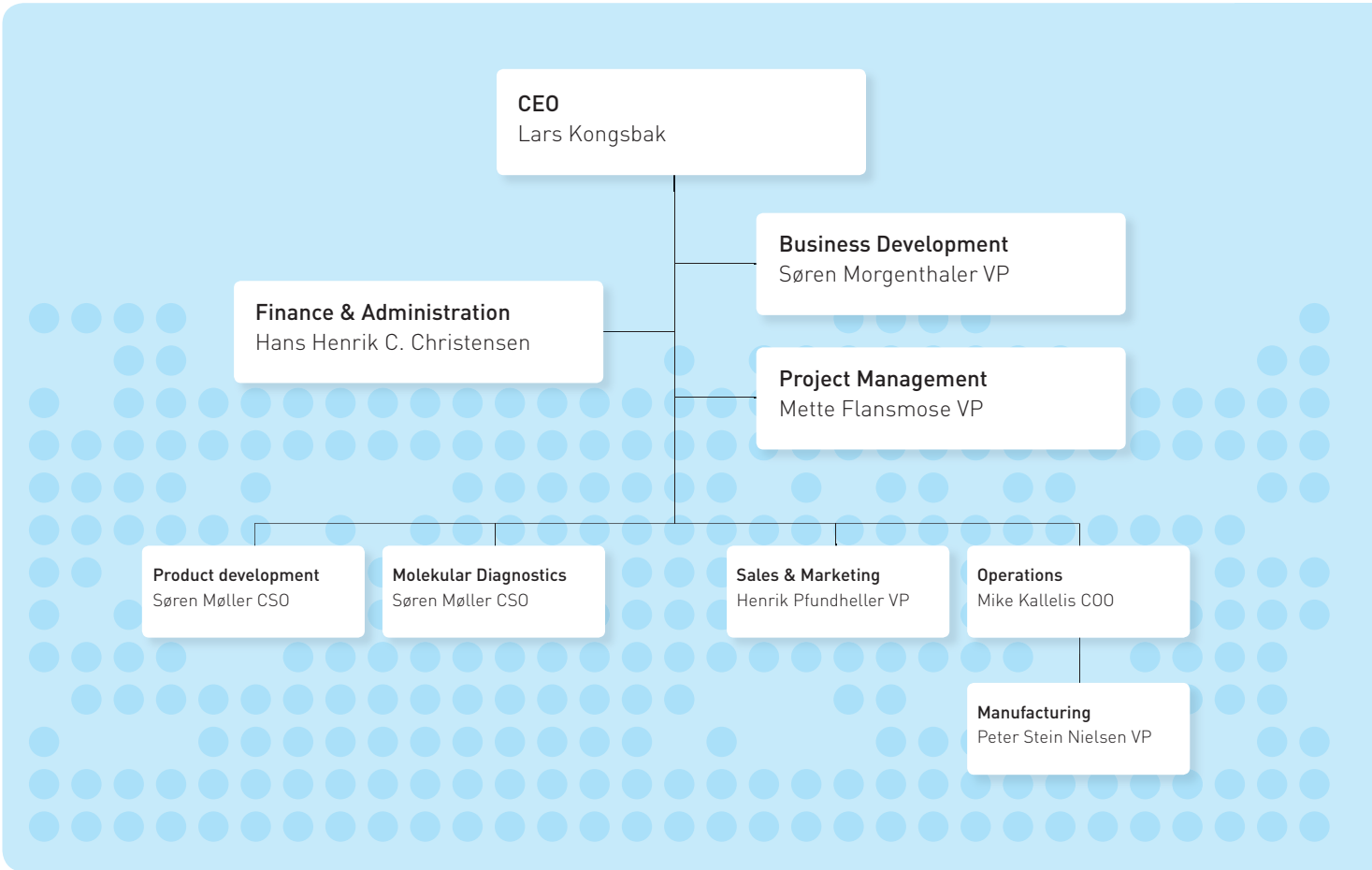
As at the Prospectus Date, Exiqon employs a total of 101 staff, 24 of whom work in sales and marketing. Exiqon employs 85 people in Denmark, 1 in the UK and 15 in the United States.

Table 14. Exiqon's subsidiaries, associates and equity investments

Company	Registered office	Ownership and voting interests
Exiqon Inc.	Woburn (Boston, Massachusetts), USA	100%
Exiqon Acquisition Inc.	California, USA	100%

The Company does not hold equity investments in other companies than the above mentioned.

Figure 8. Exiqon's functional structure



Source: Exiqon 2008
The main areas of responsibility for the individual functions are listed as items under each function.
Oligo manufacturing involves the production of oligonucleotides.

Executive Management and administration
The Executive Management consists of the CEO. Administration handles functions such as finance, IT including intraweb and website maintenance, HR, logistics, including order processing and shipment, procurement and legal affairs.

Business development
This function ensures an optimum patenting strategy, which is of the utmost importance for our ability to supply state-of-the-art products to a market that demands constant innovation. As a result, the function is also responsible for coordinating scientific as well as commercial partnerships with a view to accessing new technology or new applications of existing technology.

Molecular diagnostic product development
The molecular diagnostic group is responsible for identification of diagnostic biomarkers and the development of validated molecular diagnostic products. The diagnostic identification team applies high through put screening, deep sequencing and advanced bioinformatic tools in the search for new miRNA biomarkers. Together with Business Development the team also identifies biomarkers discovered by third parties which may be of value to our diagnostics strategy. The diagnostic product development team optimizes the assays to be applied in the final product offering and has the responsibility of validating the products for approval of the authorities. The diagnostic product development group also operates a modern histology laboratory with advanced hybrization and imaging capabilities.

Research tool product development
The group developing research tools constitute a multidisciplinary group of people which is organized in the chemistry department, the bioinformatic department and the product development department. The group masters product development in areas such as sample preparation, in situ hybridization, gene knockdown, microarrays, qPCR and bead based assays.

Production and distribution
Our production is to a large extent based on suppliers who provide various components we use in our value-added kits. We have some oligonucleotide synthesis capacity in our production, but it is focused primarily on quality control of own and supplier components and packaging of the finished kits. We are currently expanding our facilities for automated fluid handling to increase capacity and lower production costs. Our products are distributed directly from Denmark or, when the shipment is for North America, from our inventory at the Boston office or through distributors in Asia and southern Europe. We are in the process of building manufacturing capacity in Boston. Our quality control function ensures that we consistently improve the quality and our processes in order to create products that offer even more value to our customers

Sales and marketing and activities in the United States
As the sale of our products is to a large degree driven by scientific and technological insight, our marketing staff typically have a background in molecular biology research. The actual marketing department is located in Denmark, whilst most salespersons are located on the East Coast or West Coast of the United States. Technical support is provided by both the Danish head office (in close collaboration with R&D) and our US office in Boston. An advanced CRM (Customer Relationship Management) database is used to ensure that all information on customer contacts and sales is accumulated in the Company.

Property, plant and equipment

The Company is headquartered in Vedbæk north of Copenhagen, and the Company's US subsidiary is located in the biotech community in Boston, Massachusetts. All of the Company's buildings are leased, and the Company and its subsidiary have a total floorage of approximately 3,400 sqm.

Bygstubben 9, DK-2950 Vedbæk, Denmark: The Company has activities in these premises, which total 496 sqm. and are presently used for research and product development. The lease may be terminated by the landlord giving six months' notice, however with vacation of the premises not earlier than on 31 December 2010, and by the tenant giving six months' notice. The Company has a pre-emption right to buy the property if it is put up for sale.

Bygstubben 7, 1st floor, DK-2950 Vedbæk, Denmark: The lease totals 248 sqm. and the premises are presently used for research and product development. The lease may be terminated by the landlord giving six months' notice, however with vacation of the premises not earlier than on 31 December 2010, and by the tenant giving six months' notice. The Company has a pre-emption right to buy the property if it is put up for sale.

Bygstubben 16, DK-2950 Vedbæk, Denmark: The lease totals 496 sqm. and the premises are primarily used for our service business. The lease may be terminated by the landlord giving 12 months' notice, however with vacation of the premises not earlier than on 30 November 2008, and by the tenant giving six months' notice.

Bygstubben 10, DK-2950 Vedbæk, Denmark: The lease totals 496 sqm. and the premises are used for production purposes. The lease may be terminated by the landlord giving six months' notice, however with vacation of the premises not earlier than on 31 December 2010, and by the tenant giving six months' notice, however with vacation of the premises not earlier than on 31 December 2007. The Company has a pre-emption right to buy the property if it is put up for sale.

Bygstubben 3, DK-2950 Vedbæk, Denmark: The lease totals 248 sqm. on the first floor, and the premises are used for offices, and 83 sqm. in a basement which is used for storage. The lease may be terminated by the landlord giving six months' notice, however with vacation of the premises not earlier than on 1 September 2012, and by the tenant giving six months' notice, however with vacation of the premises not earlier than on 31 August 2009.

Bygstubben 13, DK-2950 Vedbæk, Denmark: The lease totals 218,5 sqm. in the basement and the premises are used for offices and storage. The lease may be terminated by Exiqon 1 year after conclusion of the lease August 2007 giving six months' notice and by the landlord no earlier than 2 years after conclusion of the lease.

Staktoften 22D, 1st floor, DK-2950 Vedbæk, Denmark: The lease totals 928 sqm. and the premises are used for administration and sales and marketing. The lease may be terminated by the landlord giving six months' notice, however with vacation of the premises not earlier than on 1 September 2016, and by the tenant giving six months' notice, however with vacation of the premises not earlier than on 1 February 2010.

Skelstedet 16, DK-2950 Vedbæk, Denmark: The lease totals 1,804 sqm. and the premises are used for administration including sales and marketing. The lease may be terminated by the landlord giving twelve months' notice, however with vacation of the premises not earlier than on 1 April 2015, and by the tenant giving six months' notice, however with vacation of the premises not earlier than on 1 April 2013.

14-F G and Gill Street, Woburn, MA 01801 (USA). The lease totals 1,100 sqm., which in addition to our US sales organization can provide the framework for production. The new lease runs for five years until 15 May 2012 and will automatically be extended for another five-year period unless terminated by one of the parties at least six – and no more than – 12 months before the first lease term expires.

Insurance

Due to Exiqon's activities in research, development, production, sale and marketing of products for advanced research purposes, we are exposed to a potential risk of product liability claims, and there can be no assurance that product liability claims would not be filed against us for faulty products or that indemnification or other relief would not be sought from us for any such claims. We have taken out product liability insurance and other insurance that we deem necessary. We have an insurance adviser, who counsels us to ensure that our cover and terms of insurance are in line with the normal standards for our business, and our adviser has found that, on the basis of the risk information presented to him, our insurance complies with good insurance standards, but there can be no assurance that adequate cover exists if any claims should be made. Following completion of the Oncotech Transaction, the existing insurance portfolio and the existing sums covered will be re-assessed and realigned to the need from time to time at Management's discretion.

Environmental issues

Exiqon does not currently issue separate environmental reports because our activities have only a limited impact on the environment. We are aware of the Company's potential environmental impact, and we therefore continuously evaluate how various environmental factors can be improved with respect to preventing, reducing or remedying damage to the environment.

The external environment

We have the necessary permissions for the Company's industrial production, and our discharge into the air, soil and water is very limited. Various kinds of chemicals are used in the production of the Company's products. We also use small quantities of radioactive trace elements in certain laboratory experiments. Chemicals and radioactive material 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 has not taken out separate insurance for these compounds. Management believes that the Company complies with current environmental legislation.

The indoor environment

We consider it highly important to maintain a good working environment and meet regulatory requirements regarding the way the workplace is designed. This also includes the psychological and physical working environment, including exhaust and air change, ventilation, heating, furniture and in-house safety regulations in general. Exiqon has been screened since the new Danish Working Environment Act came into force, and we are continuing our efforts to improve the working environment through an active working environment organization based on workplace assessments of our working environment (physical, chemical, biological, ergonomic, accident and psychology) as well the number of sick days.

Litigation

We have not for the past 12 months been involved in any governmental, legal or arbitration proceedings, which have had a material effect on the Company's or its subsidiary's financial position or results of operations, and we are not aware of any threatened proceedings that could have such an effect.

Operating and financial review

The following section is a review of the Company's financial position and results of operations for 2006, 2005 and 2004 and of the interim financial statements for the period 1 January to 30 September 2007 with comparative figures for the same period of 2006. The section also contains a description of the most important factors that have affected, or that the Management assesses will affect, Exiqon's present or future operations.

The following review should be read in conjunction with Exiqon's full-year and interim financial statements and the notes thereto appearing elsewhere in this Prospectus.

The financial statements have been extracted from the audited annual report for 2006, which has been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU and additional Danish disclosure requirements for annual reports. The 2006 financial year was the first financial year in which the financial statements were presented in accordance with IFRS. The comparative figures for 2005 and 2004 have also been restated to IFRS and included in the audited annual report for 2006.

The introduction to the financial statements on page [F -2] contains a description of the consequences of the transition from the Company's previous accounting policies (Danish GAAP) to IFRS and a reconciliation of how this transition has affected the income statement for the 2004 and 2005 financial years and the Company's equity at 31 December 2004 and 31 December 2005.

The interim financial statements for the period 1 January to 30 September 2007 with comparative figures for 2006 are presented in accordance with IAS 34 and additional Danish disclosure requirements for interim reports of listed companies. The interim financial statements and the comparative figures are unaudited.

Financial highlights

Table 15. Three-year key figures and financial ratios for Exiqon

Key figures (DKK million)	2006 Group DKK	2006 Group USD	2005 Group DKK	2005 Group USD	2004 Group DKK	2004 Group EUR
		unaudited		unaudited		unaudited
+Income statement:						
Revenue	43.1	8.2	16.0	3.0	10.3	2.0
Production costs	(11.9)	(2.3)	(5.4)	(1.0)	(4.7)	(0.9)
Research and development costs	(27.6)	(5.3)	(14.2)	(2.7)	(17.0)	(3.2)
Sales and marketing costs	(19.5)	(3.7)	(9.6)	(1.8)	(4.2)	(0.8)
Administrative expenses	(9.6)	(1.8)	(6.8)	(1.3)	(6.0)	(1.1)
Operating profit/(loss)	(25.5)	(4.9)	(20.0)	(3.8)	(21.6)	(4.1)
Net financials	0.6	0.1	(3.2)	(0.6)	(7.2)	(1.4)
Profit/(loss) before tax	(24.9)	(4.7)	(23.3)	(4.4)	(28.7)	(5.5)
Profit/(loss) for the year	(24.9)	(4.7)	(23.3)	(4.4)	(28.7)	(5.5)
Balance sheet:						
Assets						
Intangible assets	8.1	1.5	0.6	0.1	0.7	0.1
Property. plant and equipment	10.6	2.0	7.4	1.4	4.6	0.9
Financial assets	1.1	0.2	0.9	0.2	0.7	0.1
Non-current assets	19.7	3.8	8.9	1.7	6.0	1.1
Inventories	4.6	0.9	2.4	0.5	1.3	0.2
Receivables	22.2	4.2	2.3	0.4	1.0	0.2
Cash and cash equivalents	20.4	3.9	40.2	7.7	1.7	0.3
Current assets	47.3	9.0	44.9	8.6	3.9	0.7
Total assets	67.0	12.8	53.8	10.2	9.9	1.9
Equity and liabilities						
Equity	34.0	6.5	28.0	5.3	(43.9)	(8.4)
Non-current liabilities	5.3	1.0	2.8	0.5	1.5	0.3
Current liabilities	27.7	5.3	23.0	4.4	52.3	10.0
Total liabilities	33.0	6.3	25.8	4.9	53.8	10.2
Equity and liabilities	67.0	12.8	53.8	10.2	9.9	1.9
Cash flow statement:						
Cash flows from operating activities	(35.6)	(6.8)	(5.0)	(1.0)	(16.3)	(3.1)
Cash flows from investing activities	(9.9)	(1.9)	(2.4)	(0.5)	(2.0)	(0.4)
Cash flows from financing activities	25.7	4.9	45.9	8.7	0.0	0.0
Cash and cash equivalents at year end	20.4	3.9	40.2	7.7	1.7	0.3
Financial ratios:						
Earnings per share	(4)	(0.8)	(7)	(1.3)	(18)	(3.4)
Diluted earnings per share	(4)	(0.8)	(7)	(1.3)	(18)	(3.4)
Assets/Equity (gearing)	2.0	0.4	1.9	0.4	(Neg.)	(Neg.)
Average number of employees	62	11.8	42	8.0	30	5.7

Note: The ratios are stated in accordance with "Recommendations and Financial Ratios" issued by the Danish Society of Financial Analysts.

Table 16. Financial highlights for Exiqon for the reporting periods 1 January to 30 September 2007 and 2006

Key figures (DKK million)	2007 Group DKK	2007 Group USD	2006 Group DKK	2006 Group USD
	unaudited	unaudited	unaudited	unaudited
Income statement:				
Revenue	29.5	5.6	19.2	3.7
Production costs	(14.6)	(2.8)	(10.0)	(1.9)
Research and development costs	(20.2)	(3.8)	(15.6)	(3.0)
Sales and marketing costs	(23.8)	(4.5)	(11.5)	(2.2)
Administrative expenses	(22.9)	(4.4)	(8.0)	(1.5)
Operating profit/(loss)	(51.9)	(9.9)	(26.0)	(4.9)
Net financials	5.0	1.0	0.2	0.0
Profit/(loss) before tax	(47.0)	(8.9)	(25.8)	(4.9)
Profit/(loss) for the period	(47.0)	(8.9)	(25.8)	(4.9)
Balance sheet:				
Assets				
Intangible assets	7.6	1.4	1.2	0.2
Property, plant and equipment	16.0	3.0	8.5	1.6
Financial assets	2.2	0.4	1.5	0.3
Non-current assets	25.8	4.9	11.2	2.1
Inventories	5.1	1.0	2.9	0.6
Receivables	10.2	1.9	5.2	1.0
Cash and cash equivalents	358.4	68.2	31.2	5.9
Current assets	373.6	71.1	39.3	7.5
Total assets	399.4	76.0	50.6	9.6
Equity and liabilities				
Equity	361.5	68.8	26.9	5.1
Non-current liabilities	8.7	1.7	3.7	0.7
Current liabilities	29.2	5.6	20.0	3.8
Total liabilities	37.9	7.2	23.7	4.5
Equity and liabilities	399.4	76.0	50.6	9.6
Cash flow statement:				
Cash flows from operating activities	(24.1)	(4.6)	(27.8)	(5.3)
Cash flows from investing activities	(6.7)	(1.3)	(4.1)	(0.8)
Cash flows from financing activities	366.4	69.7	20.8	4.0
Cash and cash equivalents at 30 September	358.4	68.2	31.2	5.9
Financial ratios:				
Earnings per share	(2.5)	(0.5)	(1.9)	(0.4)
Diluted earnings per share	(2.5)	(0.5)	(1.9)	(0.2)
Assets/Equity (gearing)	1.1	0.2	1.9	0.4
Average number of employees	75		46	

Operating and financial review

The following discussion and analysis should be read in conjunction with the Company's financial statements and interim financial statements and the notes to the financial statements appearing elsewhere in this Prospectus. The audited financial statements for 2006, 2005 and 2004 are included on pages F–14 to F–42, and the unaudited interim financial statements are included on pages F–5 to F–10.

Exiqon is a production-oriented biotech company whose core business is to develop, manufacture and market products for molecular biology analyses. The Company's products are based on patented technology which makes it possible to measure gene activity with a high degree of accuracy and sensitivity.

With its patented LNA (Locked Nucleic Acid) technology, consisting of a number of synthetic DNA/RNA analogues, the Company has developed a portfolio of products for use in analyzing mRNA as well as miRNA, which are used by a rapidly growing number of scientists in the biopharmaceutical industry and research laboratories the world over. In addition to product sales, the Company's income is generated through sales of services of conducting biological analyses for its customers as well as licence income from the capitalization of our patent portfolio.

Factors affecting the Company's results of operations

Revenue

The Company's revenue consists of sales of products and services, income from existing or future licenses and distribution agreements with third parties. The revenue is dependent on the continued existence of a market for nucleic acid assays. The market for our products for use in research is partially dependent on public funding of mRNA and miRNA research. It is essential that the Company is able to retain and expand its customer base. Increased competition is expected in the market for the Company's research products, which may make it more difficult to achieve this. The Company intends to meet the competition with a steady supply of new products and is therefore dependent on the success of its product development. The Company expects to be able to extend its range of services, and it is vital to be able to attract qualified staff to service its customers. Licence income from third parties is highly volatile and is expected in future to constitute an ever smaller proportion of the Company's revenue.

Production costs

The Company's production costs mainly comprise costs of raw materials, salary and other staff costs as well as the costs of production premises and depreciation of production plant. The size of these costs will depend on developments in the prices of these and the Company's level of activity.

Research and development costs

Development costs are recognised in the income statement when incurred. Development costs that do not meet the criteria for recognition as intangible assets in the balance sheet are expensed in the financial year in which they are incurred. Research and development costs mainly comprise costs of raw materials, salary and other staff costs and costs of premises and depreciation of equipment, and will depend on developments in the prices of these and the Company's level of activity.

Sales and marketing costs

The Company's sales and marketing costs comprise salary and other staff costs as well as the cost of marketing campaigns and premises, and will depend on developments in the prices of these and the Company's level of activity.

Administrative expenses

Exiqon is cost conscious and has a relatively limited administration, but the Company nevertheless expects its administrative expenses to increase throughout the rest of 2007 and in the years ahead as a result of increased payroll costs, an expanded operational infrastructure, business development costs and costs relating to being a listed company. Exiqon's administrative expenses primarily comprise salaries and related costs for the administrative staff and Management, costs incurred in connection with the head office and related office expenses as well as fees for legal advisers, auditors and other consultants.

Critical accounting policies

The annual report of Exiqon is presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports, see the Danish Statutory Order on Adoption of IFRS issued under the Danish Financial Statements Act. The annual report also complies with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The critical accounting policies are otherwise as described in the following.

Revenue

Revenue from the sale of goods for resale and manufactured goods is recognised in the income statement when delivery and transfer of risk to the purchaser have taken place.

Revenue furthermore comprises milestone payments and other income from licence and distribution agreements. Revenue is recognised when it is probable that future economic benefits will flow to the company and these can be measured reliably. In addition, recognition requires that all material risks and rewards of ownership have been transferred to the purchaser. If all risks and returns have not been transferred, revenues are recognised as deferred

income until all components of the transaction have been completed. Revenues from agreements comprising multiple components, and where the individual components cannot be separated and the fair value cannot be reliably measured, is recognised over the period of the agreement.

Revenue is measured as the fair value of the consideration received or receivable. Revenue is measured ex. VAT, taxes etc. charged on behalf of third parties and discounts.

Share-based incentive plans
Share-based incentive plans in which the Management and the employees can only opt to buy shares in the parent company (equity-based plans) are measured at the equity instruments' fair value at the grant date and recognised in the income statement under staff costs over the vesting period. The balancing item is recognised directly in equity.

Production costs
Production costs comprise costs incurred to generate the revenue. Costs for raw materials, consumables, production staff 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, less government grants. Furthermore, salaries and costs supporting direct research and development, including costs of patents, rent, leasing and depreciation regarding laboratories, and external scientific consultancy services, are recognised under research and development costs.

All research costs are written off in the year they are incurred.

Development costs are recognised in the income statement as incurred if the criteria for capitalization are deemed not to be met.

Intangible assets
Development projects which are clearly defined and identifiable are recognised 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.

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.

Critical accounting estimates
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.

In its preparation of Exiqon's financial statements in accordance with IFRS, the Management has exercised critical accounting judgements that significantly affect the Company's annual report. The aspects of Exiqon's accounting policies that are particularly sensitive to Management's exercise of its judgments and estimates are described below:

Research and development costs
Development projects which are clearly defined and identifiable are recognised as intangible assets if it is probable that the project will generate future economic benefits for the Group and the development costs relating to the individual assets can be measured reliably. Development costs are recognised in the income statement as incurred if these criteria are deemed not to be met.

In accordance with industry practice under IFRS, the Company has assessed that there is insufficient certainty that the detailed criteria for capitalization will be met, and the development costs previously incurred are therefore recognised in the years when incurred.

Share-based payment
The value of share-based payment is recognised in the annual report at the grant date, including grants of warrants to employees, Management and Board of Directors.

The Company has issued share-based incentive programmes under which members of the Board of Directors, members of Management and employees may choose to subscribe shares in the Company only (equity-based plans). Such plans are measured and recognised in accordance with the accounting policies. The fair value at the grant date is determined using the Black-Scholes model, based among other things on the expected maturity of the warrants granted, an estimated fair value and volatility of the Company's shares. The determination of these parameters is based on estimates.

Results of operations for the nine months ended 30 September 2007

Revenue totalled DKK 29.5 million (USD 5.6 million) in the first 9 months of 2007 compared to DKK 19.2 million (USD 3.7 million) in the same period of 2006, representing an increase of 54%. The improvement is mainly attributable to a DKK 8.1 million (USD 1.5 million) increase in product sales, or 62% relative to the year-earlier period, and an increase in income from contract research of DKK 1.2 million (USD 0.2 million), corresponding to 52%. The improved product sales are mainly due to increased sales activities and continuing growth in the market. The higher income from contract research is from collaboration agreements. The revenue in the third quarter is negatively affected by a retrospective price adjustment of part of the sales realized in 2006, which also affects the gross profit negatively.

Gross profit totalled DKK 14.9 million (USD 2.8 million) in the first 9 months of 2007 compared to DKK 9.2 million (USD 1.7 million) in the same period of 2006, representing an increase of 62%. The gross margin increased to 51% from 48% in the first 9 months of 2006. The improved gross profit is primarily attributable to higher revenue, while contract research was the primary contributor to the improved gross margin. The margin on product sales including services rose to 31% from 23% in the same period of last year.

Research and development costs totalled DKK 20.2 million (USD 3.8 million) in the first 9 months of 2007 compared to DKK 15.6 million (USD 3.0 million) in the same period of 2006, representing an increase of 29%. Research and development costs are charged with DKK 0.1 million (USD 0.0 million) in respect of share-based payment. Net of this charge, research and development costs totalled DKK 20.1 million (USD 3.8 million) in the first 9 months of 2007 compared to DKK 15.3 million (USD 2.9 million) in the same period of 2006, or an increase of 31%. The increase is mainly explained by a higher level of activity and recruitments relative to the year-earlier period.

Sales and marketing costs and administrative expenses totalled DKK 46.7 million (USD 8.9 million) in the first 9 months of 2007 compared to DKK 19.5 million (USD 3.7 million) in the same period of 2006, representing an increase of 139% (122% without the effect of share-based payment):

Sales and marketing costs rose 107% to DKK 23.8 million (USD 4.5 million) in the first 9 months of 2007 from DKK 11.5 million (USD 2.2 million) in the same period of 2006. Sales and marketing costs are charged with DKK 0.6 million (USD 0.1 million) in respect of share-based payment. Net of this charge, sales and marketing costs totalled DKK 23.2 million (USD 4.4 million) in the first 9 months of 2007 compared to DKK 11.4 million (USD 2.2 million) in the same period of 2006, or an increase of 104%. The increase relative to the year-earlier period was mainly due to the establishment of the company's own sales organisation in the United States as well as an expansion of our sales organisation and sales activities in Denmark.

Administrative expenses totalled DKK 22.9 million (USD 4.4 million) in the first 9 months of 2007 against DKK 8.0 million (USD 1.5 million) in the same period of 2006, representing a planned increase that amounted to 186%. Administrative expenses are charged with DKK 6.4 million (USD 1.2 million) in respect of share-based payment. Net of this charge, administrative expenses totalled DKK 16.5 million (USD 3.1 million) in the first 9 months of 2007 compared to DKK 6.0 million (USD 1.1 million) in the same period of 2006, or an increase of 175%. The increase is mainly due to an increase in the administrative staff as well as a reorganisation of the IT-function, as a result of which a larger part of IT costs is now recognised as administrative expenses as compared with the same period of 2006. Administrative expenses are furthermore charged with one-off expenses of DKK 4.5 million (USD 0.9 million) as a result of a restructuring and strengthening of the organisation.

Operating costs totalled DKK 81.5 million (USD 15.5 million) in the first 9 months of 2007 compared to DKK 45.2 million (USD 8.6 million) in the same period of 2006, representing an increase of 80%. Operating costs are charged with DKK 7.2 million (USD 1.4 million) in respect of share-based payment. Net of this charge, operating costs totalled DKK 74.3 million (USD 14.1 million) in the first 9 months of 2007 compared to DKK 42.6 million (USD 8.1 million) in the same period of 2006, representing an increase of 74%.

Net financial income totalled DKK 5.0 million (USD 1.0 million) in the first 9 months of 2007 compared to DKK 0.2 million (USD 0.0 million) in the same period of 2006. Financial income mainly consists of interest on fixed-term deposit accounts, while financial expenses mainly consist of interest on financial lease agreements.

The net loss for the first 9 months of 2007 totalled DKK 47.0 million (USD 8.9 million) compared to DKK 25.8 million (USD 4.9 million) in the same period of 2006. The financial performance is consistent with our expectations.

Net cash flows were positive in the amount of DKK 338.4 million (USD 64.4 million) in the first 9 months of 2007 compared to a net cash outflow of DKK 9.4 million (USD 1.8 million) in the same period of 2006. The increase is mainly due to the proceeds from the initial public offering.

As of 30 September 2007, cash and cash equivalents totalled DKK 358.4 million (USD 68.2 million) compared to DKK 31.2 million (USD 5.9 million) as of 30 September 2006.

Balance sheet
As of 30 September 2007, cash and cash equivalents totalled DKK 358.4 million (USD 68.2 million) compared to DKK 31.2 million (USD 5.9 million) at 30 September 2006.

The Company's assets as at 30 September 2007 totalled DKK 399.4 million (USD 76.0 million), up from DKK 50.6 million (USD 9.6 million) at 30 September 2006. The increase was mainly attributable to increased cash resources as a consequernce of the IPO in May 2007.

Inventories
Our inventories increased during the period as a result of rising activity and totalled DKK 5.1 million (USD 1.0 million) at 30 September 2007, up from DKK 2.9 million (USD 0.6 million) at 30 September 2006.

Receivables
Receivables reflect the Company's activity level and stood at DKK 10.2 million (USD 1.9 million) at 30 September 2007, up from DKK 5.2 million (USD 1.0 million) at 30 September 2006.

Liquidity and capital resources
The Company's cash is mainly held in Danish kroner and placed in ordinary bank deposits. In the past, the Company has realized losses and continues to do so. Since inception, the Company's operations have primarily been financed through convertible debt instruments, issue and exercise of warrants and share issuances. At 30 September 2007, the Company had raised DKK 647.5 million (USD 123.2 million) through equity issues and the exercise of warrants. At 30 September 2007, the Company's cash funds amounted to DKK 358.4 million (USD 68.2 million).

We expect that the Company's existing capital resources, expected income, credit facilities and the proceeds from exercise of Exiqon's warrant programme will be sufficient to support The New Exiqon Group's operations until 2011, after which the Company is expected to be profitable according to the present strategy. There are many factors that may decide whether the current capital resources and cash flows from the continued operation are adequate, to bring The New Exiqon Group to profitability, including those mentioned in the sections "Forward-looking Statements" and "Risk Factors". Thus, we may need additional funds, including funds for acquisitions, and we may seek to obtain additional funding by way of equity or debt financing, collaboration agreements with commercial partners or from other sources.

Contractual obligations
The below table shows the Company's contractual and commercial obligations 30 September 2007 and the net effect that these obligations are expected to have on the Company's liquidity and cash flows in the coming years.

Table 19 does not comprise (1) milestone or bonus payments that may be payable in accordance with the Company's collaboration or licence agreements, as the timing and probability of such terms are unknown; (2) royalty payments to third parties, as the amount of such payments is unknown; (3) any amounts that the Company may commit to paying in the future to establish further facilities and (4) any contractual obligations that are not material in aggregate in any of the above periods or are set off by similar, or higher, income.

Financial and trading position
No material changes have occurred to the Company's financial or trading position since the publication of the Company's Q3 report for 2007 on 27 November 2007.

Results of operations for the years ended 31 December 2006, 2005 and 2004
Revenue amounted to DKK 10.3 million (USD 2.0 million) in 2004, DKK 16.0 million (USD 3.0 million) in 2005 and DKK 43.1 million (USD 8.2 million) in 2006. The product development strategy implemented in 2003 resulted in a number of product launches in 2004, including the ProbeLibraryTM series, which was followed up in 2005 by further product launches, including the miRCURYTM products, and as a result the Company realized an increase in sales in 2005 which continued in 2006 when non-recurring income from the agreement with Santaris Pharma also contributed DKK 13 million to the revenue for the year.

The tables below show Exiqon's revenue broken down by activity and geographical segment respectively.

Table 17. Exiqon's contractual obligations as of 30 September 2007

DKK million	Less than 1 year	1-3 years	4-5 years	More than 5 years
Finance lease liabilities	2.923	5.814	3.259	0.259
Other contracts	5.124	9.457	3.853	-
Total	**8.046**	**15.2710**	**7.112**	**0**

Production costs amounted to DKK 4.7 million (USD 0.9 million) in 2004, DKK 5.4 million (USD 1.0 million) in 2005 and DKK 11.9 million (USD 2.3 million) in 2006. The rise in production costs over the period was a consequence of the increased product sales.

Research and development costs amounted to DKK 17.0 million (USD 3.2 million) in 2004, DKK 14.2 million (USD 2.7 million) in 2005 and DKK 27.6 million (USD 5.3 million) in 2006. The cost reduction from 2004 to 2005 was due to the relatively high costs of developing ProbeLibraryTM in 2004. The increased costs in 2006 relative to 2005 reflected the Company's higher level of activity and the hiring of additional research and development staff (from 14 at the end of 2005 to 17 at the end of 2006).

Sales and marketing costs amounted to DKK 4.2 million (USD 0.8 million) in 2004, DKK 9.6 million (USD 1.8 million) in 2005 and DKK 19.4 million (USD 3.7 million) in 2006. Sales and marketing costs increased during the period as a consequence of new product launches and an increased product portfolio.

Administrative expenses amounted to DKK 6.0 million (USD 1.1 million) in 2004, DKK 6.8 million (USD 1.3 million) in 2005 and DKK 9.6 (USD 1.8 million) in 2006. The increased costs in 2005 relative to 2004 were due to an expansion of the administrative staff and higher rental costs in connection with an expansion of the Company's premises, including a 350 sqm. expansion of the office premises in Boston, USA. The higher costs in 2006 compared to 2005 were principally due to the increased number of staff during the period, including staff recruited.

Net financials amounted to and expense of DKK 7.2 million (USD 1.4 million) in 2004, an expense of DKK 3.2 million (USD 0.6 million) in 2005 and income of DKK 0.6 million (USD 0.1 million) in 2006. In 2004 and part of 2005 the Company incurred interest expenses for a bridge loan, which was settled in 2005. In 2006, the Company had net interest income from its cash in the form of bank deposits, which was partially set off by finance lease expenses.

Balance sheet items (including investments)

Intangible assets

Exiqon's recognised intangible assets mainly consist of acquired patent rights and licenses and amounted to DKK 0.7 million (USD 0.1 million) in 2004, DKK 0.6 million (USD 0.1 million) in 2005 and DKK 8.1 million (USD 1.5 million) in 2006.

Property, plant and equipment

Property, plant and equipment mainly consist in leasehold improvements, as premises were extended when required during the period, and production and laboratory equipment. which was increased in line with the Company's growth from DKK 4.6 million (USD 0.9 million) at the end of 2004 to DKK 7.4 million (USD 1.4 million) at the end of 2005 and DKK 10.6 million (USD 2.0 million) at the end of 2006.

Inventories

Our inventories rose during the period in line with product sales increases, from DKK 1.3 million (USD 0.2 million) at the end of 2004 to DKK 2.4 million (USD 0.4 million) at the end of 2005 and DKK 4.6 million (USD 0.9 million) at the end of 2006.

Table 18. Exiqon's revenue by activity

DKK million	2006	2005	2004
Product sales	20.973	9.866	5.209
Licence income	18.667	6.080	2.993
Contract research	3.456	55	2.104
Total	**43.096**	**16.001**	**10.306**

Table 19. Exiqon's revenue by geographical segment

DKK million	2006	2005	2004
Europe	27.088	13.074	5.869
North America	15.340	2.800	4.390
Asia	0.668	0.127	0.047
Total	**43.096**	**16.001**	**10.306**

The breakdown is based on the registered offices of customers.

Receivables
Receivables rose as the Company's level of activity increased, from DKK 1.0 million (USD 0.2 million) at the end of 2004, to DKK 2.3 million (USD 0.4 million) at the end of 2005 and DKK 22.2 million (USD 4.2 million) at the end of 2006. However, the increase from the end of 2005 to 2006 was mainly explained by a receivable from the transaction with Santaris Pharma, which has subsequently been settled.

Liquidity and capital resources
Exiqon posted a loss for the year ended 31 December 2006 of DKK 24.9 million (USD 4.8 million) and had current assets of DKK 47.27 million (USD 9.0 million) at 31 December 2006, of which cash and cash equivalents totalled DKK 20.4 million (USD 3,9 million).

Investments
Capital investments totalled DKK 2.2 million (USD 0.4 million) in 2004, DKK 5.7 million (USD 1.1 million) in 2005 and DKK 13.9 million (USD 2.6 million) in 2006, of which net property, plant and equipment stood at DKK 1.6 million (USD 0.3 million) in 2004, DKK 5.6 (USD 1.3 million) in 2005 and DKK 6.0 million (USD 1.3 million) in 2006, primarily consisting of leasehold improvements for the Company's service business and purchases of production and laboratory equipment. See also "Information about Exiqon–Investments".

Off-balance sheet liabilities
The Company does not have any material off-balance sheet liabilities as of the Prospectus Date.

Contractual obligations
Our material contractual obligations mainly relate to finance leases, lease of premises and certain contractual supplier obligations.

Currency risk
The Company is exposed to currency risk in relation to product income and cost of raw materials, which are partially set off in that part of our purchases of raw materials are made in USD, thus matching income from product sales in the United States. Currently, the Company's cash flows are in DKK, EUR and, increasingly, in USD and may therefore be exposed to significant exchange rate fluctuations.

The Company expects to set up production in the United States, which would lead to increased costs being incurred in USD. This would reduce the increasing currency risk related to higher product income denominated in USD.

The Company has not entered into any transactions to hedge against currency risk as of the Prospectus Date.

Capital resources

The table below shows the Company's capital resources at 30 September 2007. Audited figures as at 31 December 2006 are also shown for comparative purposes. Management believes that the information gives a true and fair view in respect of the recently ended quarter.

Management expects that the Company's existing capital resources, expected income, credit facilities and the proceeds from exercise of Exiqon's warrant programme will be sufficient to support the Company's operations until 2011, after which operating activities are expected to generate a cash inflow.

See "Operating and financial review" for a description of the Company's cash flows.

Table 20. Exiqon's capital resources

DKK million	Actual 30 September 2007*	Actual 31 December 2006**
Cash or cash equivalents	358.4	20.4
Securities	-	-
Credit facilities	10.0	-
Total capital resources	**368.4**	**20.4**

* The figures as at 30 September 2007 are unaudited.

** The figures as at 31 December 2006 have been extracted from the audited annual report for 2006.

Research and development, patents and licenses

Research and development

Exiqon carries out research and development and part of the Company's operating costs therefore relate to research and development activities. See "Operating and financial review" for a further description of these costs.

Patents, licenses and other intellectual property rights

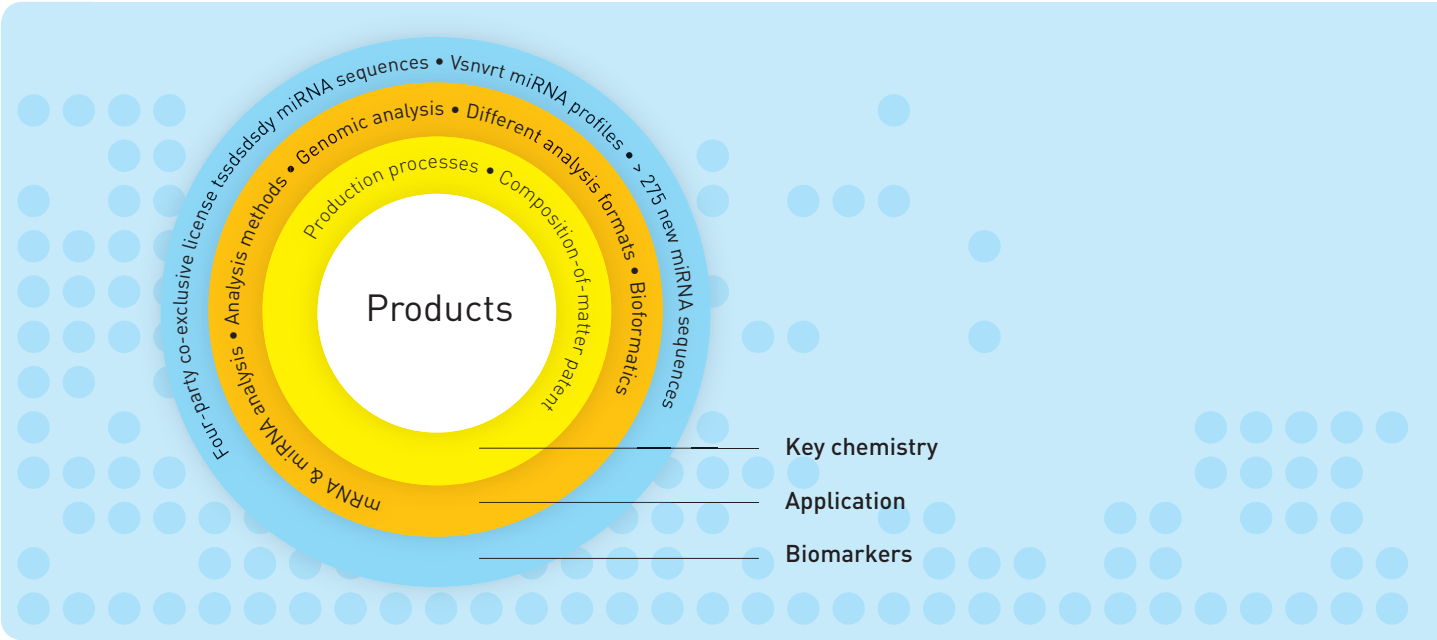
We believe that the protection of our products and technology is fundamental to our business prospects. We are pursuing a comprehensive patent programme in the United States, Japan, China, Europe and in other countries and regions where we believe significant market opportunities exist.

Our patenting policy is based largely on three international patent conventions, namely the Paris Convention, the Patent Cooperation Treaty (PCT) and the European Patent Convention (EPC). It is our general policy to file priority applications in Denmark and/or the United States, enabling these applications later to be prosecuted as International PCT applications recognised in all major markets, including a number of European countries, the United States and Japan. Patent applications are subsequently filed with the European Patent Office (EPO) in accordance with the EPC, referred to as European patent applications or European patents, and usually cover all EPC contracting states (currently Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Monaco, the Netherlands, Poland, Portugal, Romania, Slovenia, the Slovak Republic, Spain, Sweden, Switzerland, the United Kingdom and Turkey) and are frequently accompanied by a request for an extension to one or more of the countries available for such requests (currently Albania, Bosnia & Herzegovina, Croatia, the Republic of Macedonia, and Serbia & Montenegro).

As a result of our general policy, a priority application may end up as a patent family consisting of a number of patent applications and patents in several countries, all covering the same invention or aspects of the same invention.

It is our strategy to ensure efficient patent protection through several levels of patents, implying that we apply for patents for new chemical components that form part of our products and also for the manufacturing process thereof, methods of using these components and, whenever relevant, for specific biomarkers as outlined in figure 9.

Figure 9. Exiqon's patent strategy



Source: Exiqon 2007

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

[1] Protection of our key chemistry (LNA) by patents for chemical structures and patents for the manufacturing process;

[1] protection of the formats used for the nucleic acid analyses and the bio-informatic analysis used in the products; and

[1] protection of the biomarkers to be analyzed in connection with the use of the products.

As a result of our patent strategy, we own an ever growing number of patents and patent applications currently exceeding 150 active patents and patent applications, including 79 issued patents. Our patent portfolio derives from 30 patent families, including Danish and US priority applications. Over the past 12 months, we have filed six new patent applications that may form the basis of new patent families.

The 79 patents include 18 patents in the United States and 44 national European patents (derived from six issued EPC patents). Two of our patents have been granted in Japan and one in China. The patents last for 20 years from the filing of the patent application.

It is the Company's strategy to continuously expand the patent portfolio in order to secure patent protection beyond the term of the basic LNA patents by applying for patents on the use of the LNA technology and on the biological markers as stated in figure 9.

In accordance with the provisions of the Danish Act on Inventions of Employees, all employees are under an obligation to assign their rights to an invention to the Company upon request if the invention is made within the course of their employment with us. Pursuant to this legislation, we may be required to make a compensatory payment to the employee in respect of the assignment of the proprietary right to an invention. To date, we have not received any such claim for compensatory payment from any employee.

It is our policy – in addition to applying for composition-of-matter patent protection for LNA and analogues thereof – also to secure patent protected rights to LNA and analogues thereof by means of generic patent claims and claims disclosing specific methods of production and applications.

We have not, in connection with the maintenance of our patent portfolio, been involved in any patent litigation regarding our patents or any third party patents.

In a single case, we have experienced that a third party has filed an objection against one of our European patents. However, the patent is not within any of our core areas, and it does not cover products we already have on the market nor products we plan to market. See also the discussion of the objection under "LNA-related compounds" below.

A summary of the status of the patent portfolio relating to our products and development and research programmes is set out below.

Core patents and patent applications
We consider the patent rights for LNA to be our most important intellectual property rights. We are not aware of any patent disputes or the like which could potentially affect our freedom to develop and commercialize products based on LNA.

Biological know-how
Our patent position within biological know-how is based on three patent families:

One application has entered the international phase through the filing of a PCT application covering the identification of cancer with unknown origin. Furthermore, a Danish priority application has been filed covering markers for the identification of breast cancer.

Finally, a Danish priority application has been filed disclosing new miRNA sequences. The application was concurrently filed in the United States and it was recently updated to include additional new miRNA sequences.

Products and methods for manufacturing of products
The Company's patent position within products and methods for manufacturing of products essentially comprise two chemical groups, namely quinone compounds and LNA oligonucleotide analogues. The quinone compounds are based on three patent families, of which the oldest invention forms the basis for the establishment of the Company.

The oligonucleotide analogues ("LNA") are based on three patent families which together provide a broad coverage of LNA, and a number of supplementary patent families covering a number of modifications of LNA and chemical compounds which can be used in connection with LNA. The chemical structure of LNA is patent protected in Japan, Australia, Canada and the United States, whilst the patent application is still pending in Europe. The invention is called the "Japanese LNA patent". The patent expires in 2018. Furthermore, the Company has applied for protection of the chemical structure of LNA through another application, called the "Danish LNA patent" which, as a starting point, has a substantially broader scope of protection with respect to the chemical structure, the use and geographic area than the corresponding "Japanese LNA patent". The patent expires in 2018. The "Danish LNA patent" relates to the following sections regarding applications and LNA-related compounds. This chemical structure of LNA is protected by patents in Australia, China and South Korea, and in Russia and New Zealand. Patent applications are still pending in Canada, Europe, Israel, India, Japan and the United States.

A method for improved manufacturing of an intermediate product in the synthesis of LNA is protected by patents in Europe and the United States. The European patent has been made legally valid in nine member states, among them France, Switzerland, the United Kingdom and Germany, whilst the patent application is still pending in Japan.

A cytosine base modification is protected by a patent in the United States, whilst patent applications are still pending in Japan, Europe and Canada.

Priority applications have been filed in Denmark for two chemical modifications of the LNA basic structure with the objective of improving the uptake of LNA compounds in cells. Patent applications have been filed in Europe and the United States for so-called "quenchers", which are components that form part of LNA-based products. Both patent applications are still pending with the patent authorities.

A method for photo chemical immobilization by means of quinone compounds is protected by patents in Australia, the United States, Japan and Europe. The European patent has been made legally valid in 16 contracting states, including in France, Switzerland, the United Kingdom and Germany. A patent application is still pending in Canada.

Applications
The Company's patent position in terms of patent applications comprises 16 patent families mainly filed in the United States, but also in a number of other countries/ regions such as Europe, Canada, Japan and China.

In addition to the protection obtained via the previously mentioned "Danish LNA patent", separate patent protection has been applied for covering a number of general applications of LNA. This has been done through two patent applications, one of which has issued in the United States and Europe but is still pending in Canada and Japan. The other patent application is still pending in the United States and Europe. The above mentioned European patent has been made legally valid in France, Switzerland, the United Kingdom and Germany.

In connection with the marketing of Universal ProbeLibrary™, patent applications have been filed for the concept of the product and the method of use of the product via two patent families, of which the first was applied for in Canada, China, Europe, Japan and the United States. All these applications are still pending with the patent authorities. The other patent family has entered the international phase through the filing of a PCT application; in addition, a national US application has been filed, which is still pending with the patent authorities. If they issue, the two patent families related to ProbeLibrary™ will secure patent protection until 2024 and 2025 respectively.

In connection with the marketing of the miRCURY™ product lines, applications have been filed for three patent families disclosing the Identification of miRNA by means of LNA-based products. All three families are still pending with the patent authorities. The first family of applications was filed in Canada, China, Europe, Japan and the United States; the second family is still in the international phase, whilst the last one was filed as a Danish priority application. If issued, the three patent families will secure patent protection until 2025 and 2026.

Moreover, the Company has an additional eight patent families disclosing different applications of LNA-based products.

LNA-related compounds
Part of the "Danish LNA patent" disclosing so-called amino-LNA- and thio-LNA-analogues has been issued as a patent in the United States and Europe. The patent expires in 2018.

The US company ISIS Pharmaceuticals has filed an objection against the issued European patent, and the Company in collaboration with Santaris Pharma A/S has filed arguments to meet the objection. ISIS Pharmaceuticals has objected to elements in the application that are of no significance to our current products or products we expect to market. It is up to the European authorities (the Opposition Division (OD) at EPO to make a decision regarding the justification of the patent claims issued. The Opposition Division (OD) at EPO has provided their preliminary opinion on the objections raised by the opponent and our responses and oral proceedings on this opposition which will take place in Munich on 8 April 2008.

Moreover, the Company together with Santaris Pharma A/S has filed an objection against European patent EP 1152009 B. However, this patent does not cover products we already have on the market or which we plan to market, but rather an analogue of LNA called "ENA"(2'- O,4'-C-Ethylene-bridged nucleotide). A patent for ENA has been issued to the Company in the United States.

Other information relating to patent rights
We are aware of the existence of a number of European and US patents and patent applications covering various aspects of array technology. Depending, inter alia, on the outcome of the current objection cases at the European Patent Office, and if their contents are interpreted very broadly, these patents may potentially have an impact on Exiqon's array-based and related products. If it should prove necessary in future, Exiqon will seek to obtain the necessary licenses. The Company is aware that the holders of the patents and applications have issued nonexclusive licenses to other parties.

Intellectual property rights other than patents and patent applications

Trademarks
The Company owns the following trademarks:
Exiqon
LNA
AQ-Link
ProbeLibrary
ProbeFinder
MIRCURY
miRplus
HyBR
hy3
hy5
dy3
dye3
dy5
dye5
Unlocking the door on
genoview
euray
HumanProbe Library
Biomir
mirlin
imagimir
microRNAcentral
Pirseus

Moreover, Exiqon owns a number of domain names.

Trend information

Exiqon is a biotechnology product-oriented company with a patented technology and marketed products.

Our products for research purposes are manufactured mainly in Denmark, but as a result of market demand for faster delivery, parts of our product portfolio will henceforth be manufactured in the United States, which is our most important market.

The Business Communications Company estimated in 2007 that the market for research products will grow by approximately 9% per annum, largely depending on the market segment. Typically, the sale of research products decline in the third quarter of the year because of the summer holidays. The sale of our research products will be influenced especially by support from the public authorities in the US for academic research.

Our future products for diagnostic purposes will be subject to regulatory approval. The trend is moving towards increasing control and validation of diagnostic products, and this could prolong the lead times relative to the Company's expectations.

The Business Communications Company estimated in 2007 that the market for molecular diagnostic products will grow by approximately 14% per annum, however with major regional differences.

Board of Directors, Executive Management and Key Employees

Board of Directors

The Board of Directors has the overall responsibility for the Company and supervises the Executive Management. Board duties include establishing strategic, accounting, organizational and financial policies and appointing the Executive Management. The Company's Articles of Association stipulate that all Board members must be elected at the annual general meeting for terms of one year. Board members are eligible for re-election. The Board of Directors must be composed of not less than five and not more than seven shareholder-elected members. No one having reached the age of 70 can be elected to the Board of Directors. Board members must resign at the end of the first annual general meeting following their 70th birthday. Generally, no Board members can be re-elected for more than 9 terms.

At present, the Board of Directors is composed of five members. The Board members' business address is Exiqon A/S, Staktoften 22D, DK-2960 Vedbæk, Denmark. A list of the members of the Board of Directors is set out below.

Thorleif Krarup, Chairman
(born 1952, Danish citizen).
Thorleif Krarup holds a number of directorships and is Senior Advisor to Nordic Capital. Throughout the past 20 years, Thorleif Krarup has 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 (vice chairman)
ALK -Abelló A/S (vice chairman)
LFI A/S (vice chairman)
Group 4 Securicor Plc (board member)
Bang & Olufsen A/S (board member)
Brightpoint Inc. (board member)
The Lundbeck Foundation (board member)
The Crown Prince Frederik Fund (board member)
The Denmark-America Foundation (board member)
Dangaard Holding A/S (chairman)
Sport One Danmark A/S (chairman)

Directorships and managerial positions in the past five years (now resigned):
TDC A/S (chairman)
Nordea AB (publ) (Group CEO)
Christian Hansen Holding A/S (vice chairman)
Group 4 Falck A/S (board member)
Scion DTU A/S (board member)

Henrik Lawaetz, Vice Chairman
(born 1955, Danish citizen, Director of SLS Venture) Henrik Lawaetz is a Medical Doctor (1981, University of Copenhagen) specialized in pharmaceutical medicine at the University of Wales (MFPM in 1991 in the UK) and holds an Executive MBA from SIMI (Scandinavian International Management Institute in Copenhagen). For some time, Henrik Lawaetz was Chairman of the Board of Directors of the Company, and since 2003 he has been Vice Chairman. Henrik Lawaetz is founding Partner and Director of SLS Venture. He previously held a position as Managing Director and was a co-founder of Medicon Valley Capital which was founded in 2000. From 1981 to 1987, Lawaetz was a hospital physician. In 1984, he founded LTC – Lægernes Test Center. From 1987 to 1988, Lawaetz established a clinical research unit for G.D. Searle Inc. in Denmark. Between 1988 and 1990, he established and developed the Danish clinical research unit at Pharmacia in a position as Medical Director and between 1990 and 1995, he was Medical Director at Novo Nordisk A/S. Between 1995 and 1999, Lawaetz was CEO of CCBR (Center for Clinical and Basic Research) in Denmark.

Current directorships and managerial positions:
Sanos Bioscience A/S (board member)
Medicon Valley Capital II General Partner ApS (Managing Director)
ApS KBUS 8 nr. 5119 (CEO)
Lægernes Test Center AS (Chairman)
Medicon Valley Capital Management ApS (Managing Director)
Biopheresis Technologies Inc. (board member)
Action Pharma A/S (board member)

Table 21. The Company's Board of Directors

Name	Year of birth	Member since	Office
Thorleif Krarup	1952	2007	Chairman
Henrik Lawaetz	1955	2000	Vice Chairman
Michael Nobel	1955	1996	Board member
Steinar J. Engelsen	1950	2001	Board member
Erik Walldén	1949	2007	Board member

Directorships and managerial positions in the past five years (now resigned)
Nuevolution A/S (board member)
T-Cellic A/S (board member)
Great Greenland A/S (board member)
HM Capital A/S (board member and Managing Director).
Managers Company ApS (CEO).
Symphogen A/S (board member)
Work4Health A/S (board member)
Demetech AB (board member)
Ultrazonix AB (board member)
Lægernes Test Center A/S (Managing Director)

Michael Nobel, Board member
(born 1956, Danish citizen)
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. Joined the boards of directors of the Nobel Group companies in 1990. Member of the Board of Directors of Exiqon since 1996. Co-founder and chairman of the software company Medtime A/S that develops and markets tools for worktime planning, particularly in the healthcare sector.

Current directorships and managerial positions:
Medtime A/S (chairman)
H.J. Nobel 2 ApS (chairman)
H.J. Nobel 1 ApS (board member and CEO)
H. J. Nobel Handelsselskab A/S (co-founder, board member and CEO)
Kongelig Dansk Yachtklub (board member)
MT Trading ApS (CEO)

Directorships and managerial positions in the past five years (now resigned):
MT-Truck A/S (board member)

Steinar J. Engelsen, Board member
(born 1950, Norwegian citizen, Partner of Teknoinvest AS) Certified European Financial Analyst (CEFA) from the Norwegian School of Economics and Business Administration and M.Sc. in Nuclear Chemistry in addition to being an accredited M.D. (both from the University of Oslo). Steinar J. Engelsen joined Teknoinvest AS in 1996. Prior to joining Teknoinvest, he was Senior Vice President Research & Development, Nycomed Pharma A/S, in charge of research, preclinical and clinical development and medical affairs and in vitro diagnostics. Steinar J. Engelsen was Research Associate at the Department of Chemistry and he was a Research Fellow at Rikshospitalet in Oslo after completing his internship in medicine.

Current directorships and managerial positions:
Insmed Pharmaceuticals Inc. (board member) (NASDAQ: INSM)
Capnia Inc. (board member)
Affitech AS (board member)
Teknoinvest AS (board member)

Directorships and managerial positions in the past five years (now resigned):
Cureon A/S (board member)
Angiogenix, Inc. (board member)

Erik Walldén, Board member
(born 1949, Swedish citizen).Erik Walldén has worked in the biotech industry for many years and had managerial positions in marketing with Pharmacia LKB Biotechnology AB from 1986 to 1992. He then moved on to become Vice President of Worldwide Marketing & Support with PerSeptive Biosystems. Erik Walldén was CEO of Pyrosequencing from 1998 to 2003 and took part in the IPO of Pyrosequencing in 2000. Between 2004 and 2006, Erik Walldén was CEO of Biacore AB, where Erik Walldén contributed to selling the company to GE Healthcare in 2006. Erik Walldén currently holds a position as managing director in Affibody Holding AB

Current directorships and managerial positions:
Proxeon A/S (board member)
Proxeon Bioinformatics A/S (board member)
Proxeon Biosystems A/S (board member)
VisEn Medical Inc. (board member)
Bergekullen Fastighets (board member)
Erik Walldén AB (board member)
Affibody Holding AB (managing director)

Directorships and managerial positions in the past five years (now resigned):
Global Genomics AB (board member)
Bionisis S.A. (board member)
Biacore AB (CEO)
Pyrosequencing AB (CEO)
Stockholm-Uppsala Chamber of Commerce (board member)

Executive Management

The Executive Management is responsible for the day-to-day management of the Company. The table below shows information about the member of the Company's Executive Management:

Table 22. Exiqon's Executive Management

Name	Year of birth	Position
Lars Kongsbak	1961	Chief Executive Officer

Lars Kongsbak
(born 1961, Danish citizen, Exiqon, Staktoften 22D, DK-2950 Vedbæk, Denmark), M.Sc. in Biology from the University of Copenhagen (1988), PhD in Molecular Biology from the Technical University of Denmark (1990), joined Exiqon in 2000 as head of the EURAY division, later of R&D and finally in charge of Business Development, before he was appointed as CEO in 2003. Lars Kongsbak is the only member of the Executive Management who is registered as an executive director with the Danish Commerce and Companies Agency. Before joining Exiqon, Lars Kongsbak served as Senior Scientist with Novozymes, Novo Nordisk and Bioimage, respectively. For several years, Lars Kongsbak was a Post Doc in the United States, Australia and Denmark. Lars Kongsbak is the inventor of several patents and the author of more than 40 scientific publications. Also, Lars Kongsbak is a member of the board of directors of Dansk Biotek, member of BioCentrum-DTU advisory board (The Technical University of Denmark) and founder and Managing Director of Kongsbak Invest ApS

Current directorships and managerial positions:
Kongsbak Invest ApS (founder and Managing Director)

Directorships and managerial positions in the past five years (now resigned):
None

Other Key Employees
In addition to the Executive Management, the persons listed below are members of the management team ("Key Employees")

Hans Henrik Chrois Christensen
(born 1965, Danish citizen, Exiqon, Staktoften 22D, DK-2950 Vedbæk, Denmark), LLM from the University of Copenhagen (1990) and attorney-at-law (1993) with a right to appear before the Danish High Court, joined Exiqon as CFO on 1 January 2007 from a corresponding position with Pharmexa A/S, where he was employed in 2002 and had various areas of responsibility before being appointed as CFO in 2004. 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 programme and worked with research and licence collaboration, joint ventures and venture investments and as an attorney at-law with the law firm Dragsted & Helmer Nielsen, Copenhagen (1990-1998).

Current directorships and managerial positions:
None

Directorships and managerial positions in the past five years (now resigned):
Inoxell A/S (CEO)

Michael Kallelis
(born 1958, US citizen, Exiqon Inc., 600 West Cummings Park, Suite 1650, Woburn, MA 01801), B.Sc. in Biology/Chemistry, joined Exiqon Inc. in January 2006 as President and board member in charge of setting up Exiqon's subsidiary. He has more than 25 years of experience within Life Science, including mergers, acquisitions, liquidation, strategic planning, ISO certification, FDA inspections, GMP functions, capital utilization projects, business development, licensing, research and development contracts and board work. Michael Kallelis previously held the position of Vice President, Chemistry, Production and Control in Achemix (2005-2006), a US pharmaceutical company, and before that he served as Chief Operating Officer and Executive Vice President in the company Avecia Biotechnology, Inc. (1999-2004), a UK biotech company.

No current or previous directorships or managerial positions except from the above.

Søren Morgenthaler Echwald
(born 1967, Danish citizen, Exiqon, Staktoften 22D, DK-2950 Vedbæk, Denmark), M.Sc. in Chemistry & Genetics (1993), PhD (1998), joined Exiqon in 2001. He was promoted to Senior Manager, Business Development in 2003, and since 2006 he has served as Vice President in charge of Business Development, including licensing, patent strategy and market research. Søren Morgenthaler Echwald previously held a position of Senior Scientist with Steno Diabetes Center (Novo Nordisk A/S) focusing on the devel-

opment of gene diagnostics within obesity and diabetes, and he has co-authored more than 50 scientific articles.

No current or previous directorships or managerial positions.

Henrik Pfundheller
(born 1971, Danish citizen, Exiqon, Staktoften 22D, DK-2950 Vedbæk, Denmark), M.Sc. in Chemistry and Biology (1997), PhD (1999), EBA (2004), joined Exiqon in 1999 as Senior Scientist and following a short period of employment with NeuroSearch as Medical Scientist (2000) joined Exiqon again as Manager of Chemistry. In 2002, he was appointed Director of Chemistry & Process Technology. In 2004 he was assigned to set up Exiqon's Sales & Marketing division, and in 2006 he was appointed Vice President, Sales & Marketing. Inventor of several patents and author of numerous scientific publications. Henrik Pfundheller was an employee-elected member of the Board of Directors of the Company between 2003 and 2006.

Current directorships and managerial positions:
RiboTask ApS (board member)

No current or previous directorships or managerial positions except for the above.

Søren Møller
(born 1967, Danish citizen, Exiqon, Staktoften 22D, DK-2950 Vedbæk, Denmark), M.Sc. in Engineering (1993), PhD in Molecular Biology (1997), was a Post Doc at Stanford University until 1998. Employed as a researcher with NovoNordisk/Novozymes in 1988 and employed with Exiqon in 2001 as Senior Manager, Business Development. Between 2003 and 2005, he was employed with BioImage A/S in various managerial positions and was part of the company's Business Development team, among other things. In 2005, he joined Exiqon again as CSO, Vice President of Research & Development. For seven years he was a member of the Board of Directors of Trip Trap Denmark A/S. He is the inventor of several patents and the author of numerous scientific publications. Søren Møller is founder and CEO of Møller Investment ApS, and was previously a board member of TT Ejendomme A/S.

No current or previous directorships or managerial positions except from the above.

Peter Stein Nielsen
(born 1961, Danish citizen, Exiqon, Staktoften 22D, DK-2950 Vedbæk, Denmark), M.Sc. in Biology (1987), PhD in Natural Science (1991). Was a Post Doc at the Norwegian University of Life Sciences in Ås until 1995. Then he was employed as a research lecturer with the Technical University of Denmark (1996-1999) and subsequently at Carlsberg Laboratory (1999-2001). Joined Exiqon in 2001 as Senior Research Scientist and was appointed as Senior Principal Scientist in 2005. In 2006 he was appointed as Vice President, Production. The inventor of several patents and the author of numerous scientific publications.

No current or previous directorships or managerial positions.

Mette Flansmose
(born 1971, Danish citizen, Exiqon, Staktoften 22D, DK-2950 Vedbæk, Denmark). B.Sc. (chemical engineering) (1994). Held a position with Novozymes from 1994 to 1998 in production and from 1998 to 2001 she was part of Novozyme's Quality Management. Mette Flansmose served as Project Manager with Novozymes R&D in 2001 and moved on to become Senior Project Manager from 2001 to 2005. Between 2005 and 2007, Mette Flansmose was Vice President, Project management in CMC Biopharmaceuticals A/S. She joined Exiqon in 2007 as Vice President, Project Management and Process Control.

No current or previous directorships or managerial positions.

Conflicts of interest

Except as described in "Related party transactions" none of the persons on the Board of Directors and Executive Management nor any other Key Employees have conflicts of interest in respect of their duties to the Company.

No kinship exists between any members of the Board of Directors or the Executive Management or Key Employees.

Members of the Board of Directors
The Company has not granted any loans, issued any guarantees, nor has it made any other commitments in respect of the Board of Directors or any member thereof. Board members are not entitled to any compensation following expiry of their term. The Company has not allocated funds or made provisions for any pension benefits, severance schemes or the like for the Board of Directors and has no obligation to do so at the present time.

Executive Management
The Executive Management holds a total of 80,758 shares representing about 0.3% of the Company's share capital prior to the Placement and has been granted warrants conferring the right to subscribe a total of 918, 840 shares, see "Remuneration and benefits".

The Company has not granted any loans, issued any guarantees, nor has it made any other commitments in respect of the Executive Management or any member thereof. The members of the Executive Management and the senior employees are not entitled to any extraordinary benefits following cessation of their employment. The Company has not allocated funds or made provisions for any pension benefits, severance schemes or the like for the Board of Directors and has no obligation to do so at the present time.

Key Employees and other employees:
Vice President, Sales and marketing, Henrik M. Pfundheller is member of the board of directors of RiboTask ApS with which the Company has entered into a licence agreement as licensor. See "Related party transactions" for further information.

Previous activities
During the past five years, none of the members of the Board of Directors and Executive Management nor any other Key Employees mentioned below (i) have been convicted of fraudulent offences or (ii) have been the object of public prosecution or sanctions by supervisory authorities or been disqualified from acting as a member of an issuer's executive management, board of directors or supervisory body or from being in charge of an issuer's management or other affairs.

Apart from the persons stated below, none of the members of the Board of Directors and Executive Management, nor any other Key Employees, have, within the past five years, been members of the executive management or board of directors, or been founders of or senior employees in companies that have commenced insolvency proceedings or other forms of receivership, entered into a composition with creditors or into solvent liquidation. Henrik Lawaetz was member of the board of directors and executive of HM Capital A/S, which has been dissolved following liquidation on 3 August 2004 as well as Managers Company ApS, which was dissolved following liquidation on 6 July 2004, Steinar J. Engelsen was member of the board of directors of Angiogenix, Inc. which is currently in liquidation. Hans Henrik Chrois Christensen was CEO of Inoxell A/S, which was liquidated on 16 September 2004, and Erik Walldén was a board member of Global Genomics AB, which was wound up in 2004 and Bionisis, which was wound up in 2005.

Remuneration and benefits

Total fees paid to the members of the Board of Directors amounted to DKK 933,333 in 2007. The members of the Board of Directors also participate in the Company's warrant programme. However, only the Chairman of the Board of Directors of the Comany was granted warrants in 2007 (a total of 303,503 warrants). Fees to members of the Board of Directors in 2008 are expected to be at the same level as in 2007.

The remuneration to the Executive Management, which in 2007 consisted of Lars Kongsbak, Chief Executive Officer, amounted to DKK 2,289,400 in 2007. The CEO has been granted 452,498 warrants in 2007. As part of his remuneration, Lars Kongsbak has a company car, landline telephone, ADSL connection, mobile phone, portable pc, daily newspaper, industry publications and relevant industry memberships.

Incentive schemes

Historical incentive schemes
The Company's Board of Directors, Executive Management and other employees have historically participated in the Company's warrant programmes. During previous programmes the number of warrants granted were determined individually. These programmes were based on grants once or twice a year in order to ensure balanced grants, taking into account each employee's performance, Company performance and movements in the price of Exiqon's shares. The amounts of the programmes were subject to a 10% limit relative to the amount of the Company's issued share capital from time to time.

In 2006, the Board of Directors granted warrants to the Company's employees and the former chairman in May and December. These warrants confer a right on the warrant holders to subscribe for new shares in the Company at a price of DKK 9.50 per share of DKK 1. These warrants may be exercised prematurely in the event of a merger if the Company announces that a decision to that effect has been made. All issued warrants granted in 2006 are fully vested. Warrants vested may be exercised to subscribe for new shares during four-week periods after the Company's publication of its full-year and interim profit announcements, starting with the Company's publication of its H1 report for 2007. Unexercised warrants lapse automatically on 31 December 2010 without any further notice, remuneration or compensation to the holder.

Current incentive schemes
At the Company's annual general meeting held on 2 May 2007, the Company's Board of Directors was authorized to issue additional warrants at the market price under a new warrant programme. However, pursuant to the Company's Articles of Association, the warrants issued may not exceed 12% of the Company's issued share capital (including warrants issued under previous authorizations).

On 11 May 2007, the Company's Board of Directors resolved to exercise part of this authorization to issue warrants to the Company's new Chairman of the Board of Directors, Thorleif Krarup, to the Company's CEO, Lars Kongsbak, and to the CFO, Hans Henrik Chrois Christensen (see table 28). These warrants may be exercised at DKK 40 plus 5 % p.a. from the date of grant until exercise, and over a three-year period 1/36 of the warrants vests on the first day of each month starting in the first month following grant, and warrants vested may be exercised during a period of four weeks from the publication of the Company's full-year and interim profit announcements starting with the Company's publication of the H1 report for 2007. Unexercised warrants will lapse automatically after expiry of the next following exercise window after the warrants granted have vested in full (four weeks after publication of the Company's H1 profit announcement for 2010) without any further notice, remuneration or compensation to the holder. In certain cases of termination of the employment relationship with the Company, the right to exercise warrants granted, but not yet vested, will lapse.

The number of warrants issued and/or the exercise price for the warrants granted must be adjusted in the event of bonus share issues, share capital increases at a price below the market price and certain cases of share capital reductions, among others. The vesting and exercise dates can be moved forward in the event of a merger, demerger, certain asset sales and change of control (as defined in section 31 of the Danish Securities Trading Act) and delisting.

The authorization to the Board of Directors to issue warrants has been amended on the extraordinary general meeting held on 31 January 2008 from 3,500,000 to 4,500,000 warrants, of which some have been issued, and to include employees in the Company's subsidiaries. At the same time the shareholders approved the overall guidelines for incentive schemes for the Company's supervisory board and executive board as proposed by the Board of Directors.

On 31 January 2008, the Company's Board of Directors resolved to exercise part of this authorization to issue a total of 191,761 warrants to two key employees. These warrants may be exercised at DKK 36.20 plus 5 % p.a. from the date of grant until exercise, and over a three-year period 1/36 of the warrants vests on the first day of each month starting in the first month following grant, and warrants vested may be exercised during a period of four weeks from the publication of the Company's full-year and interim profit announcements. Unexercised warrants will lapse automatically after expiry of the next following exercise window

after the warrants granted have vested in full (four weeks after publication of the Company's annual results for 2011) without any further notice, remuneration or compensation to the holder. In certain cases of termination of the employment relationship with the Company, the right to exercise warrants granted, but not yet vested, will lapse.

"Stock Appreciation Rights Program" for employees of Exiqon Inc.
Moreover, the Company's Board of Directors has adopted a "Stock Appreciation Rights Program", which is a sort of phantom share programme for employees of Exiqon Inc. Pursuant to this programme, employees of Exiqon Inc. can be granted a number of stock appreciation rights (SAR) issued at a price corresponding to the market price of the Company's Shares.

On 11 May 2007, the Company's Board of Directors resolved to issue 75,898 SARs to Michael Kallelis, who is the CEO of Exiqon Inc. Over a three-year period, 1/36 of such SARs vests on the first day of each month, starting in the first month following grant, and SARs vested may be exercised during a period of four weeks from the publication of the Company's full-year and interim profit announcements, starting with the Company's publication of its H1 report for 2007. Unexercised SARs lapse automatically on 2 May 2012 without any further notice, remuneration or compensation to the holder. In certain cases of termination of the employment relationship with the Company, the right to exercise SARs granted, but not yet vested, will lapse.

When exercising SARs, the holder is entitled to receive a payment in cash from the Company corresponding to the difference between the price of the Company's Shares at the date of exercise and the price at the date of grant (the final Offer Price) less 5% p.a. times the number of Shares in the Company in respect of which the vested SARs are exercised. The number of SARs issued and the exercise price must be adjusted in the event of share capital increases at a price below the market price and in certain cases of share capital reductions, among others. The vesting and exercise dates can be moved forward in the event of a merger, demerger, certain asset sales and change of control and delisting.

Board practices

The table below sets out the terms and conditions for the Board of Directors and the Executive Management.

Table 23: Terms and conditions for the Board of Directors and the Executive Management

Name	Offive	Year of appointment	Expiry of term	Remuneration on severence
Board of Directors:				
Thorleif Krarup	Chairman	2007	Up for election in 2008	None
Henrik Lawaetz	Vice Chairman	2000	Up for election in 2008	None
Michael Nobel	Board member	1996	Up for election in 2008	None
Steinar Engelsen	Board member	2001	Up for election in 2008	None
Erik Walldén	Board member	2007	Up for election in 2008	None
Executive Management:				
Lars Kongsbak	CEO	2003	None	None

Board of Directors

All Board members elected by the shareholders in general meeting are up for election each year.

The Board of Directors performs its duties in accordance with its rules of procedure. The rules of procedure include rules on the allocation of powers and duties between the Board of Directors and the Executive Management and on the maintenance of minute books and registers.

Executive Management

The Company has entered into a service agreement with Lars Kongsbak regarding employment as its Chief Executive Officer. Lars Kongsbak can terminate his employment giving six months' notice and is subject to a non-competition clause for a period of twelve months following termination of his employment with the Company. The non-competition clause does not apply if Lars Kongsbak is dismissed without reasonable cause or if he resigns his position as a consequence of the Company's breach of the employment relationship. The Company can terminate the employment relationship giving 12 months' notice.

Board committees

The Company's Board of Directors has set up an audit committee and a compensation committee.

Audit committee

The members of the audit committee are appointed by the Board of Directors and meet at least twice each year. The committee, inter alia, assists the Board of Directors in supervising the Company's preparation of financial statements and financial reporting, the accounting policies and the Company's internal controls, accounting practices and various procedures. The audit committee currently consists of Thorleif Krarup, Steinar J. Engelsen and Michael Nobel.

Compensation committee

The members of the compensation committee are appointed by the Board of Directors and must meet at least twice each year. The committee inter alia assists and advises the Board of Directors in connection with the remuneration of the Board of Directors and the Executive Management and the Company's bonus and warrant schemes. The compensation committee currently consists of Thorleif Krarup, Erik Walldén and Henrik Lawaetz.

Description of management reporting systems and internal control systems

Procedures and guidelines for Exiqon's management reporting to the Board of Directors and for the mutual communication between the Board of Directors and the Executive Management are described in the rules of procedure which also include a fixed calendar of meetings to ensure that the Board of Directors observes its duty to actively

- establish guidelines for the distribution of responsibilities, including business procedures, authorizations and instructions, between the Board of Directors and the Executive Management;
- determine the Company's overall organization, including the accounting function, internal controls, IT organization and budgeting;
- follow up on targets, strategies and action plans, budgets, etc. and consider reports about the Company's financing, liquidity, revenue, material transactions, overall insurance issues, cash flows and special risks; and
- follow up on plans, budgets, cash position and other material issues relating to the Company and its operations.

Before each meeting, the Board of Directors receives a report from the Executive Management on the status of the activities which may be of interest to the Board of Directors, for example sales performance, investment applications and proposals for organizational measures, etc.

Corporate governance
Exiqon intends to comply with the recommendations published by the Copenhagen Stock Exchange's Committee on Corporate Governance on 6 October 2005 regarding the introduction of revised recommendations for corporate governance with the following exceptions:

Exiqon uses Board committees, and the Board of Directors has created two Board committees as at the Prospectus Date: an audit committee and a compensation committee.

The Company uses Board committees to achieve the best possible quality in the Board work and to ensure the Board of Directors' involvement in important current issues. Material decisions are always made by all members of the Board of Directors, and all members are informed of all decisions.

During 2008, the Board of Directors intends to follow the recommendation regarding terms for directorships.

The Board of Directors plans to establish a formalized assessment procedure whereby the cooperation between the Board of Directors and the Executive Management is assessed once each year in a meeting between the CEO and the Chairman of the Board of Directors.

The Board of Directors plans to establish a formalized assessment procedure which continuously and systematically assesses the work, results and composition of the Board of Directors and the individual members, including the Chairman, in order to improve the Board work.

Exiqon does not follow the recommendation that remuneration to the Board of Directors should not consist of share option programmes as we believe that the possibility of allocating share options is important to attracting Board members with the right qualifications. However, if granted, share options will be granted at the market price at the date of grant.

Procedures and guidelines for Exiqon's Executive Management's reporting to the Board of Directors and for the mutual communication between the Board of Directors and the Executive Management are described in the Board of Directors' rules of procedure.

The full wording of the Company's rules on corporate governance is available on the Company's website.

Staff
The Company's staff has grown substantially in numbers during the period 2003-2007 in line with the Company's increased activities, primarily within Sales & Marketing and Research & Development.

As at the Prospectus Date, Exiqon employs a total of 101 staff, 24 of whom work in Sales and Marketing. Exiqon employs 85 people in Denmark, 1 in the United Kingdom and 15 in the United States. Short term employees and students have been excluded from the calculations of the total number of employees.

Shareholdings and warrants
The Board of Directors and the Executive Management participate in the warrant programme, see table 26: "Share capital movements from incorporation until the Prospectus Date" for further information about share options and warrants exercised between 2004 and 2007.

Table 24: Number of staff at year end 2003-2007

	2003	2004	2005	2006	2007
Executive Management and administration					
- Chief Executive Officer	1	1	1	1	1
- Finance	1	1	2	2	3
- Administration & Logistics & IT	2	1	3	5	17
- Business Development	3	2	2	3	4
- Research & Development	11	11	14	17	34
- Manufacturing	3	3	4	8	12
- Sales & Marketing	0	5	5	21	24
Total	**21**	**24**	**31**	**57**	**95**

Table 25: Overview of shareholdings and number of warrants granted to members of the Board of Directors, the Executive Management and Key Employees in Exiqon as at the Prospectus Date

Name	Number of shares	Number of warrants	Total
Thorleif Krarup	0	303,503	303,503
Henrik Lawaetz	4,380	0	4,380
Steinar J. Engelsen	0	0	0
Michael Nobel	422	0	422
Erik Walldén	0	0	0
Lars Kongsbak[1]	80,758	918,840	999,598
Hans Henrik C. Christensen	0	459,420	459,420
Michael Kallelis	0	153,812	153,812
Søren Morgenthaler Echwald	7,740	76,906	84,646
Henrik Pfundheller	11,578	76,906	88,484
Søren Møller[2]	3,844	76,906	80,750
Peter Stein Nielsen	25,984	15,840	41,824
Mette Flansmose	0	76,906	76,906
Total	**134,706**	**2,159,039**	**2,293,745**

[1] including 8,758 shares held through Kongsbak Invest ApS, which is wholly owned by Lars Kongsbak

[2] held through Møller Investment ApS, in which Søren Møller holds a 20% interest

Major Shareholders

As at the Prospectus Date, the Company has more than 1,000 registered shareholders who hold the Company's total share capital of DKK 24,441,064.

The Company's Major Shareholders comprise the following as at the Prospectus Date:

- KS Teknoinvest VII 6.1%
- Teknoinvest VIII KS 9.2%
- LD Pensions 10.4%
- Bio Fund Ventures I Follow on Fund Ky 4.1%
- Bio Fund Ventures I Ky 0.7%
- Medicon Valley Capital KB 4.8%
- Medicon Valley Capital K/S 4.8%
- Nobelgruppen [1] 10.8%

[1] Consisting of H.J. Nobel 1 ApS, H.J. Nobel 2 ApS, H.J. Nobel 4 ApS, Inge Nobel, Store Ladegård ApS and Michael Nobel.

The Company's major shareholders have the same voting rights as the Company's other shareholders.

See table 25 for shareholdings of the Board of Directors, Executive Management and senior employees as at the Prospectus Date.

Henrik Lawaetz, member of the Board of Directors, has coinciding interests with Medicon Valley Capital KB and Medicon Valley K/S and Michael Nobel, member of the Board of Directors, has coinciding interests with Nobelgruppen, and Steinar J. Engelsen, member of the Board of Directors, has coinciding interests with KS Teknoinvest VII and Teknoinvest VIII KS.

Related party transactions

Exiqon related parties:
The Company's related parties with significant influence comprise the Board of Directors and the Executive Management. Other related parties include Exiqon, Inc. and Exiqon Acquisition Inc., the Company's subsidiaries.

For information on remuneration paid to the members of the Board of Directors and the Executive Management, see "Remuneration and benefits."

All related party transactions are performed on arm's length terms.

Transactions with related parties in Q1-Q3 2007
In Q1 and Q2 2007, the Company was invoiced for consulting services in a total amount of DKK 3,087,523 by the former chairman of the Board of Directors, Jack T. Johansen. The consulting agreement was terminated on 2 May 2007.

Transactions with related parties in 2006
In 2006, Exiqon, Inc. was invoiced for contract work in a total amount of DKK 6,917,538 by the Company. The current activities of Exiqon, Inc. commenced in 2006, and 2006 therefore saw much more activity than during the preceding years.

In 2006, the Company was invoiced for consulting services in a total amount of DKK 600,000 by the former chairman of the Board of Directors, Jack T. Johansen.

Transactions with related parties in 2005
In 2005, the Company was invoiced for consulting services in a total amount of DKK 600,000 by the former chairman of the Board of Directors, Jack T. Johansen.

Transactions with related parties in 2004
In 2004, the Company was invoiced for consulting services in a total amount of DKK 585,000 by the former chairman of the Board of Directors, Jack T. Johansen.

Financial information concerning the issuer's assets and liabilities, financial position and profits and losses

Reference is made to the F-pages of Appendix 2.

Cross reference table

The below table cross-references information to the Company's annual reports for the financial years 2006, 2005 and 2004 as well as the nine months ended 30 September 2007 as published via the OMX Copenhagen and which are available on the Company's website www.exiqon.com.

Information element	Reference
Management report 1 January - 30 September	The Company's interim report for the period ended 30 September, 2007 page 3-4
Management report for the 2006 financial year	The Company's annual report for 2006 page 24
Management report for the 2005 financial year	The Company's annual report for 2006 page 2
Management report for the 2004 financial year	The Company's annual report for 2006 page 5
Original English version of Oncotech's annual financial statements for 2006, 2005 and 2004	Exiqon's prospectus of 8 February, 2008 (English version pages F-44 - F-79 and F-83 - F-98)

Additional information

Share capital

The Company has one class of shares, and as at the Prospectus Date the Company's share capital amounts to DKK 24,441,064 nominal value divided into 24,441,064 shares of DKK 1 nominal value each which are fully paid up. In addition, the Company has authorizations to issue a total of 6,161,004 Shares of DKK 1 nominal value each. The Offer Shares rank pari passu with the Company's Existing Shares.

Table 26 below contains a summary of information regarding Exiqon's share capital from incorporation until the Placement. As at the Prospectus Date, the Company holds 5,342 Shares of DKK 1 nominal value each at a book value of DKK 0 as treasury shares.

Table 26: Share capital developments from incorporation until the Prospectus Date

Date	Transaction	Share capital before change	Nominal change (DKK)	New share capital (DKK)	Share price (DKK)[1]
1 November 1995 (incorp.)	Incorporation			500,000	1
30 December 1998	Cash increase [2]	500,000	16,650	516,650	60
13 July 2000	Cash increase [3]	516,650	121,960	638,610	170
1 September 2000	Cash increase [4]	638,610	113,334	751,944	170
29 November 2000	Debt conversion [5]	751,944	120,481	872,425	166
28 December 2001	Conversion of convertible loans [6]	872,425	214,551	1,086,976	286.56
10 December 2002	Cash increase [7]	1,086,976	553,348	1,640,324	1
23 May 2005	Cash increase by exercise of warrants [8]	1,640,324	5,474	1,645,798	80.04
23 May 2005	Cash increase [9]	1,645,798	4,312,496	5,958,294	22
23 May 2005	Cash increase [10]	5,976,121	963,254	6,939,375	22
10 March 2006	Cash increase by exercise of warrants [11]	5,958,294	2,326	5,960,620	40
10 March 2006	Cash increase by exercise of warrants [12]	5,960,620	15,501	5,976,121	20
14 December 2006	Cash increase by exercise of warrants [13]	6,939,375	93,690	7,033,062	53.37
29 January 2007	Cash increase by exercise of warrants [14]	7,033,065	107,430	7,140,495	10
2 May 2007	Cash increase by bonus share issue	7,140,495	7,140,495	14,280,990	1
31 May 2007	Cash increase in connection with IPO	14,280,990	8,690,000	22,970,990	40
1 June 2007	Cash increase [15]	22,970,990	1,303,500	24,274,490	40
24 September 2007	Cash increase in connection with exercise of warrants [16]	24,274,490	132,312	24,406,802	9.50
18 December 2007	Cash increase in connection with exercise of warrants[17]	24,406,802	34,262	24,441,064	9.50

[1] The price is stated in DKK per share of DKK 1 nominal value each

[2] Subscribed by certain employees

[3] Subscribed by new and existing shareholders

[4] Subscribed by new and existing shareholders

[5] Conversion of debt to existing shareholders

[6] Subscribed by new and existing shareholders

[7] Subscribed by new and existing shareholders and certain employees

[8] Subscribed by existing shareholders on the basis of warrants granted in 2001

[9] Subscribed by new and existing shareholders

[10] Subscribed by existing shareholders. Payment was effected on 30 September 2006.

[11] Subscribed by certain employees on the basis of warrants granted in 2002

[12] Subscribed by certain employees on the basis on warrants granted in 2003

[13] Subscribed by existing shareholders on the basis of warrants granted in 2004

[14] Subscribed by certain employees, including members of the Board of Directors and Executive Management on the basis of warrants granted in 2004

[15] Subscribed in connection with exercise of the over-allotment option granted to the Company's financial advisors in connection with the Company's IPO.

[16] Subscribed by employees on the basis of warrants.

[17] Subscribed by employees on the basis of warrants.

Table 27: Outline of book value etc. per Share

DKK	2004	2005	2006	Q1-Q3 2007
Book value per Share*	(26.8)	4.7	4.8	14.8
Cash dividends per Share	0	0	0	0
Income/loss per share	(17.5)	(6.1)	(3.8)	(1.9)

*Based on the nominal share capital by the end of each financial year/period.

Table 28: Ownership structure

		Before the Placement			After the Placement			
Holder's name	Number of shares	Ownership %	Number of warrants	Ownership (%) incl. warrants	Number of shares	Ownership %	Number of warrants	Ownership (%) incl. warrants
Major Shareholders								
Nobelgruppen	2,627,426	10.8	0	10.8	2,627,426	8,6	0	8,6
Lønmodtagernes Dyrtidsfond	2,538,720	10.4	0	10.4	2,538,720	8.3	0	8.3
Teknoinvest VIII KS	2,244,500	9.2	0	9.2	2,244,500	7.3	0	7.3
KS Teknoinvest VII	1,485,088	6.1	0	6.1	1,485,088	4.9	0	4.9
Medicon Valley Capital KB	1,169,994	4.8	0	4.8	1,169,994	3.8	0	3.8
Medicon Valley Capital K/S	1,169,994	4.8	0	4.8	1,169,994	3.8	0	3.8
Bio Fund Ventures I Follow on Fund Ky	1,000,000	4.1	0	4.1	1,000,000	3.3	0	3.3
Bio Fund Ventures I Ky	177,886	0.7	0	0.7	177,886	0.6	0	0.6
Board of Directors								
Thorleif Krarup	0	-	303,503	1.2	0	-	303,503	1.0
Henrik Lawaetz	4,380	0.0	0		4,380	0.3		0.0
Michael Nobel	422	0.0	0	0.0	422	0.0	0	0.0
Steinar J. Engelsen	0	-	0	-	0	-	-	-
Erik Walldén	0	-	0	-	0	-	-	-
Per Wold-Olsen	0	-	0	-	0	-	-	-
Executive Management								
Lars Kongsbak	80,758	3.3	918,840	4.1	80,758	0.3	918,840	3.3
Key employees								
Hans Henrik Chrois Christensen	0	-	459,420	1.4	0	-	459,420	1.1
Michael Kallelis	0	-	153,812	0.6	0	-	153,812	0.5
Søren M. Echwald	7,740	0.0	76,906	0.3	7,740	0.0	76,906	0.3
Henrik Pfundheller	11,578	0.0	76,906	0.4	11,578	0.0	76,906	0.3
Søren Møller	3,844	0.0	76,906	0.3	3,844	0.0	76,906	0.3
Peter Stein Nielsen	25,984	0.1	15,840	0.2	25,984	0.0	15,840	0.1
Mette Flanmose	0	0	76,906	0.3	0	0	76,906	0.2
Other investors [1]	11,892,750	45.7	237,954 [2]	40.3	11,892,750	38.7	237,954 [2]	32.2
Oncotech Shareholders [3]	0	-	0	-	6,161,004	20.1	0	20.1
Total	24,441,064	100.0	2,396,993	100.0	30,602,068	100.0	2,396,993	100.0

[1] Including employees of the Company

[2] Warrants issued to employees of the Company

[3] Assuming that the maximum number of Offer Shares (6,161,004) are issued.

Table 29: Warrants granted and outstanding as at the Prospectus Date

	May 2006	Exercise price, DKK per share of DKK 1	December 2006	Exercise price, DKK per share of DKK 1	May 2007	Exercise price, DKK per share of DKK 1 [1]	January 2008	Exercise price, DKK per share of DKK 1 [1]	Total	Exercise periods [2]
Board of Directors										
Thorleif Krarup	-		-		303,503	See below			303,503	See below
Henrik Lawaetz	-		-		-	See below			-	-
Michael Nobel	-		-		-	See below			-	-
Steinar J. Engelsen	-		-		-	See below			-	-
Erik Walldén	-		-		-	See below			-	-
Board of Directors, total	**-**		**-**		**303,503**				**303,503**	
Executive Management										
Lars Kongsbak	466,342 [3]	9,50	-		452,498	See below			918,840	See below
Executive Management, total	**466,342 [4]**		**-**		**452,498**				**918,840**	
Senior employees										
Hans Henrik Chrois Christensen	-		38,000 [3]	9,50	306,565	See below	114,855	36,20	459,420	See below
Michael Kallelis	153,812 [3]	9,50	-		-	See below			153,812	See below
Søren M. Echwald	76,906 [3]	9,50	-		-	See below			76,906	See below
Henrik Pfundheller	76,906 [3]	9,50	-		-	See below			76,906	See below
Søren Møller	76,906 [3]	9,50	-		-	See below			76,906	See below
Peter Stein Nielsen	8,340 [10]	9,50	7,500	9,50	-	See below			15,840	See below
Mette Flansmose	0		0		-	See below	76,906	36,20	76,906	-
Senior employees, total	**392,870**		**45,500**		**306,565**		**191,761**		**936,696**	
Other employees [11]	130,674	9,50	37,854 [3]	9,50					135,254	See below
Others [4]	149,154	9,50	53,546	9,50					102,700	See below
Total	**1,005,766**		**136,900**		**1,062,566**		**191,761**		**2,396,993**	

[1] Warrants granted in May 2007 may be exercised at DKK 40 plus 5% p.a. from the date of grant to the date of exercise.
Warrants granted in January 2008 may be exercised at DKK 36.4 plus 5% p.a. from the date of grant to the date of exercise

[2] Exercise periods: four-week periods following the announcement of annual and interim financial statements beginning at the release of the H1 2007 interim report.

[3] Fully vested.

[4] Includes outstanding warrants to former employees.

Value and diluting effect of warrants

The total value of outstanding warrants has been determined at DKK 53 million using the Black Scholes option pricing model assuming (1) a share price of DKK 37 per Share, (2) a volatility rate of 50%, (3) no payment of dividends, and (4) a risk free interest rate of 3.8% p.a.

To the extent existing warrants are exercised or additional warrants are issued and exercised, the Shares will be diluted. The diluting effect of warrants, if all warrants are exercised, is shown in table 28.

Shareholders agreements

The Management has no information on the existence of any shareholders' agreement among the Company's shareholders.

The Chairman of the Board of Directors of the Company has received offers from a number of the Company's Major Shareholders about acquiring from them up to about 1% of the Company's total share capital calculated as at the first day of listing of the Shares on the OMX Copenhagen. The purchase option must subsist for a period of up to four weeks after the first profit announcement following the anniversary of the first day of listing. The purchase price is DKK 40 plus 5% p.a.

Treasury shares

Under the Danish Public Companies Act, the shareholders may authorize the Board of Directors to arrange for the Company to acquire treasury shares, however, the aggregate amount of such shares may not exceed 10% of the Company's total share capital. As at the Prospectus Date, the Company holds 5,342 treasury shares with a book value of DKK 0 acquired under the authorization previously applicable, equal to 0.02 % of the Company's share capital.

Memorandum of Association and Articles of Association

Regarding the contents of the Articles of Association and the Memorandum of Association, the following should be highlighted:

The Company is a public limited company. The Company was incorporated with limited liability under Danish law on 1 November 1995 and began operations in early 1996 under the name still used by the Company and registered with the Danish Commerce and Companies Agency.

Set forth below is a brief description of the Company and certain provisions included in the Articles of Association (see Appendix 1) in addition to a brief description of certain provisions in the Danish Public Companies Act. The description is not exhaustive and is in all respects subject to the Company's Articles of Association and Danish law.

Objects

The objects of the Company are to carry out research, development, production and trade, see Article 2 of the Articles of Association.

Provisions concerning members of the Board of Directors and Executive Management

Under Article 10 of the Articles of Association, the number of members of the Board of Directors elected by the shareholders shall be not less than five and not more than seven members. Board members are elected by the shareholders by simple majority in general meetings for terms of one year and are eligible for re-election. The present Board of Directors has five members elected by the shareholders. Board members must resign at the first annual general meeting following their 70th birthday.

The Board of Directors elects its own Chairman and Vice Chairman, see Article 10 of the Articles of Association. The Board of Directors lays down its own rules of procedure governing the performance of its duties.

The Company shall be bound by the joint signatures of three members of the Board of Directors or the joint signatures of the Chairman of the Board of Directors and the chief executive officer, see Article 13 of the Articles of Association.

Under Article 12 of the Articles of Association, the Board of Directors appoints an Executive Management consisting of one to three members to be in charge of the day-to-day management of the Company.

Authorizations

In the period until 30 September 2008, the Company's Board of Directors is authorized through one or more issues to increase the Company's share capital by up to 6,161,004 Shares with a nominal value of DKK 1 each, see section 37 of the Danish Public Companies Act. The capital increase may be carried out by non-cash contribution without pre-emption rights to the Company's existing shareholders and generally on the terms determined by the Board of Directors in each case, see Article 3b of the Articles of Association.

In the period until 2 May 2012, the Company's Board of Directors is authorized through one or more issues to issue warrants in accordance with section 40b of the Danish Public Companies Act to members of the Company's Board of Directors, Executive Management, employees as well as employees in the Company's subsidiaries and external consultants and advisers entitling the holders to subscribe for an amount of Shares in the Company of up to 4,500,000 Shares with a nominal value of DKK 1 each without pre-emption rights for the Company's existing shareholders at a price to be determined by the Board of Directors. However, the total number of warrants issued in accordance with this provision as well as Article 3a may not exceed 12% of the Company's nominal share capital. The Board of Directors is also authorized to effect the capital increase related thereto and to determine the terms of the distribution and issue as well as the subscription period during which the warrants may be exercised, see Article 3c of the Articles of Association.

The Board of Directors exercised part of this authorization on 11 May 2007 to issue 1,062,566 warrants in total to the Chairman of the Company, the CEO and the CFO, and on

31 January 2008 to issue 191,761 warrants in total to two key employees (including the CFO) which implies that authorizations to issue warrants exist in respect of 3,245,673 warrants.

The new Shares which are issued in accordance with the above authorizations shall be negotiable instruments made out in the name of the holder. There shall be no restrictions in the transferability of the Shares, and no shareholder shall be under an obligation to have Shares redeemed in part or in whole. The Shares shall carry the same rights as the existing Shares. The Shares shall entitle the holder to dividend and other rights in the Company as from the time of registration of the capital increase with the Danish Commerce and Companies Agency, see Article 3d of the Articles of Association.

Amendments to the Company's Articles of Association and rights attaching to the Shares
The Company's shareholders in general meeting are entitled to adopt resolutions only in respect of proposals included on the agenda of the meeting, see Article 8 of the Articles of Association.

The issues considered at the general meeting shall be decided by a simple majority of votes unless the Danish Public Companies Act or the Articles of Association stipulate any special rules on representation and majority, see Article 8 of the Articles of Association. The Danish Public Companies Act provides for amendments to the Articles of Association, including changes to the rights attaching to the shares, to be carried by a majority of at least two thirds and in certain cases a majority of nine tenths.

Notice convening a general meeting
The general meeting of shareholders is the supreme authority in all matters of the Company, subject to the restrictions provided by Danish legislation and the Company's Articles of Association. The annual general meeting shall be held at the registered office of the Company or in the Capital Region of Denmark before the end of April each year, see Article 5 of the Articles of Association.

At the annual general meeting, the Company's audited annual report is submitted for adoption together with proposals for the distribution of profit/covering of loss, and for the election of members to the Board of Directors and appointment of auditors. In addition, the Board of Directors presents a report on the Company's operations in the past year, see Article 6 of the Articles of Association.

General meetings shall be convened by the Board of Directors giving not less than eight days' and not more than four weeks' notice by advertisement in at least one national Danish daily newspaper and through the OMX Copenhagen. A notice convening the general meeting is also sent to registered shareholders who have their e-mail addresses registered in the Company's register of shareholders and who have requested to receive such notice, see Article 5 of the Articles of Association.

All shareholders shall be entitled to attend general meetings in person or by proxy and to take the floor provided that they have notified the Company of their attendance and have obtained an admission card not less than five days before the general meeting. Admission cards will be issued to all shareholders recorded in the Company's register of shareholders or against presentation of a custody account statement from VP Securities Services or a custodian bank which statement shall not be more than five days old and, if so required by the Company, a written statement from the shareholder that the Shares have not been and will not be transferred to any third party before the general meeting, see Article 8 of the Articles of Association.

Shareholders are entitled to be represented at general meetings by a proxy who shall present a written and dated power of attorney. Powers of attorney are valid for a maximum of 12 months at a time, see Article 8 of the Articles of Association.

Any shareholder is entitled to have a specific issue considered at the annual general meeting if such shareholder makes a written request to this effect to the Board of Directors not later than one week after the Company's release of its full-year profit announcement in the relevant year, see Article 5 of the Articles of Association.

Each share of DKK 1 shall carry one vote at general meetings, see Article 8 of the Articles of Association.

Extraordinary general meetings shall be held at the request of the shareholders in general meeting, the Board of Directors, the Company's auditors or shareholders holding not less than one-tenth of the registered share capital, see Article 5 of the Articles of Association.

Issues which may lead to postponement of control
Shareholders who have acquired Shares by transfer may not exercise their voting rights on such Shares, unless the Shares have been recorded in the Company's register of shareholders, or the shareholder has applied to the Company for registration and substantiated his acquisition prior to the notice convening the general meeting, see Article 8 of the Articles of Association. Other than the provision just described there are no provisions in the Company's Articles of Association that would prevent or delay a change of control.

Rights and restrictions in relation to existing shares
No Shares shall confer any special rights, and the transferability of the Shares is not subject to any restrictions. No shareholder is required to have his Shares in the Company redeemed in whole or in part by the Company or any

third party, save as provided by the Danish Public Companies Act, see Article 4 of the Articles of Association.

Description of certain differences between California and Danish corporate laws

Election and Removal of Board of Directors
Under California law, directors must generally be elected annually. Any director or the entire board of directors may be removed, with or without cause, with the approval of a majority of the outstanding shares entitled to vote; however, no individual director may be removed (unless the entire board is removed) if the number of votes cast against such removal would be sufficient to elect the director under cumulative voting.

Under Danish law, directors are elected for the period determined in company's articles of association, provide, however, that an election period must expire no later than at the annual shareholders' meeting to be held no later than four years after the time of the election. A director may at any time be removed by the person or persons having appointed the director at a general meeting. Any director elected at a shareholders' meeting may, unless the company's articles of association states otherwise, be removed by a simple majority of the votes present at a shareholders' meeting.

According to Exiqon's Articles of Association its board of directors is elected by the shareholders by simple majority at shareholders' meetings for terms of one year and are eligible for re-election, however, directors must resign at the first annual shareholders' meeting following their 70th birthday.

Filling Vacancies on the Board of Directors
Under California law, any vacancy on the board of directors other than one created by removal of a director, may be filled by the board. If the number of directors is less than a quorum, a vacancy may be filled by the unanimous written consent of the directors then in office, by the affirmative vote of a majority of the directors at a meeting held pursuant to notice or waivers of notice or by a sole remaining director. A vacancy created by removal of a director may be filled by the board only if so authorized by a company's articles of incorporation or by a by-law approved by the company's shareholders.

Under Danish law, in case of vacancy the board of directors is obliged to arrange for the board to be supplemented for the remaining election period, if alternates are not already elected. The board of directors is however entitled to postpone the election of such new director to the next coming annual shareholders' meeting where new directors are elected.

According to Exiqon's Articles of Association its board of directors is elected by the shareholders at shareholders' meetings and as per the Prospectus Date no alternate directors have been elected.

Interested Director Transactions
Under California law, certain contracts or transactions in which one or more of a company's directors has an interest are not void or voidable because of such interest provided that certain conditions, such as obtaining the required approval and fulfilling the requirements of good faith and full disclosure, are met. Under California law, either (i) the shareholders or the Board of Directors must approve any such contract or transaction after full disclosure of the material facts, and, in the case of Board approval, the contract or transaction must also be "just and reasonable" to the company, or (ii) the person asserting the validity of the contract or transaction can prove that such contractor agreement was just and reasonable or fair as to the company at the time it was approved. In the latter case, California law explicitly places the burden of proof on the interested director. Under California law, to shift the burden of proof on the validity of the contract by shareholder approval, the interested director would not be entitled to vote his or her shares at a shareholder meeting with respect to any action regarding such contract or transaction. To shift the burden of proof on the validity of the contract by board approval, the contract or transaction must be approved by a majority vote of a quorum of the directors, without counting the vote of any interested directors (except that interested directors may be counted for purposes of establishing a quorum).

Under Danish law, a director may not take part in board deliberations and resolutions in which said director has a material interest which may be contrary to the interests of the company.

Indemnification
Indemnification by a company, of its officers, directors, employees and other agents is permitted by California law, provided the requisite standard of conduct is met. California law requires indemnification when the individual has successfully defended the action on the merits. California law permits companies to adopt provision in their charters and bylaws eliminating the liability of a director to the company or its shareholders for monetary damages for breach of the director's fiduciary duty of care.

California law does not permit the elimination of monetary liability where such liability is based on: (i) acts or omissions that involve intentional misconduct or a knowing and culpable violation of law, (ii) acts or omissions that a director believes to be contrary to the best interests of the company or its shareholders or that involve the absence of good faith on the part of the director, (iii) any transaction from which a director derived on improper personal bene-

fit, (iv) acts or omissions that show a reckless disregard for the director's duty to the company or its shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing a director's duties, of a risk of serious injury to the company or its shareholders, (v) acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the company or its shareholders, (vi) interested transactions between the company and a director in which a director has a material financial interest, and (vii) liability for improper distributions, loans or guarantees.

California law generally permits indemnification of expenses, actually and reasonably incurred in the defense or settlement of a derivative or third-party action, provided there is a determination by (a) majority vote of a quorum of disinterested directors, (b) independent legal counsel in a written opinion if such a quorum of directors is not obtainable, (c) shareholders, with the shares owned by the person to be indemnified, if any, not being entitled to vote thereon, or (d) the court in which the proceeding is or was pending upon application made by the company, agent or other person rendering services in connection with the defense, whether or not the application by such person is opposed by the company, that the person seeking indemnification has satisfied the applicable standard of conduct.

With respect to derivative actions, however, no indemnification may be provided under California law for amounts paid in settling or otherwise disposing of a pending action or expenses incurred in defending a pending action that is settled or otherwise disposed of, or with respect to the defense of any person adjudged to be liable to the company in the performance of his or her duty to the company and its shareholders without court approval. In addition, California law requires indemnification only when the individual being indemnified was successful on the merits in defending any action, claim, issue or matter,

Expenses incurred by an officer or director in defending an action may be paid in advance under California law if such director or officer undertakes to repay such amounts if it is ultimately determined that he or she is not entitled to indemnification. In addition, California law authorizes a company's purchase of indemnity insurance for the benefit of its officers, directors, employees and agents whether or not the company would have the power to indemnify against the liability covered by the policy. California law permits a California company to provide rights to indemnification beyond those provided therein to the extent such additional indemnification is authorized in the company's Articles of Incorporation. Thus, if so authorized, rights to indemnification may be provided pursuant to agreements or bylaw provisions which make mandatory the permissive indemnification provided by California law.

SEC Position on Indemnification
Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the Company has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

Under Danish law, founders, board members and managers may be held liable for damages caused intentionally or negligently to the company, its shareholders, creditors and third parties. The Danish Companies Act does not contain specific provisions on indemnification of board members and directors and it is not customary that a company's articles of association contain any provision on indemnification of such persons. Danish law authorizes a company's purchase of insurance for the benefit of its board of directors.

Inspection of Shareholders' List and Books and Records
California law allows any shareholder to inspect the shareholder list, the accounting books and records, and the minutes of board and shareholder proceedings for a purpose reasonably related to such person's interest as a shareholder. In addition, California law provides for an absolute right to inspect and copy the company's shareholder list by persons who hold an aggregate of five percent or more of a company's voting shares or who hold one percent or more of such shares and have filed a Schedule l4A with the Securities and Exchange Commission.

Under Danish law, shareholders on public limited companies are only entitled to inspect the shareholders list (in Danish "aktiebogen") if the shareholders are given such right in the company's articles of association. However, generally any public authority, the board of directors and staff representatives are entitled to inspect the shareholders list at the company's office.

Further under Danish law, public limited companies are generally obliged to keep a record of shareholders who hold 5% or more of the aggregate votes or of the share capital of the company. Any public authority, shareholder and director and staff representatives, are entitled to inspect this record of major shareholders at the company's office, and anyone are entitled to request in writing a copy of this record by payment of a fee (covering copying and postage), if so requested by the company. Generally under Danish law, the shareholders are not entitled to inspect a company's books and records. However, at a shareholders' meeting a shareholder may in certain circumstances propose an extraordinary inspection of the company's incorporation, certain parts of the company's business or of certain accounts as specified in the proposal. The inspection shall be conducted by one or more inspectors elected by the shareholders' meeting. Such proposal and election

of inspector(s) may be adopted by simple majority of the votes present at the shareholders' meeting and in certain instances where such majority is not met a shareholder may ask the relevant bankruptcy court to appoint one or more inspectors. The inspector(s) shall report in writing to the shareholders' meeting and its report shall be made available for the shareholders at the company's office.

Exiqon's Articles of Association provides no right for the shareholders to inspect the company's shareholders list.

Shareholder Derivative Suits
Under California law, generally a party may bring a derivative action on behalf of the company if the party was a shareholder of the company at the time of the transaction in question or if the party's ownership of shares arose by operation of law from a shareholder who owned shares of the company at that time. A party that does not satisfy these requirements may still bring suit if the party can demonstrate, among other things, that the suit includes sufficiently strong claims and that no similar actions are pending or likely. A plaintiff shareholder must allege an exhaustion of all practical means to force the company to act through a demand on the directors to take action unless the demand would have been futile. California law permits the company or the defendant in a derivative suit to seek an order from the court requiring the plaintiff shareholder to furnish security for the Company's or the defendant's reasonable litigation expenses and attorneys' fees if there is no reasonable possibility that the suit will benefit the company or its shareholders, or if the moving party, when that party is not the company, did not participate in the transaction that is the subject of the suit.

Generally under Danish law, a party cannot bring derivative actions on behalf of a public limited company, provided, however, that one or more shareholders representing at least 10% of the company's share capital may under certain circumstances commence legal proceedings against directors or managers or certain other persons on behalf of the company.

Class Actions
Under California law, a class action must include two basic elements: (i) an ascertainable class; and (ii) a well-defined "community of interest" in the questions of law and fact that are at issue. The question of whether a class is ascertainable is determined by examining the definition of the class, its size and the available methods for identifying class members. A sufficient community of interest in questions of law and fact depends on whether the common questions of law or fact predominate, class representatives' claims and defenses are typical of the class, and class representatives adequately represent the class. If the class action satisfies these elements, it may be prosecuted on different grounds including when separate actions would be prejudicial to the parties. The requisite prejudice arises when separate lawsuits subject the party opposing the class to the risk of incompatible outcomes or separate lawsuits would impair the interests of other class members. Under California law, additional grounds for class actions arise where the relief sought can be tailored to address conduct by a defendant that impacts a class of persons, or where common questions predominate over questions affecting individual class members and a class action is the superior method to adjudicate the dispute. Under Danish law, from 1 January 2008 class actions can be brought before the Danish courts. A class action must include four basic elements: (i) a group of similar claims, (ii) class action is perceived as the best way to process the claims, (iii) identification and notification of the members of the class can be made by appropriate means, and (iv) a legal representative of the group can be appointed. Generally if the class action satisfies these four elements, it may be prosecuted without any (further) grounds.

Dividends and Repurchase of Shares
Under California law, a company may not make any distribution (including dividends, whether in cash or other property, and including repurchases of its shares) unless either (1) the company's retained earnings immediately prior to the proposed distribution equal or exceed the amount of the proposed distribution or, (2) immediately after giving effect to such distribution, the company's assets (exclusive of goodwill, capitalized research and development expenses and deferred charges) would be at least equal to 1 1/4 times its liabilities (not including deferred taxes, deferred income and other deferred credits), and the company's current assets, as defined, would be at least equal to its current liabilities (or 1 1/4 times its current liabilities if the average pre-tax and pre-interest earnings for the preceding two fiscal years were less than the average interest expenses for such years). Such tests are applied to Californian companies on a consolidated basis. Under California law, there are certain exceptions to the foregoing rules for repurchases of shares in connection with certain rescission actions and certain repurchases pursuant to employee stock plans.

Under Danish law, distributions of the company's funds may be made by (i) dividend payment on the basis of the company's most recent annual report (ii) interim dividend, (iii) distributions in connection a share capital decrease or (iv) distributions in connection with the company's liquidation. Dividend distributions on the basis of the company's most recent annual accounts are resolved by the shareholders at the annual shareholders' meeting and may not exceed the amount suggested or approved by the board of directors. The shareholders may authorize the board of directors to make interim dividend payments. Dividend payments may generally not exceed what (i) is sound taking in consideration the company's and in parent companies the group's financial position, and (ii) the aggregate retained earnings and reserves after reduction of retained losses

all as recorded in the company's latest annual report. In relation to interim dividends, also earnings of the current accounting year, if not already distributed, used or tied-up, and free reserves materialized in the relevant current accounting year may also be distributed.

A company may only repurchase its shares if it has been authorized to do so by the shareholders' meeting, and the company may then generally only acquire up to 10% of the company's share capital. Under Danish law, there are certain exceptions to the foregoing rules for repurchases of shares in connection with inter alia certain rescission actions and certain repurchases pursuant to a statutory redemption of shares.

Cumulative Voting for Directors
Under California law, if any shareholder has given notice of an intention to cumulate votes for the election of directors, all shareholders may cumulate their votes. Cumulative voting means that each shareholder has that number of votes equal to the number of shares held multiplied by the number of directors to be elected. A shareholder may give all such votes to one candidate or distribute such shareholder votes among the candidates as the shareholder chooses. In the absence of cumulative voting, the holders of the majority of the shares present or represented at a meeting at which directors are to be elected would have the power to elect all the directors to be elected at such meeting, and no person could be elected without the support of the holders of the majority of shares present or represented at such meeting.

Danish law does not provide shareholders in public limited companies with the right of cumulative voting, and, therefore, the holders of the majority of the votes present or represented at a meeting at which directors are to be elected have the power to elect all the directors to be elected at such meeting, and no person can be elected without the support of the holders of the majority of votes present or represented at such meeting.

Power to Call Special Shareholders' Meetings
Under California law, a special meeting of shareholders may be called by the board of directors, the chairman of the board, the president, or one or more shareholders holding shares entitled to cast not less than 10% of the votes at such meeting.

Under Danish law, an extraordinary shareholders' meeting of a company shall be convened when its board of directors or its company's accountant find it expedient or if requested by shareholders representing at least 10 % of the company's share capital or such lower percentage as provided for in the company's articles of association.

According to Exicon's Articles of Association only shareholders representing at least 10% of Exiqon's share capital may request the board of directors to convene an extraordinary shareholders' meeting.

Action without a Meeting
Under California law, any action that may be taken at an annual or special meeting of shareholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, is signed by holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote on that action were present and voted.

Danish law does not provide for similar opportunities for a listed company of taking actions without a meeting or without prior notice of a meeting regarding such issues that need to be taken at a shareholders' meeting.

Shareholder Approval of Mergers
California law generally requires that a majority of the shareholders of both acquiring and target companies approve statutory mergers. California law contains an exception to its voting requirements for reorganizations where shareholders or the company itself, or both, immediately prior to reorganization and immediately after the reorganization will own equity securities constituting more than 83.3% (or five-sixths) of the voting power of the surviving or acquiring company or parent entity. With certain exceptions, California law requires a majority vote of each class of shares outstanding to approve mergers, reorganizations, certain sales of assets and similar transactions.

Under Danish law, mergers of public limited companies shall be approved at a shareholders' meeting of the discontinuing company by 2/3 of the votes and capital present at the meeting and by the board of directors of the continuing company. Both the discontinuing and continuing company's articles of association may dictate higher approval criteria. In case of mergers where the continuing company immediately prior to the merger holds 90 % or more of the outstanding share capital of the discontinuing company the board of directors of both the discontinuing and continuing company are entitled to complete the merger without the need for shareholder approval.

Exiqon's Articles of Association do not contain any special conditions regarding approval of mergers.

Corporate Governance
Under California law, subject to a company's articles of incorporation or certain provisions of the California Corporation Code relating to action required to be approved by the shareholders of a company, generally the business and affairs of a company are managed and all corporate powers are exercised by or under the direction of the board of directors. The California Corporations Code requires certain corporate actions be approved by a company's

shareholders in accordance with its articles of incorporation and applicable laws, including without limitation, reorganizations, sales of substantially all of the assets of the company, amendments to the company's articles of incorporation and corporate dissolution. The board of directors may delegate the day to day management of the company to officers such as a president, treasurer and secretary.

A California company may adopt by-laws which may include provisions relating to the board of directors and shareholder meetings, notice requirements for meetings, appointment of committees, among other provisions.

Oncotech's By-laws generally follow California law regarding corporate management, board and shareholder meetings and notice requirements for meetings.

Under Danish law a public limited company shall be managed by a board of directors and by a management board. Generally, the board of directors is responsible for the overall management of the company's business and affairs while the day to day management of the company is vested with the management board. Danish law requires certain corporate actions be approved by the company's shareholders at shareholders' meetings, including without limitation, amendments of the company's articles of association, changes of the company's share capital and dissolution of the company.

Under Danish law, a public limited company must have a set of articles of association which include certain statutory information and regulation, including with out limitation, name, object of the company, size of the share capital, negotiability of the company's shares, provisions on the company's board of directors and notice requirements in respect of convening shareholders' meetings.

Exiqon's Articles of Association state that the overall management of the company is conducted by the Board of Directors while the day to day management is conducted by the Executive Management and sets forth provisions on, inter alia, authorization to the board of directors, notice requirements for meetings. Exiqon is generally bound by the joint signatures of three directors or the joint signatures of the chairman of the board of directors and a member of the Executive Management.

Quorum
Under California law, subject to a company's Articles of Incorporation, a majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of the shareholders, but in no event shall a quorum consist of less than one-third of the shares entitled to vote.

The Amended Articles of Incorporation of Oncotech are silent regarding a quorum.

Except for certain resolutions requiring unanimous approval of all shareholders, the Danish Public Companies Act does not include provisions on quorum requirements for shareholders' meetings. Specific quorum requirements may be stipulated in a company's articles of association.

Exiqon's Articles of Association are silent regarding a quorum.

Collaborative and licence agreements

Exiqon has acquired the rights to a number of patents and patent applications from the Danish and Japanese inventors covering parts of the LNA technology. Entering into licence and collaborative agreements is an integral part of Exiqon's business and strategy. Exiqon has obtained licenses to rights for technologies in three fields in particular. Through both Garching Innovation GmbH and The Rockefeller University, Exiqon has in-licensed the right to exploit miRNA sequences invented by Dr. Tomas Tüschl for research and diagnostic use. In addition, Exiqon has a licence agreement with Roche Diagnostics GmbH on the use of DIG Labelling together with LNA. Furthermore, Exiqon has signed a supplier agreement with MICROARRAYS, Inc. regarding the manufacture and sale of micro arrays. Exiqon currently has patent control of the LNA technology, which is the basis for the Company's product portfolio and product pipeline.

In 2000, Exiqon spun out the therapeutic rights to the LNA technology and in that connection founded the company Cureon A/S which, through a merger with Pantheco A/S, has become Santaris Pharma A/S. Exiqon has granted Santaris Pharma A/S an exclusive licence to exploit the LNA technology in the therapeutic area. Furthermore, Exiqon has granted limited licenses to GenProbe, Inc., AdvanDx, Inc. and Luminex Corporation for exploitation of the LNA technology in the diagnostic and research fields.

In order to ensure early access to new miRNA biomarker discoveries, Exiqon also participates in a number of scientific collaborations, including inter alia partnerships in the EU FP6 SCIROCCO research programme and the Danish innovation consortium's research programme.

Listed below are the agreements, including licence and collaborative agreements, etc., which are considered material to the Exiqon's business as of the Prospectus Date:

Purchase agreements, etc.
Purchase agreement with Professor Jesper Wengel and dr. Poul Nielsen, M.Sc., with a related licence agreement with RiboTask ApS
Exiqon signed an agreement with Professor Wengel and dr. Nielsen in 1997 to buy the intellectual property rights to an invention covering part of the LNA technology specified in the agreement (the Danish part of the LNA technology) for a lump-sum consideration and royalties on revenues from

sales of products covered by the agreement. The parties signed a new agreement in 2006 under which Professor Wengel and dr. Nielsen waived all claims for additional consideration for Exiqon's acquisition of the intellectual property rights to the Danish part of the LNA technology in exchange for a further lump-sum consideration and against the grant of a licence to RiboTask ApS. RiboTask ApS is indirectly controlled by Professor Wengel. The agreements between Exiqon and Professor Wengel and dr. Nielsen are subject to the laws of Denmark.

Purchase agreement with Professor, Dr. Takeshi Imanishi
In 2000, Exiqon signed a licence agreement with Chugai Pharmaceutical Co. Ltd. and Professor, Dr. Takeshi Imanishi, under which Exiqon obtained the right to exploit certain rights regarding parts of the LNA technology invented inter alia by Professor Imanishi (the Japanese part of the LNA technology). Chugai Pharmaceutical Co. Ltd. later assigned all its rights under the agreement to Professor Imanishi.

In 2006, Exiqon and Santaris Pharma A/S signed an agreement with Professor Imanishi under which Exiqon and Santaris Pharma A/S have jointly acquired all rights comprised by the licence agreement signed in 2000 for consideration by way of a lump-sum payment, a further payment when a patent is issued in Europe and the granting of a limited territorially restricted licence to Gene Design, Inc., a company assisted by Professor Imanishi, under which Gene Design, Inc. is granted the right to exploit parts of the LNA technology in question within the research area. The agreement signed in 2000 with Chugai Pharmaceuticals lapsed when the agreement with Professor Imanishi was signed in 2006. The agreement is subject to the laws of the United Kingdom.

Assignment and licence agreement with Santaris Pharma A/S (the Danish part of the LNA technology)
The agreement regulates the exploitation by the parties of a number of patents originating from the above -mentioned Danish inventors of the LNA technology and of certain subsequent application patents. Under the agreement, Santaris Pharma A/S has been granted an exclusive licence without territorial restrictions to exploit certain of these patents in the therapeutic field. The parties will each pay half the maintenance fees for these patents. Under the agreement, a number of patent rights have been assigned to Exiqon without royalty commitments. Under the agreement, certain other patents were also assigned to Santaris Pharma A/S, as Exiqon was concurrently granted a licence to exploit these rights outside the therapeutic area. Santaris Pharma A/S paid a lump-sum consideration to Exiqon for the assignment of the patents covered by the agreement and for the granting of a licence, and Exiqon therefore has no further claims for compensation from Santaris Pharma A/S under the agreement. The agreement is interminable during the life of the patents covered by the agreement. The agreement is subject to the laws of Denmark.

Co-ownership agreement with Santaris Pharma A/S (the Japanese part of the LNA technology)
The agreement concerns the co-ownership by the parties to a number of patents and patent applications for parts of the LNA technology which the parties acquired jointly from Professor, Dr. Takeshi Imanishi. Exiqon has issued an exclusive licence without any territorial restrictions to Santaris Pharma A/S covering exploitation of the rights covered by the agreement in the therapeutic field. Exiqon holds exclusive rights to exploit the rights within all other fields. The parties will each pay half the future patent costs. The agreement is interminable by either party during the life of the patents. Exiqon is entitled to assign the agreement in the event of a transfer of all material parts of Exiqon's assets. The agreement is subject to the laws of Denmark.

Out-licensing agreements

License agreement with Applied Biosystems
In 2007, Exiqon granted a non-exclusive license to Applied Biosystems (NYSE:ABI) an Applera Corporation business to use Exiqon's proprietary Locked Nucleic Acids (LNA™) in siRNA. ABI must pay royalty to Exiqon under the agreement on the sales of products covered by the agreement and payment is subject to a minimum royalty per year to be paid by ABI to Exiqon. ABI must report sales of products sold under the agreement to Exiqon on a quarterly basis. ABI may terminate the agreement at its discretion subject only to a short notice, however, Exiqon is only entitled to terminate the agreement in the absence of certain minimum royalty payments and in case of a breach of agreement by ABI. The agreement runs until the last to expire patent covered by the agreement. The agreement is subject to the United States and the Commonwealth of Massachusetts.

In-licensing agreements

Licence agreement with Roche Diagnostics GmbH
In 2005, Exiqon in-licensed from Roche Diagnostics GmbH, Germany, the rights under a number of Roche's patents to manufacture and sell on a non-exclusive basis without any territorial restrictions certain LNA products containing Roche's DIG Labelling System for research use. Exiqon must pay royalties to the licensor on revenues from sales of products covered by the agreement, subject to a small minimum royalty per year to be paid by Exiqon to the licensor. Exiqon must report sales of products under the agreement to Roche every year. The agreement runs until expiry of the last patent covered by the agreement, and the agreement is interminable by either party until then. However, Exiqon is entitled to terminate the agreement if Exiqon has not reached sales corresponding to the agreed

minimum royalty in two consecutive years. Exiqon may not assign the agreement, including as part of a transfer of all Exiqon's material assets. The agreement is subject to the laws of Germany.

Licence agreements with Max-Planck-Innovation GmbH
In 2006, Exiqon in-licensed from Garching Innovation GmbH, Germany (after a re-naming now called Max-Planck-Innovation GmbH) on a non-exclusive basis and without territorial restrictions the right, in connection with its LNA technology, to exploit a number of miRNA sequences discovered by Dr. Thomas Tuschl whilst he was with the Max-Planck-Institute for Biophysical Chemistry in Goettingen, an institute of the Max-Planck-Gesellschaft zur Foerderung der Wissenschaften e.V. (MPG), a German non-profit scientific research organization. This agreement covers the manufacture and sale of products for research use and the provision of certain related services. Under a separate agreement, Exiqon concurrently obtained a four-party, co-exclusive licence without territorial restrictions and with limited rights to grant sub-licenses to third parties, to exploit the miRNA sequences in question to manufacture and sell products for diagnostic use, and to provide certain related services. MPG has filed patent applications for the respective miRNA sequences, and has authorized Max-Planck-Innovation, its technology transfer agency, to grant the aforementioned licenses. Under the terms of both agreements, Exiqon must pay annual maintenance fees, royalties on revenues from sales of products and the provision of services under the agreements, and on revenues from the grant of sub-licenses. In addition, under the diagnostic licence, Exiqon has to pay a certain part of the patenting costs. When commercial sales of products or services under the agreements have been initiated, Exiqon must report to Max-Planck-Innovation semi-annually on Exiqon's sales of the products and services in question. In addition, Exiqon has to provide to Max-Planck-Innovation certain other information relating to the progress to develop and commercialize products and services under the agreements. The agreements expire on the date of expiration or abandonment of all issued patents and filed patent applications within the respectively licensed patent rights, unless they are earlier terminated in accordance with the provisions of the agreements. The agreements are terminable by Max-Planck-Innovation only for cause, and Exiqon is, in addition, also entitled to terminate the agreements without cause at sixty or ninety days' notice respectively. Exiqon may solely assign the agreements in connection with the merger, consolidation, or sale of all or substantially all of its assets or that portion of its business to which the agreements relate. The agreements are subject to the laws of Germany.

Licence agreements with The Rockefeller University
In 2006, Exiqon in-licensed on a non-exclusive basis and without territorial restrictions the right to exploit a number of miRNA sequences described by Dr. Thomas Tüschl of the Rockefeller University, USA. The licence under this agreement covers the manufacture and sale of research products. Under a separate agreement, Exiqon concurrently obtained a co-exclusive licence without territorial restrictions to exploit the miRNA sequences in question to manufacture and sell products for diagnostic use. The licensor has filed patent applications for the affected miRNA sequences. Exiqon must pay royalties on revenues from sales of products covered by the agreements and a certain part of the patenting costs. Under both agreements, Exiqon must pay a small minimum royalty per year. Exiqon must submit semiannual status reports to the licensor. The agreements expire on expiry of the last patent covered by the respective agreements or ten years after the first sale of a product manufactured under one of the agreements, in case no patents should be issued under the patent applications subject to the agreements. The agreements can only be terminated by the licensor in the event of breach of contract, but Exiqon is entitled to terminate the agreements at sixty days' notice. Exiqon may not assign the agreements without the licensor's consent. The agreements are subject to the laws of the state of New York, USA.

License agreement with Rosetta Inpharmatics LLC
In 2007, Exiqon in-licensed under an exclusive license a microRNA quantitative real-time PCR technology from Rosetta Inpharmatics LLC, a wholly owned subsidiary of Merck & Co., Inc. (NYSE: MRK) that provides Exiqon with a product portfolio for quantitative analysis of miRNA. Exiqon must pay royalties to the licensor on revenues from sales of products covered by the agreement, subject to a small minimum royalty per year to be paid by Exiqon to the licensor. Exiqon must report sales of products under the agreement to Rosetta every year. The agreement runs until the earlier of eighteen (18) years of the effective date of the agreement or last patent covered by the agreement. Rosetta cannot terminate the agreement except for bankruptcy or breach, however, Exiqon is entitled to terminate the agreement with a short notice for any reason. The agreement is subject to the laws of the State of New York.

License agreement with Applied Biosystems
In 2007, Exiqon in-licensed from Applera Corporation on a non-exclusive basis, rights under parts of Roche's and Applera's PCR patent portfolio providing Exiqon with the opportunity to market a new product line and other products for quantitative analysis of miRNA using real-time qPCR technology. Exiqon must pay royalties to the licensor on revenues from sales of products covered by the agreement. Exiqon must report sales of products under the agreement to licensor on a quarterly basis. The agreement may only be terminated by licensor in case of breach, bankruptcy and change of ownership. The agreement is subject to the law of the state of California.

Supplier and distribution agreements, etc.

Distribution agreement with Roche Diagnostics GmbH
In 2005, Exiqon signed an agreement with Roche Diagnostics GmbH covering the distribution of Exiqon's Universal ProbeLibraryTM products. Exiqon manufactures the products and is responsible for continuing product development and expansion of the product range. Roche Diagnostics GmbH exclusively handles the marketing and sale of the products worldwide. Under the agreement, Exiqon must invoice Roche Diagnostics GmbH a certain part of the estimated average sales price (transfer pricing), however, subject to fixed minimum payments. Moreover, Roche Diagnostics GmbH must take a certain quantity of products before 2009. If the agreed quantity is not reached, Roche Diagnostics GmbH will lose its exclusive rights, unless Exiqon is compensated for the shortfall of sales. The agreement contains detailed provisions on prerequisites and consequences to Exiqon, if the Company is unable to supply the agreed number of products. Exiqon guarantees the quality of its deliveries and that the quality of the products is duly tested. Exiqon must provide reasonable product guidance to Roche Diagnostics GmbH. Any new discoveries or inventions made jointly by the parties during the term of the agreement will belong jointly to the parties. The parties must mutually indemnify each other if a party suffers a loss as a result of the other party's actions; however, this does not apply to indirect losses. The agreement runs until 31 December 2009, although Roche Diagnostics GmbH is entitled to terminate the agreement at six months' notice if Roche Diagnostics GmbH pulls out of the market. If Roche Diagnostics GmbH does not reach the agreed minimum sales during a period of two consecutive years and does not pay the difference amounts, Exiqon is furthermore entitled to terminate the agreement at ninety days' notice. The agreement may not be assigned, except that Roche Diagnostics GmbH may assign the agreement to an affiliated company and that Exiqon may assign the agreement as part of a transfer of all the Company's activities. If Exiqon assigns the agreement to a third party, Roche Diagnostics GmbH is entitled to convert the agreement into a licence agreement with access to certain Exiqon source codes. The agreement is subject to the laws of Germany.

Development and commercialization agreement with Luminex Corporation
In 2006, Exiqon signed a development and commercialization agreement with Luminex, USA, covering the production and sale of miRNA analysis products for Luminex' bead-based platform within research and diagnostics. Under the agreement, the products will be developed and produced by Exiqon and marketed and sold by Luminex within the diagnostic and research areas. The first products under this agreement were marketed in late 2006. The products covered by the agreement are developed by Exiqon according to product specifications and criteria laid down by the parties. As from 1 January 2007, Luminex has a minimum purchase commitment specified in the agreement. The agreement runs for five years from the first commercial sale, which took place in late 2006. The agreement is subject to the laws of the state of Massachusetts, USA.

Supplier agreement with MICROARRAYS, Inc.
Exiqon has signed an agreement with Microarrays, Inc. for the manufacture and delivery of LNA-microarrays. Microarrays, Inc. manufactures and sells the products covered by the agreement under a licence granted by Oxford Gene Technology. Exiqon holds the right to sell the microarrays covered by the agreement for research use by end users. The products must be produced and supplied in accordance with specifications laid down in the agreement by the parties. The parties must regularly discuss the potential of further developing and improving the products covered by the agreement. Exiqon may assign the agreement in connection with a transfer of all the Company's material assets. The agreement is subject to the laws of the state of Tennessee, USA.

Collaborative agreements

Research and development agreement with Roche Diagnostics GmbH
In 2006, Exiqon signed a research and development agreement with Roche Diagnostics GmbH which regulates future specific research and development collaboration regarding Exiqon's ProbeLibraryTM products. The agreement is related to and refers to Exiqon's distribution agreement with Roche Diagnostics GmbH concerning ProbeLibraryTM products. The parties wish to develop future OEM products and other products which exploit the know-how held by the parties in the area affected. These products are to be sold by Roche Diagnostics GmbH or a third party. Exiqon is to perform the research and development work against a fee from Roche Diagnostics GmbH. The fee becomes due when the milestones agreed by the parties in relation to specific research and development projects have been reached. The agreement is a framework agreement, and specific research and development projects will be regulated by individual agreements. These individual agreements must be entered into on terms described in an annex to the framework agreement. Pursuant to the framework agreement, Roche Diagnostics GmbH is entitled to distribute the products and may, to the extent it is agreed in the individual agreements, be entitled to the results of research and development work. During the term of the framework agreement, the parties may not enter into research agreements with any third party involving ProbeLibraryTM products. However, under the agreement, this will not bar Exiqon from carrying out research and development projects in house involving its ProbeLibraryTM products. The parties may terminate the framework agreement at six months' notice. Furthermore,

Roche Diagnostic GmbH may terminate the framework agreement at thirty days' notice if, in the opinion of Exiqon, it is no longer technically or commercially viable to continue the collaboration. Subject to certain conditions, Roche Diagnostic GmbH is entitled to terminate the framework agreement at thirty days' notice if any changes occur to the ownership or control of Exiqon (change of control). The parties may not assign the agreement. However, Roche Diagnostics GmbH may assign the framework agreement if it can be done as part of a transfer of all material assets in the relevant part of the company. The framework agreement runs until 17 January 2009. The agreement is subject to the laws of Germany.

Agreement concerning the SCIROCCO programme
This agreement has been entered into by the European Commission and a consortium of 17 universities, laboratories and companies, among them Exiqon, and concerns a research project with the title of "Silencing RNAs: organisers and coordinators of complexity in eukaryotic organisms SCIROCCO" (FP 6 EU project). The collaboration concerns research into various kinds of cancer with special focus on the role of miRNA. The project coordinator is Professor David Baulcombe, The Sainsbury Laboratory (United Kingdom). The budget totals DKK mio. 115 of which the European Commission will pay a maximum of approximately DKK mio. 88 which will be payable in instalments when specific milestones are reached. The rest will be paid by the other participants in the consortium. The agreement came into force on 20 December 2006. The agreement will have been fulfilled when all the parties have fulfilled their rights and obligations or have had their rights and obligations fulfilled under the agreement, and the research project proper runs from 1 January 2007 to 1 January 2011. The agreement is subject to the laws of Belgium.

Agreement with Danish MicroRNA Innovation Consortium
In 2006, Exiqon signed an agreement with Bioneer A/S, the Molecular Diagnostic Laboratory, the Institute of Medical Biochemistry and Genetics, Visiopharm and Novo Nordisk A/S concerning the establishment of an innovation consortium under the name of the "Danish MicroRNA Consortium". This was done in order to establish two technology and detection platforms for measuring, identifying and visualizing microRNA molecules and for developing new technologies for purification and detection of microRNA molecules from biological material. The project is co-financed by the Danish Council for Technology and Innovation under the Danish Ministry of Science, Technology and Innovation. The parties are obliged to report knowledge and results to the above mentioned council, and the results must also be made available to the general public in Denmark. The project runs over a total of thirty-six months until 28 February 2009. The rights to knowledge generated under the project ("foreground knowledge") will belong to the party who has generated the knowledge in question. If the parties have jointly generated foreground knowledge, they will be entitled to share the rights equally. If the control over a party to the collaboration is assigned, and such assignment leads to a conflict of interest for the other parties to the consortium, the steering group of the consortium determines whether the party in question must leave the consortium. Exiqon may terminate the collaborative agreement at twelve months' notice.

Other agreements

Agreement with Herlev University Hospital
On 23 February 2007, Exiqon signed an agreement with Herlev University Hospital. The agreement governs the parties' collaboration in connection with a research project regarding the possibility of identifying presumed biomarkers, including microRNA biomarkers for cancer by means of Exiqon's LNA-based detection technique. The agreement does not limit Exiqon's options of utilizing the LNA technology. The research results generated by the collaboration and within the framework of the collaboration belongs to Exiqon, and Exiqon has an exclusive right to file a patent application. The agreement came into force on 23 February 2007 and runs over three years, and it cannot be terminated or assigned. The agreement is subject to the laws of Denmark.

The Oncotech Transaction

On 21 January 2008 the Company announced that it had entered into an agreement with Oncotech on the merger of Oncotech and Exiqon Acquisition, Inc. and the contribution in kind by the Oncotech Shareholders of their shares in Oncotech into Exiqon against delivery of new Shares in Exiqon. Closing of the agreement is expected to take place on 27 February 2008 upon which the merger will become effective.

The transaction has been structured as a reverse triangular merger pursuant to which a newly formed subsidiary of the Company, Exiqon Acquisition, Inc. will merge with and into Oncotech. The shares of Exiqon Acquisition, Inc., which are owned by Exiqon, are being converted into shares of Oncotech upon completion of the transaction, with the result being that Oncotech shall become a wholly owned subsidiary of Exiqon. The transaction is being structured in this manner to enable Oncotech Shareholders to treat the transaction as a tax free reorganization under Section 368(a) of the US Internal Revenue Code of 1986, as amended.

Closing of the transactions contemplated under the Agreement is subject to a number of conditions precedent including, inter alia, compliance by Oncotech of certain covenants, reconfirmation of certain representation and warranties and non occurrence of material adverse events. Upon closing of the transactions contemplated under the Merger Agreement, Exiqon Acquisition, Inc. will cease to exist and Oncotech will become a wholly owned subsidiary of Exiqon.

Pursuant to the transaction, Oncotech's Shareholders will receive up to an aggregate of 6,161,004 shares of the Company in exchange for a contribution in kind of their shares in Oncotech. The issue of the maximum number of Offer Shares (6,161,004) amount to an aggregate consideration for all the shares in Oncotech of USD 45 million (app. DKK 225 million at the exchange rate on on 26 November 2007).The number of Offer Shares to be issued is subject to reduction to the extent that Oncotech's liabilities as of the Closing Date exceed its liabilities as of 31 December 2006 reflected in Oncotech's audited financial statements for 2006 ("the "Closing Liabilities"). The Company has received a preliminary calculation of the Closing Liabilities, if closing was to occur at the end of February 2008, amounting to approximately USD 7 million. A formal preliminary calculation of these Closing Liabilities cannot be made until around the Closing Date. If the Closing Liabilities eventually are determined to be USD 6.5 million, and the trading price of Exiqons shares during the five trading day prior to the Closing Date average DKK 36.4 per share and the USD/DKK exchange rate for the five business day preceding the Closing Date average USD 1 = DKK 5, then this would lead to an adjustment in the number of Offer Shares to be issued as consideration totalling 892,857. In consequence the total Offer Shares that would have to be issued would be 5,268,147.

At the closing of the transaction, each existing Oncotech share shall immediately be cancelled and converted into a right to receive shares in Exiqon. The Offer Shares will be issued to an exchange agent appointed by Exiqon, who will release the Offer Shares to the Oncotech Shareholders upon each Oncotech Shareholder's surrender to this exchange agent of their Oncotech stock certificate and supporting documents, provided, however, that 10% of the Offer Shares will remain deposited with the exchange agent for a period of 12 months as security for any claims of Exiqon.

The transaction has been approved by the Board of Directors of Oncotech and requires the approval of the holders of 50% of the issued and outstanding Oncotech shares. Oncotech Shareholders that dissent from the merger have the right to require an appraisal of their Oncotech shares and a cash payment. Amounts payable, if any, to dissenting shareholders will be treated as a Closing Liability of Oncotech and will result in an adjustment of the purchase price and a return to Exiqon of part of the Offer Shares.

Background for the Oncotech Transaction

The following discussion of the parties' reasons for the merger contains a number of forward-looking statements that reflect the current views of Exiqon with respect to future events that may have an effect on their future financial performance. Forward-looking statements are subject to risks and uncertainties. Actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. Cautionary Statements that identify important factors that could cause or contribute to the differences in results and outcomes include those discussed in "Summary-Forward Looking Information" and "Risk Factors"

Reasons for the acquisition of Oncotech
Exiqon believes that The New Exiqon Group represents a molecular diagnostic company with the following potential advantages:

Technological Advancement
Following completion of the transaction, Exiqon's proprietary LNA™-based detection technologies and diagnostic miRNA biomarkers will be combined with Oncotech's insight into oncology and treatment selection to provide for a unique cutting edge technology with appeal to an attractive market. Together, Oncotech and Exiqon will cover all elements in developing and commercializing molecular diagnostic tests based on miRNA biomarkers, including; biomarker identification, assay development, clinical studies, CLIA and CAP approved laboratory facilities, sales and marketing and reimbursement competences.

Broad Product Base
The New Exiqon Group will cover the entire value chain including biomarker discovery, validation, manufacturing and marketing of diagnostic oncology products, providing for revenue potential from multiple sources.

Experienced Management Team
It is expected that The New Exiqon Group will be led by a combination of experienced senior management from both Exiqon and Oncotech, which will provide management continuity to support the integration of the two companies. The management team of the combined company will be lead by Lars Kongsbak, Chief Executive Officer of Exqion, who shall also serve as Chief Executive Officer of Oncotech after the merger is consummated. Hans Henrik Chrois Christensen shall continue to serve as Chief Financial Officer of Exiqon, as well as Oncotech.

Furthermore, Exiqon believes that the acquisition will provide Exiqon with access to:

- Specialty sales force since Oncotech has an established sales and marketing team familiar with the oncology diagnostics market.
- Customer loyalty since Oncotech has a loyal customer base in the oncology market place which can be leveraged by The New Exiqon Group.
- Regulatory expertise since Oncotech is experienced and capable in handling the US FDA regulatory scheme and the US Medicare and Medicaid reimbursement programs.
- CLIA facilities since Oncotech's laboratory facilities used to handle cancer tissues for testing is CLIA certified.
- Biological material since Oncotech's human tumor bank provides The New Exiqon Group with access to biological material in quantities not currently available to Exiqon.
- Advancement of diagnostic product line since Oncotech's resources and expertise will allow Exiqon to overcome a number of the most significant challenges it faces in entering the molecular diagnostics market, including; access to biological material and associated clinical information, certified CLIA and CAP approved laboratory facilities, Sales & Marketing infrastructure, logistics of handling cancer tissue, reimbursement system expertise and regulatory affairs.
- Attractive location since Oncotech's location in California gives the combined company access to a labor pool of highly qualified personnel with expertise in diagnostics.

In addition, Exiqon believes that the merger of the two companies also entails advantages for Oncotech, who will gain access to:

- Exiqon technology. The addition of Exiqon's proprietary LNA™-based detection technologies and diagnostic miRNA biomarkers will expand product offerings of The New Exiqon Group beyond what Oncotech is capable of, providing diversity and greater penetration of the attractive diagnostic oncology market and
- Financial resources. Exiqon's financial resources will allow The New Exiqon Group to immediately focus on and execute the implementation of its business plan to expand the product portfolio.

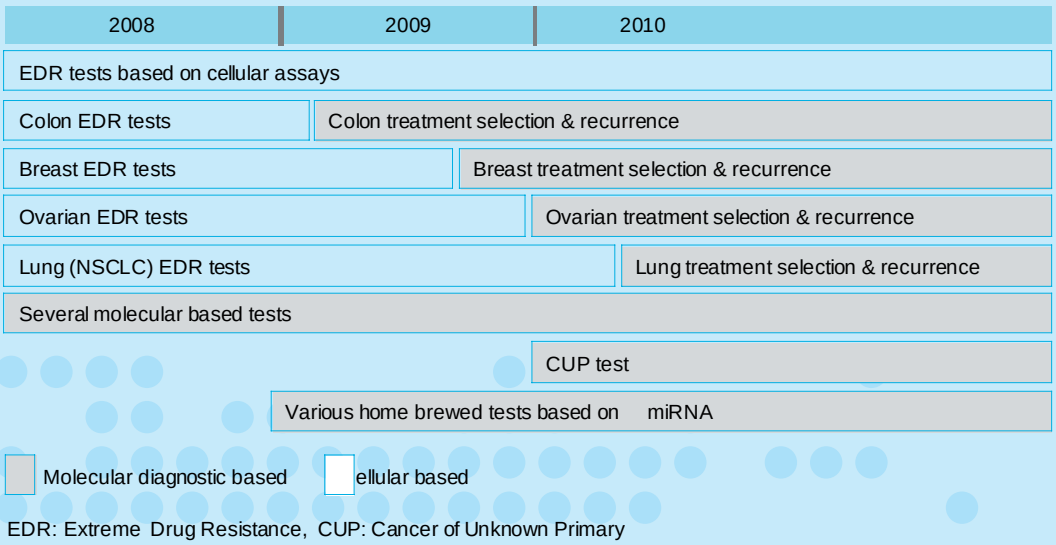
Diagnostic pipeline of The New Exiqon Group
The first molecular diagnostic test based on miRNA biomarkers to be developed by The New Exiqon Group is expected to be marketed through Oncotech's existing CLIA laboratory before the end of 2008. The combined group has a robust new product pipeline of several molecular diagnostic tests based on miRNA biomarkers for the coming years with particular focus on drug response and tumor recurrence for colon, lung, ovarian, breast and other high incidence cancers.

Cancer patients are now diagnosed much earlier than in the past which results in much smaller tumors and thereby a need exists for more sensitive diagnostic tests for treatment selection. The New Exiqon Group is expected to focus on programs to identify differences between drug resistant tumors and drug responsive tumors. These programs are expected to provide sets of miRNA biomarkers that are predictive of drug response. These tests will be performed on smaller tumors and paraffin embedded tissue thus increasing the already large potential market at a global level. These programs will not only focus on late stage cancers, but also focus on patients who are diagnosed at early stages (stage I and II) and many require surgery. New research indicates that adjuvant chemotherapy will benefit some of these patients who have a high probability of recurrence. The New Exiqon Group is expected to focus on personalized miRNA diagnostics that predict the likelihood of recurrence.

A preliminary pipeline for the expected product lines, including planned product launches over the coming years, based on a migration of the current EDR products to a platform relying on miRNA biomarkers appears below:

Management believes that the expected product line represents a balanced risk profile with both relatively low risk, near-term product launches based on a migration of the current EDR products to a platform relying on miRNA biomarkers, longer term potential for product upgrades – adding additional information to the test answers provided – and novel product launches based on miRNA biomarker profiling.

Figure 10: The figure demonstrates the products currently offered (in white) as well as the new molecular diagnostic tests that may be offered in the future (in grey).



EDR: Extreme Drug Resistance, CUP: Cancer of Unknown Primary

Group structure

Following closing of the Oncotech Transaction, Oncotech will become a wholly owned subsidiary of Exiqon. Oncotech will continue to do business from its current headquarters in Tustin, California. The New Exiqon Group will have more than 200 employees working out of the headquarters in Copenhagen, Denmark, and its subsidiaries in Boston, Massachusetts and Tustin, California.

Corporate headquarters will be in Vedbæk, Denmark. Lars Kongsbak will remain Chief Executive Officer of Exiqon A/S and Hans Henrik Chrois Christensen will remain Chief Financial Officer. Oncotech will continue as a wholly owned subsidiary of the Company and will maintain its brand name. The current board of Oncotech will resign following completion of the Oncotech Transaction and be replaced by corporate representatives from The New Exiqon Group to comply with legal requirements.

Accounting and tax treatment of the Oncotech Transaction

Material U.S. Federal Income Tax Consequences
The following is a summary discussion of the material United States federal income tax consequences of the merger and of holding Offer Shares generally applicable to holders of Oncotech Shares who are U.S. holders (as defined below), who pursuant to the merger, exchange their Oncotech Shares for the Offer Shares. This discussion is not a comprehensive description of all of the tax consequences that may be relevant to the Oncotech Shareholders.

The following discussion is based on and subject to the United States' Internal Revenue Code of 1986, as amended ("Internal Revenue Code"), the regulations promulgated thereunder, and existing administrative rulings and court decisions, all as in effect on the date of this Prospectus and all of which are subject to change, possibly with retroactive effect.

This discussion assumes that the Oncotech Shares are held by Oncotech Shareholders as capital assets. The discussion does not address all the United States federal income tax consequences that may be relevant to Oncotech Shareholders in light of their particular circumstances or to Oncotech Shareholders who are subject to special rules, such as, without limitation:

- Banks and financial institutions;
- Tax-exempt organizations and pension funds;
- Insurance companies;
- Dealers or traders in securities;
- S corporations, partnerships or other pass-through entities or trusts and their owners;
- Oncotech Shareholders who received their Oncotech Shares through a benefit plan or a tax-qualified retirement plan or through the exercise of employee stock options or similar derivative securities or otherwise as compensation;
- Oncotech Shareholders whose Shares are qualified small business stock for purposes of Section 1202 of the Internal Revenue Code;
- Oncotech Shareholders who may be subject to the alternative minimum tax provisions of the Internal Revenue Code;
- Oncotech Shareholders whose functional currency is not the U.S. dollar; and
- Oncotech Shareholders who hold Oncotech Shares as part of a hedge, appreciated financial position, straddle or conversion transaction.

This discussion only address the material U.S. federal income tax consequences of the merger and of holding Offer Shares to U.S. holders and does not address any consequences to non-U.S. holders. A U.S. holder includes (i) a citizen or individual resident of the United States, (ii) a corporation or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof, including the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) it has in effect a valid election to be treated as a domestic trust for U.S. federal income tax purposes.

In addition, this discussion does not address the tax consequences to any Oncotech Shareholder that will hold five-percent or more of the total voting power or total value of the stock of Exiqon immediately after the merger, whether or not held directly, indirectly or constructively through constructive ownership rules. Any shareholder who believes that he could become such a five-percent shareholder of Exiqon, should consult his own tax advisor about the special rules and time-sensitive tax procedures and filing requirements, including the requirement to file a gain recognition agreement and annual certifications that might affect the U.S. federal income tax consequences to him of the merger.

Further, this discussion does not address any consequences arising under the laws of any state, local or foreign jurisdiction, or taxes other than income taxes nor does it address the tax consequences of an exchange or conversion of stock options or warrants for Oncotech common shares. **ONCOTECH SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES TO THEM OF THE PLACEMENT AND THE MERGER AND OF HOLDING EXIQON SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS AND OF CHANGES IN APPLICABLE TAX LAWS.**

The description of U.S. Federal tax issue contained herein is not to be used for, and the recipient cannot use such advice for, the purpose of avoiding any penalties asserted under the Internal Revenue Code. If the foregoing contains a description of U.S. Federal tax, and if the foregoing or this Prospectus is read by any other persons than Oncotech Shareholders, such persons are notified that such description was written to support the promotion or marketing of the transaction or matters addressed herein. In that event, each such reader should seek advice from an independent tax advisor with respect to the transaction or matters addressed herein based on such reader's particular circumstances.

U.S. Federal Income Tax Consequences of Merger

The merger is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code and not as a transaction subject to Section 367(a) of the Internal Revenue Code. Neither Exiqon nor Oncotech intends to request a ruling from the Internal Revenue Service, nor will an opinion from counsel be issued, regarding the United States federal income tax consequences of the merger. Consequently, no assurance can be given that the Internal Revenue Service will not assert, or that a court would not sustain, a position contrary to any of those set forth below. In addition, if any of the facts, assumptions or representations upon which the conclusions set forth below are based are inconsistent with actual facts, the United States federal income tax consequences of the merger could be adversely affected.

Assuming that the merger qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and not as a transaction subject to Section 367(a), the United States federal income tax consequences of the merger to an Oncotech Shareholder generally will depend on whether the holder exchanges its Oncotech Shares for Offer Shares, or elects to exercise rights to dissent from the merger and receive cash for Oncotech Shares.

Exiqon Shares as consideration

If, pursuant to the merger, a holder receives only Offer Shares as consideration for the contribution-in-kind of its Oncotech Shares, that holder should not recognize gain or loss in the merger except in respect of cash that the holder receives due to rounding off (as discussed below). The aggregate adjusted tax basis of the Offer Shares received in the merger (including fractional shares deemed received and redeemed as described below) should be equal to the aggregate adjusted tax basis of the Oncotech Shares exchanged for the Offer Shares, and the holding period of the Offer Shares (including fractional shares deemed received and redeemed as described below) will include the period during which the Oncotech Shares were held.

Cash payment due to rounding off

A holder who receives cash instead of a fractional share of the Offer Shares due to rounding off should generally be treated as having received such cash in redemption of the fractional share. Gain or loss generally should be recognized based on the difference between the amount of cash received instead of the fractional share and the portion of the holder's aggregate adjusted tax basis allocable to the fractional share. Any gain or loss on Oncotech Shares surrendered that are allocable to a fractional share of Offer Shares generally should be treated as long-term capital gain to the extent that the Oncotech Shares surrendered were held for more than one year.

Dissenters

If pursuant to the merger, a holder exercises its right to dissent from the merger and receive cash for its Oncotech Shares, the holder generally should recognize gain or loss in an amount equal to the difference between the amount of cash received and the Oncotech Shareholder's tax basis in Oncotech Shares surrendered. For this purpose, gain or loss must be calculated separately for each identifiable block of shares surrendered in the exchange, and a loss realized on one block of shares may not be used to offset a gain realized on another block of shares.

Information Reporting and Backup Withholding

Cash payments in exchange for the holder's Oncotech Shares in the merger may be subject to "backup withholding" at a rate of 28% for United States federal income tax purposes unless the Oncotech Shareholder complies with certain reporting and/or certification procedures or is an exempt recipient under applicable provisions of the Internal Revenue Code and Treasury regulations. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's United States federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

Oncotech Shareholders will be required to retain records pertaining to the merger and will be required to file with their United States federal income tax return for the year in which the merger takes place a statement setting forth certain facts relating to the merger. The facts required include the holder's tax basis in the Oncotech Shares sur-

rendered in the merger and the fair market value of the Offer Shares received by the holder pursuant to the merger at the effective time of the merger.

U.S. Federal Income Tax Consequences of Owning Shares in Exiqon

Taxation of Dividends
For U.S. federal income tax purposes, a U.S. holder will generally include in gross income the amount of any dividend paid by Exiqon to the extent paid out of Exiqon's current and/or accumulated earnings and profits, as determined for U.S. federal income tax purposes, as ordinary income when the dividend is actually received by the shareholder. Dividends paid to an individual U.S. holder currently are taxable at a maximum tax rate of 15% (provided the U.S. holder satisfies certain holding period requirements) and to a corporate U.S. holder at a 35% tax rate. Dividends generally will be income from sources outside of the U.S. for foreign tax credit limitation purposes, and will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. Subject to limitations, any Danish withholding taxes may be creditable to the holder for U.S. federal income tax purposes. Distributions in excess of Exiqon's current and/or accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the U.S. holder's tax basis in the Exiqon Shares and thereafter as capital gain.

The amount of dividend includible in the income of a U.S. holder will be the U.S. dollar value of the dividend determined at the spot rate on the date that dividend is includible in the income of the U.S. holder, regardless of whether the payment is in fact converted into U.S. dollars. A U.S. holder will have a basis in any Danish Krone distributed by Exiqon equal to the U.S. dollar value of the Danish Krone on the date it is actually or constructively received by the holder. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in income to the date that payment is converted into U.S. dollars will be treated as ordinary income or loss. This gain or loss will generally be income from sources within the United States for foreign tax credit limitation purposes.

Taxation of Capital Gains
Upon a sale or other disposition of Offer Shares, a holder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realized and the U.S. holder's tax basis, determined in U.S. dollars, in the Offer Shares. Gain or loss recognized will be long-term capital gain or loss with a holding period of more than one year at the time of the sale or other disposition and any gain recognized generally will generally be income from sources within the U.S. for foreign tax credit limitation purposes.

Backup Withholding and Information Reporting
In general, dividends by Exiqon and proceeds from the sale or other disposition of Offer Shares made (or deemed made) within the United States may be subject to U.S. information reporting and backup withholding (currently at a rate of 28%) unless the shareholder complies with certain reporting and/or certification procedures or is an exempt recipient under applicable provisions of the Internal Revenue Code and Treasury regulations. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules will be allowed as a refund or credit against a U.S. holder's U.S. federal income tax liability, provided the holder furnished the required information to the Internal Revenue Service.

The foregoing discussion is intended only as a summary and does not purport to be a complete analysis or listing of all potential tax effects relevant to the merger. Tax matters regarding the merger are complicated, and will depend on the particular situation of the Oncotech Shareholder. Oncotech Shareholders are urged to consult their own tax advisors regarding the specific tax consequences of the merger, including tax return reporting requirements, the applicability of federal, state, local and foreign tax laws and the effect of any proposed change in the tax laws.

Accounting and treatment of merger
The merger will be treated as a purchase for accounting and financial reporting purposes. Under this method of accounting, the assets and liabilities of Oncotech (booked as well as un-booked) will be recorded in Exiqon's consolidated financial statements at their estimated fair market value at the date of the merger, with the remaining purchase price reflected as goodwill.

Rights of Dissenting Shareholders
Under California law, Oncotech Shareholders have the right to dissent from the merger and to obtain a cash payment for all of their shares of Oncotech stock in the event the merger is consummated. Each Oncotech Shareholder may assert such rights only by delivering to Oncotech a written demand for payment for the shareholder's shares in the event that the merger is consummated.

The Merger Agreement and the merger will be submitted to Oncotech's shareholders for approval. If the Merger is approved by the shareholders and a shareholder either did not vote to approve the Merger Agreement or voted against the Merger Agreement, Oncotech will, within ten (10) days after the shareholder approval of the Merger Agreement, send to such shareholder a notice of the approval of the Merger by the shareholders accompanied by (i) a state-

ment setting forth the Company's estimate of the fair market value of such shareholder's shares, (ii) a description of the procedures that such shareholder should follow to receive a cash payment for the shareholder's shares, and (iii) a copy of the California Corporations Code sections further specifying the procedures such shareholder should follow to demand payment for his shares.

A shareholder who desires to receive a cash payment for his shares must send a written demand for payment to Oncotech to be received by Oncotech within thirty (30) days after the date on which the notice of approval of the Merger by the shareholders was mailed to such shareholder. The dissenting shareholder's demand must state the shareholder's claimed fair market value of the shares, which may be the same as the value specified by Oncotech or may be a higher value. Such shareholder must also submit to Oncotech the relevant stock certificate or certificates, properly endorsed to indicate they are dissenting shares, within the thirty (30) day period. The statement of fair market value by the shareholder constitutes an offer to sell at that price.

If a dissenting shareholder and Oncotech do not agree as to the value of the shares, then the shareholder may, within six months of the date Oncotech's notice of shareholder approval of the Merger was mailed to the shareholder, file a complaint in the Superior Court of the proper California county, asking for a determination of the fair market value of the shares, or may intervene in any such proceeding instituted by another shareholder. The court is authorized to appoint appraisers to assist it in the determination of the fair market value of the shares.

Judgment shall be entered against Oncotech for payment equal to the fair market value determined by the court of the dissenting shares Oncotech is required to purchase, together with interest at the legal rate from the date of the court's judgment. If the fair market value determined by the court is more than 125% of the amount Oncotech offers to pay, Oncotech shall be responsible for the costs of the proceeding, including reasonable compensation to the appraisers and, in the court's discretion, attorneys' fees, expert witness fees and interest at the legal rate on judgments from the date the dissenting shareholder complied with all of the procedures to demand payment for his shares. Dissenting shareholders may be responsible for all or a portion of costs of the proceeding if the fair market value determined by the court is not greater than 125% of Oncotech's estimated value of the shares. Furthermore, dissenting shareholders may be responsible for their attorneys' fees and fees of expert witnesses even if the appraised value of their shares is more than 125% of the amount Oncotech offers to pay.

If the dissenting shareholder and Oncotech do not agree as to the value of the shares, and the shareholder fails to file a complaint or intervene in a pending action instituted by another shareholder within six months as described above, the shareholder will not be entitled to require Oncotech to purchase his shares.

A shareholder who votes in favor of the Merger waives all of his dissenters' rights with respect to the Merger. A shareholder who withholds his vote in favor of the Merger, but does not vote against the Merger, does not waive his dissenters' rights. Voting against the Merger or not voting in favor of the Merger, however, will not satisfy the requirements with respect to any written demand for payment referred to above. Such written demand must be submitted in the manner described above.

The rights of any shareholder with respect to the Merger to be paid the fair market value of his shares will terminate if for any reason the Merger does not become effective or if the shareholder fails to serve an appropriate timely written demand on Oncotech. A shareholder cannot withdraw such shareholder's demand for payment unless Oncotech consents to such withdrawal. A shareholder who has exercised its right to dissent continues to have the right to receive a cash amount for its shares until the fair market value is agreed upon or determined.

A reduction will be made in the total number of Offer Shares which should have been delivered to Oncotech Shareholders, if any Oncotech Shareholders request redemption in accordance with the procedures described above.

Risk factors related to Oncotech

The below risk factors relate to Oncotech which as of the Prospectus Date is a separate company. If the Oncotech Transaction is completed the below risk factors will also apply to The New Exiqon Group. These are not the only risk factors Oncotech faces. Should any of the following risks occur, Oncotech's business, financial position, results of operations or future growth prospects could suffer materially. In such event, the market price of Exiqon's Shares, including the Offer Shares, could depreciate, and investors could lose all or part of the money invested to purchase the Company's Shares. However, additional risks not presently known to us or that we currently deem immaterial may also impair Oncotech and The New Exiqon Group's business operations and development.

Oncotech has had only limited periods of positive cash flow, it expects to incur losses in the future and it may not return to being cash flow positive in a stand alone scenario

Oncotech has operated its clinical laboratory business since inception in 1985 and has had only limited periods of positive cash flow. Oncotech is currently using internally generated cash flow as well as proceeds from equity financings to develop new molecular diagnostics products using its proprietary technologies. The development of molecular diagnostics products will require significant expenses for research, development, testing and potential regulatory approvals. Unless Oncotech generates significant revenues to pay these costs, it will not become profitable. Oncotech cannot be certain whether or when it will again become profitable because of the significant uncertainties relating to its ability to generate commercially successful molecular diagnostics products that will generate significant revenues.

As a company in the new and rapidly evolving market for molecular diagnostics testing, Oncotech faces numerous risks and uncertainties

Some of these risks relate to its ability to:

- Attract and retain customers for its products;
- Anticipate and adapt to the changing molecular diagnostics testing market;
- Continue to generate and grow revenues;
- Maintain and develop strategic relationships with vendors and manufacturers to acquire necessary materials for the production of its products;
- Implement an effective marketing strategy to promote awareness of its products and services;
- Develop and operate computer systems and related infrastructure that are adequate to manage it's growth and provide its services effectively;
- Attract, retain and motivate qualified personnel; and
- Protect its proprietary technology.

Oncotech's operations are subject to all of the risks inherent in the growth of a new business enterprise as well as those inherent in the maintenance of a more mature business enterprise due to its clinical laboratory business. The likelihood of Oncotech's success must be evaluated in light of the challenges, expenses, difficulties, complications and delays frequently encountered in the operation of a business. There can be no assurance that Oncotech will achieve anticipated revenue growth and profit margins. The failure of Oncotech to meet any of these goals could have a materially adverse effect on Oncotech and may force it to reduce or cease its proposed operations. There is and can be no assurance that Oncotech can or will ever operate its current activities profitably.

If third-party payors, including managed care organizations and Medicare, do not provide reimbursement for Oncotech's products and services, its commercial success could be compromised

Physicians and patients may decide not to order Oncotech's products and services unless third-party payors, such as managed care organizations, Medicare and Medicaid, pay for a substantial portion of the products and services. There is significant uncertainty concerning third-party reimbursement of any test incorporating new technology, including Oncotech's future products and services. Reimbursement by a third-party payor may depend on a number of factors, including a payor's determination that tests using Oncotech's technologies are not:

- experimental or investigational;
- medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- supported by peer-reviewed publications.

Since each payor makes its own decision as to whether to establish a policy to reimburse for a test, seeking these approvals is a time-consuming and costly process. Oncotech cannot be certain that coverage for its products and services will be provided in the future by any third-party payor. Insurers, including managed care organizations, as well as government payors, such as Medicare, have increased their efforts to control the cost, utilization and delivery of health care services. From time to time, the US Congress has considered and implemented changes in the Medicare fee schedules in conjunction with budgetary legislation. Further reductions of reimbursement for Medicare services may be implemented from time to time. Reductions in the reimbursement rates of other third-party payors have occurred and may occur in the future. These measures have resulted in reduced prices, added costs and decreased test utilization for the clinical laboratory industry. If Oncotech is unable to obtain reimbursement approval from private payors and Medicare and Medicaid

programs for its products and services, or if the amount reimbursed is inadequate, its ability to generate revenues from its products and services could be limited. Even if Oncotech is being reimbursed, insurers may cancel their contracts with Oncotech at any time or stop paying for its tests which would reduce Oncotech's revenue.

Oncotech has begun transitioning from providing services to providing both services and products; if Oncotech is unable to successfully complete this transition, Oncotech may experience a decline in its existing service business that is not offset by the increase in the sales of new products

Oncotech currently follows a service-oriented business model in which it provides specialized cancer laboratory services including the EDR and DiSC assays. Moreover, Oncotech has built the necessary infrastructure to support this business. However, Oncotech is developing new molecular diagnostics products that it plans to sell that represent a new direction. In order to successfully develop its new product offering, Oncotech plans to develop new infrastructure, expand its sales force, change its marketing efforts and potentially expand its CLIA approved laboratory. Each of these plans requires significant amounts of capital and could distract management from the current service business. In addition, given its historic focus on the service business, Oncotech may find that it is unable to transition its resources to successfully develop its new products and associated infrastructure. Finally, Oncotech's sales force is principally a service sales force and may be unable to successfully switch to selling products as well as services, potentially significantly harming Oncotech's ability to attain projected revenues and profits from new products.

If the FDA were to begin regulating Oncotech's products, Oncotech could be forced to stop sales of its current products and services, leading to significant delays in commercializing any future products, incurring substantial costs and time delays associated with meeting requirements for PMA or experiencing decreased demand for or reimbursement of Oncotech's tests

Clinical laboratory services like EDR are regulated under the Clinical Laboratory Improvement Amendments of 1988, or CLIA, as administered through the Center for Medicare/Medicaid Services (CMS), as well as by applicable state laws. Diagnostic kits that are sold and distributed as products through interstate commerce are regulated as medical devices by FDA. Clinical laboratory tests that are developed and validated by a laboratory for its own use are called "home brew" tests. Most "home brew" tests currently are not subject to FDA regulation, although reagents or software provided by third parties and used to perform "home brew" tests may be subject to regulation. Oncotech's current and future products and services are believed to be diagnostic kits and "home brew" tests and as a result, believed to be Oncotechs products and services are not subject to regulation under current FDA policies. However, no assurance can be given that FDA regulation, including pre-market review, will not be required in the future for Oncotech's products and services. If pre-market review is required, Oncotech's business could be negatively impacted until such review is completed and approval or clearance to market is obtained, and FDA could require that Oncotech stop selling its tests pending PMA. If Oncotech's tests are allowed to remain on the market but there is uncertainty about its tests, orders or reimbursement may decline. The regulatory approval process may involve, among other things, successfully completing additional clinical trials and submitting a pre-market clearance notice or filing a PMA application with FDA. If premarket review is required by FDA, there can be no assurance that Oncotech's tests will be cleared or approved on a timely basis, if at all. Ongoing compliance with FDA regulations would increase the cost of conducting Oncotech's business, subject Oncotech to inspection by FDA and to the requirements of FDA and penalties for failure to comply with these requirements. Should any of the reagents obtained by Oncotech from vendors and used in conducting its "home brew" tests be affected by future regulatory actions, Oncotech's business could be adversely affected by those actions, including increasing the cost of testing, delaying, limiting or prohibiting the purchase of reagents necessary to perform testing.

If Oncotech is required to conduct additional clinical trials prior to marketing its products, those trials could lead to delays or failure to obtain necessary regulatory approvals and harm Oncotech's ability to become profitable

If FDA decides to regulate Oncotech's tests, it may require extensive pre-market clinical testing prior to submitting a regulatory application for commercial sales. If Oncotech is required to seek pre-market approval through clinical trials, whether using prospectively acquired samples or archival samples, delays in the commencement or completion of clinical testing could significantly increase Oncotech's product development costs and delay product commercialization. Many of the factors that may cause or lead to a delay in the commencement or completion of clinical trials may also ultimately lead to delay or denial of regulatory approval. The commencement of clinical trials may be delayed due to insufficient patient enrollment, which may be influenced by many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical sites and the eligibility criteria for the clinical trial. Oncotech may find it necessary to engage contract research organizations to perform data collection and analysis and other aspects of Oncotech's clinical trials, which might increase the cost and complexity of Oncotech's trials. Oncotech may also depend on clinical investigators, medical institutions and contract research organizations to perform the trials properly. If these parties do not successfully carry out their contractual duties or obligations or meet expected deadlines, or if the quality, completeness or accuracy of the clinical data they obtain

is compromised due to the failure to adhere to Oncotech's clinical protocols or for other reasons, Oncotech's clinical trials may have to be extended, delayed or terminated. Many of these factors would be beyond Oncotech's control. Oncotech may not be able to enter into replacement arrangements without undue delays or considerable expenditures. If there are delays in testing or approvals as a result of the failure to perform by third parties, Oncotech's research and development costs would increase, and it may not be able to obtain regulatory approval for its products. In addition, the Oncotech may not be able to establish or maintain relationships with these parties on favourable terms, if at all. Each of these outcomes would harm Oncotech's ability to market its product, or to become profitable.

Complying with numerous regulations pertaining to Oncotech's business is an expensive and time-consuming process, and any failure to comply could result in substantial penalties

Oncotech is subject to CLIA, a federal law that regulates clinical laboratories that perform testing on specimens derived from humans for the purpose of providing information for the diagnosis, prevention or treatment of disease. CLIA is intended to ensure the quality and reliability of clinical laboratories in the United States by mandating specific standards in the areas of personnel qualifications, administration, and participation in proficiency testing, patient test management, quality control, quality assurance and inspections. Oncotech has a current certificate of accreditation under CLIA to perform testing. To renew this certificate, Oncotech is subject to survey and inspection every two years. Moreover, CLIA inspectors may make random inspections of its laboratory. Oncotech is also required to maintain a license to conduct testing in California. California laws establish standards for day-to-day operations of Oncotech's clinical laboratory, including the training and skills required of personnel and quality control. Moreover, several states require that Oncotech hold licenses to test specimens from patients residing in those states. Other states have similar requirements or may adopt similar requirements in the future. Finally, Oncotech may be subject to regulation in foreign jurisdictions as Oncotech seeks to expand international distribution of its products and services. If Oncotech were to lose its CLIA accreditation or California license, whether as a result of a revocation, suspension or limitation, Oncotech would no longer be able to sell its current and future products and services, which would limit its revenues and harm its business. If Oncotech were to lose its license in other states where Oncotech is required to hold licenses, it would not be able to test specimens from those states. Oncotech is subject to other regulation by both the federal government and the states in which it conducts business, including:

- Medicare billing and payment regulations applicable to clinical laboratories;
- Federal Medicare and Medicaid Anti-kickback Law and state anti-kickback prohibitions;
- Federal physician self-referral prohibition commonly known as the Stark Law and the state equivalents;
- Federal Health Insurance Portability and Accountability Act of 1996;
- Medicare civil money penalty and exclusion requirements; and
- Federal civil and criminal False Claims Act.

The risk of Oncotech being found in violation of these laws and regulations is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Any action brought against Oncotech for violation of these laws or regulations, even if it successfully defends against it, could cause Oncotech to incur significant legal expenses, which could divert its management's attention from the operation of its business. If Oncotech's operations are found to be in violation of any of these laws and regulations, Oncotech may be subject to any applicable penalty associated with the violation, including civil and criminal penalties, damages, fines, Oncotech could be required to refund payments received by it and Oncotech could be required to curtail or cease its operations. Any of the foregoing consequences could seriously harm its business and its financial results.

Oncotech may experience limits on its revenues if only a small number of physicians decide to adopt its products and services

If medical practitioners do not order the Oncotech's products and services or any future tests developed by Oncotech, Oncotech will probably not be able to create demand for its products in sufficient volume for it to become profitable. To generate demand, it will need to continue to make oncologists, surgeons and pathologists aware of the benefits of its products and services, and any products it may develop in the future, through published papers, presentations at scientific conferences and one-on-one education by its sales force. In addition, Oncotech will need to demonstrate its ability to obtain adequate reimbursement coverage from third-party payors. Existing guidelines and practices regarding the treatment of cancer recommend that certain chemotherapies be considered in most cases, including many cases in which Oncotech's tests may indicate, based on its historical results, that certain chemotherapies are of little or no benefit. Accordingly, physicians may be reluctant to order a test that may suggest recommending against chemotherapies in treating cancers where current guidelines recommend consideration of

such treatment. Moreover, Oncotech's tests provide quantitative information not currently provided by pathologists and they are performed at Oncotech's facility rather than by the pathologist in a local laboratory, so pathologists may be reluctant to order or support Oncotech's tests. These facts may make it difficult for Oncotech to convince medical practitioners to order Oncotech's products and services for their patients, which could limit its ability to generate revenues and its ability to achieve profitability from its current operations.

Oncotech may experience limits on its revenues if only a small number of patients request its tests

Some patients may request that their doctors not order Oncotech's tests due to its list price, part or all of which may be payable directly by the patient if the applicable payor denies reimbursement in full or in part. Even if medical practitioners recommend that their patients use Oncotech's tests, patients may still decide not to use them, because they may not wish to pursue a particular course of therapy regardless of test results. If only a small portion of the patient population decides to use Oncotech's test, Oncotech will experience limits on its revenues and its ability to achieve profitability with its current operations.

Oncotech's business may be adversely affected if the market for oncology molecular diagnostics products fails to develop

A substantial portion of Oncotech's future revenues will be dependent on the acceptance of oncology molecular diagnostics by the FDA, pharmaceutical companies, doctors and patients. Oncotech's business may suffer if this market fails to develop or develops more slowly than expected. There can be no assurance that Oncotech will be successful in developing or selling its products or capturing a significant share of the market for oncology molecular diagnostics. There can also be no assurance that Oncotech will be able to sell its products to the expected extent. It is also possible that Oncotech will find it necessary to lower the retail prices for its products. Finally, the regulatory environment and current development practices of pharmaceutical companies may hinder the development of planned new diagnostics products. As a result, Oncotech's business and financial results may suffer. If oncology molecular diagnostics does not continue to grow, or if Oncotech is unable to capture a sufficient share of the general genomic and proteomic testing market, Oncotech's business and financial results may suffer. Oncotech has had limited experience marketing and pricing molecular diagnostics products and services. As such, it does not know if its projections as to pricing and marketing of these products are appropriate. Oncotech's failure to price and market its products appropriately could impact its ability to enter into the genomic and proteomic testing market, or to establish and maintain recurring revenue streams on similar or acceptable terms. In light of these factors, there can be no assurance that Oncotech will be able to attract a sufficient number of customers or generate sufficient revenues to support its operations.

Many of Oncotech's competitors are large and well capitalized and Oncotech faces significant competition

Oncotech faces, and will continue to face, significant competition from organizations such as large in vitro diagnostics companies that compete directly or indirectly with Oncotech in the general genomics and proteomics testing market. Oncotech competes in an industry characterized by: (i) rapid technological change, (ii) evolving industry standards, (iii) emerging competition and (iv) new product introductions. Although it is believed that Oncotech's products and services offer significant advantages to products and services currently on the market, Oncotech's competitors may develop and commercialize products, services and technologies that may mitigate these advantages and compete successfully with Oncotech's products, services and technologies.

If Oncotech's sole laboratory facility becomes inoperable, it will be unable to perform its tests and its business will be harmed

Oncotech does not have redundant laboratory facilities. Oncotech performs all of its diagnostic services in its laboratory located in Tustin, California, which is situated on or near earthquake fault lines. The facility and the equipment it uses to perform its tests would be costly to replace and could require substantial lead time to repair or replace. The facility may be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, flooding and power outages, which may render it difficult or impossible for Oncotech to perform its tests for some period of time. The inability to perform its tests may result in the loss of customers or harm Oncotech's reputation, and it may be unable to regain those customers in the future. Although Oncotech possesses insurance for damage to its property and the disruption of its business, this insurance may not be sufficient to cover all of its potential losses and may not continue to be available to Oncotech on acceptable terms, or at all. In order to rely on a third party to perform Oncotech's tests, Oncotech could only use another facility with established state licensure and CLIA accreditation under the scope of which Oncotech's tests could be performed following validation and other required procedures. Oncotech cannot assure that it would be able to find another CLIA-certified facility willing to adopt its products and services and comply with the required procedures, or that this laboratory would be willing to perform the tests for Oncotech on commercially reasonable terms. In order to establish a redundant laboratory facility, Oncotech would have to spend considerable time and money securing adequate space, constructing the facility, recruiting and training employees

and establishing the additional operational and administrative infrastructure necessary to support a second facility. Additionally, any new clinical laboratory facility opened by Oncotech would be subject to certification under CLIA and licensed by several states, including California and New York, which can take a significant amount of time and result in delays in Oncotech's ability to begin operations.

The loss of the services of one or more of Oncotech's key personnel or failure to attract, assimilate and retain other highly qualified personnel in the future could adversely affect operations and result in a loss of revenues

Oncotech is dependent on the continued services and performance of senior management and other key personnel. Oncotech's business also depends and will depend in the future on the ability to identify, attract, hire, train, retain and motivate other highly skilled technical, managerial, marketing and customer service personnel. Competition for such personnel is intense, and there can be no assurance that Oncotech will be able to successfully attract, assimilate or retain sufficiently qualified personnel in the future. The failure to attract and retain necessary technical, managerial, marketing and customer service personnel could adversely affect Oncotech's business and result in a loss of revenues.

Oncotech may not be able to compete effectively if it is not able to protect its proprietary rights

Oncotech principally relies upon copyright, trade secret, patent and contract laws to protect proprietary technology and trademark law to protect brands. Oncotech cannot be certain that it has taken adequate steps to prevent misappropriation of its technology or that its competitors will not independently develop technologies that are substantially equivalent or superior to the Company's technology. It is expected that Oncotech's success will be dependent in part on the ability to obtain and maintain patent protection for its products, maintain trade secret protection and operate without infringing upon the proprietary rights of others. Oncotech's intended policy is to protect its proprietary technology through patents, where appropriate, and in other cases, through trade secrets. In addition, Oncotech may in the future rely on the licenses of patents of third parties. There can be no assurance that any patent applications filed by, assigned to or licensed to Oncotech will be granted; any patents issued to or licensed by Oncotech will provide Oncotech with any competitive advantages or adequate protection for inventions; any patents issued to or licensed by Oncotech will not be challenged, invalidated or circumvented by others; or issued patents, or patents that may be issued, will provide protection against competitive products or otherwise be commercially valuable. If Oncotech fails to obtain and/or maintain patent protection for its products it will have a material adverse effect on its ability to gain a competitive advantage for these products and may have a material adverse effect on the results of operations. In particular, if Oncotech fails to obtain and/or maintain patent protection, it would permit competitors to produce products that would be directly competitive with Oncotech's products using similar or identical processes. Furthermore, patent law relating to the scope of claims in the fields of health care and biosciences generally and molecular diagnostics testing in particular, is still evolving, and the Company's patent rights are subject to this uncertainty. Oncotech's patent rights on its products therefore might conflict with the patent rights of others, whether existing now or in the future. The defense and prosecution of patent claims are both costly and time consuming, even if the outcome is ultimately in Oncotech's favor. An adverse outcome could subject Oncotech to significant liabilities to third parties, require disputed rights to be licensed from third parties or require Oncotech to cease selling the affected products. It is expected that in the future, as Oncotech's products and services are distributed in the marketplace, it may face opposition to its intellectual property by competitors. If Oncotech faces opposition to its intellectual property, it will likely incur substantial costs defending its patents. Oncotech also relies on trade secrets and proprietary know-how, which it seeks to protect in part by confidentiality agreements with its collaborators, employees and consultants. There can be no assurance that these agreements will not be breached, that Oncotech will have adequate remedies for any such breach or that its trade secrets will not otherwise become known or be independently developed by competitors.

Oncotech's success will depend partly on its ability to operate without infringing or misappropriating the proprietary rights of others and on its ability to obtain licenses

Oncotech may be sued for infringing or misappropriating the proprietary rights of others. Oncotech may have to pay substantial damages, including treble damages, for past infringement if it is ultimately determined that Oncotech's products infringe a third party's proprietary rights. The in vitro diagnostics industry has a history of patent litigation and will likely continue to have patent litigation suits. A number of patents have issued and may issue covering certain fields of use that could prevent Oncotech from marketing or developing its technologies in particular products or services, or relating to certain other aspects of technology that Oncotech utilizes or expects to utilize. Oncotech's inability to obtain or maintain any necessary licenses could have a material adverse effect on its business, financial condition or results of operations.

Changes in health care policy could subject Oncotech's business to additional regulatory requirements that may interrupt commercialization of its products and services and increase its costs

Health care policy has been a subject of extensive discussion in the executive and legislative branches of the federal and many state governments. Oncotech developed its commercialization strategy for its products and services based on existing healthcare policies. Changes in healthcare policy, such as the creation of broad limits for diagnostic products in general or requirements that Medicare patients pay for portions of tests or services received, could substantially interrupt sales and increase cost.

Description of Oncotech

Oncotech was incorporated in the State of California in 1985. The Company is located at 15501 Red Hill Avenue, Tustin, CA 92780.

Oncotech is a specialized cancer laboratory and molecular diagnostics company that provides information to cancer treating physicians, academic institutions and hospitals worldwide. The goal of Oncotech has been to individualize cancer therapy for patients by predicting drug response to chemotherapeutics and the likelihood of cancer relapse.

Oncotech's key assets include its large human tumor bank, CLIA approved oncology laboratory and capabilities to develop, launch and sell and market tests to a broad customer base.

Currently, Oncotech principally focuses on providing innovative molecular oncology testing services to over 7,000 cancer treating physicians and approximately 1,200 hospitals. Oncotech also works with pharmaceutical and biotechnology companies to provide information to support the preclinical development of new cancer drugs. In addition, Oncotech has provided proteogenomic research capabilities for leading pharmaceutical companies.

Over the past two years, Oncotech has focused on developing next generation proprietary oncology molecular diagnostics to individualize chemotherapy by leveraging its Clinical Laboratory Improvement Amendment ("CLIA") approved oncology laboratory, human tumor bank, and integrated R&D platform.

Products and services

Oncotech provides molecular oncology services to individualize cancer therapy which addresses the limitations of the current treatment paradigm for cancer.

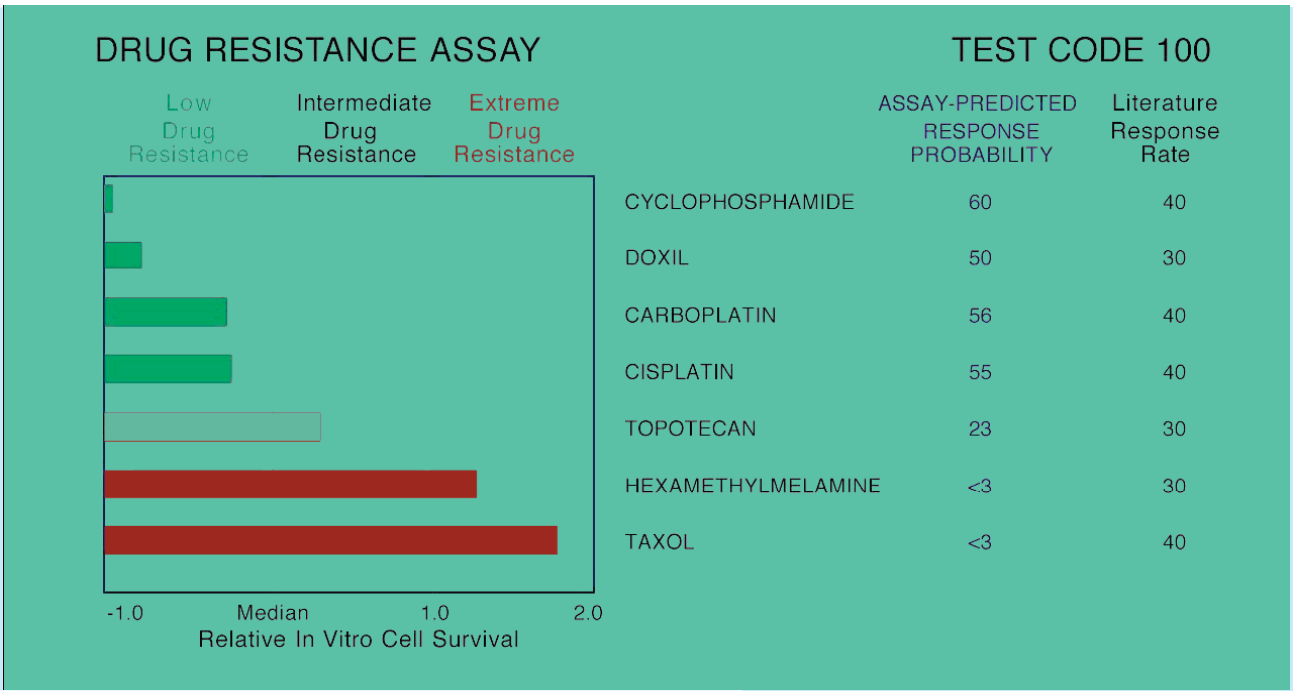
Oncotech offers all its products and services through a CLIA approved and CAP certified laboratory in Tustin, California. Oncotech's product offerings include two proprietary drug resistance assays, (the EDR and DiSC assays) and a full line of specialized molecular tests including immunohistochemistry ("IHC"), flow cytometry, immunophenotyping, FISH, and pathology services. All tests are performed by certified laboratory scientists and other scientific and technical personnel. Oncotech is accountable to State and Federal CLIA laws requiring proper clinical laboratory staffing and licensure. Only properly licensed medical technologists and technicians can perform certain tests, which is determined by the type and complexity of the test.

The Extreme Drug Resistance ("EDR") Assay represents Oncotech's flagship product, which accounted for approximately 70% of Oncotech's revenues in 2006. Drug resistance is a principal reason that chemotherapy so often fails. Oncotech's laboratory has the unique ability to identify drug resistance in cancer patients prior to chemotherapy treatment, saving them unnecessary treatment related morbidity and cost. Oncotech performs laboratory testing on fresh human tumor tissue collected at time of surgery.

The EDR assay requires fresh viable malignant tumor tissue sent to Oncotech immediately following surgery. At Oncotech, the specimens enzymatically dissociated into tumor cell clusters. These clusters are then plated in soft agar to ensure tumor cell specificity and then undergo tumor type specific suprapharmacologic exposures to chemotherapeutic agents for five days in a carefully controlled environment that closely mimics conditions within the human body. Tritiated thymidine is introduced during the last two days of testing as a measure of DNA synthesis and cell proliferation. If malignant cells proliferate under such extreme chemotherapeutic exposure conditions, then the significantly reduced exposures that can be delivered safely in vivo will be ineffective with a probability greater than 99.2%.

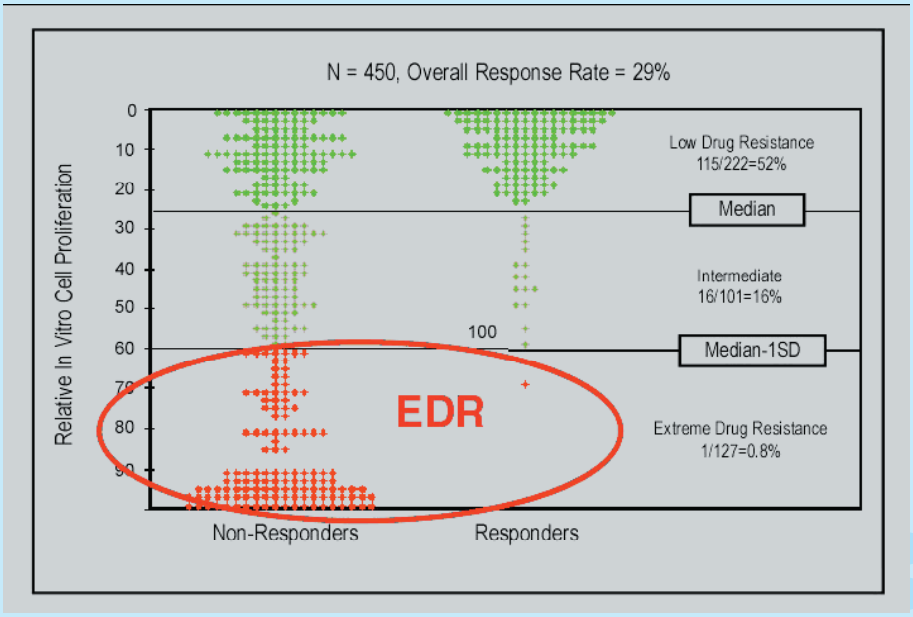
The oncologist receives an easy to interpret EDR assay report, which graphs the resistance levels (low, intermediate or high) for a variety of chemotherapeutics (Figure 11).

Figure 11: Example on the report received by the oncologist



Oncotech's EDR assay is highly accurate in the tumor-specific identification of ineffective chemotherapy agents. A double-blinded study, performed at UCLA over an 8-year period correlated EDR assay results with clinical response. Results of this study, published in the Journal of the National Cancer Institute ("JNCI") indicated that the EDR assay is 99.2% accurate at predicting drug resistance (See graph below). Several subsequent studies have demonstrated a direct relationship between EDR assay results and patient survival: Holloway et al, Loizzi et al, and Bornstein et al. (Figure 12)

Figure 12: Data showing 99.2% certainty for chemotherapy resistance



Research Programs

Oncotech's research and development focuses on developing new proprietary molecular diagnostic products. The principal focus of current development activities is using clinical and genetic information on specimens in Oncotech's extensive tumor bank to develop novel and proprietary molecular diagnostics with the goal of improving cancer patient treatment and care. Oncotech's research department is engaged in a number of projects focused around two research programmes:

DNA-based proprietary diagnostic tests to predict drug response

One program focuses through various projects on the differences in DNA between tumors that are resistant or sensitive to a given drug. The objective of this program is to identify and validate regions of DNA that are genetically amplified or decreased in neoplastic cells that are known to be resistant or sensitive to a given drug. It is believed that this research may translate into a series of proprietary molecular diagnostic FISH tests that will predict drug response. Since FISH diagnostic tests do not require fresh tissue samples, unlike the Oncotech's currently marketed EDR tests, Oncotech will be able to eliminate the time and geographic limitations for marketing these tests. In addition, Oncotech will be able to test tumor samples that do not meet the current sample size requirement for the EDR assay thus allowing growth in the market for in tumor types where early-stage biopsies are standard.

RNA-based proprietary diagnostic tests to predict tumor recurrence and drug response

Oncotech has initiated another program to compare the RNA expression profiles from populations of patients to predict: (1) tumor recurrence within a short duration and (2) tumor recurrence within a long duration. The arrays will be used to identify genes believed to be predictive of the clinical condition being studied. Oncotech focuses on developing algorithms that predict the differences between the two patient populations and patent the algorithm to create a barrier to entry. Oncotech has developed the competencies to extract RNA from paraffin embedded tissues although this is a difficult process. Oncotech has access to superior quality RNA purified from viable tumor cells and also has access to the drug resistance profile of the tumors or paraffin embedded tissue from which RNA is obtained. This information will enable Oncotech to eliminate interfering gene expression from other drugs to which a particular patient is resistant. As a result, it is expected that Oncotech may identify a clear gene signature for drug response that will correlate to tumor recurrence and effectiveness of chemotherapy for validation purposes. It is believed that this is a competitive edge over emerging companies that may be struggling to work with RNA obtained from paraffin embedded tissue with no associated data.

Intellectual property rights

Oncotech has sixteen (16) issued U.S. patents and three (3) patent applications on file (some of which are also filed as Patent Cooperation Treaty for international coverage) and two patent disclosures in various stages of the patent application process. Oncotech's patents, patent applications and patent disclosures cover two broad areas: one related to Oncotech's core clinical business involving drug resistance and molecular marker testing and the other related to Oncotech's new product pipeline involving DNA- and RNA-based diagnostics. Intellectual property covering the Oncotech's core business revolves around methods and uses to determine drug resistance in a laboratory setting as well as methods and uses to assess genetic characteristics, protein expression, proliferative index, resistance mechanisms, receptor status and other defining factors of the patient's malignant tumor.

The intellectual property covering the research programs focuses on methods to identify the changes in DNA, RNA and protein expression that are predictive of drug response and tumor recurrence.

In addition to its intellectual property protected portfolio, Oncotech has an integrated, proprietary database of tumor data from incoming samples that have been tested at Oncotech's laboratory and represents a unique trade secret owned by Oncotech. This database consists of information on more than 120,000 tumors and includes tumor characteristics, patient demographics, drug resistance characteristics and biomarker data. Oncotech's quality control department uses drug specific median and standard deviation values to determine drug resistance for the incoming tumors. Oncotech's research department uses this database to separate the tumor specimens based on their resistance or sensitivity to a given drug. In order to enhance its own intellectual property,

It is believed that Oncotech's intellectual property protected portfolio, its integrated database as well as its relationships with world-renowned academic institutions and hospitals create a significant barrier to entry for any competitor to launch drug resistance assays in the marketplace or to develop a molecular diagnostic product line that predicts drug response and/or tumor recurrence.

Important markets

With an estimated death of 560,000 Americans in the U.S. in 2007 according to the American Cancer Society (2007), oncology has become one of the principal challenges in health care today. Nevertheless, despite recent developments, the treatment paradigm has not changed meaningfully over the past few decades with many treatment regimens including courses of chemotherapeutics in addition to radiation and surgery. Annually, over 600,000 patients are treated with chemotherapy, however, only 30% of these patients respond due to individual tumor responses. Consequently, approximately USD 8.4 billion is spent each year on ineffective and frequently toxic therapy. Further, medical oncologists are forced to try multiple therapies by trial and error in order to find the best regimen to treat their patients. This takes a significant toll on patients for often little or no benefit. Over the past five years, a number of drugs with novel targeted mechanisms have emerged, providing hope for improved efficacy and reduced side effects. However, the number of tumor types addressed by newer agents is still modest and these targeted therapies are often used in conjunction with chemotherapeutics.

Given the unmet medical need in the current treatment paradigm, molecular diagnostics tests may need to be developed in order to determine whether or not a certain chemotherapeutic regimen would have a therapeutic benefit on a particular patient's tumor. Included in this determination is an understanding of how a tumor will respond to a course of treatment. In addition, given the recent increase in drugs with targeted mechanisms, a host of companion diagnostics will need to be created to determine if that targeted therapy would work for a particular individual given their genetic make-up.

The cancer segment of molecular diagnostics is the fastest growing sector of the overall diagnostics industry with a market size conservatively estimated by Kalorama Information to be USD 380 million in 2005 and is expected to grow at a 24.6% CAGR to over USD 2.2 billion in 2013. This segment considers the use of these diagnostics to assess cancer susceptibility and for cancer diagnosis/management. This is the market that Oncotech currently addresses and together with Exiqon will address through their combined resources and future product offerings in the oncology diagnostics space.

Organization

Board of Directors

The Board of Directors at Oncotech will resign upon closing of the Merger Agreeement, however, until such time consists of the following:

Bruce A. Chabner, M.D.
Dr. Chabner is the Clinical Director at Massachusetts General Hospital
Cancer Center and the Chief of the Division of Hematology and Oncology.

Vincent DeVita, Jr., M.D.
Dr. DeVita is the former Director of the Yale Cancer Center.

Terrence Glarner
Mr. Glarner is the President of West Concord Ventures, Inc.

Frank J. Kiesner, J.D.
Chairman, President and CEO of Oncotech, Inc.

B. Allen Lay
Mr. Lay is an investor in venture funds through J.F. Shea & Company.

Michael Nobel, Ph.D.
Dr. Nobel is the Chairman of the Nobel Family Society in Stockholm, Sweden.

Trevor Powles, M.D.
Dr. Powles is a Professor Emeritus of Breast Oncology at the Institute of
Cancer Research in London.

Jay Raskin
Mr. Raskin is a founding General Partner of Southern California Ventures I & II.

Alex Suh
Mr. Suh is a Managing Director at J.J. Jacobs Enterprises, LLC.

Management

The Senior Management Group consists of the following persons:

Frank J. Kiesner, J.D.:
Mr. Kiesner has been President and CEO of Oncotech since 1992. Prior to joining Oncotech, he served as a Partner at Northstar Ventures. He also acted as General Counsel for ADC Corporation and later became President of the ADC Magnetics Division. Mr. Kiesner is on the Board of Directors of the College of Biomedical Engineering at the University of California, Irvine ("UCI") and was recently elected to the board of the UCI Foundation. He has served as Chairman of the Directors Council for the UCI Cancer Center, as well as serving on the boards of numerous civic groups. Mr. Kiesner is a graduate of the University of St. Thomas in St. Paul, Minnesota where he received his B.A., and holds a J.D. from the University of Minnesota.

Tiffany Schneggenburger, C.P.A.:
Ms. Schneggenburger became Oncotech's Chief Financial Officer in 2000. Since joining the Company in 1996, she has also held the positions of Corporate Development Coordinator, Reimbursement Manager and Director of Finance. Ms. Schneggenburger began her career with a large local public accounting firm in San Diego, West, Turnquist & Schmitt, where she worked as an independent auditor from 1990 to 1994. Immediately prior to joining Oncotech, she acted as Controller at Special Care, a home health care agency, from 1994 to 1996. Ms. Schneggenburger holds a B.S. in Accounting from San Diego State University.

Douglas Stone:
Mr. Stone became Vice President of Sales & Marketing at Oncotech in 1999. Since joining Oncotech in 1993, he has also held the positions of National Sales Director, Regional Sales Manager and District Sales Representative. Mr. Stone began his medical sales career with Baxter Travenol Healthcare in its Chemotherapy Services Division, where he worked closely with the clinical oncology physician market from 1986 to 1990. Immediately prior to joining Oncotech, he worked for Healthdyne Services from 1990 to 1993 as a Managed Care Account Manager and Senior Sales Specialist. Mr. Stone holds a B.S. in Business Management from the University of Maryland.

Luis Carbonell:
Mr. Carbonell has served as Oncotech's Vice President of Strategic Operations since November 2001. His current responsibilities include the clinical laboratories, information systems, purchasing, facilities, pathology and client services departments. From 1998 to 2001, he held the positions of Vice President of Operations and European Regional Manager at Luthi Machinery, a food processing equipment manufacturer. From 1994 to 1998, he worked for Eisai Co., Ltd., a major Japanese pharmaceutical company, where he led major expansions of the company's international operations into the U.S. and China. Mr. Carbonell holds an MBA. and a Master of Engineering Management degree from Northwestern University, and a B.S. in Mechanical Engineering from Stanford University.

William Ricketts:
Dr. Ricketts is the Chief Scientific Officer. For several years Dr. Ricketts was the Director of Research. Dr. Ricketts is responsible for the new molecular diagnostic pipeline at Oncotech. Prior to joining Oncotech, Dr. Ricketts worked at Valeant Pharmaceuticals as the project manager for a

small molecule kinase inhibitor discovery program. Prior to Valeant, he was at Isis Pharmaceuticals where he tested antisense oligonucleotides as potential anticancer therapies. Dr. Ricketts has been involved in kinase research for twenty years and has published extensively. Dr. Ricketts received his B.A. in Biology from the University of Virginia and Ph.D. from the University of California, San Diego.

Ami Mehta:
Ms. Mehta is the Vice President of New Product Strategy & Business Development for Oncotech where she is responsible for developing and executing business strategies. Ms. Mehta began her career in the health care industry with Baxter where she managed new product/business teams. Immediately prior to joining Oncotech, she was a Senior Marketing Manager for Sicor Corporation where she managed a USD 140 million oncology product line. She participated in the acquisition of Sicor by Teva Pharmaceutical Industries, Ltd. Ms. Mehta received a M.B.A. from the Anderson School of Management at UCLA, a M.S. in Chemical Engineering from Louisiana State University and a B.S. in Chemical Engineering from the University of Bombay.

Important agreements

Oncotech's business strategy relies on successfully entering into agreements to pursue collaborative relationships and undertaking clinical studies. Oncotech's collaborative relationships cover two broad areas: (1) the core clinical business involving drug resistance and molecular marker testing and (2) the new product pipeline involving molecular diagnostics. The following represents a list of collaborative partners and types of agreements into which Oncotech has entered or is pursuing:

Important Agreements

Organization, Physicians	Concept	Target Tumor	Timeline	Status	Potential impact
European Organization for Research and Treatment of Cancer (EORTC) Brussels, Belgium	Randomized Phase III study comparing upfront debulking surgery versus neoadjuvant chemotherapy	Stage III/IV Ovarian	1998–2008	Expect to complete 400 patients accrual by the end of 2006. Expected publication on Randomized Phase III study by 2008	1. Publication on randomized trial 2. European publication 3. Incremental clinical revenue US & Europe
University of Minnesota, Minneapolis, MN	Retrospective study to determine if EDR profiles correlate with clinical data following neoadjuvant chemotherapy	Phase II Ovarian	2006–2010	Study in progress, 3 out of 42 cases have been accrued. Expected publication by 2010	Incremental clinical revenue
A reputable academic and clinical organization based in New York	Retrospective and prospective study using EDR, biomarkers and proteogenomics with clinical follow up	Colon	2006–2010	IRB under review	Incremental clinical revenue in Colon Cancer Proprietary product development – colon diagnostic
Univ of Pittsburgh Medical Center, Pittsburgh (UPMC), PA	Retrospective and potentially prospective EDR and biomarker correlations in NSCLC	Non Small Cell Lung Cancer (NSCLC)	2006–2008	Study protocol is being negotiated. Three publication expected; one in 2006, two in 2007 and one in 2008	Future increase in high incidence EDR business Proprietary lung diagnostic development

Oncotech also pursues a select group of pharmaceutical companies to pursue service business to generate revenue through the testing of new chemotherapeutic agents in a modified EDR Assay. Currently Oncotech is pursuing agreements with 7 different pharmaceutical companies to generate service revenue.

Real property, facilities and equipment

Oncotech's headquarters are located at 15501 Red Hill Avenue, Tustin, CA 92780 in approximately 44,000 square feet occupied under a lease commencing in 2001 that expires in 2012. At that time, Oncotech will have an option to renew for an additional five years with rent payments at 95% of similar market properties with an increase of 4% per year. This location is used for its CLIA approved lab, R&D and administration. Oncotech has no other facilities.

Shareholder structure in Oncotech

Current share capital

As of the prospectus date the authorized capital stock of the Company consists of 35,000,000 shares of common stock, no par value and 5,537,035 shares of preferred stock, no par value.

- The following is a brief description of the Company's capital stock. As of the Prospectus Date, Oncotech's authorized capital stock consisted of:
- 35,000,000 shares of Common Stock, no par value;
- 559,139 shares of Series A Convertible Preferred Stock, no par value;
- 477,896 shares of Series B Convertible Preferred Stock, no par value;
- 4,500,000 shares of Series C Convertible Preferred Stock, no par value
- As of the Prospectus Date, there were 26,654,554 shares of Common Stock outstanding held by 223 shareholders of record. The number of shares outstanding excludes shares that are issuable upon exercise of outstanding stock options and warrants and the conversion of outstanding shares of the Company's Series A, B and C Convertible Preferred Stock.
- As of the Prospectus Date, Oncotech's outstanding preferred stock consisted of:
- 139,794 shares of Series A Preferred Stock outstanding held by 22 shareholders of record. Each share of outstanding Series A Preferred Stock is currently convertible into approximately 1.23 shares of Common Stock;
- 119,473 shares of Series B Preferred Stock outstanding held by 22 shareholders of record. Each share of outstanding Series B Preferred Stock is currently convertible into approximately 1.24 shares of Common Stock; and
- 1,095,436 shares of Series C Preferred Stock outstanding held by 37 shareholders of record. Each share of outstanding Series C Preferred Stock is currently convertible into approximately 1.31 shares of Common Stock.

Major Shareholders in Oncotech

As of the Prospectus Date the following shareholders own more 5% or more of Oncotech's share capital:

JJ. Jacobs Enterprises	23.4 %
J.F. Shea CO.	13.6 %
Shea Ventures LLC	14.2 %
North Star Ventures	5.6 %

Shareholdings by directors and officers

Name	Number of shares	Ownership %
Trevor J. Powles	305,707	1.08 %
Terrence W. Glarner	190,099	0.7 %
Frank Kiesner	103,443	0.36 %
Jay Raskin	546,124	1.8 %
B. Allen Lay	576,872	1.91 %

Record date for general meeting in Oncotech

The record date for the solicitation of written concents from Oncotech Shareholders approving the merger and related matters has been fixed at 8 February 2008.

Financial information regarding Oncotech

For financial information concerning Oncotech, see the F pages of Appendix 3.

Financial information for Oncotech for the period 1 January to 30 September 2007

Oncotech		Q3 2007		Q3 2006		Year 2006
Key figures	DKK	USD	DKK	USD	DKK	USD
Million	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited
Income statement:						
Revenue	49,556	9,426	55,455	10,548	72,084	13,711
Production cost	26,292	5,001	28,032	5,332	37,285	7,092
Research and development costs	6,083	1,157	5,867	1,116	8,885	1,690
Sales and marketing costs	13,217	2,514	14,316	2,723	18,743	3,565
Administrative expenses	13,359	2,541	13,564	2,580	24,147	4,593
Operating profit/(loss)	(9,395)	(1,787)	(6,325)	(1,203)	(16,976)	(3,229)
Net financials	(0,641)	(0,122)	(0,021)	(0,004)	0,047	0,009
Profit/(loss) before tax	(10,036)	(1,909)	(6,346)	(1,207)	(16,929)	(3,220)
Net Tax	(0,053)	(0,010)	(0,053)	(0,010)	0,379	0,072
Profit/(loss) for the year	(10,089)	(1,919)	(6,398)	(1,217)	(16,550)	(3,148)
Balance Sheet:						
Assets						
Other Assets	0,268	0,051	0,315	0,060	0,310	0,059
Intangible Assets		-			0,079	0,015
Property, plant and equipment	4,590	0,873	6,814	1,296	6,298	1,198
Financial assets		-		-		-
Non-current assets	4,858	0,924	7,129	1,356	6,687	1,272
Prepaid expenses and other current assets	0,931	0,177	1,383	0,263	1,088	0,207
Inventories	1,309	0,249	1,682	0,320	1,430	0,272
Receivables	14,237	2,708	16,445	3,128	12,702	2,416
Cash and cash equivalents	0,515	0,098	3,791	0,721	0,783	0,149
Current Assets	16,992	3,232	23,301	4,432	16,004	3,044
Total Assets	21,850	4,156	30,430	5,788	22,691	4,316
Equity and liabilities						
Equity	(1,383)	(0,263)	17,386	3,307	7,345	1,397
Non-current liabilities	2,797	0,532	3,938	0,749	3,722	0,708
Current liabilities	20,436	3,887	9,106	1,732	11,624	2,211
Total liabilities	23,232	4,419	13,044	2,481	15,346	2,919
Equity and liabilities	21,850	4,156	30,430	5,788	22,691	4,316

Oncotech financial information for the period 1 January through 30 September, 2007

Summary: For the first nine months of 2007, Oncotech generated revenue of USD 9.4 million; the cost of revenue amounted to USD 5.0 million with the gross margin of USD 4.4 million. The net loss for the period totaled USD 1.9 million. Oncotech continues to invest aggressively in its R&D programs to build a proprietary molecular diagnostic product pipeline. R&D expense for the period was USD 1.2 million, a slight increase over the same period in 2006.

Comments on the interim financial information for the first 9 months of 2007

- Revenue decreased by 11% on the same period of last year to USD 9.4 million in the first nine months of 2007. The decrease in sales was attributed to some regulatory and competitive pressures. It was also attributed to management decision to focus company's efforts on proprietary new molecular diagnostic products.

- Production costs represent the cost of materials, direct labor, costs associated with processing tissue samples, including all laboratory services, client services, and shipping related to patient specimens. Production costs also include expenses related to activities performed under pharmaceutical services contracts. Production costs amounted to USD 5 million in the first nine months of 2007 which is a 6% decrease for the same period in 2006. The gross margin decreased slightly to 47% from 49% for the same period of 2006.

- Research and development expenses include the costs of the personnel and consultants related to the Company's development activities, the expansion of the molecular diagnostic product menu and the costs of planning and conducting the clinical studies. Research and development expenses amounted to USD 1.2 million in the first nine months of 2007 which is a slight increase over the same period in 2006

- Selling and marketing expenses amounted to USD 2.5 million in the first nine months of 2007, which is an 8% decrease over the same period in 2006. Oncotech has an established selling and marketing infrastructure with 18 full-time employees to service Oncotech's existing client base of over 7,000 physicians.

- Administrative expenses include the costs of the personnel and consultants allocated to this sector, general corporate legal expenses, reimbursement and collection expenses, information technology and various expenses relating to operating the business. General and administrative expenses amounted to USD 2.5 million in the first nine months of 2007 which is a slight decrease over the same period in 2006.

Proforma financial information regarding The New Exiqon Group

On 21 January 2008 the Company announced that it had entered into a conditional agreeemnt regarding the acquisition of Oncotech (see "Oncotech Transaction"). In the Mangement's opinion, the Oncotech Transaction will materially affect the Company's total balance and equity. For this reason the Management has decided to include a description of how the Oncotech Transaction would have affected the Company's assets, liabilities and financial position, had it occured on 30 September 2007 and on the result of Exiqon's operations had it occured on 1 January 2007. For a description of the Oncotech Transaction, see "Oncotech Transaction".

Statement by the Management and the Board of Directors concerning pro forma financial information

In the following, the Management and the Board of Directors present pro forma financial information prepared on the basis of the adjustments and assumptions set out in the notes to the financial information, which describe how the Oncotech Transaction (see "Oncotech Transaction") would have affected Exiqon's consolidated balance sheet as at 30 September 2007 had it occurred on 30 September 2007 and how the transaction would have affected Exiqon's consolidated income statement had it occurred on 1 January 2007. The pro forma financial information prepared for use herein is unaudited.

The pro forma financial information has been prepared as set out in "Preparation of pro forma financial information" in accordance with the accounting policies applied by Exiqon for the financial year 2006 and its basis of presentation is described in "Basis of presentation of pro forma financial information".

We believe that the pro forma financial information presented provides meaning information about the impact on Exiqon's assets, liabilities and financial position as at 30 September 2007 and on the results of Exiqon's operations for the period 1 January - 30 September 2007 in a hypothetical combination at the dates described above.

Vedbæk, 8 February 2008

Board of Directors

Thorleif Krarup
Chairman

Henrik Lawaetz

Michael Nobel

Steinar J. Engelsen

Erik Walldén

Management

Lars Kongsbak
CEO

Report by the Company's independent auditors on pro forma financial information

To the shareholders of and potential investors in Exiqon A/S

We have examined the pro forma financial information presented on pages 124-129 of the Prospectus for Exiqon A/S. The pro forma financial information has been prepared on the basis of the adjustments and assumptions set out in the notes to the pro forma financial information presented on page 128, and according to the accounting policies applied by Exiqon A/S for the financial year 2006, see pages F-20 - F-25 of the Prospectus.

The pro forma financial information has been prepared with the sole purpose of illustrating the effect on Exiqon A/S's assets, liabilities and financial position if the Oncotech Transaction, as described in the section "The Oncotech Transaction", had occured on 30 September 2007 and the effect on the result of Exiqon's operations had the transaction occured on 1 January 2007.

The Company's Management and Board of Directors are responsible for the pro forma financial information and for the adjustments and assumptions on which the information is based. Our responsibility is to express a conclusion on the pro forma financial information based on our work.

The examination procedures performed

We have performed our work in accordance with the Danish standard concerning "Assurance engagements other than audits or reviews of historical financial information" (RS 3000) to obtain limited assurance that the pro forma financial information has been prepared on the basis described and in accordance with the accounting policies applied by Exiqon A/S for the financial year 2006. Our examinations have primarily been restricted to enquiries and therefore provide less assurance than would be the case for engagements with reasonable assurance.

As part of our work, we have compared the historical financial information with the published interim financial statements of Exiqon for the period 1 January – 30 September 2007 set out on pages F-3-F-10 and the interim accounts of Oncotech for the period 1 January – 30 September 2007 described on pages 120-121. We have tested the pro forma adjustments made and ensured that they have been made on the basis of the assumptions disclosed by the Management and Board of Directors of Exiqon. Furthermore, we have checked the correlation in terms of figures and assessed the overall presentation of the pro forma financial information as well as discussed the pro forma financial information with the Management and Board of Directors of Exiqon A/S in order to assess whether the information has been reasonably calculated on the basis described.

We believe that our work provides a reasonable basis for our conclusion.

Conclusion

During our examinations, we have not become aware of matters which invalidate that the pro forma financial information has been prepared on the basis of the adjustments and assumptions specified in the notes to the pro forma financial information and according to the accounting policies applied by Exiqon A/S for the financial year 2006.

Supplementary information

As a consequence of the hypothetical nature of the assumptions forming the basis of the pro forma financial information, these assumptions do not give an actual presentation of Exiqon A/S's assets, liabilities and financial position as at 30 September 2007 and of the results of Exiqon A/S's operations for the period 1 January 2007 to 30 September 2007 in accordance with the accounting policies currently applied.

Copenhagen, 8 February 2008

Deloitte
Statsautoriseret Revisionsaktieselskab

Jens Rudkjær
State authorised public accountant

Jørgen Holm Andersen
State authorised public accountant

Preparation of pro forma financial information

The following financial statements show selected unaudited pro forma financial information for a combined Exiqon and Oncotech.

Exiqon believes that this presentation, given exclusively for use in the Prospectus, contains meaningful comparative information about existing activities, but the presentation is not intended to represent or show the combined results or the financial position of Exiqon that would have been reported if the Oncotech Transaction had been made at the dates presented, nor should it be considered as an indication of the future combined results or the future financial position of Exiqon.

The pro forma financial information for the combined balance sheet as at 30 September 2007, which contains an allocation of the purchase price and other adjustments related to the Oncotech Transaction, is based on the information available at the present time and other assumptions considered to be reasonable. The allocation of the purchase price for Oncotech's identifiable assets and liabilities has not yet been finally performed. As a result, the final allocation of the purchase price will deviate from the unaudited pro forma financial information presented.

The pro forma financial information for the combined income statement for period 1 January 2007 to 30 September 2007 is also affected by adjustments related to the Oncotech Acquisition and is based on the information available at the present time and other assumptions that Exiqon considers being reasonable.

Reference is made to the following notes for more detailed presentation of how the pro forma adjustments have been made in the unaudited pro forma financial information.

The selected historical financial information for the combined income statement for the period 1 January 2007 to 30 September 2007 for Exiqon has been extracted from the unaudited interim report for the period 1 January 2007 to 30 September 2007, included elsewhere in this Prospectus, and the financial information should be read in conjunction therewith.

The interim financial statement of Exiqon has been prepared in accordance with IAS 34 and additional Danish disclosure requirements for listed companies in relation to interim reports. The unaudited interim financial statements of Oncotech have been prepared in accordance with US GAAP as set out in the accounting policies described for the financial year 2006.

Basis of presentation of pro forma financial information

The unaudited pro forma combined balance sheet as at 30 September 2007 is based on the balance sheet of Exiqon and Oncotech, respectively, and was prepared as if the Oncotech Transaction had been effected on 30 September 2007. The unaudited pro forma financial information of the combined income statements for the period 1 January 2007 to 30 September 2007 present the Oncotech Transaction as if it had occurred with effect from 1 January 2007.

The pro forma financial information has not been prepared as coherent financial statements but in such a way that the balance sheet and income statements must be assessed independently. The pro forma financial information has been prepared for illustrative purposes only, and since the pro forma financial information inherently describes a hypothetical situation, it does not present the combined company's actual financial situation or results of operations.

The purchase price for Oncotech is payable by issuance of shares in Exiqon A/S, however the maximum number of Offer Shares shall be reduced proportionally compared to the Closing Liabilities as described in section "Oncotech Transaction". The issue of the maximum number of Offer Shares (6,161,004) amounts to an aggregate consideration for all the shares in Oncotech of USD 45 million (app. DKK 225 million at the exchange rate on 26 November 2007).

Only for purposes of the below proforma financial information the consideration is calculated as follows:

Maximum number of Offer Shares		6,161,004
Estimated Oncotech liabilities	USD million	9.4
Accepted Oncotech liabilities	USD million	2.9
Estimated Closing Liabilities		**6.5**
Closing Liabilities converted to number of Offer Shares (at a share price of 36.4 and an exchange rate of 5.00)		-892,857
Consideration in Offer Shares, number of shares		**5,268,147**

The final purchase price will deviate from the above, to the extent that Exiqon's share price average during the five business days prior to the Closing Date deviates compared to the share price preliminarily applied and if the USD/DKK exchange rate changes. Furthermore, the final number of Offer Shares will depend on the amount of the Closing Liabilities on the Closing Date.

The fair-value adjusted identifiable assets and liabilities in Oncotech as at 30 September 2007 has been recognised in the pro forma balance sheet as at 30 September 2007 as described in the note c below. The pro forma income statement for the period 1 January 2007 to 30 September 2007 include recognition of depreciations of the value of these assets based on an expected economic life of as described in the note c.

The purchase price in excess of the fair-value of identifiable assets and liabilities has been recognised as Goodwill, which has not been subject to write-offs or depreciation in the relevant period.

The allocation of the purchase price for identifiable assets and liabilities in Exiqon is considered to be preliminary, On final completion of the Oncotech Transaction and subsequent measurement and valuation of the acquired assets and liabilities, the purchase price allocation may be changed as a result of changes to the actual purchase price and a more exact calculation of specific balance sheet items at fair value at the acquisition date. As a result, there can be no assurance that the final allocation of the purchase price on identifiable asset and liability items in Oncotech will not deviate materially from the preliminary allocation.

	Oncotech historical US GAAP DKK'000		Proforma adjustments to Oncotech' balance sheet DKK'000	Oncotech prepared in accordance with IFRS DKK'000	Exiqon Group historical IFRS DKK'000	Proforma adjustments related to the acquisition DKK'000		Group elimination DKK'000		Consolidated proforma balance sheet DKK'000
Goodwill	-		-	-	-	105,826		-		105,826
Intangible assets, others	-		-	-	7,574	64,945		-		72,519
Intangible assets	-		-	-	7,574	170,771		-		178,345
Tangible assets	4,590	a	-	4,590	16,002	47,373		-		67,965
Financial assets	268	a	-	268	2,162	-1,383		1,383	f	2,430
Total non-current assets	4,858	a	-	4,858	25,738	216,761		1,383		248,740
Inventories	1,309	a	-	1,0309	5,058	-		-		6,367
Receivables	14,237	a	-	14,237	10,191	-		-		24,428
Accrued income	931	a	-	931	-	-		-		931
Cash and cash equivalents	515	a	-	515	358,397	-		-		358,912
Current assets	16,992	a	-	16,992	373,646	-		-		390,638
Total assets	21,850	a	-	21,850	399,384	216,761		1,383		639,378
Share Capital	117,561	a	-	117,561	24,407	5,268	c	-117,561	f	29,675
Other Reserves	-118,944	a	-	-118,944	337,068	186,493	c	118,944	f	523,561
Equity	-1.383	a	-	-1.383	361.475	191,761		1.383	f	553,236
Non-current liabilities	2,797	a	-	2,797	8,677	-		-		11,474
Current liabilities	20,436	a	-	20,436	29,232	25,000	d	-		74,668
Total equity and liabilities	21,850		-	21,850	399,384	216,761		1,383		639,378

See explanation of notes on page 128.

Income Statement

		Oncotech historical US GAAP DKK'000		Proforma adjustments to Oncotech's balance sheet DKK'000		Oncotech prepared in accordance with IFRS DKK'000	Exiqon Group historical IFRS DKK'000	Proforma adjustments related to the acquisition DKK'000		Consolidated proforma balance sheet DKK'000
Revenue		49,556	a			49,556	29,537	-		79,093
Production costs		-26,291	a			-26,292	-14,606	-1,244	c	-42,142
Gross profit		**23,264**				**23,264**	**14,931**	**-1,244**		**39,951**
Research and development costs		-6,083	a			-6,083	-20,183	-1,244	c	-27,510
Sales and marketing costs		-13,218	a			-13,218	-23,785	-4,871	c	-41,874
Administrative expenses		-13,358	a	-121	b	-13,479	-22,901	-614	c	-36,994
Operating loss (EBIT)		**-9,395**		**-121**		**-9,516**	**-51,938**	**-7,973**		**-69,427**
Financial income		90	a			90	5,541	-		5,631
Financial expenses		-731	a			-731	-576	-		-1,307
Profit/loss before tax		**-10,036**		**-121**		**-10,157**	**-46,973**	**-7,973**		**-65,103**
Tax on the profit/loss for the year		-53	a			-53	0			-53
Profit/loss for the year		**-10,089**		**-121**		**-10,210**	**-46,973**	**7,973**		**-65,156**

See explanation of notes on page 128.

Pro forma adjustments

The unaudited pro forma financial information for a combined Exiqon and Oncotech has been adjusted as follows:

a) In order to include the historical financial information for Oncotech, Oncotech's historical financial information has been translated from USD to DKK using the exchange rate in force at 30 September 2007- USD 1= DKK 5.2574.

b) For the purpose of the pro forma financial information, the historical financial information for Oncotech has been restated so that it is presented in accordance with Exiqon's accounting policies for the financial year 2006 as described on pages F-20 - F-25. The following items have been restated:

- Share-based payments have been recognized in accordance with IFRS 2: Share-based Payment, resulting of an additional expense of DKK 121,000.

c) As stated above, the issue of the maximum number of Offer Shares amounts to an aggregate consideration of USD 45 million (appr. DKK 225 million). The final purchase price will deviate from the above calculations to the extent that Exiqon's share price average during the five business days prior to the Closing Date deviates from the price used for purposes of calculating the preliminary purchase price and if the USD/DKK exchange rate changes.

The purchase price is paid partly by delivery of Offer Shares and partly be assuming certain liabilities, see the description above.

The final number of Offer shares wil depend on the amount of the Closing Liabilities on the Closing Date.

The preliminary allocation of the purchase price on fair-value identifiable assets and liabilities may be made as shown below. The below calculation also shows the depreciation periods applied based on the expected economic life.

DKK' 000	Value	Depreciation/ amortisation
Net working capital	(26,383)	-
Tumour bank	47,373	10 years
Customer-relations	45,866	10 years
Patents	4,711	10 years
Trademarks	14,368	10 years
Goodwill	105,826	-
Purchase price	**191,761**	**-**
Closing Liabilities	**33,239**	**-**
Total purchase price	**225,000**	**-**

In the write-offs of the Tumour bank is recognized a scrap value of 30% of the calculated fair-value. In accordance with applicable accounting practice goodwill is not amortized.

The above does not include Exiqon's transaction expenses.

As stated above, the allocation of the purchase price on identifiable assets and liabilities in Oncotech is considered preliminary. Upon closing of the Oncotech Transaction and subsequent measurement and valuation of the acquired assets and liabilities the allocation of the purchase price may be adjusted as a result of an adjustment of the purchase price as such and a more exact market value statement of the individual balance sheet items as at the closing date. Therefore, it is not certain that the final allocation of the purchase price on identifiable assets and liabilities in Oncotech will not deviate materially from the preliminary allocation.

d) Adjustment of the estimated liabilities in Oncotech, so that the Closing Liabilities correspond to the estimated amount.

e) Tax on profit/loss for the period concerning change in deferred tax: It is found that there is sufficient certainty that tax assets relating to unutilised tax losses may be utilised.

f) For use in presenting the pro forma consolidation, Exiqon's investment in Oncotech has been subject to intra-group elimination corresponding to Oncotech's equity value as at 30 September 2007.

Third party information, statements by experts and declarations of interest

No third parties, experts or others have provided any information or statements in this Prospectus.

Documentation

The following documents are available for inspection at the Company's address, Staktoften 22D, DK-2950 Vedbæk, Denmark;

- Annual reports for the years ended 31 December 2004, 2005 and 2006
- Memorandum of Association
- Articles of Association

Disclosure of equity investments

Exiqon holds all the shares in Exiqon Inc. and in Exiqon Acquisition Inc.

Definitions

Shares	The Company's Existing Shares including the Offer Shares
Board of Directors	The Board of Directors of Exiqon A/S, consisting of Thorleif Krarup (Chairman), Henrik Lawaetz (Vice Chairman), Michael Nobel, Steinar J. Engelsen and Erik Walldén
Closing Date	Around 27 February 2008 – the date on which the Company gains ownership of Oncotech.
Deloitte	Deloitte Statsautoriseret Revisionsaktieselskab
Executive Management	The Chief Executive Officer, Lars Kongsbak
Existing Shares	24,441,064 Shares of DKK 1 nominal value each
Exiqon	Exiqon A/S and its subsidiaries Exiqon, Inc and Exiqon Acquisition Inc.
Danish FSA	The Danish Financial Supervisory Authority
OMX Copenhagen	OMX Nordic Exchange Copenhagen A/S
Management	See Executive Management
Key Employees	Hans Henrik Chrois Christensen, Michael Kallelis, Søren Morgenthaler Echwald, Henrik Pfundheller, Søren Møller, Peter Stein Nielsen and Mette Flansmose
Prospectus	This document published by the Board of Directors and the Executive Management of Exiqon A/S
Securities Act	the United States Securities Act of 1933, as amended
Company	Exiqon A/S, company reg. (CVR) no. 18984431, Staktoften 22D, DK-2950 Vedbæk, Denmark
Major Shareholders	The shareholders defined in "Major Shareholders"
Merger Agreement	The Agreement and Plan of Reorganization among the Company, Exiqon Acquisition Inc and Oncotech, Inc.
Offer Price	The offer price of the Offer Shares
Offer Shares	The new Shares offered in the Placement
Oncotech	Oncotech Inc.
Oncotech Shares	The shares issued by Oncotech which are being contributed in kind to Exiqon A/S
Oncotech Shareholders	Such persons that hold Oncotech Shares as of the Closing Date.
Oncotech Transaction	The merger of Exiqon Acquisition Inc and Oncotech and the contribution in kind of shares in Oncotech into Exiqon against delivery of the Offer Shares
The New Exiqon Group	Exiqon together with Oncotech.
The Placement	The private Placement of the Offer Shares to the Oncotech Shareholders pursuant to the Oncotech Transaction

Glossary

Antisense	An oligonucleotide that binds to mRNA in the cell, thereby suppressing the protein expression of the given mRNA.
ASR (Analytic Specific Reagent)	ASR is a description used by the FDA for products that may be employed in diagnostics by providers who have been approved according to the "CLIA" (Clinical Laboratory Improvement Amendments) Act. ASR reagents must be manufactured in compliance with cGMP and be registered with the FDA.
Biomarker	Biological molecule used as a marker for a given disease/condition or as a prediction in disease and/or treatment regimes.
cGMP Current Good Manufacturing Practice	The basic principles, procedures and resources necessary to ensure the manufacture of products of the required quality.
CLIA	Clinical Laboratory Improvement Act. Denotes qualification requirements for laboratory work.
Companion diagnostics	The prescription of a given medication – based on a diagnostic test. Most often, a number of treatment options will be available.
CUP	Carcinoma of Unknown Origin. Description of a metastasis for which it is impossible to establish the origin of the cancer.
DNA	Deoxynucleic acid. A nucleic acid that carries the cell's genetic code and which is capable of creating and synthesising RNA. DNA consists of two long strands of nucleotides twisted into a double helix and joined by bonds between the strands. The order of the nucleotides determines the individual inherited characteristics.
EDR	Extreme Drug Resistance. Expression used for tumors resistant to medical treatment
Efficacy	The effectiveness or the ability of a drug to control or cure a given disease.
Enabled	Denotes that a given technology allows for an analysis/product that cannot be performed/developed using any other technology.
FDA (Food and Drug Administration)	US Food and Drug Administration. The US federal agency responsible for enforcing the Food and Drug laws enacted by US Congress regarding the research, manufacture and safety of food, biologics, devices, drugs and cosmetics.
Fully paid-up license	A license that does not involve future royalty payments.
Gene expression profile	Expression of the activity of one or more genes.
Home brew	Denotes that the product or the process has been manufactured by the customer.
Hybridisation	The process in which a probe identifies a complementary DNA or RNA strand.
Immunohistochemistry (IHC)	An analysis process in which an antibody is used to identify the existence of specific antigens in a tissue sample.
In situ	Analysis tissue sections, for example.
In vitro diagnostics (IVD)	A broad description for diagnostics on samples taken from the body. IVD is also used to describe a market segment that includes various types of diagnostic tests.

Kit	Common term for the product we sell for research purposes.
Knock down	Technology for functional de-activation of the biological function of RNA.
Cancer	Name for a group of diseases in which the body develops abnormal cells (cancer cells) which proliferate uncontrollably. Cancer cells may invade the surrounding tissue and spread to other parts of the body via the blood and the lymphatic system.
LNA	Locked Nucleic Acid.
Meta-analysis	A meta-analysis is a statistical analysis combining the results and data from a number of studies.
MIA	Multivariate Index Assay
Microarray	An analysis platform that facilitates parallel analysis of many biomarkers – perhaps up to 100,000 biomarkers in an analysis.
miRNA	MicroRNA. Small regulatory RNA components that do not code for protein. miRNA is part of the non-coding RNA.
Molecular diagnostics	Diagnostics based on nucleic acid analyses.
mRNA	Messenger RNA. The DNA of a gene is transcribed to mRNA molecules which then act as a template for the protein synthesis.
Non-coding RNA	Non-coding RNA is RNA that does not code for protein. The function of non coding RNA may be of a regulating character or form part of the protein synthesis device. Most RNA is of the non-coding type.
OEM	Original Equipment Manufacturer.
Oligonucleotides	Short, and most often synthetic, strands of DNA, RNA or LNA.
Oncologist	Doctor specializing in cancer therapy.
Pathologist	Doctor specializing in pathology.
Pathology	The study of the nature of disease in cells, tissue and organs.
PCR	Polymerase Chain Reaction is a method to quantify specific nucleic acid sequences (DNA and RNA).
Probe	A sequence of nucleotide bases used to identify the existence of a complementary sequence using molecular hybridisation.
Prognosis	A prediction about the expected disease course based on a diagnostic analysis.
Protein	Natural substance consisting of amino acids.
qPCR	The efficacy or ability of a certain drug to qualititative measurement in real time based on PCR.
RNA	Ribonucleic acid. Found in all living cells, consisting of a long, usually single stranded, chain of the bases adenine, guanine, cytosine and uracil bonded to ribose. The structure and base sequence of RNA determines the protein synthesis.
RNaseH	An enzyme that cleaves RNA/DNA double-stranded nucleic acid.
Royalty	License payment, typically calculated as a proportion of revenue from a marketed product
Screening	Analysis of a large number of biological samples for gene expression profiles.
siRNA	Typically synthetic double-stranded RNA molecules that ensure repression of protein expression.

SNP	Single Nucleotide Polymorphism. Single variations in the DNA sequence of chromosomes.
Splice variant	mRNA variants of different lengths.
Theranostics	Analysis describing the optimum medical treatment based on a diagnostic analysis.
Transcription	The process through which DNA expresses genes and RNA is formed.

Companies referred to in the Prospectus

Abbott Diagnostics (a division of Abbott Laboratories)
Affymetrix, Inc
Agendia B.V.
Applied Biosystems Group (Applera Corporation)
Asuragen Inc.
Celera Group (Applera Corporation)
Chugai Pharmaceuticals Co., LTD.
Cureon A/S
Digene Corporation
Fluidigm Corporation
Gene-Design, Inc.
Genomic Health, Inc.
Gen-Probe, Inc.
Illumina, Inc.
Integrated DNA Technology, Inc.
Invitrogen Corporation
ISIS Pharmaceuticals, Inc.
Luminex Corporation
Merck Inc.
Microarrays Inc.
Novo Nordisk A/S
Oxford Gene Technologies IP Limited
Qiagen GmbH
Ribotask ApS
Roche Applied Science (a division of F. Hoffmann – La Roche)
Roche Diagnostics (a division of F. Hoffmann – La Roche)
Roche Pharmaceuticals (F. Hoffmann – La Roche)
Rosetta Genomics Ltd.
Rosetta Inpharmarics LLC
Santaris Pharma A/S
Siemens Medical Solutions Diagnostics (a division of Siemens AG)
Sigma-Genosys (a division of Sigma Aldrich Co.)
Stratagene Corporation
XDx, Inc.

II. Financial information concerning Exiqon's assets and liabilities, financial position and profits and losses

For financial information concerning Exiqon, see the F pages of Appendix 2.

III. The Placement

Persons responsible for the Placement

Responsibility statements are not included in the English-language version of this Prospectus.

Risk factors related to the Placement

For a description of risk factors in connection with the Placement, see "Risk factors".

Statement of capital resources

Management expects that the Company's current capital resources, expected revenues, credit facilities and proceeds from the exercise of Exiqon's warrant programme are sufficient to cover The New Exiqon Group's liquidity requirement until 2011 following which the Company expects positive operating cash flows.

Capitalization and indebtedness

Management believes that the Company's capital structure and capital resources were adequate as at 30 September 2007. Table 29 below shows an overview of Exiqon's capital and debt as at 30 September 2007as extracted from the unaudited interim report.

No material changes in the Company's capitalization have occurred after 30 September 2007 and until the Prospectus date.

Natural and legal persons' interests in the Placement

No actual or potential conflict of interests exists between any duties of the members of the Board of Directors and Executive Management or Key Employees towards the Company, and such persons' private interests and/or duties to other persons.

Table 30: Overview of Exiqon's capital and debt

	At 30 September 2007	
(DKK million)	**DKK**	**USD**
Equity		
Share capital	24.4	4.6
Other reserves	337.1	64.1
Total equity	**361.5**	**68.8**
Debt		
Non-current liabilities	8.7	1.7
Short-term debt	29.2	5.6
Total liabilities	37.9	7.2
Total equity and liabilities	**399.4**	**76.0**

Exiqon has no guaranteed or secured debt.

Information concerning the Offered Shares

Type of securities, allocation time and securities Identification codes

Offer Shares
The Offer Shares to be issued by Exiqon will be of the same class as the Existing Shares.

ISIN/Securities Identification code
Existing Shares DK0060077758

An application has been submitted for the Offer Shares to be listed on the OMX Copenhagen. The Offer Shares are expected to be listed in the OMX Copenhagen on or around 29 February 2008 in the existing isin code.

Governing law and jurisdiction
The Placement is subject to Danish law. Any dispute arising out of the Placement must be brought before the Court of Lyngby.

Registration
All Offer Shares will be delivered in book-entry form by allocation to accounts with VP Securities Services through a Danish bank or other institution authorized as a custodian institution for such shares. The address of VP Securities Services is Helgeshøj Allé 61, DK-2630 Taastrup, Denmark. The Offer Shares are issued in non-certificated form. The Offer Shares may be registered in the name of the holder in the Company's register of shareholders through each shareholder's custodian institution.

Currency
The Placement will be made and trading in the Offer Shares will take place in Danish kroner. The Offer Shares are denominated in Danish kroner.

Rights attaching to the Offer Shares
When the Offer Shares have been fully paid up and registered, they will rank pari passu with the Existing Shares and thus have pre-emption rights to future capital increases on the same terms and to the same extent as the Existing Shares. The Company's Share is not subject to any redemption provisions except as provided by the Danish Public Companies Act, see "Information concerning the securities offered – Danish legislation concerning mandatory takeover offers, redemption of shares and information about shareholdings".

Dividend rights/Rights to share in profits
According to the Danish Public Companies Act, a company's shareholders authorize the distribution of dividends at the annual general meeting on the basis of the most recently adopted annual financial statements.

Dividends may not exceed the amount recommended by the Board of Directors. The shareholders in general meeting can authorize the Board of Directors in a company to distribute extraordinary dividends. Such authorization must be incorporated in the articles of association of the company. The Board of Directors' resolution to distribute extraordinary dividends must enclose an intermediate balance sheet reviewed by the company's auditors and showing that sufficient funds are available for the distribution, in addition to a declaration by the Board of Directors stating that the amount of the extraordinary dividends is reasonable having regard to the company's and the group's financial position. Exiqon's Board of Directors does not hold such an authorization.

When the Offer Shares have been registered with the Danish Commerce and Companies Agency, they will carry the same right to dividends as the Existing Shares and thus be eligible for any dividends declared and payable as from the financial year ending 31 December 2007.

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

Dividends are paid in Danish kroner to each shareholder's account with VP Securities Services. No restrictions on dividends or special procedures apply to holders of Offer Shares who are not residents of Denmark. Reference is made to "Taxation" below for a description of the tax treatment of dividends under Danish law.

Voting rights
Shareholders are entitled to one vote for each share amount of DKK 1 nominal value at general meetings. As each Share has a nominal value of DKK 1, each Share carries one vote when the Shares have been recorded in the name of the holder in the Company's register of Shareholders. However, shareholders who have acquired Shares by transfer are not entitled to exercise voting rights in respect of such Shares, unless the Shares have been recorded in the name of the holder in the Company's register of shareholders, or unless the shareholder has applied for registration and substantiated his acquisition prior to the date of notice of the general meeting.

Rights on liquidation
In case of liquidation of the Company, the Shareholders are entitled to participate in the distribution of excess assets in proportion to their nominal shareholdings after the Company's creditors have been paid.

Other rights
None of the Company's Shares confer any rights of redemption or conversion or any other special rights upon their holders.

Resolutions, authorizations and approvals of the Placement
At the Company's extraordinary general meeting held on 31 January 2008, the Board of Directors was authorized until 30 September 2008 to increase the Company's share capital by up to 6,161,004 Shares of DKK 1 nominal value each, see section 37 of the Danish Public Companies Act. The capital increase may be carried out by non-cash payment and without any pre-emption rights for the Company's existing shareholders and generally on the terms determined by the Board of Directors. The new Shares which are issued in accordance with the above authorization shall be negotiable instruments made out in the name of the holder. There shall be no restrictions on the transferability of the Shares, and no shareholder shall be under an obligation to have Shares redeemed in part or in whole. The Shares shall carry the same rights as the Existing Shares. The Shares will be eligible for all dividends and other rights in the Company from the date of registration of the capital increase with the Danish Commerce and Companies Agency.

Negotiability and transferability of the Shares
All Existing Shares and the Offer Shares are freely transferable and negotiable instruments under Danish law, and no restrictions apply to the transferability of the Shares.

Danish legislation concerning mandatory takeover offers, redemption of shares and information about shareholdings

Mandatory tender offers
The conditions relating to mandatory tender offers are contained in section 31 of the Danish Securities Trading Act according to which an acquirer of shares in a listed company ("ListCo") are obligated to offer to the remaining shareholders of ListCo to dispose of their shares on identical terms, if the acquirer as a result of the transaction:

(i) will hold the majority of the shares in ListCo
(ii) becomes entitled to appoint or dismiss a majority of ListCo's members of the board of directors
(iii) obtains the right to exercise a controlling influence over ListCo or on the basis of the articles of association of ListCo or any agreement with ListCo in general
(iv) according to an agreement with other shareholders will control the majority of the voting rights in ListCo, or
(v) will be able to exercise a controlling influence over ListCo and will hold more than one-third of the voting rights.

Information about shareholdings
Under section 29 of the Danish Securities Trading Act, shareholders in a listed company are required to immediately notify the listed company and the Danish Financial Supervisory Authority when the shareholder's stake represents 5% or more of the voting rights in the company or the nominal value accounts for 5% or more of the share capital, and when a change of a holding already notified entails that limits at intervals of 5, 10, 15, 20, 25, 50 and 90 % and the limits of one-third and two-thirds of the voting rights or nominal value of the share capital are reached or are no longer reached.

Mandatory redemption of shares
Under section 20b of the Danish Public Companies Act, shares in a company may be redeemed in whole or in part by a shareholder who holds more than nine-tenths of the share capital and a corresponding part of the voting rights in the Company. Such redemption can be made by the majority shareholder together with the Board of Directors by common agreement. Likewise, a minority shareholder may demand to have his or her shares redeemed by a majority shareholder who holds more than nine-tenths of the share capital.

Public tender offers made by third parties for Exiqon Shares during the past or current financial years
No tender offers have been made by any third party in respect of Exiqon's Shares during the past or current calendar years.

Taxation

Introduction
The following is a summary of material Danish tax considerations relating to the acquisition, possession and sale of Shares applicable to investors who are Danish tax residents and investors who are not Danish tax residents. The summary is for general information purposes only and does not purport in any way to represent tax or legal advice.

The summary does not purport to be an exhaustive description of all of the tax considerations that may be relevant to the acquisition, ownership, or disposal of Shares.

Investors should consult their own tax advisers in order to clarify the tax consequences to them of purchasing, owning, or disposing of Shares in light of their particular circumstances, including the effect of any state, local, or other national laws.

The summary does not include a description of the tax consequences for professional investors, pension funds,

etc. The summary is based on the laws, regulations, court rulings and decisions in effect in Denmark as of the Prospectus Date, all of which are subject to change, in some cases with retroactive effect.

Taxation of investors who are not residents of Denmark

Taxation of dividends

Under Danish law, withholding tax at the rate of 28% on dividends paid in respect of shares in Denmark are generally withheld by a Danish company distributing dividends, irrespective of whether the shareholder is a private individual or a company. Non resident shareholders of Denmark for tax purposes are not subject to additional Danish tax in respect of dividends received on shares in Denmark.

Non-resident shareholders may be eligible for a refund of part of the withholding tax where the shareholders are entitled to rely on a double taxation treaty. Shareholders who are eligible to rely on such treaty and who observe certain certification rules may apply to the Danish tax authorities for partial reimbursement of the withholding tax, which will reduce the effective Danish withholding tax rate to the withholding tax rate specified in the relevant double taxation treaty. Under the tax treaty between Denmark and the United States dividends paid to a U.S. company as beneficial owner that holds directly at least 10% of the share capital of the Danish company paying the dividends is subject to a withholding tax of 5%, while all other shareholders receiving as beneficial owners dividends on shares in the Danish company will be subject to a withholding tax of 15%.

The shareholder's local tax authorities must substantiate the claim for a refund on special forms prepared by the Danish tax authorities (for US tax residents: Currently preprint form no. 06.008, which is available online on http://www.skat.dk/blanketter/06008.pdf) and then submit the claim to the Danish tax authorities. In practice, non-resident shareholders may normally expect to receive a refund within approximately one month from the date on which the Danish tax authorities receive the claim for the refund.

A separate regime for reduction of withholding tax to the applicable tax treaty rate is available to private individuals who are tax residents of the United States, Canada, Germany, the Netherlands, Belgium, Luxembourg, Norway, Sweden, Ireland, Switzerland, Greece and the UK. In order to make use of this regime, eligible shareholders must deposit their shares with a Danish bank, and the shareholding must be registered and administered by VP Securities Services. In addition, such shareholders must provide documentation from the relevant foreign tax authority as to the shareholder's tax residence and eligibility under the relevant treaty. A special form prepared by the Danish tax authorities must be used. The shareholder may agree with the relevant deposit bank that the bank procures the relevant form.

In addition, it will be possible for the company distributing dividends or VP Securities Services to enter into an agreement with the Danish tax authorities under which the Company will solely be required to withhold tax from each shareholder at the rate provided by the relevant double taxation treaty.

Under Danish tax rules, a foreign company which

- can claim a reduction or termination of Danish withholding tax under the Parent-Subsidiary Directive (Council Directive 90/435/EEC) or pursuant to a state with which Denmark has entered into a double taxation treaty; and which

- holds more than 15% (reduced to 10% as of 1 January 2009) of the shares in the Danish distributing company during a period of one year within which the dividends are distributed is not liable to pay tax on dividends received from the Danish company. In such case, no tax is withheld, notwithstanding the above.

Capital gains taxation

A non-resident of Denmark for tax purposes will not be liable to pay Danish tax on any gain realized on the sale or other disposal of shares, unless the shares were acquired as part of a professional business of buying and selling shares, and the shares are attributable to a permanent establishment in Denmark.

Taxation of investors who are tax residents of Denmark

Taxation of dividends for private individuals investing non-pension funds

Dividends to private individuals are taxed as share income. In 2008, share income is taxed at the rate of 28% for the first DKK 46,700 (the amount is subject to annual adjustment) and at the rate of 43% for share income exceeding DKK 46,700 (for spouses a total of DKK 93,700 (2007) but less than DKK 102,600 (2008) (for spouses a total of DKK 205,200). Share income exceeding DKK 102,600 (for spouses a total of DKK 205,200) is taxed at a rate of 45%. Accordingly, provided that the amount of dividends received together with other share income does not exceed DKK 46,700 DKK (for spouses a total of DKK 93,400) private individuals are not liable to pay any tax on the dividends beyond the 28% withheld.

Dividends paid to investors who are tax residents of Denmark are generally subject to a withholding tax of 28%.

Taxation of funds invested by private individuals from pension savings.

Private individuals who invest pension savings are liable to pay pension return tax at a fixed rate of 15% of the aggregate net return on their pension savings, including capital gains on shares and dividends made up on a market value principle, that is the difference between the market value of the shares at the beginning and end of the income

year, whereby also unrealized gains and losses on shares are included in the calculation of taxable income. Pension return tax is generally withheld and settled by the pension fund and does not affect the individual's tax return.

Dividends on shares acquired for pension savings are subject to 15% pension return tax.

Taxation of dividends for companies
A company which holds less than 15% of the shares in a company is only taxed at 66% of dividends received. As the Danish corporation tax rate is 25%, this corresponds to an effective tax rate of 16.5%. Subject to additional documentation, the rate of withholding tax can be reduced from 28% to 16.5% for companies which own less than 15% of the shares in a company.

A company which holds 15% (reduced to 10% as of 1 January 2009) or more of the shares in a company is not subject to tax on dividends received provided that the shares are held for a period of one year, within which period the dividends are distributed.

Taxation of gains on shares for private individuals investing excess funds
The rules on taxation of private individuals were changed effective 1 January 2006. Special transition rules apply to shares which are sold on 1 January 2006 or later and which had been acquired on or before 31 December 2005. These rules are not described herein.

Gains from sales of shares acquired after 1 January 2006 are taxed as share income. In 2008, share income is taxed at the rate of 28% for the first DKK 46,700 (the amount is subject to annual adjustment) and at the rate of 43% for share income exceeding DKK 46,700 (for spouses a total of DKK 93,400) but less than DKK 102,600 (2008) (for spouses a total of DKK 202,200). Share income exceeding DKK 102,600 (for spouses a total of DKK 205,200) is taxed at a rate of 45%.

Losses on listed shares may be offset against the share income for the year for listed shares, including dividends from certain listed shares acquired before 1 January 2006. Any remaining losses may be offset against the share income of a cohabiting spouse according to the same rules. Any excess losses may be carried forward and offset against tax income for listed shares in future years.

If the shares were bought on several occasions, the shares acquired first are deemed to be sold first (the FIFO principle).

Calculation of gains/losses: If shares have been bought on several occasions, the purchase price in the event of a partial sale is made up according to an average purchase price (the average method).

Taxation of gains on shares for private individuals investing from pension savings
Gains on shares acquired for pension savings are subject to 15% pension return tax. The pension return tax is imposed annually according to the mark-to-market principle, that is the difference between the market value of the shares at the beginning and end of the income year, whereby also unrealized gains and losses on shares are included in the calculation of income.

Taxation of gains on shares for companies
Gains realized by a company on shares held for less than three years are taxed at the rate of 25%. Losses exceeding tax-exempt dividends received on the shares in question during the period of ownership can be offset against gains from the sale of other shares held for less than three years and can be carried forward without any time restrictions.

Gains realized by companies on the sale of shares held for three years or more are exempt from tax. Losses are not deductible and cannot be offset against any capital gains.

Calculation of ownership period: If the shares were bought on several occasions, the shares acquired first are deemed to be sold first (the FIFO principle).

Calculation of gains/losses: If shares have been bought on several occasions, the purchase price in the event of a partial sale is made up according to an average purchase price (the average method).

Share transfer tax
There is no Danish share transfer tax.

Terms and conditions of the Placement

Conditions for the Placement
The Offer Shares will be delivered in book-entry form by allocation to accounts with VP Securities Services.

The Placement
The Placement comprises up to 6,161,004 Offer Shares of DKK 1 nominal value each which will be placed with Oncotech Shareholders as consideration for the contribution in kind by the Oncotech Shareholders of their shares in Oncotech into Exiqon in accordance with the Merger Agreement. The issue of the Offer Shares in connection with the Placement is expected to take place on or around 28 February 2008 upon Exiqon having obtained ownership to the Oncotech Shares.

Expected timetable of principal events

Publication of prospectus	8 February 2008
Closing Date	27 February 2008
Registration of share capital increase in the Danish Commerce and Companies Agency	28 February 2008
First day of listing and trading in the Offer Shares	29 February 2008

Offer price
The offer price (the "Offer Price") per Offer Share is DKK 36.4 based on the closing price on the Exiqon shares on 26 November 2007 immediately prior to conclusion of a binding letter of intent on 27 November 2007. The Offer Price shall be paid by contribution in kind of the shares in Oncotech.

Minimum and/or maximum subscription amount
Assuming that 6,161,004 Offer Shares are issued and assuming that none of Oncotech's outstanding convertible shares or convertible debt is converted into shares in Oncotech, so the amount of outstanding shares are 35,000,000 (see section "Shareholder structure in Oncotech"), the minimum subscription amount is 1 Offer Share against delivery of 6 Oncotech Shares, in that the exchange ratio under these assumptions is 5.68 Oncotech Shares against 1 Offer Share and, in the way that the difference when rounding down to the nearest whole number of Offer Shares is settled by cash payment in USD.

No maximum subscription amount applies to the Placement. The Oncotech Shareholders will be allocated such number of Offer Shares as is proportionately equivalent to the Oncotech Shareholders' shareholdings in Oncotech prior to completion of the Oncotech Transaction.

Payment
The Offer Shares will be registered in book-entry form with VP Securities Services following registration of the capital increase with the Danish Commerce and Companies Agency. The Offer Shares can only be registered with VP Securities Services through a Danish custodian institution. Investors that are not residents of Denmark may use a Danish bank directly or their own bank's correspondent Danish bank as their custodian institution.

Payment for the Offer Shares shall be effected by contribution in kind of the Oncotech Shares.

Jurisdictions in which the Placement is made and restrictions relating to the Placement

Where the Placement will be made
The Placement is effected as a Placement to certain investors in the United States in all cases in reliance on Rule 506 under Regulation D of the US Securities Act of 1933 as amended (the "Securities Act") and in accordance with applicable US securities laws.

The distribution of this Prospectus and the Placement of the Offer Shares may be restricted by law in certain jurisdictions. This Prospectus does not constitute an offer to sell or a solicitation by the Company to subscribe or buy any of the Offer Shares in any jurisdiction in which such offer or solicitation is not authorized or to persons to whom the making of such an offer or solicitation would be illegal. The Offer Shares must not be transferred or resold unless permitted under the U.S. Securities Act and other applicable securities legislation. Persons into whose possession this Prospectus may come are required by us to inform themselves about and to observe such restrictions. We do not assume any legal responsibility for any violation of these restrictions by any person, irrespective of whether such person is a potential subscriber or purchaser of the Offer Shares.

Selling restrictions in the European Economic Area
In relation to the individual member states of the European Economic Area which have implemented the Prospectus Directive (each a "Relevant Member State") no offering of the Offer Shares to the public will be made in any Relevant Member State prior to the publication of a Prospectus concerning the Offer Shares, which has been approved by the competent authority in such Relevant Member State or, where relevant, approved in another Relevant Member State and notified to the competent authority in such Relevant Member State, all pursuant to the Prospectus

Directive, except that with effect from and including the date of implementation of the Prospectus Directive in such Relevant Member State, an offering of Offer Shares may be made to the public at any time in such Relevant Member State:

- to legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43 million; and (3) an annual net revenue of more than EUR 50 million, as shown in its most recent annual or consolidated accounts;

- to less than 100 individuals or legal persons (except for "qualified investors" as defined in the Prospectus Directive)

- or in any other circumstances which do not require the publication by the Company of a prospectus under Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an "offering of Offer Shares to the public" regarding the Offer Shares in a Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offering and the Offer Shares so as to enable an investor to decide to purchase Offer Shares as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the "Prospectus Directive" means Council Directive 2003/71/EC and comprises all relevant implementation procedures in each Relevant Member State.

Lock-up agreements

Lock-up agreements

In connection with the Company's IPO in May 2007 the Company, the Board of Directors, the Executive Management and Major Shareholders undertook towards the Danske Markets and Handelsbanken that they will not, without the prior written consent of Danske Markets (which consent shall not be unreasonably withheld), issue, sell, offer for sale, contract to sell or in any other way, directly or indirectly, dispose of Shares or securities convertible into Shares in the Company or warrants or other rights to acquire Shares in the Company or publish that any such action will be made. The Company has received a waiver of this lock up obligation from Danske Markets in order to issue the Offer Shares.

The obligation for the Company, the Board of Directors, the Executive Management, and the Company's CFO and Major Shareholders applies for a period from 14 May 2007 (the date of publication of a prospectus in connection with the Company's IPO) until 365 days after the first day of listing of the Shares on the OMX Copenhagen (29 May 2007).

In connection with the Oncotech Transaction the Oncotech Shareholders shall undertake towards the Company for a period until 29 May 2008 not to sell, offer for sale, contract to sell, assigning, encumbering or in any other way, directly or indirectly, dispose of Shares in the Company, subject to certain exemptions.

Expenses

Expenses relating to the Placement

The estimated expenses payable by the Company in connection with the Placement will total about DKK 3.0 million (app. USD 0.571 million)

DKK	Expenses
Fees to auditors, legal advisers etc.	2,760,000
Printing etc.	200,000
Other expenses	45,000
Total	**3,005,000**

Dilution

As at 30 September 2007 we had equity of DKK 361.475 million, equal to DKK 14.81 per Share. Equity per Share is calculated by dividing equity by the total number of Shares issued and outstanding. Following the issuance of 6,161,004 Offer Shares at an offer price of DKK 36.4 per Share and deduction of commission and estimated expenses, our pro forma equity as at 30 September 2007 would have been approximately DKK 582.730 million corresponding to DKK 19.06 per Share. This represents an immediate increase in equity per Share of DKK 4.25 to our shareholders, and an immediate dilution in adjusted equity per Share of DKK 17.34 to subscribers of the Offer Shares. If the amount of Offer Shares is adjusted by the estimated Closing Liabilities to for example a total of 5,268,147 Offer Shares at an offer price of DKK 36.4 per Offer Share (though, the final Closing Liabilities and the final offer price is determined at Closing) and deduction of estimated expenses, our proforma equity as at 30 September 2007 would have been appr. DKK 550.230 million or DKK 18.54 per Share. This represents an immediate increase in equity per Share of DKK 17.68 for subscribers of the Offer Shares.The following overview illustrates the dilution that investors in the Offer Shares will experience:

Dilution is determined by subtracting equity per Share after the Placement from the Offer Price per Share.

Additional dilution will occur in connection with the exercise outstanding warrants. See "Additional Information – Share capital". Additional dilution will occur if the number of Shares offered is increased.

	Maximum Offer Shares	**Adjusted for Estimated Closing Liabilities**
Offer Price per Share	DKK 36.4	DKK 36.4
Equity per Share at 30 September 2007	DKK 14.81	DKK 14.85
Equity per Share following the Placement	DKK 19.06	DKK 18.54
Increase in equity per Share	DKK 4.25	DKK 3.69
Dilution per Share to new investors	DKK 17.34	DKK 17.86
Percentage dilution per Share to new investors	48 %	49 %

Further information

Advisers

- Danish legal adviser to the Company:
  Bech-Bruun
  Langelinie Allé 35
  DK-2100 Copenhagen Ø
  Denmark

- US legal advisor to the Company:
  Nordlicht & Hand
  800 Westchester Avenue
  Rye Brook
  New York 10573-1362
  USA

- Auditor for the Company:
  Deloitte
  Weidekampsgade 6
  DK-2300 Copenhagen S
  Denmark

How to order this Prospectus

The Prospectus may be downloaded, with certain exceptions, from the Company's website: www.exiqon.com

Appendix 1 – Exiqon's Articles of Association

NAME, REGISTERED OFFICE AND OBJECTS

Article 1
The name of the Company is Exiqon A/S.

The registered office of the Company is situated in the municipality of Rudersdal.

Article 2
The objects of the Company are to carry out research, development, production and trade.

SHARE CAPITAL

Article 3
The Company's share capital is DKK 24,441,064.00 divided into shares of DKK 1 each or multiples thereof.

The share capital has been fully paid up.

Article 3 a
At a meeting held by the Company's Supervisory Board on 18 April 2007, the Supervisory Board approved finally the issuance of 654,620 warrants (adjusted to 1,309,240) with the right to subscribe for shares of DKK 654,620 nominal value (adjusted to 1,309,240) at a price of DKK 19.00 (adjusted to 9.50) per share of DKK 1 nominal value and adopted the resulting capital increase. The terms governing such issued warrants are included in Appendix 1, which constitutes an integral part of these Articles of Association

In August and September 2007 132,312 warrants were exercised and in November and December 2007 additional 34,262 warrants were exercised.

Article 3 b
In the period until 30 September 2008, the Company's Supervisory Board is authorised through one or more issues to increase the Company's share capital by up to nom. DKK 6,161,004 shares with a nominal value of DKK 1 each, see Section 37 of the Danish Public Companies Act. The capital increases may be effected through contributions in kind without pre-emption rights for the Company's existing shareholders and on the terms laid down by the Supervisory Board..

Article 3 c
In the period until 2 May 2012, the Company's Supervisory Board is authorised through one or more issues to issue warrants in accordance with s. 40(b) of the Danish Public Companies Act to members of the Company's Supervisory Board, Executive Board, employees, as well as employees in the Company's subsidiaries, and external consultants and advisors entitling the holders to subscribe to an amount of shares in the Company up to a total nominal value of DKK 4,500,000 shares with a nominal value of DKK 1 each, without pre-emption rights for the Company's existing shareholders at a price to be determined by the Supervisory Board. However, the total number of warrants issued in accordance with this provision as well as Article 3a cannot amount to more than 12% of the Company's nominal share capital. The Supervisory Board is also authorised to effect the related capital increase, to lay down the terms applicable to the allocation and issue as well as to determine the subscription period during which the warrants can be exercised.

Article 3c1
At a meeting held by the Company's Supervisory Board on 11 May 2007, the Supervisory Board decided in accordance with the authorization given in Article 3c to issue 1,062,566 warrants corresponding to shares of DKK 1,062,566 nominal value and adopted the resulting capital increase. The terms and conditions for the warrants are set out in appendix 2 which constitutes an integral part of these Articles of Association. Hereinafter, the authorization in Article 3c exists for the remaining 2,437,434 warrants.

Article 3c2
At a meeting held by the Company's Supervisory Board on 31 January 2008, the Supervisory Board decided in accordance with the authorization given in Article 3c to issue 191,761 warrants corresponding to shares of DKK 191,761 nominal value and adopted the resulting capital increase. The terms and conditions for the warrants are set out in appendix 3 which constitutes an integral part of these articles of association. Hereinafter, and following an increase of the authorization to 4,500,000 warrants, the authorization in Article 3c exists for the remaining 3,245,673 warrants.

Article 3 d
The new shares which are issued in accordance with the above authorisations shall be negotiable instruments made out in the name of the holder. There shall be no restrictions in the transferability of the shares and no shareholder shall be under an obligation to have his shares redeemed in part or in whole. The shares shall carry the same rights as the existing shares. The shares shall entitle the holder to dividend and other rights in the Company as from the time of registration of the capital increase with the Danish Commerce and Companies Agency.

Article 3 e
The Supervisory Board is authorised to amend the Articles of Association in case of full or partial exercise of the granted authorisations.

Article 3 f
On the company's extraordinary general meeting held on 31 January 2008, the shareholders have approved overall guidelines for the company's incentive payment of the supervisory board and executive board in accordance with

Section 69 b of the Danish Public Companies Act. The guidelines are published on the company's website www.exiqon.com.

Article 4
The shares shall be made out in the name of the holder and registered in the Company's Register of Shareholders.

The Register of Shareholders shall be kept and maintained by VP Investor Services A/S (VP Services A/S), Helgeshøj Allé 61, P.O. Box 20, DK-2630 Taastrup. Dividend payments etc. are subject to the rules laid down by the VP Securities Services.

The shares shall be negotiable instruments and there shall be no restrictions in the transferability of the shares.

No share shall confer any special rights. No shareholder shall be under an obligation to have his shares redeemed in whole or in part by the Company or a third party.

The shares are issued through the VP Securities Services.

GENERAL MEETINGS

Article 5
General Meetings shall be held at the registered office of the Company or in the Capital Region of Denmark.

The Annual General Meeting shall be held once a year before the end of April.

An Extraordinary General Meeting shall be held when deemed appropriate by the Supervisory Board, an auditor or a General Meeting. An Extraordinary General Meeting shall be convened within two weeks when required in writing, for the consideration of a specific issue, by shareholders owning in total at least 1/10 of the share capital.

General Meetings shall be convened by the Supervisory Board by email to each registered shareholder who has so requested, by advertisement in at least one national newspaper and through the Copenhagen Stock Exchange giving not more than four weeks' and not less than eight days' notice. The notice convening the General Meeting shall state the issues to be considered at the General Meeting. If a resolution to amend the Articles of Association is to be considered at the General Meeting, the essential contents of such proposed resolution shall be stated in the notice convening the General Meeting. A notice convening a General Meeting at which a resolution pursuant to s. 79(1) or s. 79(2) of the Danish Public Companies Act is to be considered shall contain the full wording of the proposed resolution to amend the Articles of Association.

Not later than eight days before the General Meeting, the agenda and the complete proposals and, in respect of the Annual General Meeting, also the approved annual report shall be available for inspection by the shareholders at the offices of the Company.

Any shareholder is entitled to have a particular issue considered at the General Meeting if such shareholder makes a written request to this effect to the Supervisory Board not later than one week after the Company's publication of the preliminary announcement of financial statements.

Article 6
At the Annual General Meeting, the following business shall be transacted:

1. The Supervisory Board's report on the Company's activities in the past year.
2. Presentation of the audited annual report for approval.
3. Resolution on the appropriation of profits or settlement of loss in accordance with the adopted annual report.
4. Election of members to the Supervisory Board.
5. Appointment of auditor(s).
6. Any proposals from the Supervisory Board or the shareholders.

CHAIRMAN OF THE GENERAL MEETING

Article 7
A chairman appointed by the Supervisory Board shall preside over the General Meeting and resolve any issues relating to the consideration of issues, the voting and its result.

REPRESENTATION AND VOTING RIGHTS

Article 8
All shareholders shall be entitled to attend General Meetings in person or by proxy and to take the floor, provided that they within five days before the General Meeting have notified the Company of their attendance and have obtained an admission card. Admission cards will be issued to all shareholders recorded in the Company's Register of Shareholders or against presentation of a deposit transcript from the VP Securities Services or the custodian bank, which transcript shall not be more than five days old, as documentation for the shareholding, and if so required by the Company, a written statement from the shareholder that the shares have not been and will not be transferred to any third party before the General Meeting.

A shareholder is entitled to be represented at the General Meeting by a proxy who shall present a written and dated power of attorney. The term of such power of attorney may not exceed one year.

Every share of DKK 1 shall confer one vote.

A shareholder who has acquired shares by transfer may not exercise his or her voting right on the said shares at General Meetings convened unless the shares have been registered in the Company's Register of Shareholders, or the shareholder has given the Company notice of and substantiated his or her acquisition.

Only proposed resolutions which have been included on the agenda may be adopted at the General Meeting.

Issues considered at the General Meeting shall be decided by a simple majority of votes unless the Danish Public Companies Act or the Articles of Association stipulate any special rules on representation and majority.

A summary of proceedings at the General Meeting shall be recorded in the Company's Minute Book which shall be signed by the Chairman of the General Meeting.

NOTIFICATION

Article 9
The Company uses electronic exchange of documents and electronic mail in its communication with its shareholders.

The Company shall send all notifications to its shareholders using electronic mail, including notices convening Annual and Extraordinary General Meetings as well as agenda and annual report. Documents and notifications will also be available at the Company's website www.exiqon.com.

All shareholders must notify the Company of their e-mail addresses and must keep such information updated.

Information as to system requirements and the use of electronic communication shall be provided by the Executive Board of the Company directly to the shareholders or at the Company's website www.exiqon.com.

SUPERVISORY BOARD AND EXECUTIVE BOARD

Article 10
The Supervisory Board shall be composed of five to seven members elected by the General Meeting. The Supervisory Board shall elect its own Chairman and possibly also a Vice-Chairman.

The members shall retire every year at the Annual General Meeting. Retiring members may be re-elected.

No one who have attained the age of 70 shall be eligible for election to the Supervisory Board. A member of the Supervisory Board shall, on attaining the age of 70, retire at the end of the next Annual General Meeting.

The Supervisory Board shall receive an annual fee, the total of which shall appear from the annual report for the relevant year.

The Supervisory Board may grant powers of procuration to individuals to sign either singly or collectively.

Article 11
The Supervisory Board shall be in charge of the general management of all the Company's affairs.

The Supervisory Board shall form a quorum when more than half of its members, including the Chairman, or in his absence the Vice-Chairman, are present. In the event of equality of votes, the Chairman, or in his absence the Vice-Chairman, shall have the casting vote.

The Chairman, or in his absence the Vice-Chairman, shall convene a Supervisory Board meeting when necessary or when a Supervisory Board member or an executive officer makes a request to this effect.

Article 12
To handle the daily operation of the Company, the Supervisory Board shall appoint an Executive Board consisting of one to three members, of which the Company's chief executive officer is reported as such to the Danish Commerce and Companies Agency.

POWERS TO BIND THE COMPANY

Article 13
The Company shall be bound by the joint signatures of three Supervisory Board members or the joint signatures of the Chairman of the Supervisory Board and the chief executive officer.

FINANCIAL STATEMENTS AND AUDIT

Article 14
The Company's annual report shall be audited by a state-authorised public accountant.

The auditor shall be appointed by the General Meeting for terms of one year.

Article 15
The Company's financial year shall be the calendar year.

As adopted by the Extraordinary General Meeting on 31 January 2008 and amended by the Supervisory Board on 31 January 2008.

Appendix 1 to the Articles of Association of Exiqon A/S (formerly Article 3 d).

Pursuant to the authorization in the Company's Articles of Association, the Supervisory Board has in May and December 2006 issued 654,620 warrants to employees and the Chairman of the Company's Supervisory Board. As a result of the bonus share issue adopted at the Company's Annual

General Meeting on 2 May 2007, the amount of warrants has been adjusted to a total of 1,309,240 warrants entitling the holders to subscribe to a nominal amount of 1,309,240 shares with a nominal value of DKK 1 each at a price of 9.50, corresponding to DKK 9.50 per share of DKK 1 nominal value each.

In this connection, the Supervisory Board has laid down the following terms governing subscription and exercise of the warrants as well as the related cash capital increase:

As regards 939,212 of the warrants issued in 2006, half of these are vested for exercise now, an additional quarter is vested for exercise as from the first day of trading after listing of the Company's shares on the Copenhagen Stock Exchange and the remaining quarter is vested for exercise as from 31 December 2007.

As regards 139,812 of the warrants issued in 2006 these are vested for exercise as from the first day of trading after listing of the Company's shares on the Copenhagen Stock Exchange.

As regards the remaining 230,216 of warrants issued in 2006 these are vested for exercise from the issuance hereof.

The issued warrants are exercisable during the following periods: (i) for a period of 28 days as from the Company's publication of its quarterly and half year reports starting with the publication of the half year report for 2007; and (ii) for a period of 28 days as from the Company's publication of the preliminary announcement of financial statements.

In the event of a resolution (1) to liquidate the Company, (2) to sell not less than 2/3 of the Company's share capital, (3) to demerge the Company, (4) to merge with the Company as the discontinuing company, or (5) to exchange shares with the Company as the investing company, the holders of warrants may, irrespective of any fixed exercise periods, cf. above, exercise their warrants to subscribe for new shares in the Company immediately after the resolution on the liquidation of the Company, a collective sale of not less than 2/3 of the share capital, an exchange of shares, or the signing of the demerger or merger plan.

The Company shall notify any warrant holders in writing if a resolution of the above nature is adopted. In case a warrant holder wishes to exercise his or her warrants, notice thereof shall be given to the Company in writing within three weeks of the date of the posting of the notification by the Company.

After the expiry of this period, any warrants in respect of which no notice of exercise has been given shall lapse automatically and without notice or compensation.

In the event that (1) the Company's share capital is increased to a price below the market price, (2) the Company issues warrants, convertible instruments of debt or the like, whereby the shares in the Company may be subscribed to at a price below the market price, (3) the Company issues bonus shares to the existing shareholders, or (4) the Company's share capital is reduced by payment to the shareholders at a price above market price, then the subscription price shall be reduced and the number of shares which may be subscribed for shall be increased to such an extent that the subscriber is compensated for the relevant circumstance according to the below calculation.

In the event that (1) the Company's share capital is increased to a price above the market price, or (2) the Company's capital is reduced by payment to the shareholders at a price below the market price, then the subscription price shall be increased and the number of shares which may be subscribed for shall be reduced to such an extent as to adjust for the advantage gained by the subscriber, cf. the below calculation.

In the event that the Company distributes more than 10% of the equity, then the number of shares which may be subscribed for and the price at which the subscription may be made shall be adjusted according to the below provisions.

If one of the above circumstances occurs, the Company's auditor shall make an adjustment according to the below formula. If a distribution of more than 10 % of the equity is made, the Company's auditor shall make an adjustment, cf. below.

The exercise price shall be multiplied by the factor α, where

$$\alpha = \frac{(A \times p) + (B \times q)}{(A + B) \times p}$$

where "A" is the Company's nominal share capital prior to the capital increase, "B" is the nominal capital increase/decrease amount, "p" is the market price of the shares prior to the capital increase, and "q" is the (favorable) subscription price for the new shares.

Further, the number of shares which may be subscribed for according to the warrants shall be multiplied by the following fraction:

$$\frac{1}{\alpha}$$

If an adjustment of the subscription price and/or the number of shares which may be subscribed for according to the above formula results in the value of the warrants in the Company being increased or reduced by more than 10 % in relation to the value of the warrants prior to the

adjustment, the above formula shall not be used. Instead, the number and price of the shares shall be determined according to the below provisions.

In all other cases, the Company's auditor shall adjust the price and/or the number of shares which may be subscribed for in such a way that the position of the subscriber is neutral, if possible, in relation to the changes in the Company's capital position. Accordingly, efforts shall be made to ensure that the subscriber may subscribe for shares in such a way that the subscriber obtains the same ownership share of the Company for the same payment, both before and after the changes in the Company.

In the event of any price-relevant changes in the Company of a similar nature and with a similar effect in respect of the subscriber as set out above, an equivalent adjustment of the subscription price shall be made, but see below.

In the event that the Company's share capital is reduced to cover a loss, the number of shares which the holders of warrants may subscribe for by exercising the warrants shall be reduced (rounded down) so that the position of the warrant holders in relation to units of capital in the Company is the same as if the warrants had been exercised immediately before the resolution to reduce the capital. The subscription price shall not be reduced.

In the event that (1) the Company's share capital is increased or reduced to the market price, (2) the Company resolves to merge with the Company as the continuing company, (3) the Company resolves to issue shares to the Company's employees as part of a general employee share scheme, perhaps at a price below the market price, (4) the Company makes a distribution of less than 10 % of the equity, or (5) the Company exchanges shares with the Company as the receiving company, no adjustment shall be made to the subscription price or the number of shares which may be subscribed for.

If one of the circumstances resulting in an adjustment is available prior to the exercise period, the Company's Supervisory Board shall request the Company's auditor to calculate the adjustment to be made, so that notice in writing of the result of the calculation can be forwarded to all the warrant holders not later than one week before the said exercise period begins. If a resolution to wind up etc. the Company is adopted, and circumstances requiring an adjustment of the subscription price and/or the number of shares exist, the auditor's basis of calculation shall be annexed to the notice sent by the Company to the warrant holders.

The auditor's adjustment shall be made in accordance with accepted principles. If the calculation implies the determination of the Company's market price, such determination shall be made on the basis of generally accepted principles in respect thereof. The auditor's calculation shall be final and binding on the Company and any warrant holders.

If an adjustment implies that the subscription price is below par, the warrants shall, as a general rule, not be exercisable, always provided that a warrant holder may exercise his or her warrants if he or she accepts that the price is increased to par without compensation.

With reference to ss. 32(1)(4) to 32(1)(6) and s. 32(1)(9) of the Danish Public Companies Act, cf. s. 40b(3) of the Danish Public Companies Act, the Supervisory Board has resolved that the following terms shall apply in connection with the issue of warrants and any later subscription for new shares by exercise of the warrants:

THAT the existing shareholders shall have no pre-emption rights to the warrants as the warrants are offered for the benefit of a specific circle of employees and Supervisory Board members in the Company;

THAT unless the Supervisory Board consents thereto, the warrants granted may not be levied in execution, assigned or in any other way transferred, whether in ownership or as security, always provided that the warrants may be left by will or on intestacy or be included in the case of division of matrimonial property so that the rights according to the warrants may pass to the estate or the beneficiaries of a deceased warrant holder or to his or her spouse;

THAT the existing shareholders shall have no pre-emption rights to any new shares issued on the basis of the warrants;

THAT any new shares issued on the basis of the warrants shall be paid up in cash on subscription;

THAT any new shares issued by exercise of the warrants shall be negotiable instruments;

THAT any new shares issued by exercise of the warrants shall be made out in the name of the holder and registered in the Company's Register of Shareholders;

THAT in respect of any new shares issued by exercise of the warrants, no restrictions shall apply to future capital increases;

THAT any new shares issued by exercise of the warrants shall confer the right to dividend and other rights in the Company from the financial year in which the shares are subscribed for, but not in respect of the previous financial year;

THAT in the event that prior to the exercise of the warrants changes have been made in the rights attached to the shares in the Company in general, any new shares issued by exercise of the warrants shall carry the same rights as the other shares in the Company at the time of the exercise; and

THAT the Company shall be responsible for paying the costs and expenses incurred in connection with the issue of the warrants and any subsequent increases of capital in relation thereto. The Company's costs and expenses in connection with the issue of warrants are estimated at DKK 25,000 per issue, and the expenses per issue in respect of the ensuing capital increase are estimated at DKK 25,000.

Appendix 2 to the Articles of Association of Exiqon A/S.

Pursuant to the authorization in the Company's Articles of Association, the Supervisory Board has on 11 May 2007 issued 1,062,566 Warrants, entitling the holders to subscribe for up to nominally 1,062,566 shares with a nominal value of DKK 1 each.

In this connection, the Supervisory Board has laid down the terms in clause 1 "Terms of 759,063 warrants" governing subscription and exercise of 759,063 of the Warrants issued as well as the related cash capital increase and the terms in clause 2 "Terms of 303,503 Warrants" governing subscription and exercise of the remaining 303,503 of the Warrants issued as well as the related cash capital increase.

1. Terms of 759,063 Warrants

1.1 Warrant
Each Warrant entitles (but does not obligate) the Holder to subscribe for one share with a nominal value of DKK 1.00 each.

1.2 Consideration
The Holder shall not pay any consideration for the issued Warrants.

1.3 Conditions for Exercise
The issued Warrants may only be exercised if the Company's shares are accepted for listing on the Copenhagen Stock Exchange.

1.4 Exercise Price
The Exercise Price of the issued Warrants shall be fixed by the Company's Supervisory Board at the subscription price for the Company's shares fixed in connection with the contemplated IPO of the Company's shares in 2007 on the Copenhagen Stock Exchange, which is DKK 40.00 per share of DKK 1, plus 5% per year. This additional payment shall be calculated per calendar day from the time of grant of the Warrants and until the time at which the Holder's Exercise Notice is received at the Company's address for the attention of the Chairman of the Supervisory Board, cf. clause 1.7.

1.5 Exercise Date
One thirty-sixth (1/36) of the Warrants issued is vested for exercise from the first day of the calendar month following the date of issuance of the relevant Warrants. Another one thirty-sixth (1/36) of the Warrants issued is vested for exercise from the first day of each new calendar month until all of the Warrants issued have become exercisable.

1.6 Exercise windows
The vested Warrants are exercisable during the following periods (the "Exercise Period"): (i) for a period of 28 days as from the Company's publication of its quarterly and half year reports starting with the publication of the Company's half year report for 2007; and (ii) for a period of 28 days as from the Company's publication of the preliminary announcement of financial statements.

1.7 Exercise Notice
If a Holder wishes to exercise his/her Warrants, the Holder shall inform the Chairman of the Supervisory Board of the Company in writing thereof (the "Exercise Notice") so that such Exercise Notice has arrived at the Company's address (for the attention of the Chairman of the Supervisory Board) within an Exercise Period.

The Holder shall specify in the Exercise Notice how many Warrants the Holder intends to exercise.

Where the Holder does not pay the full subscription amount in accordance with clause 1.18.1 (ii) below of the shares to be subscribed for pursuant to the Exercise Notice, the Exercise Notice shall lapse automatically and shall be unenforceable. The Exercise Notice shall, however, not lapse and shall be considered received in due time irrespective of the fact that the Holder only pays in the part of the subscription amount which is not made up of the additional payment laid down in clause 1.4, where the Holder in the Exercise Notice requests the Supervisory Board for a calculation and statement of the remaining part of the subscription amount. Subsequently, the Supervisory Board shall as quickly as possible notify the Holder of such amount and the calculation hereof, and, consequently, the Holder shall pay in this amount within five (5) days from receipt of such notification.

Assuming timely submission of the Exercise Notice and timely payment of the full subscription amount to the Company in accordance with the above, the Company is required to apply for registration with the Danish Commerce

and Companies Agency of the capital increase made in connection with the Holder's exercise of his/her Warrants, see section 36(3) of the Danish Public Companies Act.

1.8 Adjustment

The Exercise Price and/or the number of shares that can be subscribed for pursuant to the issued Warrants shall not be adjusted unless otherwise stipulated in this clause 1.8.

1.8.1 The number of shares that can be subscribed for upon the exercise of a Warrant shall be revised up or down (to the extent permitted by legislation) to the effect that the relevant Warrant (individually or together with other Warrants held by the Holder) entitles the Holder to subscribe for a pro rata unchanged ownership interest in the Company against the contribution of an unchanged subscription amount in the following cases:

(i) issue of bonus shares; or

(ii) reduction of the Company's share capital to cover loss.

1.8.2 The Exercise Price and/or the number of shares that can be subscribed for through exercise of a Warrant shall be revised up or down (to the extent permitted by legislation) to the effect that the Holder is compensated for the dilution, if any, of the value of the relevant Warrant if the Company resolves to:

(i) increase the Company's share capital at a price below the market price of the Company's shares at the time of the resolution hereof;

(ii) issue convertible debt instruments at a conversion price below the market price of the Company's shares at the time of the resolution hereof;

(iii) issue new Warrants (other than the Warrants issued pursuant to article 3a of the Company's Articles of Association) at an exercise price below the market price of the Company's shares at the time of resolution;

(iv) acquire shares in the Company at a price exceeding the market price of the Company's shares at the time of the acquisition; or

(v) reduce the Company's share capital through payments to the Company's shareholders, distribution of dividend or payments from a special fund pursuant to section 44a (1)(3) of the Danish Companies Act where such payments exceed 10% of the Company's equity immediately prior to the payment.

1.9 Merger and solvent liquidation

Where, during the time until the exercise of the issued Warrants, the Company resolves to dissolve the Company by merger or solvent liquidation, the Company is entitled and required, regardless of whether clauses 1.5 and 1.6 state otherwise, to move forward the vesting and exercise date of such Warrants by notifying the Holder in writing giving him/her a period of two (2) weeks to exercise the relevant Warrants before the resolution to dissolve the Company takes legal effect. The Holder's Exercise Notice shall be submitted in accordance with the procedure set out in clause 1.7. Any Warrant not exercised by the Holder before expiry of the period of two (2) weeks for giving notice shall lapse automatically without further notice, consideration and/or compensation to the Holder at the time when the resolution to dissolve the Company takes legal effect.

1.10 Demerger

Where, during the time until the exercise of the issued Warrants, the Company resolves to demerge the Company, the Company may, regardless of whether clauses 1.5 and 1.6 state otherwise, decide to

(i) move forward the vesting and exercise date of the relevant Warrants by submitting a written notice to the Holder giving him/her a period of two (2) weeks to exercise the relevant Warrants before the resolution to demerge takes legal effect. The Holder's Exercise Notice shall be submitted in accordance with the procedure set out in clause 1.7. Any Warrant not exercised by the Holder before expiry of the period of two (2) weeks for giving notice shall lapse automatically without further notice, consideration and/or compensation to the Holder at the time when the resolution to demerge takes legal effect; or

(ii) The Holder shall be entitled to conclude a new agreement on receiving Warrants of a corresponding value in the legal unit in which the Holder is employed after the demerger.

1.11 Asset sale

Where, during the time until the exercise of the issued Warrants, the Company or a significant part of the Company's business and assets (not including the sale of individual portfolio companies, regardless of size) are sold to a third party ("Asset Sale") the Company is entitled and required, regardless of whether clauses 1.5 and 1.6 state otherwise, to move forward the vesting and exercise date of such Warrants by notifying the Holder in writing that he/she should exercise the relevant Warrants within two (2) weeks. The notice shall be submitted to the Holder within three (3) months of completion of the Asset Sale. The Holder's Exercise Notice shall be submitted in accordance with the procedure set out in clause 1.7. Any Warrant not exercised by the Holder before expiry of the period of two (2) weeks for giving notice shall lapse automatically without further notice and/or compensation to the Holder.

1.12 Controlling influence
Where, during the time until the exercise of the issued Warrants, a shareholder in the Company obtains a controlling influence in the Company as defined in section 31(1) of the Danish Securities Trading Act (individually or together with one or more entities controlling, controlled by or jointly controlled with such shareholder) ("Change of Ownership"), the Company is entitled and required, regardless of whether clauses 1.5 and 1.6 state otherwise, to move forward the vesting and exercise date of such Warrants by notifying the Holder in writing that he/she should exercise the relevant Warrant within two (2) weeks. The notice shall be submitted to the Holder within three (3) months of completion of the Change of Ownership. The Holder's Exercise Notice shall be submitted in accordance with the procedure set out in clause 1.7. Any Warrant not exercised by the Holder before expiry of the period of two (2) weeks for giving notice shall lapse automatically without further notice, consideration and/or compensation to the Holder.

1.13 Delisting
Where the Company's shares are listed on a stock exchange, a subsequent delisting of the Company during the time until the exercise of the issued Warrants, regardless of whether clauses 1.5 and 1.6 state otherwise, shall give the Company a right and an obligation, to move forward the vesting and exercise date of the Warrants by notifying the Holder in writing that he/she should exercise the relevant Warrants within two (2) weeks. The notice shall be submitted to the Holder within three (3) months of completion of the delisting. The Holder's Exercise Notice shall be submitted in accordance with the procedure set out in clause 1.7. Any Warrant not exercised by the Holder before expiry of the period of two (2) weeks for giving notice shall lapse automatically without further notice, consideration and/or compensation to the Holder.

1.14 Expiry of employment
Where the Holder terminates his/her employment or where the Company dismisses the Holder, all the Holder's non-exercised Warrants not vested for exercise in accordance with clause 1.5, shall lapse auomatically.

However, this does not apply in the following cases:

(i) the employment is terminated because the Holder (a) reaches the age of retirement fixed by the Company from time to time or (b) becomes entitled to old age pension (in Danish "Folkepension"), or

(ii) the employment expires due to the death of the Holder, or

(iii) the Holder terminates the employment as a consequence of the Company's serious breach of the contractual obligations, or

(iv) as a result of the Company's dismissal of the Holder, without such dismissal being due to the Holder's breach of his or her contractual obligations

Vested but not yet exercised Warrants shall not lapse in case of the expiry of the Holder's employment.

1.15 Auditor's report on adjustment
Where the Company resolves to implement any of the changes set out in clauses 1.8.1, 1.8.2 and 1.10, respectively, the Company's Supervisory Board shall request a report from the Company's auditor of (a) whether an adjustment of the Exercise Price and/or the number of shares that can be subscribed for pursuant to the issued Warrants is required pursuant to such provisions, and (b) if such provision prescribes adjustment, the nature and extent of such adjustment. Immediately upon receipt of the auditor's report the Company shall deliver a copy thereof to the Holder. The conclusion of the auditor's report shall be binding on the Company and the Holder and may not be the subject of objections or dispute, including without limitation, according to any agreed arbitration.

1.16 Negotiability
The issued Warrants shall be non-negotiable instruments.

The issued Warrants are personal and cannot be transferred or provided as security or otherwise be made the subject of execution. However, the issued Warrants may be left by inheritance.

1.17 Lapse
An issued Warrant shall lapse automatically immediately after the expiry of the first Exercise Period after 36 months from the first day of the calendar month following the date of issuance of the relevant Warrant, without further notice, consideration or compensation to the Holder.

1.18 Terms of the shares

1.18.1 The following terms shall apply to subscription for shares in connection with the exercise of the issued Warrants:

(i) The Company's shareholders shall have no pre-emption rights to shares subscribed for by the exercise of Warrants.

(ii) The subscription amount must be paid in cash by the Holder of the issued Warrants within five (5) days of notification to the Company of exercise. The subscription amount may either be paid in cash, by cheque made out to the Company or by electronic transfer. In the event of the Holder's default in paying the subscription amount, the Exercise Notice shall lapse and shall be deemed not to have been submitted by the Holder.

1.18.2 The following terms shall apply to shares issued in connection with the exercise of issued Warrants:

(i) The shares shall be issued in denominations of DKK 1.00 each or multiples thereof;

(ii) The shares shall not belong to a particular class of shares;

(iii) The shares shall be issued to named holders and shall be registered by name in the Company's Register of Shareholders;

(iv) The shares shall be negotiable instruments;

(v) The shares shall carry the right to receive dividends and other rights in the Company as from the date of the registration of the capital increase with the Danish Commerce and Companies Agency; and

(vi) The same other rights and obligations shall apply to the Shares as are determined in the Company's Articles of Association

In case of an adjustment of the Exercise price and/or the number of shares that can be subscribed for pursuant to the relevant Warrants, cf. clause 1.8 and/or a change of the Company's Articles of Association prior to the exercise of a Warrant, any such changed rights and obligations shall apply to the relevant Warrant and for all shares subscribed for in connection with the exercise of such a Warrant.

1.19 Lockup
Shares issued in connection with the exercise of issued Warrants can not be sold, offered to or in any other way be assigned directly or indirectly without the prior written consent of the Company's financial advisors for a period of twelve (12) months calculated from the first day of trading in connection with listing on the Copenhagen Stock Exchange (lockup).

2. Terms of 303,503 Warrants

2.1 The provisions of clause 1 above shall apply correspondingly, besides the provisions in clause 1.14, which shall be replaced by the following:

1.14 Removal as chairman of the Supervisory Board
Where the Holder voluntarily retires as chairman of the Company's Supervisory Board or the Holder is removed as chairman of the Company's Supervisory Board, regardless of the reason hereof, all the Holder's non-exercised Warrants not vested for exercise in accordance with clause 1.5, shall lapse automatically.

Vested but not yet exercised Warrants shall not lapse in case of the Holder ceasing as chairman of the Company's Supervisory Board.

Appendix 3 to the Articles of Association of Exiqon A/S.

Pursuant to the authorization in the Company's Articles of Association, the Supervisory Board has on 31 January 2008 issued 191,761 Warrants, entitling the holders to subscribe for up to nominally 191,761 shares with a nominal value of DKK 1 each.

In this connection, the Supervisory Board has laid down the terms in clause 1 "Terms of 114,855 warrants" governing subscription and exercise of 114,855 of the Warrants issued as well as the related cash capital increase and the terms in clause 2 "Terms of 76,906 Warrants" governing subscription and exercise of the remaining 76,906 of the Warrants issued as well as the related cash capital increase.

1. Terms of 114,855 Warrants

1.1 The provisions of clause 1 in Appendix 2 above shall apply correspondingly, besides the provisions in clause 1.3 which shall not apply and clause 1.4 which shall be replaced by the following:

1.4 Exercise Price
The Exercise Price is DKK 36.20 per Warrant, plus 5% per year. This additional payment shall be calculated per calendar day from the time of grant of the Warrants and until the time at which the Holder's Exercise Notice is received at the Company's address for the attention of the Chairman of the Supervisory Board, cf. clause 1.7.

2. Terms of 76,906 Warrants

2.1 The provisions of clause 1 in Appendix 2 above shall apply correspondingly, besides the provisions in clause 1.3 and clause 1.19 which shall not apply and clause 1.4 which shall be replaced by the following:

1.4 Exercise Price
The Exercise Price is DKK 36.20 per Warrant, plus 5% per year. This additional payment shall be calculated per calendar day from the time of grant of the Warrants and until the time at which the Holder's Exercise Notice is received at the Company's address for the attention of the Chairman of the Supervisory Board, cf. clause 1.7.

Appendix 2 – Financial information for Exiqon

Index to financial statements

Introduction to financial information

On the following pages the unaudited interim financial statements for the period 1 January to 30 September 2007 are presented with comparative figures for the financial year 2006. The interim financial statements have been prepared in accordance with IAS 34 and additional Danish disclosure requirements for interim financial statements of listed companies. The interim financial statements included in this Prospectus are derived from the published interim report for the period 1 January to 30 September 2007. Please refer to the cross reference table under the section "Financial information concerning the issuers assets and liabilities, financial position and profits and losses" for a cross reference to Managements review as disclosed in the published interim report.

The audited financial statements for the financial years 2006, 2005 and 2005 are presented as well. These financial statements are derived from the Company's published annual report for the financial year 2006 with comparative figures for the financial years 2005 and 2004, subject to the exceptions described below. The published annual report for the financial year 2006 has been prepared in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for annual reports. The historical financial information contained in this Prospectus has also been prepared applying IFRS as adopted by the EU and additional Danish disclosure requirements for financial statements.

The annual report for the financial year 2006 is the first one presented applying IFRS. The comparative figures for the financial years 2005 and 2004 have therefore been restated accordingly to the effect that they vary from the published annual reports. Please refer to the accounting policies described on pages F-20 to F-25 for a more detailed description thereof. Please refer to note 30 to the annual report for the financial year 2006, as represented on page F-42, for a calculation of the effect in terms of amount on the financial statements for the financial years 2005 and 2004.

The annual report published for the financial year 2006 comprises the Management's review, the Company's financial statements and the consolidated financial statements including notes, etc. Reference is made to the cross reference table under the section "Financial information concerning the issuers assets and liabilities, financial position and profits and losses" for a cross reference to Managements review as disclosed in the published interim report. Management's review as disclosed in the published annual report.

Unaudited interim financial statements for the period 1 January to 30 September 2007

Statement by Management on the interim financial statements

The Executive Management and Board of Directors have on 27 November 2007 considered and approved the interim financial statement for the period 1 January to 30 September 2007.

The interim financial statement for the period 1 January to 30 September 2007 with comparative figures for the same period in 2006 has been extracted therefrom. The interim financial statement are presented in accordance with IAS 34 and additional Danish disclosure requirements for the presentation of financial statements by listed companies.

We consider the applied accounting policies appropriate for the interim financial statements to provide a true and fair view of Exiqon A/S' financial position at 30 September 2007 and 30 September 2006 as well as of its activities and cash flows for the financial periods 1 January to 30 September 2007 and 2006. We also consider the interim financial statements to have been presented in accordance with the Group's accounting policies as described on pages F- 21 to F-26.

Vedbæk, 8 February 2008

Executive Management

Lars Kongsbak

Board of Directors

Thorleif Krarup
Chairman

Henrik Lawaetz

Michael Nobel

Steinar J. Engelsen

Erik Walldén

Income statement (unaudited)

(DKK'000)	Note	1 Jul. – 30 Sep. 2007	1 Jul. – 30 Sep. 2006	1 Jul. – 30 Sep. 2007	1 Jul. – 30 Sep. 2006	1 Jul. – 31 Dec. 2006
Revenue	2,3	8,499	7,487	29,537	19,237	43,096
Production costs		-7,011	-4,870	-14,606	-10,016	-11,936
Gross profit		**1,488**	**2,617**	**14,931**	**9,221**	**31,160**
Research and development costs		-6,308	-4,745	-20,183	-15,646	-27,624
Sales and marketing costs		-8,684	-4,602	-23,785	-11,506	-19,425
Administrative expenses		-7,970	-3,859	-22,901	-8,039	-9,616
Operating profit (EBIT)		**-21,474**	**-10,589**	**-51,938**	**-25,970**	**-25,505**
Financial income		4,999	105	5,541	387	1,159
Financial expenses		-167	-68	-576	-172	-572
Profit/(loss) before tax		**-16,642**	**-10,552**	**-46,973**	**-25,755**	**-24,918**
Tax on profit/(loss) for the period		0	0	0	0	0
Profit/(loss) for the period		**-16,642**	**-10,552**	**-46,973**	**-25,755**	**-24,918**
Basic and diluted EPS (DKK 1 per share)		-0.88	-0.76	-2.50	-1.86	-1.80

Balance sheet - assets (unaudited)

DKK'000		30 Sep. 2007	30 Sep. 2006	31 Dec. 2006
Acquired patent rights		5,369	43	5,626
Acquired software licenses		2,205	1,184	2,431
Intangible assets		**7,574**	**1,227**	**8,057**
Leasehold improvements		2,977	1,852	2,217
Production and laboratory equipment		9,895	5,010	5,612
Fixtures and fittings, tools and equipment		3,130	1,680	2,778
Property, plant and equipment		**16,002**	**8,542**	**10,607**
Other securities and investments		0	400	0
Deposits		2,162	1,055	1,055
Financial assets		**2,162**	**1,455**	**1,055**
Total non-current assets		**25,738**	**11,224**	**19,719**
Inventories		**5,058**	**2,938**	**4,637**
Trade receivables		6,658	3,794	20,933
Other receivables		3,533	1,361	1,300
Receivables		**10,191**	**5,155**	**22,233**
Cash and cash equivalents	4	**358,397**	**31,246**	**20,396**
Current assets		**373,646**	**39,339**	**47,266**
Total assets		**399,384**	**50,563**	**66,985**

Balance sheet – equity and liabilities (unaudited)

DKK'000	30 Sep. 2007	30 Sep. 2006	31 Dec. 2006
Share capital	24,407	6,939	7,033
Other reserves	337,068	19,942	26,940
Equity	**361,475**	**26,881**	**33,973**
Other provisions	0	0	0
Finance lease liabilities	8,677	3,666	5,275
Non-current liabilities	**8,677**	**3,666**	**5,275**
Finance lease liabilities	2,002	1,260	1,639
Trade payables	6,620	1,984	5,802
Prepayments	11,352	12,965	13,343
Other payables	9,258	3,807	6,953
Current liabilities	**29,232**	**20,016**	**27,737**
Total liabilities	**37,909**	**23,682**	**33,012**
Equity and liabilities	**399,384**	**50,563**	**66,985**

Cash flow statement (unaudited)

DKK'000	1 Jan. – 30 Sep. 2007	1 Jan. – 30 Sep. 2006	1 Jan. – 31 Dec. 2006
Operating profit	-51,938	-25,970	-25,505
Depreciation	2,977	2,448	3,255
Non-cash adjustments	7,207	2,644	4,663
Change in inventories	-421	-587	-2,286
Change in receivables	12,004	-2,844	-19,922
Change in trade payables etc.	1,132	-3,750	3,618
	-29,039	**-28,059**	**-36,177**
Financial income	5,541	387	1,159
Financial expenses	-576	-172	-572
Cash flows from operating activities	**-24,074**	**-27,844**	**-35,590**
Acquisition of intangible assets	-226	0	-7,822
Acquisition of property, plant and equipment	-2,570	-1,750	-1,484
Acquisition of financial assets	-1,110	-577	-577
Cash flows from investing activities	**-3,906**	**-2,327**	**-9,883**
Proceeds from capital increase	402,071	21,594	26,595
Cost of capital increase	-34,345	0	0
Repayment, finance leases	-1,359	-786	-925
Cash flow from financing activities	**366,367**	**20,808**	**25,670**
Change in cash and cash equivalents	**338,387**	**-9,363**	**-19,803**
Cash and cash equivalents at the beginning of period	20,396	40,199	40,199
Unrealised currency gain/(loss)	-386	410	0
Cash and cash equivalents at the end of period	**358,397**	**31,246**	**20,396**

Statement of changes in equity (unaudited)

	Share capital	Share premium (DKK'000)	Other reserves (DKK'000)	Total (DKK'000)
Equity at 1 January 2007	**7,033,065**	**7,033**	**26,940**	**33,973**
Profit/(loss) for the period	-	-	-46,973	-46,973
Exchange adjustments relating to foreign subsidiaries	-	-	-459	-459
Total recognised income and expense for the period	**-**	**-**	**-47,432**	**-47,432**
Proceeds from capital increases	9,993,500	9,994	389,747	399,741
Costs in connection with capital increases	-	-	-34,345	-34,345
Warrant exercise	239,742	240	2,092	2,332
Issue of bonus shares	7,140,495	7,140	-7,140	0
Share-based payment			7,206	7,206
Other transactions	**17,373,737**	**17,374**	**357,560**	**374,934**
Equity at 30 September 2007	**24,406,802**	**24,407**	**337,068**	**361,475**
Equity at 1 January 2006	**5,958,294**	**5,958**	**22,028**	**27,986**
Profit/(loss) for the period	-	-	-25,755	-25,755
Exchange adjustments relating to foreign subsidiaries	-	-	411	411
Total recognised income and expense for the period	**-**	**-**	**-25,344**	**-25,344**
Proceeds from capital increases	963,254	963	20,229	21,192
Warrant exercise	17,827	18	385	403
Share-based payment	-	-	2,644	2,644
Other transactions	**981,081**	**981**	**23,258**	**24,239**
Equity at 30 September 2006	**6,939,375**	**6,939**	**19,942**	**26,881**

Notes to the interim financial statements

Note 1 Accounting policies

The interim report of the Exiqon Group for the period 1 January – 30 September 2007 has been presented in accordance with IAS 34 and additional Danish disclosure requirements for the presentation of financial statements by listed companies.

The accounting policies applied to the interim financial statements are consistent with those applied to the annual report for the financial year 2006.

After the annual report for the financial year 2006 was presented, the International Accounting Standards Board (IASB) has issued new and revised Standards and Interpretations. It is Management's opinion that these new Standards and Interpretations will not have any effect on the Group's financial statements.

Note 2 Revenue

(DKK'000)	1 Jul. – 30 Sep 2007	1 Jul. – 30 Sep. 2006	1 Jan. – 30 Sep. 2007	1 Jan. – 30 Sep. 2006	1 Jan. – 31 Dec. 2006
Product sales	6,534	4,754	21,131	13,048	20,973
License income	1,965	1,312	4,771	3,799	18,667
Contract research	0	1,421	3,635	2,390	3,456
	8,499	**7,487**	**29,537**	**19,237**	**43,096**

Note 3 Segment information

Primary segment

The activities of the Exiqon Group are all in the business area "Research". Therefore the primary segment comprises only one segment.

Secondary

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

(DKK'000)	1 Jul. – 30 Sep 2007	1 Jul. – 30 Sep. 2006	1 Jan. – 30 Sep. 2007	1 Jan. – 30 Sep. 2006	1 Jan. – 31 Dec. 2006
Europe	5,188	3,972	17,817	11,551	27,088
North America	2,987	3,355	10,547	6,944	15,340
Asia	324	160	1,173	742	668
	8,499	**7,487**	**29,537**	**19,237**	**43,096**

Note 4 Cash and cash equivalents

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

Warrant status

	Executive Management	Board of Directors	Senior Employees	Others	Total
Outstanding warrants at 1 January 2007	538,342	52,000	460,870	476,028	1,527,240*)
Granted in the financial year	452,498	303,503	306,565	0	1,062,566
Exercised in the financial year	72,000	52,000	0	223,172	347,172
Expired in the financial year	0	0	0	3,140	3,140
Outstanding warrants at 30 September 2007	**918,840**	**303,503**	**767,435**	**249,716**	**2,239,494**

*) The number of outstanding shares as of 1 January 2007 is adjusted as a result of the issue of bonus shares on 2 May 2007.

As of 30 September 2007, the following warrant programmes are still outstanding:

Programme	Exercise price	Exercise period	Market value in DKK million *)
May 2006	9.50	4 weeks following the announcement of annual and interim financials statements	28.9
December 2006	9.50	4 weeks following the announcement of annual and interim financials statements	4.6
May 2007	41.00	4 weeks following the announcement of annual and interim financials statements	12.1
Total			**45.6**

*) 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 50%, a risk-free interest rate of 4.25% per annum, and finally the share price of Exiqon on 30 September 2007, DKK 36.4 per share. The expected maturity is relative to the date of subscription.

Warrant programme granted in May 2006
Of warrants granted in May 2006 ¾ vested as of 30 September 2007 for the Executive Management and the Senior Employees, and warrants are fully vested for Others. The exercise period expires on 21 January 2011.

Warrant programme granted in December 2006
Of warrants granted in December 2006 ¾ vested as of 30 September 2007 for the Senior Employees and warrants are fully vested for Others (with the exception of one employee who has the same terms as a Senior Employee). The exercise period expires on 21 January 2011.

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

Audited financial statements for the financial years 2006, 2005 and 2004

Statement by Management on the financial statements

On 22 March 2007, the Executive Management and Board of Directors considered and approved the annual report of Exiqon A/S published for the financial year 2006 with comparative figures for the financial years 2005 and 2004.

The financial statements for the financial year 2006 with comparative figures for the financial years 2005 and 2004 contained in this Prospectus have been prepared for the purposes of the Offering and are derived from the published annual report for the financial year 2006.

The annual report has been presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

We consider the applied accounting policies appropriate for the annual report to provide a true and fair view of the Group's and the Parent's financial position at 31 December 2006, 2005 and 2004 as well as of the activities and cash flows for the financial years 2006, 2005 and 2004.

Vedbæk, 8 February 2008

Executive Management

Lars Kongsbak

Board of Directors

Thorleif Krarup
Chairman

Henrik Lawaetz

Michael Nobel

Steinar J. Engelsen

Erik Walldén

Independent auditor's report on the financial statements for the financial years 2006, 2005 and 2004

We have audited the annual report of Exiqon A/S presented and published by Management for the financial year 2006 with comparative figures for the financial years 2005 and 2004 from which the financial statements (summarised financial statements) on pages F-15 to F-42 were derived. We conducted our audit of the annual report in accordance with Danish Standards on Auditing. In our independent auditor's report on the annual report for the financial year 2006 that was dated 22 March 2007 we expressed an unmodified opinion.

We also audited the annual report for the financial year 2005 that was dated 21 March 2006 as well as the annual report for the financial year 2004 that was dated 9 March 2005 and issued an auditor's report on those annual reports without qualifications but with an emphasis of matter paragraph as represented below.

Our independent auditor's report on the annual report for the financial year 2006 that was dated 22 March 2007 is repeated in the following:

"To the shareholders of Exiqon A/S
We have audited the annual report of Exiqon A/S for the financial year 1 January to 31 December 2006, which comprises the statement by Management on the annual report, Management's review, income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

Management's responsibility for the annual report
Management is responsible for the preparation and fair presentation of an annual report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

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 annual report gives a true and fair view of the Group's and the Parent's financial position at 31 December 2006 and of their financial performance and the consolidated cash flows for the financial year 1 January to 31 December 2006 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports."

The emphasis of matter paragraphs in the auditor's reports for 2005 and 2004 are repeated below:

> **"Emphasis of matter (from the annual report for 2005)**
> We refer to the section "Outlook 2006" in the Management's review in which the Company's expectations for the operating and liquidity development and the uncertainty of budgets are mentioned."

> **"Emphasis of matter (from the annual report for 2004)**
> We refer to the section "Outlook 2005" in the Management's review in which the Company's expectations for the operating and liquidity development and the uncertainty of budgets are mentioned."

We did not carry out any additional audit procedures after 22 March 2007.

We checked that the financial statements for the financial years 2006, 2005 and 2004 were accurately extracted and represented from the annual report published for the financial year 2006 with comparative figures for the financial years 2005 and 2004.

The Company's Management is responsible for the presentation of the financial statements on pages F-14 to F-42. It is our responsibility to express a conclusion on the financial statements derived and represented from the published annual reports.

Basis of opinion
We planned and performed our work in accordance with the Danish Standard on Auditing 800, "The Independent Auditor's Report on Special Purpose Audit Engagements" to obtain reasonable assurance that the financial statements are consistent, in all material respects, with the published annual reports from which they were derived.

Opinion
In our opinion, the financial statements presented on pages F-14 to F-42 are consistent, in all material respects, with the annual report published for the financial year 2006 with comparative figures for the financial years 2005 and 2004 from which they were derived.

Copenhagen, 8 February 2008

Deloitte
Statsautoriseret Revisionsaktieselskab

Jens Rudkjær
State Authorised Public Accountant

Jørgen Holm Andersen
State Authorised Public Accountant

Income statement for 2006

Parent					Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		Note	2006 DKK'000	2005 DKK'000	2004 DKK'000
10,306	16,001	43,096	Revenue	3,4	43,096	16,001	10,306
(4,744)	(5,427)	(11,936)	Production costs	5,6,7	(11,936)	(5,427)	(4,744)
5,562	**10,574**	**31,160**	**Gross profit**		**31,160**	**10,574**	**5,562**
(16,969)	(14,194)	(27,624)	Research and development costs	5,6,7,8	(27,624)	(14,194)	(16,969)
(4,168)	(9,620)	(19,443)	Sales and marketing costs	5,6,7,8	(19,425)	(9,620)	(4,168)
(5,981)	(6,734)	(9,616)	Administrative expenses	5,6,7,8	(9,616)	(6,778)	(5,995)
(21,556)	**(19,974)**	**(25,523)**	**Operating profit (EBIT)**		**(25,505)**	**(20,018)**	**(21,570)**
131	406	932	Financial income	9	1,159	406	131
(7,310)	(3,655)	(572)	Financial expenses		(572)	(3,655)	(7,310)
(28,735)	**(23,223)**	**(25,163)**	**Profit/(loss) before tax**		**(24,918)**	**(23,267)**	**(28,749)**
0	0	0	Tax on the profit/(loss) for the year	10	0	0	0
(28,735)	**(23,223)**	**(25,163)**	**Profit/(loss) for the year**		**(24,918)**	**(23,267)**	**(28,749)**
			Earnings per share				
			Earnings per share	11	(4)	(6)	(18)
			Diluted earnings per share	11	(4)	(6)	(18)
			Proposed distribution of loss				
			The Board of Directors proposes that the loss for the year be distributed as follows:				
(28,735)	(23,223)	(25,163)	Retained earnings		(24,918)	(23,267)	(28,749)

Balance sheet at 31.12.2006

Parent					Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		Note	2006 DKK'000	2005 DKK'000	2004 DKK'000
189	106	5,626	Acquired patent rights		5,626	106	189
518	490	2,431	Acquired software licences		2,431	490	518
707	**596**	**8,057**	**Intangible assets**	**12**	**8,057**	**596**	**707**
639	1,788	2,217	Leasehold improvements		2,217	1,788	639
3,497	4,504	5,611	Production and laboratory equipment		5,612	4,504	3,497
445	1,149	2,564	Fixtures and fittings, tools and equipment		2,778	1,149	445
4,581	**7,441**	**10,392**	**Property, plant and equipment**	**13**	**10,607**	**7,441**	**4,581**
1	1	1	Investments in subsidiaries	14	0	0	0
400	400	-	Other securities and investments	15	0	400	400
299	477	1,012	Deposits		1,055	478	300
700	**878**	**1,013**	**Financial assets**		**1,055**	**878**	**700**
5,988	**8,915**	**19,462**	**Total non-current assets**		**19,719**	**8,915**	**5,988**
1,303	**2,351**	**4,637**	**Inventories**	**16**	**4,637**	**2,351**	**1,303**
617	1,537	20,935	Trade receivables		20,933	1,537	617
-	61	3,643	Receivables from group companies		-	-	-
344	713	1,015	Other receivables		1,300	774	344
961	**2,311**	**25,592**	**Receivables**		**22,233**	**2,311**	**961**
1,681	**40,178**	**17,502**	**Cash and cash equivalents**		**20,396**	**40,199**	**1,681**
3,945	**44,840**	**47,731**	**Current assets**		**47,266**	**44,861**	**3,945**
9,933	**53,755**	**67,193**	**Total assets**		**66,985**	**53,776**	**9,933**

Balance sheet at 31.12.2006

Parent					Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		Note	2006 DKK'000	2005 DKK'000	2004 DKK'000
1,640	5,958	7,033	Share capital	17,18	7,033	5,958	1,640
(45,522)	22,032	27,252	Other reserves		26,940	22,028	(45,528)
(43,882)	**27,990**	**34,285**	**Equity**		**33,973**	**27,986**	**(43,888)**
1,500	200	-	Other provisions	21	-	200	1,500
-	2,571	5,275	Finance lease liabilities	22	5,275	2,571	0
1,500	**2,771**	**5,275**	**Non-current liabilities**		**5,275**	**2,771**	**1,500**
-	713	1,639	Finance lease liabilities	22	1,639	713	0
49,210	-	-	Convertible loans	19	-	-	49,210
1,279	2,262	5,800	Trade payables		5,802	2,264	1,279
-	15,957	13,343	Prepayments		13,343	15,957	-
1,826	4,062	6,851	Other payables		6,953	4,085	1,832
52,315	**22,994**	**27,633**	**Current liabilities**		**27,737**	**23,019**	**52,321**
53,815	**25,765**	**32,908**	**Total liabilities**		**33,012**	**25,790**	**53,821**
9,933	**53,755**	**67,193**	**Total equity and liabilities**		**66,985**	**53,776**	**9,933**
			Other notes	23 - 30			

Cash flow statement for 2006

Parent					Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		Note	2006 DKK'000	2005 DKK'000	2004 DKK'000
(21,556)	(19,974)	(25,523)	Operating profit		(25,505)	(20,018)	(21,570)
3,557	2,744	3,206	Depreciation and amortisation		3,255	2,744	3,557
1,500	-	4,663	Non-cash adjustments (warrants and provisions)	25	4,663	-	1,500
372	16,780	(21,454)	Change in working capital	24	(18,590)	16,845	372
(150)	(1,300)	-	Settlement of provision		-	(1,300)	(150)
(16,277)	**(1,750)**	**(39,108)**			**(36,177)**	**(1,729)**	**(16,291)**
(2)	(3,249)	360	Net interest and value gains	24	587	(3,249)	12
(16,279)	**(4,999)**	**(38,748)**	**Cash flows from operating activities**		**(35,590)**	**(4,978)**	**(16,279)**
(524)	(128)	(7,822)	Acquisition of intangible assets		(7,822)	(128)	(524)
(1,636)	(2,271)	(1,241)	Acquisition of property, plant and equipment		(1,484))	(2,271)	(1,636)
174	190	-	Disposal of property, plant and equipment		-	190	174
(37)	(178)	(535)	Acquisition of financial assets		(577)	(178)	(37)
(2,023)	**(2,387)**	**(9,598)**	**Cash flows from investing activities**		**(9,883)**	**(2,387)**	**(2,023)**
-	-	(925)	Repayment of lease debt		(925)	-	-
-	(49,210)	-	Repayment of convertible loans		-	(49,210)	-
-	95,313	26,595	Proceeds from capital increase		26,595	95,313	-
-	(220)	-	Costs in relation to capital increase		-	(220)	-
-	**45,883**	**25,670**	**Cash flows from financing activities**		**25,670**	**45,883**	**-**
(18,302)	**38,497**	**(22,676)**	**Cash and cash equivalents**		**(19,803)**	**38,518**	**(18,302)**
19,983	1,681	40,178	Cash and cash equivalents at 01.01.		40,199	1,681	19,983
1,681	**40,178**	**17,502**	**Cash and cash equivalents at 31.12.**		**20,396**	**40,199**	**1,681**

Statement of changes in equity for 2006

	Group		
	Share capital DKK'000	Other reserves DKK'000	Total DKK'000
Equity 01.01.2006	**5,958**	**46,928**	**52,886**
Effect of changes in accounting policies, see note 30	-	(24,900)	(24,900)
Restated equity 01.01.2006	**5,958**	**22,028**	**27,986**
Exchange adjustments relating to foreign subsidaries	-	(552)	(552)
Profit/(loss) for the year	-	(24,918)	(24,918)
Total recognised income and expense for the year	**-**	**(25,470)**	**(25,470)**
Exercise of share warrants 10.03.2006	18	385	403
Proceeds from capital increase 31.03.2006	963	20,228	21,191
Exercise of share warrants 14.12.2006	94	4,906	5,000
Share-based payment, see note 6	-	4,863	4,863
Other transactions	**1,075**	**30,382**	**31,457**
Equity 31.12.2006	**7,033**	**26,940**	**33,973**
Equity 01.01.2005	**1,640**	**(34,272)**	**(32,632)**
Effect of changes in accounting policies, see note 30	-	(11,256)	(11,256)
Restated equity 01.01.2005	**1,640**	**(45,528)**	**(43,888)**
Exchange differences on translation of foreign operations	-	48	48
Profit/(loss) for the year	-	(23,267)	(23,267)
Total recognised income and expense for the year	**-**	**(23,219)**	**(23,219)**
Exercise of share warrants 23.05.2005	6	442	448
Proceeds from capital increase 23.05.2005	4,312	90,553	94,865
Costs in relation to capital increase	0	(220)	(220)
Other transactions	**4,318**	**90,775**	**95,093**
Equity 31.12.2005	**5,958**	**22,028**	**27,986**
Equity 01.01.2004	**1,640**	**(13,037)**	**(11,397)**
Effect of changes in accounting policies, see note 30	-	(3,742)	(3,742)
Restated equity 01.01.2004	**1,640**	**(16,779)**	**(15,139)**
Profit/(loss) for the year	0	(28,749)	(28,749)
Equity 31.12.2004	**1,640**	**(45,528)**	**(43,888)**

Statement of changes in equity for 2006

	Parent		
	Share capital DKK'000	Other reserves DKK'000	Total DKK'000
Equity 01.01.2006	**5,958**	**46,932**	**52,890**
Effect of changes in accounting policies, see note 30	-	(24,900)	(24,900)
Restated equity 01.01.2006	**5,958**	**22,032**	**27,990**
Profit/(loss) for the year	**-**	**(25,163)**	**(25,163)**
Exercise of share warrants 10.03.2006	18	385	403
Proceeds from capital increase 31.03.2006	963	20,229	21,192
Exercise of share warrants 14.12.2006	94	4,906	5,000
Share-based payment, see note 6	-	4,863	4,863
Other transactions	**1,075**	**30,383**	**31,458**
Equity 31.12.2006	**7,033**	**27,252**	**34,285**
Equity 01.01.2005	**1,640**	**(34,265)**	**(32,625)**
Effect of changes in accounting policies, see note 30		(11,256)	(11,256)
Restated equity 01.01.2005	**1,640**	**(45,521)**	**(43,881)**
Profit/(loss) for the year	**-**	**(23,223)**	**(23,223)**
Exercise of share warrants 23.05.2005	6	442	448
Proceeds from capital increase 23.05.2005	4,312	90,554	94,866
Costs in relation to capital increase	-	(220)	(220)
Other transactions	**4,318**	**90,776**	**95,094**
Equity 31.12.2005	**5,958**	**22,032**	**27,990**
Equity 01.01.2004	**1,640**	**(13,045)**	**(11,405)**
Effect of changes in accounting policies, see note 30	-	(3,742)	(3,742)
Restated equity 01.01.2004	**1,640**	**(16,787)**	**(15,147)**
Profit/(loss) for the year	0	(28,735)	(28,735)
Equity 31.12.2004	**1,640**	**(45,522)**	**(43,882)**

Notes to the financial statements

1. Accounting policies

The annual report of Exiqon A/S for the year ended 31 December 2006, 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.

The annual report also complies with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The annual report is presented in Danish kroner (DKK), which is considered the primary 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.

Changes to accounting policies

The 2006 annual report is the first annual report prepared in accordance with IFRS. For transitional purposes, IFRS 1, First-time adoption of IFRS has been applied. IFRS is applied both in the consolidated financial statements and in the parent company financial statements.

In accordance with IFRS 1, the opening balance sheet at 1 January 2004 and comparative figures for 2004 and 2005 have been prepared in accordance with the standards and interpretations in force and applicable to Exiqon at 31 December 2006. The opening balance sheet at 1 January 2004 has been prepared as if these standards and interpretations had always been applied, except for the application of the exemption provisions for share-based incentive program accrued up to 1 January 2005.

The transition to preparing consolidated and parent company financial statements in accordance with IFRS has resulted in changes to the accounting policies of the Group as well as of the parent company with respect to recognition and measurement in the following areas:

- Up-front and milestone payments in respect of licence and distribution agreements
- Development costs
- Share-based incentive program

The effect on amounts of the accounting policy changes are further detailed in note 30 to the financial statements, including explanatory reconciliations of the former accounting policies to IFRS.

The presentation and classification of certain items have also been adjusted to the requirements under IFRS.

Standards and interpretations not yet in force

At the date of the publication of this annual report, certain new or revised standards and interpretations have not yet entered into force, and are therefore not included in this annual report.

Management believes that the application of these new and revised standards and interpretations will not have any material impact on the annual report 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.

Foreign currency translation

On initial recognition, transactions denominated in currencies other than the Group's functional currency are translated at the exchange rate ruling at the transaction date. Receivables, liabilities and other monetary items denominated in foreign currencies which are not settled at the balance sheet date are translated at the rate of exchange at the balance sheet date. Exchange differences between the exchange rate at the date of the transaction and the exchange rate at the date of payment or the balance sheet date, respectively, are recognised in the income statement 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. Balance sheet items are translated at the exchange rates at the balance sheet date.

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

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 recognised in the income statement over the vesting period. The balancing item is recognised 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.

According to the provisions of IFRS 2, costs of grants that had already vested at 1 January 2005 are not recognised.

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 recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity. Exchange adjustments of deferred tax are recognised as part of the adjustment of deferred tax for the year.

Current tax payable and receivable is recognised in the balance sheet 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 balance sheet date.

Deferred tax is recognised according to the balance sheet 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 crystallise as current tax. Changes in deferred tax as a result of changed tax rates or rules are recognised in the income statement, unless the deferred tax can be attributed to items previously recognised directly in equity. In that case, the change is also recognised directly in equity.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised in the balance sheet at the value at which the asset is expected to be realised, either through a set-off against deferred tax liabilities or as net tax assets to be offset against future positive taxable income. At each balance sheet date, it is assessed whether it is likely that there will be sufficient future taxable income for the deferred tax asset to be utilised.

Income statement

Revenue

Revenue from the sale of goods for resale and manufactured goods is recognised in the income statement if delivery and transfer of risk to the purchaser have taken place.

Revenue furthermore comprises up-front and milestone payments and other income from licence and distribution agreements. Revenue is

recognised when it is probable that future economic benefits will flow to the company and that these can be measured reliably. In addition, recognition requires that all material risks and rewards of ownership have been transferred to the purchaser. If all risks and returns have not been transferred, the revenue is recognised as deferred income until all components of the transaction have been completed. Revenue from agreements with multiple components, and where the individual components cannot be separated and the fair value cannot be reliably measured, is recognised over the period of the agreement.

Revenue is measured as the fair value of the consideration received or receivable. Revenue is measured ex. VAT, taxes etc. charged on behalf of third parties and discounts.

Production costs
Production costs comprise costs incurred to generate the revenue. Costs for raw materials, consumables, production staff, rent and leasing as well as maintenance and depreciation, amortisation and impairment of property, plant and equipment and intangible assets used in production are recognised 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 less government grants. Furthermore, salaries and costs supporting direct research and development, including costs of ongoing maintenance of patents, rent, leasing and depreciation attributable to the laboratories and external scientific consultancy services, are recognised under research and development costs.

All research costs are written off in the year in which they are incurred.

Development costs are recognised in the income statement as incurred if the criteria for capitalisation are deemed not to be met.

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, amortisation and impairment of property, plant and equipment and intangible assets used in the sales and marketing process.

Administrative expenses
Administrative expenses comprise expenses incurred for the management and administration of the Group, including expenses for administrative staff and management, rent, office expenses and depreciation and impairment losses on the property, plant and equipment and intangible assets used in the administration of the Group.

Financial items
Financial income and expenses comprise interest income and expenses, the interest element of finance lease payments, realised and unrealised gains and losses on transactions in foreign currencies and calculated interest costs concerning convertible debt instruments.

Interest income and expense is accrued based on the principal and the effective rate of interest. The effective rate of interest is the discount rate to be used in discounting expected future payments in relation to the financial asset or the financial liability so that their present value corresponds to the carrying amount of the asset or liability, respectively.

Balance sheet
Intangible assets
Development projects which are clearly defined and identifiable are recognised as intangible assets if it is probable that the project will generate future economic benefits for the Group and the development costs relating to the individual assets can be measured reliably.

Development projects are measured at cost on initial recognition. The cost of development projects comprises costs, including salaries and amortisation, 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 amortised on a straight-line basis over the useful lives of the assets. The usual amortisation period is five years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining term of the rights concerned. Development projects are written down to their recoverable amount where this is lower than the carrying amount, as described below. Development projects in progress are tested for impairment at least once a year.

Intellectual property rights acquired in the form of patents and licences are measured at cost less accumulated amortisation and impairment. Patents are amortised on a straight-line basis over the remaining patent term, and licenses are amortised 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 amortised 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 amortised, 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.

Property, plant and equipment
Production and laboratory equipment and other production plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition and any preparation costs incurred until the date when the asset is available for use. In the case of assets manufactured by the company, cost includes expenses directly attributable to the manufacture of the asset, including materials, components, third-party suppliers and labour. The cost of assets held under finance leases is determined as the lower of the fair value of the assets and the present value of future minimum lease payments.

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

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

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

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

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

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 balance sheet 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 indeterminable useful lives and goodwill, the recoverable amount is assessed annually, regardless of whether any indications of impairment have been found.

If the recoverable amount is assessed to be lower than the carrying amount, the assets are written down to the recoverable amount. Impairment write-downs are recognised in the income statement.

Investments in subsidiaries
Investments in subsidiaries are measured at cost in the parent company financial statements. Where the recoverable amount of the investments is lower than cost, the investments are written down to this lower value. Cost is also written down if the dividend distributed exceeds the accumulated earnings in the company since the acquisition of the investment.

Inventories
Inventories are measured at the lower of cost under the FIFO method and net realisable value. The cost of goods for resale, raw materials and consumables includes the purchase price plus transportation costs.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour as well as allocated fixed and variable production overheads.

Variable production overheads comprise indirect materials and payroll costs and are allocated based on preliminary calculations of the goods actually manufactured. Fixed production overheads comprise maintenance of and depreciation on the machines, factory buildings and equipment used in the manufacturing process as well as the cost of factory management and administration. Fixed production overheads are allocated based on the normal capacity of the production plant.

The net realisable value of inventories is calculated as the expected selling price less completion costs and costs incurred in making the sale.

Receivables
Receivables are on initial recognition measured at fair value and subsequently at amortised cost price, which usually corresponds to the nominal value less provision for bad debts.

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

Treasury shares
Acquisition and sales sums arising on the purchase and sale of treasury shares and dividends on treasury shares are recognised directly in retained earnings under equity.

Provisions
Provisions are recognised 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 balance sheet date. Provisions with an expected term of more than a year after the balance sheet date are measured at present value.

On sales of goods subject to a right of return, provision is made for the proceeds on the goods expected to be returned as well as any expenses related to the returns.

Finance lease liabilities
Finance lease liabilities regarding assets held under finance leases are recognised in the balance sheet 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 amortised cost price. The difference between the present value and the nominal value of lease payments is recognised in the income statement over the term of the lease as a financial expense.

Lease payments regarding operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Other financial liabilities
Other financial liabilities, including bank loans and trade payables, are on initial recognition measured at fair value. In subsequent periods, financial liabilities are measured at amortised cost, applying the effective interest method, to the effect that the difference between the proceeds and the nominal value is recognised in the income statement 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 recognised from the date of acquisition, while cash flows concerning divested companies are recognised 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 recognised 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 recognised 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 short-term securities subject to an insignificant risk of changes in value less any overdraft facilities that are an integral part of the Group's cash management.

Segment information
Exiqon's products and related services are used exclusive for research purposes, and the primary segment therefore only comprises one segment.

Revenue, segment assets and additions to property, plant and equipment and intangible assets are disclosed in the secondary, 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.

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.

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:

Research and development costs
Development projects which are clearly defined and identifiable are recognised 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 recognised in the income statement as incurred.

In accordance with industry practice under IFRS, the Company has assessed that there is insufficient certainty that the detailed criteria for capitalisation will be met, and the development costs previously incurred are therefore recognised in the years when incurred.

Share-based payment
The value of share-based payment, including grants of warrants to employees, Executive Management and Board of Directors who provide their services to the Company as consideration for the warrants received, is measured at fair value at the time of grant and recognised over the period during which the holder earns the right.

The Company has issued share-based incentive programmes under which members of the Board of Directors, members of Management and employees may choose to subscribe shares in the Company only (equity-based plans). Such plans are measured and recognised in accordance with the accounting policies, as described in note 1. The fair value at the grant date is determined using the Black & Scholes model, based among other things on the expected maturity of the warrants granted, an estimated fair value and volatility of the Company's shares. The determination of these parameters is made based on estimates.

Parent				Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		2006 DKK'000	2005 DKK'000	2004 DKK'000
			3. Revenue			
5,209	9,866	20,973	Product sales	20,973	9,866	5,209
2,993	6,080	18,667	Licence income	18,667	6,080	2,993
2,104	55	3,456	Development projects	3,456	55	2,104
10,306	**16,001**	**43,096**		**43,096**	**16,001**	**10,306**

4. Segment information for the Group

Primary segment
The activities of the Exiqon Group all lie within the business area "Research", therefore the primary segment comprise only of one segment.

Secondary segment
The revenue of the Exiqon group is distributed as follows on geographical segments:

	Group		
	2006 DKK'000	2005 DKK'000	2004 DKK'000
Europe	27,088	13,074	5,869
North America	15,340	2,800	4,390
Asia	668	127	47
	43,096	**16,001**	**10,306**

The distribution is based on the registered offices of customers.

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		
	2006 DKK'000	2005 DKK'000	2004 DKK'000	2006 DKK'000	2005 DKK'000	2004 DKK'000
Europe	13,617	5,683	2,161	19,505	8,915	5,988
North America	238	-	-	214	-	-
	13,855	**5,683**	**2,161**	**19,719**	**8,915**	**5,988**

Parent				Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		2006 DKK'000	2005 DKK'000	2004 DKK'000
			5. Staff costs			
240	240	195	Board of Directors' fees	195	240	240
12,663	15,985	24,788	Wages and salaries	28,580	15,985	12,663
-	-	4,863	Share-based incentive program	4,863	-	-
735	866	1,723	Other staff costs	2,269	866	735
13,638	**17,091**	**31,569**		**35,907**	**17,091**	**13,638**
			Staff costs are distributed as follows:			
778	1,542	3,935	Production costs	3,935	1,542	778
8,483	8,105	16,080	Research and development costs	16,080	8,105	8,483
1,454	3,887	6,092	Selling and marketing costs	10,430	3,887	1,454
2,923	3,557	5,462	Administrative expenses	5,462	3,557	2,923
13,638	**17,091**	**31,569**		**35,907**	**17,091**	**13,638**
30	42	50	Average number of employees	62	42	30

Group	Board of Directors			Executive Management			Other senior employees		
	2006 DKK'000	2005 DKK'000	2004 DKK'000	2006 DKK'000	2005 DKK'000	2004 DKK'000	2006 DKK'000	2005 DKK'000	2004 DKK'000
Management remuneration									
Board of Directors' fees	180	180	180	-	-	-	15	60	60
Wages and salaries	-	-	-	1,977	1,769	1,335	4,155	-	-
Share-based incentive program	353	-	-	1,618	-	-	1,696	-	-
	533	**180**	**180**	**3,595**	**1,769**	**1,335**	**5,866**	**60**	**60**

Parent	Board of Directors			Executive Management			Other senior employees		
	2006 DKK'000	2005 DKK'000	2004 DKK'000	2006 DKK'000	2005 DKK'000	2004 DKK'000	2006 DKK'000	2005 DKK'000	2004 DKK'000
Management remuneration									
Board of Directors' fees	180	180	180	-	-	-	15	60	60
Wages and salaries	-	-	-	1,977	1,769	1,335	2,995	-	-
Share-based incentive program	353	-	-	1,618	-	-	1,146	-	-
	533	**180**	**180**	**3,595**	**1,769**	**1,335**	**4,156**	**60**	**60**

6. Share-based payment

For the purpose of motivating and retaining employees and encourage the fulfilment of common goals for employees, management and shareholders, the company has set up share-based incentive programmes in the form of warrant schemes for management, senior employees and other employees. The scheme, which can only be exercised by buying the shares in question (equity-based scheme), entitles the holder to buy a number of shares in the parent company at an agreed price, corresponding to a calculated average price of the shares at the time of grant. Vesting periods range from 0 to 5 years. Warrants that remain unexercised for a period of up to five years from the time of grant will lapse. For management and senior employees, the right to exercise warrants is conditional on continuing employment at the end of the vesting period.

The table below shows movements in outstanding warrants:

	Number of warrants	Weighted average exercise prices	Number of warrants	Weighted average exercise prices	Number of warrants	Weighted average exercise prices
	2006 Number	2006 DKK	2005 Number	2005 DKK	2004 Number	2004 DKK
Outstanding warrants at 1 January	186,790		223,346		114,346	
Granted in the financial year	677,692	19.0	-		109,00	10.0
Forfeited due to termination of employment	(23,072)	19.0	-	-	-	
Exercised in the financial year	(17,827)	27.3	-	-	-	-
Expired in the financial year	(59,963)	27.3	(36,556)	-	-	-
Outstanding warrants at 31 December	**763,620**		**186,790**		**223,346**	
Number of warrants that can be exercised at the balance sheet date	491,318		186,790		223,346	

In 2006, warrants were granted in May and December respectively. The estimated fair value of the warrants granted was DKK 11 per warrant. No warrants were granted in 2005. In 2004, warrants were granted in June. The estimated fair value of the warrants granted was DKK 13 per warrant.

The estimated fair values are calculated using the Black & Scholes model for valuation of European call options. The valuation is based on the following preconditions:

	2006	2004
Share price (DKK per share)	22.0	22.0
Exercise price, range (DKK per share)	19.0	10.0
Expected volatility (%)	50.0	50.0
Risk-free interest rate (%)	3.8	3.8
Expected dividend payout ratio (%)	0.0	0.0
Period until expiry (number of years)	4.0-5.0	2.5

The expected volatility is calculated on the basis of comparable listed shares. The period until expiry is calculated on the basis of the latest possible exercise of warrants adjusted for expected termination of employment and other causes of non-exercise of warrants. The recognised share-based payment for the parent company as well as the Group amounted to DKK 4,863 thousand for 2006. For 2005 and 2004, the recognised costs were DKK 0 thousand

Parent				Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		2006 DKK'000	2005 DKK'000	2004 DKK'000
			7. Depreciation, amortisation and impairment			
223	156	277	Software	277	156	223
84	84	84	Acquired patents and licences	84	84	84
2,176	1,871	1,019	Laboratory equipment	1,019	1,871	2,176
119	161	678	Production plant and machinery	678	161	119
798	472	1,147	Fixtures and fittings, tools and equipment	1,172	472	798
157	-	-	Gains or losses on sale of property, plant and equipment	-	-	157
3,557	**2,744**	**3,205**		**3,230**	**2,744**	**3,557**
			Depreciation, amortisation and impairment are distributed as follows:			
338	213	1,082	Production costs	1,081	213	338
2,473	2,364	333	Research and development costs	1,610	2,364	2,473
338	112	180	Selling and marketing costs	358	112	338
408	55	1,610	Administrative expenses	181	55	408
3,557	**2,744**	**3,205**		**3,230**	**2,744**	**3,557**
			8. Fees to auditors appointed by the general meeting			
			Fees to the parent company's auditors appointed by the general meeting for the financial years are specified as follows:			
75	75	80	Audit	90	80	75
75	75	229	Non-audit services	229	75	75
150	**150**	**309**		**309**	**155**	**150**
			9. Financial items			
			Financial income			
131	406	445	Interest income from bank deposits etc.	445	406	131
-	-	487	Fair value adjustment of financial assets	487	-	-
-	-	-	Foreign exchange gains	227	-	-
131	**406**	**932**		**1,159**	**406**	**131**
			Financial expenses			
7,243	3,399	155	Interest on mortgages and bank loans	155	3,399	7,243
-	-	163	Interest on financial lease obligations	163	-	-
67	256	254	Foreign exchange losses	254	256	67
7,310	**3,655**	**572**		**572**	**3,655**	**7,310**

Parent				Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		2006 DKK'000	2005 DKK'000	2004 DKK'000
			10. Tax on the profit for the year			
0	0	0	Current tax	0	0	0
0	0	0	Changes in deferred tax	0	0	0
0	**0**	**0**		**0**	**0**	**0**
			Tax on the profit for the year is explained as follows:			
(8,620)	(6,503)	(7,046)	Tax calculated at a rate of 28% (30%)	(6,977)	(6,515)	(8,624)
-	(2,960)	-	Effect of differences in tax rates in DKK	-	2,960	-
2	(60)	1,372	Permanent deviations	1,372	(60)	2
8,618	9,523	5,674	Unrecognised change in tax asset	5,605	3,615	8,622
0	**0**	**0**		**0**	**0**	**0**

	Group		
	2006 DKK'000	2005 DKK'000	2004 DKK'000
11. Earnings per share			
The calculation of earnings per share is based on the following data:			
Profit/(loss) for the year attributable to parent company shareholders for the purposes of earnings per share	(24,918)	(23,267)	(28,749)

	Group		
	2006 '000	2005 '000	2004 '000
Average number of issued shares	6,496	3,799	1,640
Average number of treasury shares	(3)	(3)	(3)
Number of shares for the purposes of earnings per share	**6,493**	**3,796**	**1,637**

In accordance with IAS 33, the dilutive effect has not been calculated for the purposes of diluted earnings per share for the continuing operations, as this would increase earnings per share.

	Acquired software licenses DKK'000	Acquired patent rights DKK'000
12. Intangible assets, consolidated and parent company financial statements		
Intangible assets 2006		
Cost 01.01.2006	3,489	764
Additions	2,218	5,604
Disposals	(1,987)	-
Cost 31.12.2006	**3,720**	**6,368**
Amortisation 01.01.2006	(2,999)	(658)
Amortisation	(277)	(84)
Amortisation regarding assets disposed of	1,987	-
Amortisation 31.12.2006	**(1,289)**	**(742)**
Carrying amount 31.12.2006	**2,431**	**5,626**
Intangible assets 2005		
Cost 01.01.2005	3,361	764
Additions	128	0
Cost 31.12.2005	**3,489**	**764**
Amortisation 01.01.2005	(2,843)	(574)
Amortisation	(156)	(84)
Amortisation 31.12.2005	**(2,999)**	**(658)**
Carrying amount 31.12.2005	**490**	**106**
Intangible assets 2004		
Cost 01.01.2004	2,837	764
Additions	524	-
Cost 31.12.2004	**3,361**	**764**
Amortisation 01.01.2004	(2,620)	(491)
Amortisation	(223)	(84)
Amortisation 31.12.2004	**(2,843)**	**(575)**
Carrying amount 31.12.2004	**518**	**189**

	Production equipment DKK'000	Laboratory equipment DKK'000	Fixtures and fittings DKK'000	Leasehold improvements DKK'000
13. Property, plant and equipment				
Property, plant and equipment 2006 (Group)				
Cost 01.01.2006	3,692	13,380	4,872	6,324
Additions	1,157	1,647	2,279	950
Transfers	-	353	(353)	-
Disposals	-	-	-	(522)
Cost 31.12.2006	**4,849**	**15,380**	**6,798**	**6,752**
Depreciation 01.01.2006	(587)	(11,981)	(3,722)	(4,536)
Depreciation	(678)	(1,018)	(651)	(521)
Transfers	-	(353)	353	-
Depreciation regarding assets disposed of	-	-	-	522
Depreciation 31.12.2006	**(1,265)**	**(13,352)**	**(4,020)**	**(4,535)**
Carrying amount 31.12.2006	**3,584**	**2,028**	**2,778**	**2,217**
Assets held under finance leases	3,278	1,559	2,013	-
Property, plant and equipment 2006 (parent)				
Cost 01.01.2006	3,692	13,380	4,872	6,324
Additions	1,157	1,647	2,041	950
Transfers	-	353	(353)	-
Disposals	-	-	-	(522)
Cost 31.12.2006	**4,849**	**15,380**	**6,560**	**6,752**
Depreciation 01.01.2006	(587)	(11,981)	(3,722)	(4,536)
Depreciation	(678)	(1,018)	(626)	(521)
Transfers	-	(353)	353	-
Depreciation regarding assets disposed of	-	-	-	522
Depreciation 31.12.2006	**(1,265)**	**(13,352)**	**(3,995)**	**(4,535)**
Carrying amount 31.12.2006	**3,584**	**2,028**	**2,564**	**2,217**
Assets held under finance leases	3,278	1,559	2,013	-

	Production equipment DKK'000	Laboratory equipment DKK'000	Fixtures and fittings DKK'000	Leasehold improvements DKK'000
13. Property, plant and equipment (continued)				
Property, plant and equipment 2005 (Group and parent)				
Cost 01.01.2005	653	13,380	3,948	4,922
Additions	3,230	-	923	1,402
Disposals	(191)	-	-	-
Cost 31.12.2005	**3,692**	**13,380**	**4,871**	**6,324**
Depreciation 01.01.2005	(426)	(10,110)	(3,503)	(4,283)
Depreciation	(161)	(1,871)	(219)	(253)
Depreciation 31.12.2005	**(587)**	**(11,981)**	**(3,722)**	**(4,536)**
Carrying amount 31.12.2005	**3,105**	**1,399**	**1,149**	**1,788**
Assets held under finance leases	2,795	-	489	-
Property, plant and equipment 2004 (Group and parent)				
Cost 01.01.2004	551	14,529	4,007	4,360
Additions	102	643	330	562
Disposals	-	(1,792)	(389)	-
Cost 31.12.2004	**653**	**13,380**	**3,948**	**4,922**
Depreciation 01.01.2004	(307)	(9,449)	(3,444)	(3,893)
Depreciation	(119)	(2,176)	(407)	(390)
Depreciation regarding assets disposed of	-	1,515	348	-
Depreciation 31.12.2004	**(426)**	**(10,110)**	**(3,503)**	**(4,283)**
Carrying amount 31.12.2004	**227**	**3,270**	**445**	**639**

Parent				Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		2006 DKK'000	2005 DKK'000	2004 DKK'000
			14. Investments in subsidiaries			
1	1	1	Cost 01.01			
-	-	-	Additions on acquisition of investments			
1	**1**	**1**	**Cost 31.12**			
-	-	-	Impairment 01.01			
-	-	-	Impairment for the year			
-	**-**	**-**	**Impairment 31.12**			
1	**1**	**1**	**Carrying amount 31.12**			

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

			15. Other securities and investments			
400	400	400	Cost 01.01	400	400	400
-	-	(400)	Disposals	(400)	-	-
400	**400**	**0**		**0**	**400**	**400**
			16. Inventories			
1,248	1,188	2,245	Raw materials and consumables	2,245	1,188	1,248
55	1,163	2,392	Manufactured goods and goods for resale	2,392	1,163	55
1,303	**2,351**	**4,637**		**4,637**	**2,351**	**1,303**
			17. Share capital			
1,640	1,640	5,958	No. of shares 01.01.			
-	4,308	1,075	Additions no. of shares 01.01.			
1,640	**5,958**	**7,033**	**No. of shares 31.12.**			

The share capital consists of 7,033,065 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.

	Group and parent		
	No. in '000	Nominal value DKK'000	% of share capital
18. Treasury shares			
Treasury shares 01.01.2006	3	3	0.1
Acquisition of treasury shares	-	-	-
Sale of treasury shares	-	-	-
Treasury shares 31.12.2006	**3**	**3**	**0.1**
Treasury shares 01.01.2005	3	3	0.2
Acquisition of treasury shares	-	-	-
Sale of treasury shares	-	-	-
Treasury shares 31.12.2005	**3**	**3**	**0.2**
Treasury shares 01.01.2004	3	3	0.3
Acquisition of treasury shares	-	-	-
Sale of treasury shares	-	-	-
Treasury shares 31.12.2004	**3**	**3**	**0.3**

Parent				Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		2006 DKK'000	2005 DKK'000	2004 DKK'000
			19. Convertible loans			
49,210	-	-	Convertible loans	-	-	49,210
49,210	**-**	**-**		**-**	**-**	**49,210**

Convertible loans were repaid in cash during the 2005 financial year.

			20. Deferred tax			
924	994	1,096	Intangible assets	1,096	994	924
4,383	4,751	5,547	Property, plant and equipment	5,547	4,751	4,383
12,944	9,245	4,653	Research and development costs	4,653	9,245	12,944
450	56	-	Provisions	-	56	450
-	4,468	3,736	Prepayments received	3,736	4,468	-
18.701	**19.514**	**15.032**	**Temporary differences**	**15.032**	**19.514**	**18.701**
29,073	31,637	36,186	Tax loss carry-forwards	36,186	31,637	29,073
47,774	**51,151**	**51,218**	**Deferred tax asset 31.12.2006**	**51,218**	**51,151**	**47,774**

Tax losses can be carried forward perpetually.

The parent company and the Group have generated losses in the past few years. As it is still highly uncertain whether the deferred tax asset can be utilised, the asset has not been recognised in the financial statements for 2006.

Parent				Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		2006 DKK'000	2005 DKK'000	2004 DKK'000
			21. Provisions			
	1,500	200	01.01	200	1,500	-
1,500	-	-	Provided during the financial year	-	-	1,500
	(1,300)	(200)	Used during the financial year	(200)	(1,300)	-
			Reversed during the financial year	-	-	-
1,500	**200**	**0**	**31.12**	**0**	**200**	**1,500**

The current value of the fixed interest financial lease liabilities is set as the present value of future amortisation and interest payments using the current interest rate as the discount factor.

	Group and parent					
	Minimum lease payments			Present value of minimum lease payments		
	2006 DKK'000	2005 DKK'000	2004 DKK'000	2006 DKK'000	2005 DKK'000	2004 DKK'000
22. Finance lease liabilities						
Due within one year of the balance sheet date	1,925	713	-	1,639	713	-
Due in 1-5 years from the balance sheet date	5,717	2,571	-	5,275	2,571	-
	7,642	**3,284**	**-**	**6,914**	**3,284**	**-**
Amortisation premium for future expensing	(728)	-	-			
	6,914	**3,284**	**-**			

	Group and parent					
Finance lease liabilities	**Currency**	**Expiry**	**Fixed/ Floating**	**Effective interest rate (%)**	**Present value of minimum lease payments DKK'000**	**Fair value DKK'000**
Finance lease liabilities, production equipment	DKK	2009-12	Fixed	3-5	6,916	7,642
31.12.2006					**6,916**	**7,642**
Finance lease liabilities, production equipment	DKK	2009-11	Fixed	3-4	3,284	3,284
31.12.2005					**3,284**	**3,284**

Parent				Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		2006 DKK'000	2005 DKK'000	2004 DKK'000
			23. Operating lease liabilities			
			Minimum leasing payments included in the income statement.			
825	1,356	2,535	Rent commitment	2,535	1,356	825
			Total future minimum lease payments for non-terminable leases fall due as follows:			
-	1,356	1,718	Within one year of the balance sheet date	1,972	1,356	825
-	153	2,582	2-5 years after the balance sheet date	3,367	153	-
-	-	-	More than 5 years after balance sheet date	-	-	-
-	**1,509**	**4,300**		**5,339**	**1,509**	**825**
			24. Change in working capital			
186	(1,048)	(2,286)	Change in inventories	(2,286)	(1,048)	186
854	(1,350)	(22,879)	Change in receivables	(19,924)	(1,350)	854
(668)	19,178	3,711	Change in trade payables etc.	3,620	19,243	(668)
372	**16,780**	**(21,454)**		**(18,590)**	**16,845**	**372**
			25. Non-cash adjustments			
-	-	4,863	Incentive programmes	4,863	-	-
1,500	-	(200)	Provisions	(200)	-	1,500
1,500	**-**	**4,663**		**4,663**	**-**	**1,500**

26. 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.

Interest rate risks

The Group does not hedge interest rate risk as this is not considered financially viable.

Credit risks

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

26. Financial risks (continued)

Currency risks in respect of recognised assets and liabilities

Group	Cash and cash equivalents DKK'000	Receivables DKK'000	Financial liabilities DKK'000	Net position DKK'000
USD	4,260	6,168	(1,166)	9,262
EUR	6,422	1,781	(227)	7,976
DKK	9,693	14,284	(30,709)	(6,732)
Other currencies	21	-	(910)	(889)
31.12.2006	**20,396**	**22,233**	**(33,012)**	**9,617**
USD	1,250	619	(145)	1,724
EUR	15,353	824	(25)	16,152
DKK	23,588	868	(25,548)	(1,092)
Other currencies	8	-	(72)	(64)
31.12.2005	**40,199**	**2,311**	**(25,790)**	**16,720**
USD	185	70	(19)	236
EUR	319	182	(6)	495
DKK	1,159	709	(51,983)	(50,115)
Other currencies	18	-	(1,813)	(1,794)
31.12.2004	**1,681**	**961**	**(53,821)**	**(51,179)**

The carrying amount equals the current value of the assets.

27. Financial risks (continued)

Currency risks in respect of recognised assets and liabilities

Parent	Cash and cash equivalents DKK'000	Receivables DKK'000	Financial liabilities DKK'000	Net position DKK'000
USD	1,366	9,526	(1,062)	9,830
EUR	6,422	1,781	(227)	7,976
DKK	9,693	14,285	(30,709)	(6,731)
Other currencies	21	-	(910)	(889)
31.12.2006	**17,502**	**25,592**	**(32,908)**	**10,186**
USD	1,229	619	(122)	1,726
EUR	15,353	824	(25)	16,152
DKK	23,588	868	(25,548)	(1,092)
Other currencies	8	-	(70)	(62)
31.12.2005	**40,178**	**2,311**	**(25,767)**	**16,724**
USD	185	70	(13)	242
EUR	319	182	(6)	495
DKK	1,159	709	(51,983)	(50,115)
Other currencies	18	-	(1,813)	(1,795)
31.12.2004	**1,681**	**961**	**(53,815)**	**(51,173)**

28. Financial risks (continued)

Interest rate risks

The interest rate risk on 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	20,396	-	-	20,396	20,396	2,5
Lease arrangements	(1,639)	(5,275)	-	(6,914)	(6,914)	3-5
31.12.2006	**18,757**	**(5,275)**	**-**	**13,482**	**13,482**	
Bank deposits	40,199	-	-	40,199	40,199	2,5
Lease arrangements	(713)	(2,571)	-	(3,284)	(3,284)	3-5
31.12.2005	**39,486**	**(2,571)**	**-**	**36,915**	**36,915**	
Bank deposits	1,681	-	-	1,681	1,681	2,5
Convertible loan	(49,210)	-	-	(49,210)	(49,210)	8-24
31.12.2004	**(47,529)**	**-**	**-**	**(47,529)**	**(47,529)**	

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	17,502	-	-	17,502	17,502	2,5
Lease arrangements	(1,639)	(5,275)	-	(6,914)	(6,914)	3-5
31.12.2006	**15,863**	**(5,275)**	**-**	**10,588**	**10,588**	
Bank deposits	40,178	-	-	40,178	40,178	2,5
Lease arrangements	(713)	(2,571)	-	(3,284)	(3,284)	3-5
31.12.2005	**39,465**	**(2,571)**	**-**	**36,894**	**36,894**	
Bank deposits	1,681	-	-	1,681	1,681	2,5
Convertible loan	(49,210)	-	-	(49,210)	(49,210)	8-24
31.12.2004	**(47,529)**	**-**	**-**	**(47,529)**	**(47,529)**	

Other receivables, other securities and capital investment provision and other liabilities do not accumulate interest.

Credit risks

The Group's primary credit risk is related to trade receivbles. The Group's customers are mainly large companies and public research institutes in Denmark, Europe and North America. The Group is not exposed to significant risk in respect of any one customer or business partner. The Group's policy for undertaking credit risks involves an ongoing credit assessment of all major customers and business partners.

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

29. Related parties

Related parties exercising significant influence comprise Exiqon A/S' Executive Management and Board of Directors. Other related parties comprise the subsidiary Exiqon, Inc.

Remuneration etc. paid to Board of Directors, Executive Management and other senior employees

For information on remuneration paid to the Group's Board of Directors, Executive Management and other senior employees, see note 5.

Other related party transactions in 2006

The Chairman of the Board provided consultancy services, for which he was paid a fee of DKK 600 thousand.

Transactions with group companies comprised invoicing of contract work in the total amount of DKK 6.811 thousand.

Other related party transactions in 2005

The Chairman of the Board provided consultancy services, for which he was paid a fee of DKK 600 thousand.

Other related party transactions in 2004

The Chairman of the Board provided consultancy services, for which he was paid a fee of DKK 585 thousand.

30. Effects of the changed accounting policies on transition to IFRS

As mentioned in the management's review and in the accounting policies, Exiqon presents its annual report in accordance with IFRS as from 2006. Consequently, the accounting policies have been changed in a number of areas.

In accordance with IFRS 1, the opening balance sheet at 1 January 2004 and comparative figures for 2004 and 2005 have been prepared in accordance with the IFRS/IAS and IFRIC/SIC which are mandatory at 31 December 2006. The opening balance sheet at 1 January 2004 has been prepared as if these standards and interpretations had always been applied, with the exception of the exemption rule for share based incentive program accrued up to 01.01.2005.

Explanation of changes in accounting policies on transition to IFRS:

- Recognition of up-front payments received on licence and distribution agreements comprising several elements are recognised over the term of the agreement when it is not possible to reliably measure the fair value of the individual elements of the agreement in accordance with IAS 18. According to the previous policy, up-front payments on licence and distribution agreements were recognised as revenue upon receipt.

- Recognition of development costs when incurred. In accordance with industry practice under IFRS, the Company has assessed that there is insufficient certainty that the criteria for capitalisation will be met, and the development costs previously incurred are therefore recognised in the years when incurred. According to the previous policy, development costs were recognised as assets from the date when it was deemed probable that the development projects would be commercialised and that the future cash inflows would exceed the amount of costs recognised as assets.

- Recognition of share-based payment as an expense in the income statement in accordance with IFRS 2, Share-based Payment. According to the previous policy, share-based payment was not recognised in the financial statements, but only disclosed in the notes to the financial statements. In accordance with IFRS 2 share based payments accrued prior to 01.01.2005 have not been included.

The effect in amounts of the accounting policy changes, which is identical for Exiqon A/S and the Exiqon Group and therefore presented as one, is specified as follows:

	Equity 01.01.2004 DKK'000	Income statement 2004 DKK'000	Equity 31.12.2004 DKK'000
Amounts in accordance with the annual report for 2004	(11,405)	(21,220)	(32,625)
Effect of consolidation	8	(15)	(7)
Effect of changed accounting policies			
Expensing of capitalised development projects	(3,742)	(8,489)	(12,231)
Reversal of amortisation of development projects	-	975	975
Amount stated according to IFRS	**(15,139)**	**(28,749)**	**(43,888)**

30. Effects of the changed accounting policies on transition to IFRS (continued)

	Equity 01.01.2005 DKK'000	Income statement 2005 DKK'000	Equity 31.12.2005 DKK'000
Amounts in accordance with the annual report for 2005	(32,625)	(9,579)	52,889
Effects of changes to accounting policies in 2004	(11,256)	-	(11,256)
Restated amount 01.01.2005	**(43,881)**	**(9,579)**	**41,633**
Effect of consolidation	**(7)**	**(44)**	**(3)**
Effect of changed accounting policies			
Reversal of up-front payments	-	(18,788)	(18,788)
Accrued up-front payments	-	2,831	2,831
Reversal of capitalised development projects	-	-	-
Reversal of amortisation of development projects	-	2,313	2,313
Recognition of share-based payment	-	-	-
Amount stated according to IFRS	**(43,888)**	**(23,267)**	**27,986**

Equity reconciliation at 01.01.2004 (IFRS opening balance sheet)

Parent				Group		
Previous accounting policy 01.01.04 DKK'000	Effect of transition to IFRS 01.01.04 DKK'000	IFRS 01.01.04 DKK'000		Previous accounting policy 01.01.04 DKK'000	Effect of transition to IFRS 01.01.04 DKK'000	IFRS 01.01.04 DKK'000
4,232	(3,742)	490	Intangible assets	4,232	(3,742)	490
6,355	-	6,355	Property, plant and equipment	6,355	-	6,355
664	-	664	Financial assets	664	-	664
11,251	**(3,742)**	**7,509**	**Total non-current assets**	**11,251**	**(3,742)**	**7,509**
1,489	-	1,489	Inventories	1,489	-	1,489
1,814	-	1,814	Receivables	1,814	-	1,814
19,984	-	19,984	Cash and cash equivalents	19,984	-	19,984
23,287	**-**	**23,287**	**Current assets**	**23,287**	**-**	**23,287**
34,538	**(3,742)**	**30,796**	**Total assets**	**34,538**	**(3,742)**	**30,796**
1,640	-	1,640	Share capital	1,640	-	1,640
(13,045)	(3,742)	(16,787)	Other reserves	(13,045)	(3,742)	(16,787)
(11,405)	**(3,742)**	**(15,147)**	**Equity**	**(11,405)**	**(3,742)**	**(15,147)**
150	-	150	Non-current liabilities	150	-	150
45,793	-	45,793	Current liabilities	45,793	-	45,793
45,943	**-**	**45,943**	**Total liabilities**	**45,943**	**-**	**45,943**
34,538	**(3,742)**	**30,796**	**Total equity and liabilities**	**34,538**	**(3,742)**	**30,796**

Appendix 3 – Financial Statements for Oncotech Inc

Audited financial statements for 2006, 2005 and 2004 for Oncotech, Inc.

Oncotech, Inc's financial statements for 2006, 2005 and 2004 are shown below.

The financial statements for Oncotech has been prepared in accordance with generally accepted US accounting principles (US GAAP). Management believes that an adjustment of Exiqon's accounting principles, as shown on pages F-20 - F-25, would only have an insignificant effect on the presentation of Oncotech's profit and loss account, balance sheet or equity. In connection with the preparation of the Prospectus an accrual error has been identified in relation to the treatment of share based remuneration in Oncotech's financial reports for 2006 and 2005, which are shown below:

Annual report for 2006

USD	Effect		
	Profit and loss account[1]	Balance sheet	Equity
Share-based remuneration	(47,659)	0	0
Effect before tax	(47,659)	0	0

Annual report for 2005

USD	Effect		
	Profit and loss account[1]	Balance sheet	Equity
Share-based remuneration	(117,378)	0	0
Effect before tax	(117,378)	0	0

[1] Additional costs as a result of adjustment of the accrual error in Oncotech's financial statements.

The assumptions stated in Oncotech's financial statements have been applied for purposes of the above statement on adjustments. Therefore, the adjustments made result only in a changed allocation between the respective financial years.

Furthermore, the Management assesses that the most material information required under IFRS have been included in Oncotech's financial statements for 2006 and 2005. On the pages F-80 - F-82, immediately following the financial statements for 2006 and 2005, a statement is included which shows the information required under IFRS but which are not included in Oncotech's financial statements.

Independent auditor's review report on the statement on differences if Oncotech's financial statements were to be restated to reflect the accounting policies applied by Exiqon

To the shareholders and potential investors of Exiqon A/S

Introduction

We have reviewed the above statement on differences that would arise if the financial statements of Oncotech which have been presented under US GAAP were to be restated to reflect the accounting policies applied by Exiqon, as outlined on pages F-20 to F-25, as well as reviewed the error corrections made up.

The preparation of the statement is the responsibility of the Company's Management. Our responsibility is to issue a report on the statement based on our review.

Scope of review

We conducted our review in accordance with the Danish Standard on Assurance Engagements other than Audits or Reviews of Historical Financial Information (DSA 3000) to obtain limited assurance about the statement by the Company's Management. During our review we examined the work performed by the Company as well as the descriptions of accounting policies that are disclosed in the individual sets of financial statements.

A review is limited primarily to inquiries of finance and financial reporting personnel as well as analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Danish Standards on Auditing and thus provides no assurance that we become aware of all material matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that restatement of Oncotech's financial statements to reflect the accounting policies applied by Exiqon will not solely have a quite immaterial effect with respect to the income statement, balance sheet and equity of Oncotech. Nor has anything come to our attention that causes us to believe that the error corrections included were not made up reliably.

Copenhagen, 8 February 2008

Deloitte
Statsautoriseret Revisionsaktieselskab

Jens Rudkjær
State Authorised Public Accountant

Jørgen Holm Andersen
State Authorised Public Accountant

Oncotech, Inc. Financial Statements for The Year Ended December 31, 2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oncotech, Inc.
Tustin, California

We have audited the accompanying balance sheet of Oncotech, Inc. (the "Company") as of December 31, 2006, and the related statements of operations, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations, and without financing, does not have adequate liquid assets to continue to support operations. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Singer Lewak Greenbaum + Goldstein LLP

SINGER LEWAK GREENBAUM & GOLDSTEIN LLP

Irvine, California
December 21, 2007

Balance Sheet December 31, 2006

ASSETS	$
Current assets	
Cash and cash equivalents	149,227
Accounts receivable	2,415,531
Inventory	271,999
Prepaid expenses and other current assets	207,465
Total current assets	3,044,222
Property and equipment	
Equipment	4,182,197
Leasehold improvements	1,091,356
Office furniture	214,568
	5,488,121
Less accumulated depreciation and amortization	4,290,358
Total property and equipment	1,197,763
Other assets	74,466
Total assets	**4,316,451**

See accompanying Independent Auditor's Report
The accompanying notes are an integral part of these financial statements

Balance Sheet December 31, 2006

LIABILITIES AND STOCKHOLDERS' EQUITY	$
Current liabilities	
Accounts payable	828,659
Accrued payroll and related expenses	734,730
Accrued expenses	194,054
Income taxes payable	8,199
Deferred revenue	20,384
Note payable to stockholder, net of unamortized debt discount of $272	199,728
Current portion of capital lease obligations	114,907
Current portion of notes payable	40,776
Current portion of deferred rent	69,338
Total current liabilities	2,210,775
Deferred revenue, net of current portion	63,577
Capital lease obligations, net of current portion	132,587
Notes payable, net of current portion	10,977
Deferred rent, net of current portion	501,384
Total liabilities	2,919,300
Commitments and contingencies	
Stockholders' equity	
Convertible preferred stock, no par value	
($6,174,666 aggregate liquidation preference value):	
Series A preferred stock - 559,139 shares authorized	
139,784 shares issued and outstanding	472,116
Series B preferred stock - 477,896 shares authorized	
119,473 shares issued and outstanding	491,212
Series C preferred stock - 4,500,000 shares authorized	
1,095,436 shares issued and outstanding	5,211,339
Common stock, no par value	
35,000,000 shares authorized	
26,451,601 shares issued and outstanding	15,927,650
Accumulated deficit	(20,705,166)
Total stockholders' equity	1,397,151
Total liabilities and stockholders' equity	**4,316,451**

See accompanying Independent Auditor's Report

The accompanying notes are an integral part of these financial statements

Statement Of Operations for the Year Ended December 31, 2006

	Amount $	% of Net Revenues
Net revenues	**13,711,021**	**100.0**
Operating expenses		
Cost of revenues	7,092,302	51.7
General and administrative	8,158,335	59.5
Research and development	1,689,953	12.3
Total operating expenses	16,940,590	123.5
Loss before other income (expense)	**(3,229,569)**	**(23.5)**
Other income (expense)		
Gain on disposal of assets	30,000	0.2
Interest income	46,166	0.3
Interest expense	(66,721)	(0.5)
Total other expense	9,445	(0.0)
Loss before benefit from income taxes	**(3,220,124)**	**(23.5)**
Benefit from income taxes	**(72,571)**	**(0.5)**
Net loss	**(3,147,553)**	**(23.0)**

See accompanying Independent Auditor's Report
The accompanying notes are an integral part of these financial statements

Statement Of Stockholders' Equity for the Year Ended December 31, 2006

$	Preferred Stock									
	Preferred Stock – A		Preferred Stock – B		Preferred Stock – C		Common Stock			
	Shares Issued and Out-standing	Amount	Shares Issued and Out-standing	Amount	Shares Issued and Out-standing	Amount	Shares Issued and Out-standing	Amount	Accu-mulated Deficit	Total
BALANCE - January 01, 2006	139,784	$ 472,116	119,473	$ 491,212	1,095,436	$ 5,211,339	25,699,101	$ 14,352,923	$ (17,557,613)	$ 2,969,977
Exercise of stock options for cash							2,500	2,125		2,125
Issuance of common stock for cash	-	-	-	-	-	-	750,000	1,500,000		1,500,000
Issuance of common stock to third parties for consulting services	-	-	-	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	-	-	72,602		72,602
Net loss for the year	-	-	-	-	-	-	-	-	(3,147,553)	(3,147,553)
BALANCE - December 31, 2006	**139,784**	**$ 472,116**	**119,473**	**$ 491,212**	**1,095,436**	**$ 5,211,339**	**26,451,601**	**$ 15,927,650**	**$ (20,705,166)**	**$ 1,397,151**

See accompanying Independent Auditor's Report

The accompanying notes are an integral part of these financial statements

Statement Of Cash Flows for the Year Ended December 31, 2006

	$
Cash flows from operating activities	
Cash received from customers	13,421,989
Cash paid to suppliers and employees	(15,981,878)
Interest income	46,166
Interest expense	(66,721)
Other operating activities	(13,025)
Income taxes paid	(14,429)
Net cash flows from operating activities	(2,607,898)
Cash flows from investing activities	
Proceeds from the sale of property and equipment	30,000
Purchase of property and equipment	(147,795)
Net cash flows from investing activities	(117,795)
Cash flows from financing activities	
Principal payments on capital lease obligations	(198,972)
Principal payments on notes payable	(36,187)
Proceeds from issuance of common stock	1,502,125
Net cash flows from financing activities	1,266,966
Net decrease in cash and cash equivalents	**(1,458,727)**
Cash and cash equivalents, beginning of year	**1,607,954**
Cash and cash equivalents, end of year	**149,227**
Reconciliation of net loss to net cash flows from operating activities	
Net loss	(3,147,553)
Adjustments to reconcile net loss to net cash flows from operating activities	
Stock-based compensation	72,602
Gain on disposal of assets	(30,000)
Depreciation and amortization	505,374
Amortization of debt discount on note payable to stockholder	652
(Increase) decrease in	
Accounts receivable	(228,745)
Inventory	27,838
Prepaid expenses	(9,381)
other assets	(13,025)
Increase (decrease) in	
Accounts payable	292,732
Accrued payroll and related expenses	(15,940)
Accrued expenses	154,173
Income taxes payable	(87,000)
Deferred revenue	(60,287)
Deferred rent	(69,338)
Net cash flows from operating activities	**(2,607,898)**
Supplemental schedule of non-cash investing and financing activities	
Property and equipment acquired through capital leases	92,224

See accompanying Independent Auditor's Report
The accompanying notes are an integral part of these financial statements

Notes

NOTE 1 - BUSINESS ACTIVITY

Oncotech, Inc. (the "Company") was incorporated in California in November 1985 to commercialize laboratory methods and technologies for testing the anticancer activity of drugs and biologics on human tumor specimens. The Company operates in the medical laboratories industry; its activities include testing of individual patients' tumor specimens and reporting the results to physicians (clinical assays) and testing the effectiveness of various anticancer drugs for pharmaceutical manufacturers (industrial assays).

NOTE 2 - BASIS OF PRESENTATION

These financial statements have been prepared on the basis that the Company will continue as a going concern. The Company has a net accumulated deficit of $20,705,166 due to reoccurring losses.

For the year ended December 31, 2006, the Company had sustained a net loss of $3,147,553 and generated negative cash flow of $1,458,727. The ability for the Company to continue as a going concern is dependent on whether the Company can generate profitable operations in the future, or obtain financing through equity investment or debt financing to meet its current and future obligations.

To alleviate these conditions, the Company is actively pursuing the following options:

- Obtaining additional financing through debt issuance
- Obtaining additional financing through equity issuance
- Selling all or a portion of the Company

The ability to maintain operations may be contingent on the Company being able to successfully obtain either one significant option, or a combination of options.

On November 26, 2007, the Company signed a Letter of Intent ("LOI") with Exiqon, a Danish company. The LOI sets forth the intent of Exiqon to acquire 100% of the outstanding capital stock of the Company in exchange for shares of Exiqon. The terms and timing of the sale will be determined based on the Company meeting certain conditions.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents represent highly liquid investments with original maturities of three months or less. As of December 31, 2006, cash and cash equivalents consisted of money market funds, cash on deposit, and petty cash.

Accounts Receivable

Accounts receivable is recorded at established billing rates less an estimate billing adjustment, based on reporting models utilizing historical cash collection percentages and updated for currently effective reimbursement factors from third party payers and patients. Management performs ongoing evaluations of account receivable balances based on management's evaluation of historical experience and current industry trends. Management believes that its accounts receivable at December 31, 2006, are stated at the amount which will ultimately be collected and thus no allowance for doubtful accounts is recorded. Although the Company expects to collect amounts due, actual collections may differ from estimated amounts.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories consist of supplies used in the testing process and is stated at lower of cost or market determined under the first-in, first-out method.

Property and Equipment

Property and equipment consist primarily of research, clinical, and medical equipment which is stated at cost. The Company provides for depreciation and amortization using the straight-line method over the estimated useful lives of the various classes of property, as follows:

Equipment	3 to 7 years
Leasehold improvements	Lesser of lease term or economic life
Office furniture	3 to 7 years

Amortization expense on assets acquired under capital leases is included with depreciation and amortization expense on owned assets. Depreciation expense recognized for the year ended December 31, 2006 was $505,143.

Maintenance and repair costs are expensed as they are incurred while renewals and improvements of a significant nature are capitalized. At the time of retirement or disposition of property and equipment, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in the results of operations.

Impairment of Long-Lived Assets

Management reviews the carrying value of long-lived assets to be held and used in the Company's operations for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management deems the long-lived assets to be impaired if estimated undiscounted future cash flows are less than the carrying amount of the assets. Estimates of expected future cash flows are based on management's best estimates of anticipated operating results over the remaining useful lives of the assets. The Company believes that no impairment exists at December 31, 2006.

Deferred Rent

Deferred rent represents rental expense recorded on a straight-line basis in excess of current rent payments.

Revenue Recognition

Substantially all of the Company's revenues from clinical assays are billed to third party payers, including private insurers, Medicare, and Medicaid. Revenues are recognized net of billing adjustments as services are provided. The Company records revenues at their net realizable value in consideration of estimated differences between the Company's billing rates and anticipated collections from third-party payers and patients based on reporting models utilizing historical cash collection percentages and updated for currently effective reimbursement factors.

The Company recognizes revenue for collaborative research and development arrangements for industrial assays under the percentage of completion method based on number of assays performed, or products provided as compared to the estimated number based on the terms of the contract. Fees received are recorded as deferred revenues upon receipt and recognized as revenue over the period that the related products or services are delivered or obligations, as defined in the agreements, are performed.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Research and Development

Research and development costs are charged to operations as incurred.

Stock-Based Compensation

Prior to January 1, 2006, the Company accounted for stock-based compensation using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and elected to provide the pro-forma disclosure requirements of Statement of Financial Accounting Standards No. 123, "Share-Based Payment" ("SFAS 123").

Under the intrinsic value method, the Company recognized share-based compensation equal to the award's intrinsic value, if any, at the time of grant over the requisite service periods using the straight-line method.

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), "Share-Based Payments," ("SFAS 123(R)") which requires the measurement and recognition of compensation expense for all share-based payment awards based on estimated fair values. The Company adopted SFAS 123(R) using the modified prospective method, under which it continues to account for nonvested equity awards outstanding at the date of adoption of SFAS 123(R) in the same manner as they had been accounted for prior to adoption, that is, it would continue to apply APB No. 25 in the future periods to equity awards outstanding at the date it adopted SFAS 123(R). Stock-based compensation expense recognized under SFAS 123(R) for the year ended December 31, 2006 was $72,602. This stock-based compensation expense is classified as follows:

	$
Cost of revenues	14,976
General and administrative	56,069
Research and development	1,557
Total	**72,602**

As of December 31, 2006, there was $427,000 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under share-based compensation plans using the fair value method. The cost is expected to be recognized over a weighted-average period of six years.

The Company accounts for equity instruments issued to non-employees in accordance with the provisions of Emerging Issues Task Force No. 96-18, Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling, Goods or Services ("EITF 96-18"). Under EITF 96-18, stock option awards issued to non-employees are accounted for at fair value using the Black-Scholes option-pricing model.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation (Continued)

Options granted to employees were valued at fair value using the Modified Black-Scholes option pricing model with the following weighted average assumptions:

	$
Risk-free interest rate	4.54% to 5.08%
Expected life (in years)	7 years
Dividend yield	0%
Volatility	21%

Volatility has been calculated based on the volatility of equivalent public companies in the medical labs and research industry sector.

Recently Issued Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments — an amendment to FASB Statements No. 133 and 140," which simplifies the accounting for certain hybrid financial instruments containing embedded derivatives, and amends SFAS No. 140, to eliminate certain restrictions on passive derivative financial instruments that a qualifying special-purpose entity can hold. SFAS 155 is effective for all financial instruments acquired, issued or subject to a re-measurement event occurring after the beginning of an entity's first fiscal year that begins after September 15, 2006. Management does not expect adoption of this statement to have a material impact on the Company's financial statements.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets — an amendment of FASB Statement No. 140," which simplifies the accounting for assets and liabilities arising from loan servicing contracts. SFAS 156 is effective for fiscal years beginning after September 15, 2006. Management does not expect adoption of this statement to have a material impact on the Company's financial statements.

In September 2006, the FASB issued SFAS 157, "Fair Value Measurements," and defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Management does not expect adoption of this statement to have a material impact on the Company's financial statements.

Recently Issued Accounting Pronouncements (Continued)

In September 2006, the FASB issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans —an amendment of FASB Statements No. 87, 88, 106, and 132(R)," which changes current practice by requiring employers to recognize the overfunded or underfunded positions of defined benefit postretirement plans, including pension plans, on the balance sheet, and requires the change in funded status to be recognized in other comprehensive income. SFAS 158 is effective for fiscal years ending after December 15, 2006. Management does not expect adoption of this statement to have a material impact on the Company's financial statements.

In July 2006, the FASB issued Financial Accounting Standards Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes," which clarifies the accounting for uncertainty in income tax positions taken or expected to be taken in tax returns that effect amounts reported in a company's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently analyzing the effects of FIN 48. Management does not expect adoption of this statement to have a material impact on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - an amendment of FASB Statement No. 115," which permits entities to measure many financial instruments and certain other items at fair value, and establishes the presentation and disclosure requirements to facilitate comparisons between entities choosing different measurement attributes for similar types of assets. SFAS 159 is effective for fiscal years ending after November 15, 2007. Management does not expect adoption of this statement to have a material impact on the Company's financial statements.

NOTE 4 - CONCENTRATIONS OF RISK

Cash and Cash Equivalents

The Company maintains its cash balances in various banks that from time to time exceed amounts insured by the Federal Deposit Insurance Corporation, up to $100,000 per bank. As of December 31, 2006, the Company maintained deposits totaling $166,089 in excess of federally insured amounts. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable and Net Revenues

As of December 31, 2006, approximately 28% of the Company's net revenues were derived from funds under federal and state medical assistance programs, and approximately 20% of the Company's accounts receivable at December 31, 2006 are due from such programs.

For the year ended December 31, 2006, no third-party or private pay customer represented at least 10% of net revenues. As of December 31, 2006, no third-party or private pay customer represented at least 10% of accounts receivable.

NOTE 5 - NOTE PAYABLE TO STOCKHOLDER

As of December 31, 2006, note payable to stockholder consisted of an unsecured demand note in the amount of $200,000 with an interest rate at 6.75%.

Additionally, in conjunction with the issuance of the note payable to stockholder, the Company issued warrants to purchase 20,000 shares of common stock with an exercise price of $0.85 per share in 2002. The warrants expire in June 2007. For the year ended December 31, 2006, no additional warrants were issued in conjunction with the issuance of debt. The fair values of warrants issued as determined in accordance with SFAS No. 123, of $3,264, has been recorded as debt issuance costs and is being amortized over the term of the warrant life. For the year ended December 31, 2006, the amortization of these warrants amounted to $652, and is included in interest expense in the accompanying financial statements. As of December 31, 2006, $272 of the debt issuance costs remains and is recorded as a debt discount and is expected to be fully amortized in the year ending December 31, 2007.

As of December 31, 2006, all of the issued warrants related to this note payable remained outstanding.

NOTE 6 - NOTE PAYABLE

	$
Note payable consisted of the following at December 31, 2006:	
Unsecured note payable to a corporation, bearing interest at a rate of 12% per annum, payable in monthly installments of principal and interest of $3,733. Note matures in March 2008.	51,753
Less current portion	40,776
Long-term portion	**10,977**

As of December 31, 2006, the scheduled maturity of the note payable was as follows:	
Year Ending December 31,	
2007	40,776
2008	10,977
Total	**51,753**

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space and equipment under capital and operating leases, which expire on various dates through 2012.

Future annual minimum payments under capital leases and non-cancelable operating leases consisted of the following at December 31, 2006:

Year Ending December 31,	Capital Leases $	Operating Leases $
2007	117,908	1,079,022
2008	83,927	1,024,765
2009	39,086	1,011,981
2010	12,111	1,009,165
2011	-	979,702
Thereafter	-	1,589,337
Total minimum lease payments	**253,032**	**6,693,972**
Less amounts representing interest	5,538	
Present value of net minimum lease payments	247,494	
Less current portion	114,907	
Long-term portion	**132,587**	

For the year ended December 31, 2006, rental expense under operating leases was approximately $913,320.

NOTE 7 - COMMITMENTS AND CONTINGENCIES (Continued)

The following is an analysis of assets under capital lease as of December 31, 2006, which is included in property and equipment in the accompanying balance sheet:

	$
Assets under capital lease	661,157
Less accumulated amortization	437,649
Net book value	**223,508**

Cost-Containment Measures

Both government and private pay sources have instituted cost-containment measures designed to limit payments made to providers of health care services, and there can be no assurance that future measures designed to limit payments made to providers will not adversely affect the Company.

Regulatory Matters

Laws and regulations governing Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future governmental review and interpretation, as well as significant regulatory action including fines, penalties and exclusions from certain governmental programs. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

A portion of the Company's revenues are derived from Medicare for which reimbursement rates are subject to regulatory changes and government funding restrictions. Although the Company is not aware of any significant future rate changes, significant changes to the reimbursement rates could have a material effect on the Company's operations.

Guarantees and Indemnities

From time to time the Company enters into certain types of contracts that contingently require the Company to indemnify parties against third-party claims. These contracts primarily relate to (i) certain real estate leases, under which the Company may be required to indemnify property owners for environmental or other liabilities and other claims arising from the Company's use of the applicable premises, and (ii) certain agreements with the Company's officers, directors and employees, under which the Company may be required to indemnify such persons for liabilities arising out of their employment relationships.

The terms of such obligations vary by contract and in most instances, a specific or maximum dollar amount is not explicitly stated therein. Generally, obligation amounts under these contracts cannot be reasonably estimated until a specific claim is asserted. Consequently, because no claims have been asserted, no liabilities have been recorded for these obligations on the Company's balance sheet.

NOTE 8 - CONVERTIBLE PREFERRED STOCK

Holders of all series of preferred stock are entitled to receive non-cumulative dividends at an annual rate of $0.08 per share, when and if declared by the Company's board of directors. In the event of voluntary or involuntary liquidation, holders of preferred stock shall be entitled to receive, prior to any distribution to common stockholders, an amount equal to their original investments, plus any declared but unpaid dividends. For the year ended December 31, 2006, no dividends had been declared or paid. As of December 31, 2006, there are no accrued dividends.

Each preferred share is convertible, at the option of the holder, into shares of common stock, at a conversion rate ranging from 1.23 to 1.31 shares of common stock per one share of preferred stock. The holders of the preferred shares have voting rights equivalent to the number of common shares into which their shares are convertible.

The Company may not purchase, redeem, or reacquire any shares of preferred or common stock, except from directors, employees, consultants, or other persons providing services to the Company without the majority vote or written consent by the preferred stockholders. In addition, without preferred stockholder approval, the Company may not pay any cash dividends to the holders of common stock, issue or obligate the Company to any other equity security equal or senior to the preferred shares or modify any of the provisions of the preferred stock, amend the articles of incorporation or bylaws, acquire any other business entity, or sell substantially all the assets of the Company.

Stock Option Plan

The 2000 supplemental stock option plan authorizes the sale of 4,777,542 shares of common stock to officers, employees, and consultants of the Company. Options expire ten years from the date of grant and a majority vest over a period of 4 years.

NOTE 9 - STOCK OPTIONS AND WARRANTS

Stock Option Plan (Continued)

The following table summarizes the option activity for the year ended December 31, 2006:

	Number of Shares	Weighted Average Exercise Price $
Outstanding at beginning of period	4,092,558	0.85
Grants	450,000	2.00
Exercised	(2,500)	0.85
Expirations/Forfeitures	(316,000)	0.88
Outstanding at end of period	**4,224,058**	**0.97**
Exercisable at end of period	**3,419,808**	**0.85**

NOTE 9 - STOCK OPTIONS AND WARRANTS (Continued)

Summary information related to stock options outstanding was as follows as of December 31, 2006:

	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted-Average Exercise Price $	Remaining Contractual Life (In Years)	Number Exercisable	Weighted-Average Exercise Price $
Exercise Price					
$0.85	3,781,058	$ 0.85	5.10	3,419,808	$ 0.85
$2.00	443,000	$ 2.00	9.57	-	$ -

The weighted average fair value of stock options granted during 2006 approximated $0.73 per share.

Stock Warrants

The Company has issued warrants to various parties relating to the issuance of debt and compensation to officers of the Company.

The following table summarizes the warrant activity for the year ended December 31, 2006:

	Number of shares	Weighted-Average Exercise Price $
Outstanding at beginning of period	385,714	$ 0.85
Grants	-	$ -
Exercised	-	$ -
Expirations/Forfeitures	-	$ -
Outstanding at end of period	**385,714**	**$ 0.85**
Exercisable at end of period	**385,714**	**$ 0.85**

Summary information related to warrants outstanding was as follows as of December 31, 2006:

	Warrants Outstanding		
	Number Outstanding	Weighted-Average Exercise Price	Remaining Contractual Life (In Years)
Exercise Price			
$0.85	385,714	$ 0.85	1.16

NOTE 10 - INCOME TAXES

For the year ended December 31, 2006, the benefit from income taxes was as follows:

	$
Current	
Federal	$ -
State	9,800
	9,800
Deferred	
Federal	1,053,692
State	212,294
Valuation allowance	(1,265,986)
	-
Prior year overaccrual	(82,371)
Total	**(72,571)**

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2006 was as follows:

Current deferred tax assets	
Contribution carry forward	226,116
Accrued expenses	217,327
Deferred revenue	(133,247)
Stock warrants	5,462
Stock options	31,103
State taxes	5,508
	352,269
Less valuation allowance	352,269
Net current deferred tax assets	**-**

NOTE 10 - INCOME TAXES (Continued)

	$
Non-current deferred tax assets	
Net operating loss carry forwards	$ 4,440,806
Research credit carry forwards	663,427
Property and equipment, principally due to differences in depreciation and amortization for tax purposes	321,262
	5,425,495
Less valuation allowance	5,425,495
Net non-current deferred tax assets	**$ -**

As of December 31, 2006, a valuation allowance of $5,777,764 had been provided based upon the Company's assessment that it is more likely than not that these temporary differences will not be realizable in the future.

At December 31, 2006, the Company had federal and state net operating loss carryforwards of approximately $12,000,000 and $4,000,000, which will begin expiring in the year 2007 and 2011 to research and development and general business for federal purposes for federal and state purposes, respectively. The Company had tax credit carryforwards related of approximately $663,000, respectively, which will begin expiring in the year 2007 for federal and do not expire for state.

NOTE 11 - EMPLOYEE BENEFIT PLAN

The Company has established a defined contribution plan (the "Plan") covering substantially all employees. The Company makes matching contributions based on 25% of the first 6% of each participant's salary deferred through employee contributions to the Plan. For the year ended December 31, 2006, the Company's contributions to the Plan amounted to $71,364.

NOTE 12 - SUBSEQUENT EVENTS

Unsecured Convertible Notes payable

From January 2007 though April 2007, the Company issued a series of unsecured convertible notes payable, due January 1, 2008, for total proceeds of $1,680,000. The notes are convertible at the option of the note holder upon consummation of an equity transaction in excess of $5,000,000 at the option of the holder. The conversion rate is determined by the per share amount of the qualifying equity transaction. In conjunction with these unsecured convertible notes payable, the Company issued 168,000 warrants to buy common stock at $2.00 per share. The Company valued these warrants using the Black-Scholes method for a total discount of $97,440, which is recorded as a discount and amortized to interest expense over the life of the note.

Secured Convertible Notes payable

From October 2007 though December 2007, the Company issued a series of secured convertible notes payable, due January 1, 2008, for total proceeds of $641,240. The notes are convertible at the option of the note holder upon consummation of an equity transaction in excess of $5,000,000 at the option of the holder. The conversion rate is determined by the per share amount of the qualifying equity transaction. In conjunction with these unsecured convertible notes payable, the Company issued 39,124 warrants to buy common stock at $2.00 per share. The Company valued these warrants using the Black-Scholes method for a total discount of $21,627, which is recorded as a discount and amortized to interest expense over the life of the note.

Oncotech, Inc. Financial Statements for The Year Ended December 31, 2005

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SINGER LEWAK GREENBAUM & GOLDSTEIN LLP
Certified Public Accountants & Management Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oncotech, Inc.
Tustin, California

We have audited the accompanying balance sheet of Oncotech, Inc. (the "Company") as of December 31, 2005, and the related statements of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Singer Lewak Greenbaum + Goldstein LLP

SINGER LEWAK GREENBAUM & GOLDSTEIN LLP

Santa Ana, California
June 23, 2006

Balance Sheet December 31, 2005

ASSETS	$
Current assets	
Cash and cash equivalents	1,607,954
Accounts receivable	2,186,786
Inventory	299,837
Prepaid expenses and other current assets	198,084
Total current assets	4,292,661
Property and equipment	
Equipment	3,970,091
Leasehold improvements	1,091,356
Office furniture	208,819
	5,270,266
Less accumulated depreciation and amortization	3,807,379
Total property and equipment	1,462,887
Other assets	61,672
Total assets	**5,817,220**

See accompanying Independent Auditor's Report

The accompanying notes are an integral part of these financial statements

Balance Sheet December 31, 2005

LIABILITIES AND STOCKHOLDERS' EQUITY	$
Current liabilities	
Accounts payable	535,927
Accrued payroll and related expenses	750,670
Accrued expenses	39,881
Income taxes payable	95,199
Deferred revenue	144,248
Note payable to stockholder, net of unamortized debt discount of $924	199,076
Current portion of capital lease obligations	186,053
Current portion of notes payable	36,187
Current portion of deferred rent	69,338
Total current liabilities	2,056,579
Capital lease obligations, net of current portion	168,189
Notes payable, net of current portion	51,753
Deferred rent, net of current portion	570,722
Total liabilities	2,847,243
Commitments and contingencies	
Stockholders' equity	
Convertible preferred stock, no par value	
($6,174,666 aggregate liquidation preference value):	
Series A preferred stock - 559,139 shares authorized	
139,784 shares issued and outstanding	472,116
Series B preferred stock - 477,896 shares authorized	
119,473 shares issued and outstanding	491,212
Series C preferred stock - 4,500,000 shares authorized	
1,095,436 shares issued and outstanding	5,211,339
Common stock, no par value	
35,000,000 shares authorized	
25,699,101 shares issued and outstanding	14,352,923
Accumulated deficit	(17,557,613)
Total stockholders' equity	2,969,977
Total liabilities and stockholders' equity	**5,817,220**

See accompanying Independent Auditor's Report

The accompanying notes are an integral part of these financial statements

Statement Of Operations for the Year Ended December 31, 2005

	Amount $	% of Net Revenues
Net revenues	**13,531,969**	**100.0**
Operating expenses		
Cost of revenues	7,332,023	54.2
General and administrative	6,762,689	50.0
Research and development	1,161,495	8.6
Total operating expenses	15,256,207	112.8
Loss before other income (expense)	**(1,724,238)**	**(12.8)**
Other income (expense)		
Loss on disposal of assets	(41,464)	(0.3)
Interest income	12,157	0.1
Interest expense	(81,963)	(0.6)
Total other expense	(111,270)	(0.8)
Loss before provision for income taxes	**(1,835,508)**	**(13.6)**
Provision for income taxes	**42,158**	**0.3**
Net loss	**(1,877,666)**	**(13.9)**

See accompanying Independent Auditor's Report
The accompanying notes are an integral part of these financial statements

Statement Of Stockholders' Equity for the Year Ended December 31, 2005

$	Preferred Stock									
	Preferred Stock – A		Preferred Stock – B		Preferred Stock – C		Common Stock			
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Accumulated Deficit	Total
BALANCE - January 01, 2005	139,784	$ 472,116	119,473	$ 491,212	1,095,436	$ 5,211,339	24,883,007	$ 12,687,567	$ (15,679,947)	$ 3,182,287
Exercise of stock options for cash							32,000	27,200		27,200
Issuance of common stock for cash	-	-	-	-	-	-	807,500	1,615,000		1,615,000
Issuance of common stock to third parties for consulting services	-	-	-	-	-	-	26,594	22,605	-	22,605
Deferred compensation adjustment								851		22,605
Forfeiture of stock options/warrants								(300)		(300)
Net loss for the year	-	-	-	-	-	-	-	-	(1,877,666)	(1,877,666)
BALANCE - December 31, 2005	**139,784**	**$ 472,11**	**119,473**	**$ 491,212**	**1,095,436**	**$ 5,211,339**	**25,699,101**	**$ 14,352,923**	**$ (17,557,613)**	**$ 2,969,977**

See accompanying Independent Auditor's Report

The accompanying notes are an integral part of these financial statements

Statement Of Cash Flows for the Year Ended December 31, 2005

	$
Cash flows from operating activities	
Cash received from customers	14,703,762
Cash paid to suppliers and employees	(14,688,864)
Interest income	12,157
Interest expense	(81,963)
Income taxes paid	(47,130)
Net cash flows from operating activities	(102,038)
Cash flows from investing activities	
Purchase of property and equipment	(32,612)
Cash flows from financing activities	
Principal payments on capital lease obligations	(223,448)
Principal payments on notes payable	(125,864)
Proceeds from issuance of common stock	1,642,200
Net cash flows from financing activities	1,292,888
Net increase in cash and cash equivalents	**1,158,238**
Cash and cash equivalents, beginning of year	**449,716**
Cash and cash equivalents, end of year	**1,607,954**
Reconciliation of net loss to net cash flows from operating activities	
Net loss	(1,877,666)
Adjustments to reconcile net loss to net cash flows from operating activities	
Stock-based compensation, net	851
Loss on disposal of assets	41,464
Depreciation and amortization	566,038
Amortization of debt discount on note payable to stockholder	653
(Increase) decrease in	
Accounts receivable	1,338,983
Inventory	(3,126)
Prepaid expenses	(88,075)
Increase (decrease) in	
Accounts payable	12,832
Accrued payroll and related expenses	127,817
Accrued expenses	(10,048)
Income taxes payable	(4,972)
Deferred revenue	(167,190)
Deferred rent	(39,599)
Net cash flows from operating activities	**(102,038)**
Supplemental schedule of non-cash investing and financing activities	
Property and equipment acquired through capital leases	**266,533**
Common stock issued for services	**22,605**

See accompanying Independent Auditor's Report

The accompanying notes are an integral part of these financial statements

Notes

NOTE 1 - BUSINESS ACTIVITY

Oncotech, Inc. (the "Company") was incorporated in California in November 1985 to commercialize laboratory methods and technologies for testing the anticancer activity of drugs and biologics on human tumor specimens. The Company operates in the medical laboratories industry; its activities include testing of individual patients' tumor specimens and reporting the results to physicians (clinical assays) and testing the effectiveness of various anticancer drugs for pharmaceutical manufacturers (industrial assays).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents represent highly liquid investments with original maturities of three months or less. As of December 31, 2005, cash and cash equivalents consisted of money market funds, cash on deposit, and petty cash.

Accounts Receivable

Accounts receivable is recorded at established billing rates less an estimate billing adjustment, based on reporting models utilizing historical cash collection percentages and updated for currently effective reimbursement factors from third party payers and patients. Management performs ongoing evaluations of account receivable balances based on management's evaluation of historical experience and current industry trends. Management believes that its accounts receivable at December 31, 2005 are stated at the amount which will ultimately be collected and thus no allowance for doubtful accounts is recorded. Although the Company expects to collect amounts due, actual collections may differ from estimated amounts.

Inventories

Inventories consist of supplies used in the testing process and is stated at lower of cost or market determined under the first-in, first-out method.

Property and Equipment

Property and equipment consist primarily of research, clinical, and medical equipment which is stated at cost. The Company provides for depreciation and amortization using the straight-line method over the estimated useful lives of the various classes of property, as follows:

Equipment	3 to 7 years
Leasehold improvements	Lesser of lease term or economic life
Office furniture	3 to 7 years

Amortization expense on assets acquired under capital leases is included with depreciation and amortization expense on owned assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Maintenance and repair costs are expensed as they are incurred while renewals and improvements of a significant nature are capitalized. At the time of retirement or disposition of property and equipment, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in the results of operations.

Impairment of Long-Lived Assets

Management reviews the carrying value of long-lived assets to be held and used in the Company's operations for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management deems the long-lived assets to be impaired if estimated undiscounted future cash flows are less than the carrying amount of the assets. Estimates of expected future cash flows are based on management's best estimates of anticipated operating results over the remaining useful lives of the assets. The Company believes that no impairment exists at December 31, 2005.

Deferred Rent

Deferred rent represents rental expense recorded on a straight-line basis in excess of current rent payments.

Revenue Recognition

Substantially all of the Company's revenues from clinical assays are billed to third party payers, including private insurers, Medicare, and Medicaid. Revenues are recognized net of billing adjustments as services are provided. The Company records revenues at their net realizable value in consideration of estimated differences between the Company's billing rates and anticipated collections from third-party payers and patients based on reporting models utilizing historical cash collection percentages and updated for currently effective reimbursement factors.

The Company recognizes revenue for collaborative research and development arrangements for industrial assays under the percentage of completion method based on number of assays performed, or products provided as compared to the estimated number based on the terms of the contract. Fees received are recorded as deferred revenues upon receipt and recognized as revenue over the period that the related products or services are delivered or obligations, as defined in the agreements, are performed.

Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Research and Development

Research and development costs are charged to operations as incurred.

Stock-Based Compensation

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and complies with the disclosure provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." Under APB 25, compensation expense is recognized over the vesting period based on the difference, if any, on the date of grant between the deemed fair value for accounting purposes of the Company's stock and the exercise price on the date of grant. The Company accounts for stock based compensation issued to non-employees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force ("EITF") No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods, or Services."

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123(R), "Share-Based Payment." SFAS 123(R) amends SFAS No. 123, "Accounting for Stock-Based Compensation," and APB Opinion 25, "Accounting for Stock Issued to Employees." SFAS No.123(R) requires that the cost of share-based payment transactions (including those with employees and non-employees) be recognized in the financial statements. SFAS No. 123(R) applies to all share-based payment transactions in which an entity acquires goods or services by issuing (or offering to issue) its shares, share options, or other equity instruments (except for those held by an ESOP) or by incurring liabilities (1) in amounts based (even in part) on the price of the entity's shares or other equity instruments, or (2) that require (or may require) settlement by the issuance of an entity's shares or other equity instruments. This statement is effective (1) for public companies qualifying as SEC small business issuers, as of the first interim period or fiscal year beginning after December 15, 2005, or (2) for all other public companies, as of the first interim period or fiscal year beginning after June 15, 2005, or (3) for all non-public entities, as of the first fiscal year beginning after December 15, 2005. Management is currently assessing the effect of SFAS No. 123(R) on the Company's financial statements.

The Company has adopted the disclosure-only provisions of SFAS No. 123. Accordingly, no compensation cost other than that required to be recognized by APB No. 25, the difference between the fair value of the Company's common stock at the grant date and the exercise price of the options, has been recognized. If the fair value-based method had been applied in measuring stock-based compensation expense in accordance with SFAS No. 123, the pro forma effect on the net income for the year ended December 31, 2005 would have been as follows:

	$
Net loss as reported	(1,877,666)
Deduct: additional stock-based compensation expense determined under the fair value method	(100,697)
Pro forma net loss	**(1,978,363)**

Options granted to employees and warrants issued for services were valued at fair value using the Modified Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	3.96% til 4.20%
Expected life (in years)	7 years
Dividend yield	0%
Volatility	0%

Adoption of Accounting Standard and Relationship with Related Parties

In December 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46 "Consolidation of Variable Interest Entities" (FIN 46) and its amendment FIN 46R. This interpretation clarifies existing accounting principles related to the preparation of consolidated financial statements when the equity investors in an entity do not have the characteristics of a controlling financial interest or when the equity at risk is not sufficient for the entity to finance its activities without additional subordinated financial support. FIN 46R requires a company to evaluate all existing arrangements to identify situations where a company has a "variable interest" in a "variable interest entity" and further determine when such variable interests require a company to consolidate the variable interest entities' financial statements with its own. The Company does not have any variable interest entities, and therefore, adoption of this interpretation did not have a material impact on the Company's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In March 2005, the FASB issued FASB Interpretation ("FIN") No. 47, "Accounting for Conditional Asset Retirement Obligations." FIN No. 47 clarifies that the term "conditional asset retirement obligation" as used in FASB Statement No. 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and(or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and(or) method of settlement. Uncertainty about the timing and(or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. This interpretation also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN No. 47 is effective no later than the end of fiscal years ending after December 15, 2005 (December 31, 2005 for calendar-year companies). Retrospective application of interim financial information is permitted but is not required. Management does not expect adoption of FIN No. 47 to have a material impact on the Company's financial statements.

In November 2004, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 151, "Inventory Costs." SFAS No. 151 amends the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) under the guidance in Accounting Research Bulletin ("ARB") No. 43, Chapter 4, "Inventory Pricing." Paragraph 5 of ARB No. 43, Chapter 4, previously stated that ". . . under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and re-handling costs may be so abnormal as to require treatment as current period charges. . . ." This statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Management does not expect adoption of SFAS No. 151 to have a material impact on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 152, "Accounting for Real Estate Time-Sharing Transactions." The FASB issued this Statement as a result of the guidance provided in AICPA Statement of Position (SOP) 04-2, "Accounting for Real Estate Time-Sharing Transactions." SOP 04-2 applies to all real estate time-sharing transactions. Among other items, the SOP provides guidance on the recording of credit losses and the treatment of selling costs, but does not change the revenue recognition guidance in SFAS No. 66, "Accounting for Sales of Real Estate," for real estate time-sharing transactions. SFAS No. 152 amends Statement No. 66 to reference the guidance provided in SOP 04-2. SFAS No. 152 also amends SFAS No. 67, "Accounting for Costs and Initial Rental Operations of Real Estate Projects", to state that SOP 04-2 provides the relevant guidance on accounting for incidental operations and costs related to the sale of real estate time-sharing transactions. SFAS No. 152 is effective for years beginning after June 15, 2005, with restatements of previously issued financial statements prohibited. This statement is not applicable to the Company.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets," an amendment to Opinion No. 29, "Accounting for Nonmonetary Transactions." SFAS No. 153 eliminates certain differences in the guidance in Opinion No. 29 as compared to the guidance contained in standards issued by the International Accounting Standards Board. The amendment to Opinion No. 29 eliminates the fair value exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. Such an exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in periods beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges occurring in periods beginning after December 16, 2004. Management does not expect adoption of SFAS No. 153 to have a material impact on the Company's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In June 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections," a replacement of APB Opinion No. 20, "Accounting Changes," and Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements." SFAS No. 154 changes the requirements for the accounting for and reporting of a change in accounting principle. Previously, most voluntary changes in accounting principles required recognition via a cumulative effect adjustment within net income of the period of the change. SFAS No. 154 requires retrospective application to prior periods' financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The Company must adopt SFAS No. 154 for accounting changes made in fiscal years beginning after December 15, 2005; however, the statement does not change the transition provisions of any existing accounting pronouncements. Management does not expect adoption of SFAS No. 154 to have a significant impact on the Company's financial results.

In February 2006 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) 155, "Accounting for Certain Hybrid Financial Instruments." SFAS 155 amends SFAS 133 to narrow the scope exception for interest-only and principal-only strips on debt instruments to include only such strips representing rights to receive a specified portion of the contractual interest or principal cash flows. SFAS 155 also amends SFAS 140 to allow qualifying special-purpose entities to hold a passive derivative financial instrument pertaining to beneficial interests that itself is a derivative financial instrument. Generally, FASB Statement of Financial Accounting Standards SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", requires that a derivative embedded in a host contract that does not meet the definition of a derivative be accounted for separately (referred to as bifurcation) under certain conditions. That general rule notwithstanding, SFAS No. 133 (prior to amendments made to it by SFAS No. 155) provides a broad exception for interest-only and principal-only strips initially resulting from the separation of rights to receive contractual cash flows of a financial instrument that itself does not contain an embedded derivative that would have been accounted for separately. SFAS 155 amends SFAS 133 to restrict the scope exception to strips that represent rights to receive only a portion of the contractual interest cash flows or of the contractual principal cash flows of a specific debt instrument. Prior to amendments made by SFAS 155 , SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," permitted a qualifying special-purpose entity (SPE) to hold only passive derivative financial instruments pertaining to beneficial interests (other than another derivative financial instrument) issued or sold to parties other than the transferor. SFAS 155 amends SFAS 140 to allow a qualifying SPE to hold a derivative instrument pertaining to beneficial interests that itself is a derivative financial instrument.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets," ("SFAS NO. 156") which provides an approach to simplify efforts to obtain hedge-like (offset) accounting. This Statement amends FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," with respect to the accounting for separately recognized servicing assets and servicing liabilities. The Statement (1) requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in certain situations; (2) requires that a separately recognized servicing asset or servicing liability be initially measured at fair value, if practicable; (3) permits an entity to choose either the amortization method or the fair value method for subsequent measurement for each class of separately recognized servicing assets or servicing liabilities; (4) permits at initial adoption a one-time reclassification of available-for-sale securities to trading securities by an entity with recognized servicing rights, provided the securities reclassified offset the entity's exposure to changes in the fair value of the servicing assets or liabilities; and (5) requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the balance sheet and additional disclosures for all separately recognized servicing assets and servicing liabilities. SFAS No. 156 is effective for all separately recognized servicing assets and liabilities as of the beginning of an entity's fiscal year that begins after September 15, 2006, with earlier adoption permitted in certain circumstances. The Statement also describes the manner in which it should be initially applied. Management does not believe that SFAS No. 156 will have a material impact on the Company's financial statements.

NOTE 3 - CONCENTRATIONS OF RISK

Cash and Cash Equivalents

The Company maintains its cash balances in various banks that from time to time exceed amounts insured by the Federal Deposit Insurance Corporation, up to $100,000 per bank. As of December 31, 2005, the Company maintained deposits totaling $1,703,479 in excess of federally insured amounts. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable and Net Revenues

As of December 31, 2005, approximately 28% of the Company's net revenues were derived from funds under federal and state medical assistance programs, and approximately 17% of the Company's accounts receivable at December 31, 2005, are due from such programs.

For the year ended December 31, 2005, no third-party or customer providers represented at least 10% of net revenues. As of December 31, 2005, one third-party or customer provider represented 10% of accounts receivable.
NOTE 3 - CONCENTRATIONS OF RISK (Continued)

Suppliers

For the period ended December 31, 2005, four suppliers represented approximately 72% of total material purchases. As of December 31, 2005, no supplier represented more than 10% of accounts payable.

NOTE 4 - NOTE PAYABLE TO STOCKHOLDER

As of December 31, 2005, note payable to stockholder consisted of an unsecured demand note in the amount of $200,000 with an interest rate at 6.75%.

Additionally, in conjunction with the issuance of the note payable to stockholder, the Company issued warrants to purchase 20,000 shares of common stock with an exercise price of $0.85 per share in 2002. The warrants expire in June 2007. For the year ended December 31, 2005, no additional warrants were issued in conjunction with the issuance of debt. The fair values of warrants issued as determined in accordance with SFAS No. 123, of $3,264, has been recorded as debt issuance costs and is being amortized over the term of the respective debt. For the year ended December 31, 2005, the amortization of these warrants amounted to $653, and is included in interest expense in the accompanying financial statements. As of December 31, 2005, $924 of the debt issuance costs remains and is recorded as a debt discount and is expected to be fully amortized in the year ending December 31, 2006.

As of December 31, 2005, 20,000 of the issued warrants related to this note payable remained outstanding.

NOTE 5 - NOTE PAYABLE

Note payable consisted of the following at December 31, 2005:

	$
Unsecured note payable to a corporation, bearing interest at a rate of 12% per annum, payable in monthly installments of principal and interest of $3,733. Note matures in March 2008.	87,940
Less current portion	36,187
Long term portion	**51,753**

As of December 31, 2005, the scheduled maturity of the note payable was as follows:

Year Ending December 31,	
2006	36,187
2007	40,776
2008	10,977
Total	**87,940**

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space and equipment under capital and operating leases, which expire on various dates through 2012.

Future annual minimum payments under capital leases and non-cancelable operating leases consisted of the following at December 31, 2005:

Year Ending December 31,	Capital Leases $	Operating Leases $
2006	222,436	1,094,579
2007	113,410	1,023,459
2008	67,120	969,202
2009	13,086	956,418
2010	-	953,602
Thereafter	-	1,589,337
Total minimum lease payments	**416,052**	**6,586,597**
Less amounts representing interest	61,810	
Present value of net minimum lease payments	354,242	
Less current portion	186,053	
Long-term portion	**168,189**	

For the year ended December 31, 2005, rental expense under operating leases was approximately $906,915.

NOTE 6 - COMMITMENTS AND CONTINGENCIES (Continued)

Leases (Continued)

The following is an analysis of assets under capital lease as of December 31, 2005, which is included in property and equipment in the accompanying balance sheet:

	$
Assets under capital lease	562,767
Less accumulated amortization	289,724
Net book value	**273,043**

Cost-Containment Measures

Both government and private pay sources have instituted cost-containment measures designed to limit payments made to providers of health care services, and there can be no assurance that future measures designed to limit payments made to providers will not adversely affect the Company.

Regulatory Matters

Laws and regulations governing Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future governmental review and interpretation, as well as significant regulatory action including fines, penalties and exclusions from certain governmental programs. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

A portion of the Company's revenues are derived from Medicare for which reimbursement rates are subject to regulatory changes and government funding restrictions. Although the Company is not aware of any significant future rate changes, significant changes to the reimbursement rates could have a material effect on the Company's operations.

Guarantees and Indemnities

From time to time the Company enters into certain types of contracts that contingently require the Company to indemnify parties against third-party claims. These contracts primarily relate to (i) certain real estate leases, under which the Company may be required to indemnify property owners for environmental or other liabilities and other claims arising from the Company's use of the applicable premises, and (ii) certain agreements with the Company's officers, directors and employees, under which the Company may be required to indemnify such persons for liabilities arising out of their employment relationships.

Guarantees and Indemnities (Continued)

The terms of such obligations vary by contract and in most instances, a specific or maximum dollar amount is not explicitly stated therein. Generally, obligation amounts under these contracts cannot be reasonably estimated until a specific claim is asserted. Consequently, because no claims have been asserted, no liabilities have been recorded for these obligations on the Company's balance sheet.

NOTE 7 - CONVERTIBLE PREFERRED STOCK

Holders of all series of preferred stock are entitled to receive non-cumulative dividends at an annual rate of $0.08 per share, when and if declared by the Company's board of directors. In the event of voluntary or involuntary liquidation, holders of preferred stock shall be entitled to receive, prior to any distribution to common stockholders, an amount equal to their original investments, plus any declared but unpaid dividends. For the year ended December 31, 2005, no dividends had been declared or paid.

Each preferred share is convertible, at the option of the holder, into shares of common stock, at a conversion rate ranging from 1.18 to 1.24 shares of common stock per one share of preferred stock. The holders of the preferred shares have voting rights equivalent to the number of common shares into which their shares are convertible.

The Company may not purchase, redeem or reacquire any shares of preferred or common stock, except from directors, employees, consultants, or other persons providing services to the Company without the majority vote or written consent by the preferred stockholders. In addition, without preferred stockholder approval, the Company may not pay any cash dividends to the holders of common stock, issue or obligate the Company to any other equity security equal or senior to the preferred shares or modify any of the provisions of the preferred stock, amend the articles of incorporation or bylaws, acquire any other business entity, or sell substantially all the assets of the Company.

NOTE 8 - STOCK OPTIONS AND WARRANTS

Stock Option Plan

The 1987 supplemental stock option plan authorizes the sale of 2,765,791 shares of common stock to officers, employees, and consultants of the Company. The 2000 supplemental stock option plan authorizes the sale of 4,777,542 shares of common stock to officers, employees, and consultants of the Company. Options expire ten years from the date of grant and a majority vest over a period of 4 years.

The following table summarizes the option activity for the year ended December 31, 2005:

	Number of Shares	Weighted Average Exercise Price USD
Outstanding at beginning of period	4,162,058	0.85
Grants	267,000	0.85
Exercised	(32,000)	0.85
Cancellations	(304,500)	0.80
Outstanding at end of period	**4,092,558**	**0.85**
Exercisable at end of period	**3,350,308**	**0.85**

Summary information related to stock options outstanding was as follows as of December 31, 2005:

	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted-Average Exercise Price $	Remaining Contractual Life (In Years)	Number Exercisable	Weighted-Average Exercise Price $
Exercise Price					
USD 0.85	4,092,558	USD 0.85	5.14	3,350,308	USD 0.85

The weighted average fair value of stock options granted during 2005 approximated $0.21 per share.

Stock Warrants

The Company has issued warrants to various parties relating to the issuance of debt and compensation to officers of the Company.

The following table summarizes the warrant activity for the year ended December 31, 2005:

	Number of shares	Weighted-Average Exercise Price $
Outstanding at beginning of period	385,714	0.85
Grants	-	-
Exercised	-	-
Cancellations	-	-
Outstanding at end of period	**385,714**	**0.85**
Exercisable at end of period	**385,714**	**0.85**

NOTE 8 - STOCK OPTIONS AND WARRANTS (Continued)

Summary information related to warrants outstanding was as follows as of December 31, 2005:

	Warrants Outstanding		
	Number Outstanding	Weighted-Average Exercise Price	Remaining Contractual Life (In Years)
Exercise Price			
$0.85	385,714	0.85	3.16

NOTE 9 - INCOME TAXES

For the year ended December 31, 2005, the provision for income taxes was as follows:

	$
Current	
Federal	-
State	3,625
	3,625
Deferred	
Federal	573,653
State	94,966
Valuation allowance	(680,910)
	(12,291)
Prior year underaccrual	50,824
Total	**42,158**

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2005 are as follows:

Current deferred tax assets	
Contribution carry forward	205,698
Accrued expenses	121,731
Deferred revenue	(42,822)
Stock warrants	5,462
State taxes	10,366
	300,435
Less valuation allowance	300,435
Net current deferred tax assets	-

NOTE 9 - INCOME TAXES (Continued)

	$
Non-current deferred tax assets	
Net operating loss carry forwards	4,345,863
Research credit carry forwards	471,079
Property and equipment, principally due to differences in depreciation and amortization for tax purposes	308,398
Alternative minimum tax credit carry forwards	68,262
	5,193,602
Less valuation allowance	5,193,602
Net non-current deferred tax assets	-

As of December 31, 2005, a valuation allowance of $5,494,037 had been provided based upon the Company's assessment that it is more likely than not that these temporary differences will not be realizable in the future.

At December 31, 2005, the Company had federal and state net operating loss carryforwards of approximately $12,400,000 and $1,400,000, which will begin expiring in the year 2006 and 2011 for federal and state purposes, respectively. The Company had tax credit carryforwards related to research and alternative minimum tax for federal and state purposes of approximately $490,000 and $46,000, respectively, which will begin expiring in the year 2006 for federal and do not expire for state.

NOTE 10 - EMPLOYEE BENEFIT PLAN

The Company has established a defined contribution plan (the "Plan") covering substantially all employees. The Company makes matching contributions based on 25% of the first 6% of each participant's salary deferred through employee contributions to the Plan. For the year ended December 31, 2005, the Company's contributions to the Plan amounted to $70,951.

NOTE 11 - SUBSEQUENT EVENTS

From January through June 2006, the Company sold 750,000 shares of common stock for cash at $2.00 per share.

Statement showing information required under IFRS which have not been included in the annual reports for Oncotech. The statement is unaudited.

	2006 USD	2005 USD
Revenue		
Services provided	13,71,021	13,531,969
	13,711,021	**13,531,969**
Staff costs		
Wages and salaries	7,452,151	7,330,447
Pension contribution (401K Match & Stock Option Comp)	143,966	65,991
Social security costs(Fica, Futa, Sui)	524,044	547,983
Insurance (Worker's Comp & Healthins)	687,554	730,682
	8,807,715	8,675,103
Included in:		
Cost of revenues	3,669,344	3,895,503
General and administrtive expenses	4,485,945	4,373,912
Research and development expenses	652,426	405,688
	8,807,715	**8,675,103**
Of this, total remuneration for:		
Management		
Wages and salaries (Directors Fees including travel exp)	101,189	96,952
Average number of employees	**103**	**100**
Depreciation		
Included in:		
Cost of revenues	167,618	191,318
General and administrtiveexpences	182,379	193,517
Research and edevelopment expences	155,148	181,203
	505,145	**566,038**
Tax on profit for the year		
Current tax	9,800	8,900
Change in deferred tax	-	-
Adjustment concerning previous years	(82,371)	33,258
	(72,571)	**42,158**

	Leasehold improvements USD	Equipment USD	Other furniture etc. USD
Property, plant and equipment			
Cost at 1 January 2006	1,091,356	3,970,091	208,819
Additions/Disposals (net)	-	212,106	5,749
Cost at 31 December 2006	**1,091,356**	**4,182,197**	**214,568**
Depreciation and impairment losses at 1 January 2006	482,716	3,289,464	35,199
Disposals	-	(22,166)	-
Depreciation for the year	101,074	336,585	67,486
Depreciation and impairment losses at 31 December 2006	**583,790**	**3,603,883**	**102,685**
Carrying amount at 31 December 2006	**507,566**	**578,314**	**111,883**
Hereof leased	**-**	**202,772**	**-**
Cost at 1 January 2005	1,087,066	4,220,639	297,639
Additions/Disposal/Transfress (net)	4,290	(250,548)	(88,820)
Cost at 31 December 2005	**1,091,356**	**3,970,091**	**208,819**
Depreciation and impairment losses at 1 January 2005	382,000	3,375,220	71,970
Disposals/Transfers	-	(489,351)	(98,501)
Depreciation for the year	100,716	403,595	61,730
Depreciation and impairment losses at 31 December 2005	**482,716**	**3,289,464**	**35,199**
Carrying amount at 31 December 2005	**608,640**	**680,627**	**173,620**
Hereof leased	**-**	**250,215**	**-**

	2006 USD	2005 USD
Inventory		
Raw materials	271,999	258,973
	271,999	**258,973**
Financial income / expences		
Interest income from banks	46,166	12,157
	46,166	**12,157**
Interest expense	(66,721)	(81,963)
	(66,721)	**(81,963)**

Financial risks
Oncotech follows a finance policy, approved by the Executive Management, based on a low risk profile so that currency, interest rate and credit risk arises only in connection with commercial transactions.

Currency risks
Oncotech does not hedge currency risk as this is not considered financially viable.

Interest risks
Oncotech does not hedge interest rate risk as this is not considered financially viable.

Fair value
The carried amount of the recognised assets and liability correspond to the fair value.

Related parties
Related parties exercising significant influence comprise Oncotech' Executive Management.

Remuneration etc. paid to Executive Management
For information on remuneration paid to the Executive Management, see note 2.

Oncotech, Inc. Financial Statements for The Year Ended December 31, 2004

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SINGER LEWAK GREENBAUM & GOLDSTEIN LLP
Certified Public Accountants & Management Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oncotech, Inc.
Tustin, California

We have audited the accompanying balance sheet of Oncotech, Inc. (the "Company") as of December 31, 2004, and the related statements of income, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Singer Lewak Greenbaum + Goldstein LLP

SINGER LEWAK GREENBAUM & GOLDSTEIN LLP

Santa Ana, California
August 2, 2005

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Balance Sheet December 31, 2004

ASSETS	$
Current assets	
Cash and cash equivalents	449,716
Accounts receivable	3,525,769
Inventory	296,711
Prepaid expenses and other current assets	110,009
Total current assets	**4,382,205**
Property and equipment	
Equipment	4,220,639
Leasehold improvements	1,087,066
Office furniture	297,639
	5,605,344
Less accumulated depreciation and amortization	3,829,190
Total property and equipment	1,776,154
Other assets	56,762
Total assets	**6,215,121**

See accompanying Independent Auditor's Report
The accompanying notes are an integral part of these financial statements

Balance Sheet December 31, 2004

LIABILITIES AND STOCKHOLDERS' EQUITY	USD
Current liabilities	
Accounts payable	545,401
Accrued payroll and related expenses	622,853
Accrued expenses	49,929
Income taxes payable	100,171
Deferred revenue	311,438
Current portion of capital lease obligations	159,759
Current portion of notes payable	125,864
Current portion of deferred rent	39,600
Total current liabilities	1,955,015
Capital lease obligations, net of current portion	151,398
Notes payable, net of current portion	87,940
Note payable to stockholder, net of unamortized debt discount of $1,577	198,423
Deferred rent, net of current portion	640,059
Total liabilities	3,032,835
Commitments and contingencies	
Stockholders' equity	
Convertible preferred stock, no par value ($6,174,666 aggregate liquidation preference value):	
Series A preferred stock - 559,139 shares authorized 139,784 shares issued and outstanding	472,116
Series B preferred stock - 477,896 shares authorized 119,473 shares issued and outstanding	491,212
Series C preferred stock - 4,500,000 shares authorized 1,095,436 shares issued and outstanding	5,211,338
Common stock, no par value 35,000,000 shares authorized 24,833,007 shares issued and outstanding	12,687,567
Accumulated deficit	(15,679,947)
Total stockholders' equity	3,182,286
Total liabilities and stockholders' equity	**6,215,121**

See accompanying Independent Auditor's Report
The accompanying notes are an integral part of these financial statements

Statement Of Income for the Year Ended December 31, 2004

	Amount $	% of Net Revenues
Net revenues	**15,027,914**	**100.0**
Operating expenses		
Cost of revenues	7,133,534	47.5
General and administrative	6,318,131	42.0
Research and development	972,297	6.5
Total operating expenses	14,423,962	96.0
Income before other income (expense)	**603,952**	**4.0**
Other income (expense)		
Interest income	6,802	0.0
Interest expense	(95,887)	(0.6)
Total other expense	(89,085)	(0.6)
Income before provision for income taxes	**514,867**	**3.4**
Provision for income taxes	**13,134**	**0.1**
Net income	**501,733**	**3.3**

See accompanying Independent Auditor's Report

The accompanying notes are an integral part of these financial statements

Statement Of Stockholders' Equity for the Year Ended December 31, 2004

$	Preferred Stock									
	Preferred Stock – A		Preferred Stock – B		Preferred Stock – C		Common Stock			
	Shares Issued and Out-standing	Amount	Shares Issued and Out-standing	Amount	Shares Issued and Out-standing	Amount	Shares Issued and Out-standing	Amount	Accu-mulated Deficit	Total
BALANCE - December 31, 2003	139,784	$ 472,116	119,473	$ 491,212	1,095,436	$ 5,211,338	24,335,163	$ 12,402,045	$ (16,181,680)	$ 2,395,031
Exercise of stock warrants for cash							430,611	243,774		243,774
Exercise of stock options for cash							8,000	3,600		3,600
Issuance of common stock to third parties for consulting services							59,233	50,348		50,348
Compensation related to stock option grants to third party								6,800		6,800
Forfeiture of stock options/warrants								(19,000)		(19,000)
Net income for the year									501,733	501,733
BALANCE - December 31, 2004	**139,784**	**472,116**	**119,473**	**491,212**	**1,095,436**	**5,211,338**	**24,833,007**	**12,687,567**	**(15,679,947)**	**3,182,286**

See accompanying Independent Auditor's Report

The accompanying notes are an integral part of these financial statements

Statement Of Cash Flows for the Year Ended December 31, 2004

	$
Cash flows from operating activities	
Cash received from customers	13,900,446
Cash paid to suppliers and employees	(13,571,050)
Interest income	6,802
Interest expense	(95,887)
Income taxes paid	(2,435)
Net cash provided by operating activities	237,876
Cash flows from investing activities	
Purchase of property and equipment	(276,368)
Cash flows from financing activities	
Principal payments on capital lease obligations	(185,238)
Principal payments on notes payable	(215,999)
Proceeds from issuance of common stock	247,374
Net cash used in financing activities	(153,863)
Net decrease in cash and cash equivalent	**(192,355)**
Cash and cash equivalent, beginning of year	**642,071**
Cash and cash equivalent, end of year	**449,716**
Reconciliation of net income to net cash provided by operating activities	
Net income	501,733
Adjustments to reconcile net income to net cash provided by operating activities	
Stock-based compensation, net	(12,200)
Depreciation and amortization	587,798
Amortization of debt discount on note payable to stockholder	653
(Increase) in	
Accounts receivable	(1,034,730)
Inventory	(45,405)
Prepaid expenses	(10,462)
Increase (decrease) in	
Accounts payable	57,774
Accrued payroll and related expenses	60,091
Accrued expenses	39,138
Income taxes payable	10,699
Deferred revenue	(92,738)
Deferred rent	175,525
Net cash provided by operating activities	**237,876**
Supplemental schedule of non-cash investing and financing activities	
Property and equipment acquired through capital leases	43,320
Common stock issued for services	50,348

See accompanying Independent Auditor's Report

The accompanying notes are an integral part of these financial statements

Notes

NOTE 1 - BUSINESS ACTIVITY

Oncotech, Inc. (the "Company") was incorporated in California in November 1985 to commercialize laboratory methods and technologies for testing the anticancer activity of drugs and biologics on human tumor specimens. The Company operates in the medical laboratories industry; its activities include testing of individual patients' tumor specimens and reporting the results to physicians (clinical assays) and testing the effectiveness of various anticancer drugs for pharmaceutical manufacturers (industrial assays).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents represent highly liquid investments with original maturities of three months or less. As of December 31, 2004, cash and cash equivalents consisted of money market funds, cash on deposit and petty cash.

Accounts Receivable

Accounts receivable is recorded at established billing rates less an estimate billing adjustment, based on reporting models utilizing historical cash collection percentages and updated for currently effective reimbursement factors from third party payers and patients. Management performs ongoing evaluations of account receivable balances based on management's evaluation of historical experience and current industry trends. Management believes that its accounts receivable at December 31, 2004 are stated at the amount which will ultimately be collected and thus no allowance for doubtful accounts is recorded. Although the Company expects to collect amounts due, actual collections may differ from estimated amounts.

Inventories

Inventories consist of supplies used in the testing process and is stated at lower of cost or market determined under the first-in, first-out method.

Property and Equipment

Property and equipment consist primarily of research, clinical, and medical equipment which is stated at cost. The Company provides for depreciation and amortization using the straight-line method over the estimated useful lives of the various classes of property, as follows:

Equipment	3 to 7 years
Leasehold improvements	Lesser of lease term or economic life
Office furniture	3 to 7 years

Amortization expense on assets acquired under capital leases is included with depreciation and amortization expense on owned assets.

Maintenance and repair costs are expensed as they are incurred while renewals and improvements of a significant nature are capitalized. At the time of retirement or disposition of property and equipment, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in the results of operations.

Impairment of Long-Lived Assets

Management reviews the carrying value of long-lived assets to be held and used in the Company's operations for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management deems the long-lived assets to be impaired if estimated undiscounted future cash flows are less than the carrying amount of the assets. Estimates of expected future cash flows are based on management's best estimates of anticipated operating results over the remaining useful lives of the assets. The Company believes that no impairment exists at December 31, 2004.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Rent

Deferred rent represents rental expense recorded on a straight-line basis in excess of current rent payments.

Revenue Recognition

Substantially all of the Company's revenues from clinical assays are billed to third party payers, including private insurers, Medicare and Medicaid. Revenues are recognized net of billing adjustments as services are provided. The Company records revenues at their net realizable value in consideration of estimated differences between the Company's billing rates and anticipated collections from third-party payers and patients based on reporting models utilizing historical cash collection percentages and updated for currently effective reimbursement factors.

The Company recognizes revenue for collaborative research and development arrangements for industrial assays under the percentage of completion method based on number of assays performed, or products provided as compared to the estimated number based on the terms of the contract. Fees received are recorded as deferred revenues upon receipt and recognized as revenue over the period that the related products or services are delivered or obligations, as defined in the agreements, are performed.

Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Research and Development

Research and development costs are charged to operations as incurred.

Stock-Based Compensation

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and complies with the disclosure provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." Under APB 25, compensation expense is recognized over the vesting period based on the difference, if any, on the date of grant between the deemed fair value for accounting purposes of the Company's stock and the exercise price on the date of grant. The Company accounts for stock based compensation issued to non-employees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force ("EITF") No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services."

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123(R), "Share-Based Payment." SFAS 123(R) amends SFAS No. 123, "Accounting for Stock-Based Compensation," and APB Opinion 25, "Accounting for Stock Issued to Employees." SFAS No.123(R) requires that the cost of share-based payment transactions (including those with employees and non-employees) be recognized in the financial statements. SFAS No. 123(R) applies to all share-based payment transactions in which an entity acquires goods or services by issuing (or offering to issue) its shares, share options, or other equity instruments (except for those held by an ESOP) or by incurring liabilities (1) in amounts based (even in part) on the price of the entity's shares or other equity instruments, or (2) that require (or may require) settlement by the issuance of an entity's shares or other equity instruments.

This statement is effective (1) for public companies qualifying as SEC small business issuers, as of the first interim period or fiscal year beginning after December 15, 2005, or (2) for all other public companies, as of the first interim period or fiscal year beginning after June 15, 2005, or (3) for all nonpublic entities, as of the first fiscal year beginning after December 15, 2005. Management is currently assessing the effect of SFAS No. 123(R) on the Company's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company has adopted the disclosure-only provisions of SFAS No. 123. Accordingly, no compensation cost other than that required to be recognized by APB No. 25, the difference between the fair value of the Company's common stock at the grant date and the exercise price of the options has been recognized. If the fair value based method had been applied in measuring stock-based compensation expense in accordance with SFAS No. 123, the pro forma effect on the net income for the year ended December 31, 2004 would have been as follows:

	$
Net income as reported	501,733
Deduct: additional stock-based compensation expense determined under the fair value method	(138,678)
Pro forma net income	**363,055**

Options granted to employees and warrants issued for services were valued at fair value using the Modified Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	2.80% to 3.86%
Expected life (in years)	5-7 years
Dividend yield	0%
Volatility	0%

NOTE 3 - CONCENTRATIONS OF RISK

Cash and Cash Equivalents

The Company maintains its cash balances in various banks that from time to time exceed amounts insured by the Federal Deposit Insurance Corporation, up to $100,000 per bank. As of December 31, 2004, the Company maintained deposits totaling $487,435 in excess of federally insured amounts. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable and Net Revenues

As of December 31, 2004, approximately 26% of the Company's net revenues were derived from funds under federal and state medical assistance programs, and approximately 17% of the Company's accounts receivable at December 31, 2004, are due from such programs.

For the year ended December 31, 2004, no third-party or customer providers represented at least 10% of net revenues. As of December 31, 2004, two third-party or customer providers represented 24% of accounts receivable.

Suppliers

For the period ended December 31, 2004, three suppliers represented approximately 61% of total material purchases. As of December 31, 2004, one supplier represented approximately 15% of accounts payable.

NOTE 4 - LINE OF CREDIT

The Company maintains a line of credit with a bank for normal working capital requirements that allows the Company to borrow up to $250,000. Borrowings on the line bear interest at the bank's prime rate (5.25% as of December 31, 2004) plus 1.5%. The line of credit is secured by substantially all assets of the Company and expires in December 2005. The line of credit was not used as of December 31, 2004.

NOTE 5 - NOTE PAYABLE TO STOCKHOLDER

As of December 31, 2004, note payable to stockholder consists of an unsecured demand note in the amount of $200,000 with an interest rate at 6.75%. At the option of the holder, the note is convertible into shares of the Company's common stock at the conversion rate of $0.85 per share.

Additionally, in conjunction with the issuance of the related-party debt in prior years, the Company issued warrants to purchase 20,000 shares of common stock with an exercise price of $0.85 per share in 2002. The warrants expire in June 2007. For the year ended December 31, 2004, no additional warrants were issued in conjunction with the issuance of debt. The fair values of warrants issued as determined in accordance with SFAS No. 123, of $3,264, has been recorded as debt issuance costs and is being amortized over the term of the respective debt. For The year ended December 31, 2004, the amortization of these warrants amounted to $653, and is included in interest expense in the accompanying financial statements. As of December 31, 2004, 20,000 of the issued warrants related to this note payable remained outstanding.

NOTE 6 - NOTES PAYABLE

	$
Notes payable consists of the following at December 31, 2004:	
Secured note payable to a financial institution, bearing interest at prime rate plus 1.75% (5.25% at December 31, 2004), payable in monthly principal payments of $15,625 plus interest. Note was paid in full in June 2005.	93,750
Unsecured note payable to a corporation, bearing interest at a rate of 12% per annum, payable in monthly installments of principal and interest of $3,733. Note matures in March 2008.	120,054
	213,804
Less current portion	125,864
Long term portion	**87,940**

The terms of the note payable to a financial institution require maintenance of certain covenants for which the Company was in compliance as of December 31, 2004.

As of December 31, 2004, scheduled maturities of notes payable are as follows:

Year Ending December 31,	
2005	125,864
2006	36,187
2007	40,776
2008	10,977
Total	**213,804**

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space and equipment under capital and operating leases, which expire on various dates through 2012. Future annual minimum payments under capital leases and non-cancelable operating leases consisted of the following at December 31, 2004:

Year Ending December 31,	Capital Leases $	Operating Leases $
2005	192,393	1,079,978
2006	102,361	1,092,756
2007	43,885	1,062,615
2008	22,851	995,678
2009	3,077	956,418
Thereafter	-	2,542,940
Total minimum lease payments	**364,567**	**7,730,385**
Less amounts representing interest	53,410	
Present value of net minimum lease payments	311,157	
Less current portion	159,759	
Long-term portion	**151,398**	

For the year ended December 31, 2004, rental expense under operating leases was approximately $898,432.

The following is an analysis of assets under capital lease as of December 31, 2004, which is included in property and equipment in the accompanying balance sheet:

	$
Asset under capital lease	815,717
Less accumulated amortization	(503,055)
Net book value	**312,662**

Cost-Containment Measures

Both government and private pay sources have instituted cost-containment measures designed to limit payments made to providers of health care services, and there can be no assurance that future measures designed to limit payments made to providers will not adversely affect the Company.

Regulatory Matters

Laws and regulations governing Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future governmental review and interpretation, as well as significant regulatory action including fines, penalties and exclusions from certain governmental programs. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

A portion of the Company's revenues are derived from Medicare for which reimbursement rates are subject to regulatory changes and government funding restrictions. Although, the Company is not aware of any significant future rate changes, significant changes to the reimbursement rates could have a material effect on the Company's operations.

NOTE 7 - COMMITMENTS AND CONTINGENCIES (continued)

Guarantees and Indemnities

From time to time the Company enters into certain types of contracts that contingently require the Company to indemnify parties against third-party claims. These contracts primarily relate to (i) certain real estate leases, under which the Company may be required to indemnify property owners for environmental or other liabilities and other claims arising from the Company's use of the applicable premises, and (ii) certain agreements with the Company's officers, directors and employees, under which the Company may be required to indemnify such persons for liabilities arising out of their employment relationships.

The terms of such obligations vary by contract and in most instances, a specific or maximum dollar amount is not explicitly stated therein. Generally, obligation amounts under these contracts cannot be reasonably estimated until a specific claim is asserted. Consequently, because no claims have been asserted, no liabilities have been recorded for these obligations on the Company's balance sheet.

NOTE 8 - CONVERTIBLE PREFERRED STOCK

Holders of all series of preferred stock are entitled to receive non-cumulative dividends at an annual rate of $0.08 per share, when and if declared by the Company's board of directors. In the event of voluntary or involuntary liquidation, holders of preferred stock shall be entitled to receive, prior to any distribution to common stockholders, an amount equal to their original investments, plus any declared but unpaid dividends. For the year ended December 31, 2004, no dividends had been declared or paid.

Each preferred share is convertible, at the option of the holder, into shares of common stock, at a conversion rate ranging from 1.18 to 1.24 shares of common stock per one share of preferred stock. The holders of the preferred shares have voting rights equivalent to the number of common shares into which their shares are convertible.

The Company may not purchase, redeem or reacquire any shares of preferred or common stock, except from directors, employees, consultants, or other persons providing services to the Company without the majority vote or written consent by the preferred stockholders. In addition, without preferred stockholder approval, the Company may not pay any cash dividends to the holders of common stock, issue or obligate the Company to any other equity security equal or senior to the preferred shares or modify any of the provisions of the preferred stock, amend the articles of incorporation or bylaws, acquire any other business entity, or sell substantially all the assets of the Company.

NOTE 9 - STOCK OPTIONS AND WARRANTS

Stock Option Plan

The 1987 supplemental stock option plan authorizes the sale of 2,765,791 shares of common stock to officers, employees, and consultants of the Company. The 2000 supplemental stock option plan authorizes the sale of 4,777,542 shares of common stock to officers, employees, and consultants of the Company. Options expire ten years from the date of grant and a majority vest over a period of 4 years.

The following table summarizes the option activity for the year ended December 31, 2004:

	Number of Shares	Weighted Average Exercise Price $
Outstanding at beginning of period	4,697,185	0.84
Grants	572,373	0.85
Exercised	(8,000)	0.45
Cancellations	(1,099,500)	0.68
Outstanding at end of period	**4,162,058**	**0.85**
Exercisable at end of period	**3,074,435**	**0.85**

NOTE 9 - STOCK OPTIONS AND WARRANTS (Continued)

Summary information related to stock options outstanding is as follows as of December 31, 2004:

	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted-Average Exercise Price $	Remaining Contractual Life (In Years)	Number Exercisable	Weighted-Average Exercise Price $
Exercise Price					
$0.42 to $0.45	35,000	$ 0.14	0.44	35,000	$ 0.44
$0.85	4,127,058	$ 0.85	5.40	3,039,435	$ 0.85

The weighted average fair value of stock options granted during 2004 approximated $0.24 per share.

Stock Warrants

The Company has issued warrants to various parties relating to the issuance of debt and compensation to officers of the Company.

The following table summarizes the warrant activity for the year ended December 31, 2004:

	Number of shares	Weighted-Average Exercise Price $
Outstanding at beginning of period	816,325	0.71
Grants	-	-
Exercised	(430,611)	0.57
Cancellations	-	-
Outstanding at end of period	**385,714**	**0.85**
Exercisable at end of period	**385,714**	**0.85**

Summary information related to warrants outstanding is as follows as of December 31, 2004:

	Warrants Outstanding		
	Number Outstanding	Weighted-Average Exercise Price	Remaining Contractual Life (In Years)
Exercise Price			
$ 0,85	$ 385,714	0.85	3.16
	$ 385,714	0.,85	3.16

NOTE 10 - INCOME TAXES

For the year ended December 31, 2004, the provision for income taxes is as follows:

Current	
Federal	10,809
State	2,325
	13,134
Deferred	
Federal	213,915
State	29,033
Valuation allowance	(242,948)
	(12,291)
Total	**13,134**

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2004 are as follows:

Current deferred tax assets	
Contribution carry forward	162,819
Accrued vacations	106,854
Stock warrants	5,462
State taxes	651
	275,786
Less valuation allowance	(275,786)
Net current deferred tax assets	-
	$
Non-current deferred tax assets	
Net operating loss carry forwards	3,679,321
Research credit carry forwards	471,079
Property and equipment, principally due to differences in depreciation and amortization for tax purposes	346,272
Alternative minimum tax credit carry forwards	42,636
	4,539,308
Less valuation allowance	(4,539,308)
Net non-current deferred tax assets	-

As of December 31, 2004, a valuation allowance of $4,815,094 has been provided based upon the Company's assessment that it is more likely than not that these temporary differences will not be realizable in the future.

At December 31, 2004, the Company had federal and state net operating loss carryforwards of approximately $10,813,000 and $470,000, which will begin expiring in the year 2005 and 2011 for federal and state purposes, respectively. The Company had tax credit carryforwards related to research and alternative minimum tax for federal and state purposes of approximately $484,000 and $29,000, respectively, which will begin expiring in the year 2005 for federal and do not expire for state.

NOTE 11 - EMPLOYEE BENEFIT PLAN

The Company has established a defined contribution plan (the "Plan") covering substantially all employees. The Company makes matching contributions based on 25% of the first 6% of each participant's salary deferred through employee contributions to the Plan. For the year ended December 31, 2004, the Company's contributions to the Plan amounted to $70,257.