

Announcement no. 3/2008

To OMX Nordic Exchange Copenhagen and the press.

Copenhagen, 30 January 2008

**Oncotech acquisition; summary of transaction terms and financial information relating to Oncotech**

*Summary: Exiqon announces summary of transaction terms and financial information relating to Oncotech Inc prior to extraordinary general meeting on 31 January 2008.*

During the extraordinary general meeting on 31 January 2008, Exiqon plans to motivate the proposed acquisition of Oncotech Inc. In doing so, Exiqon will disclose a summary of the transaction terms and financial information relating to Oncotech Inc.

**Summary of the Oncotech Transaction**

The transaction has been structured as a reverse triangular merger pursuant to which a newly formed subsidiary of Exiqon, 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.

On 21 January 2008 Exiqon 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 Exiqon shares. Closing of the agreement is expected to take place towards the end of February 2008 upon which the merger will become effective (the "Closing Date").

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 Agreement, Exiqon Acquisition, Inc. will cease to exist and Oncotech will become a 100% 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 number of Exiqon 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 ("the "Closing Liabilities") reflected in Oncotech's audited financial statements for 2006. 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, however, a calculation of these Closing Liabilities will not be made until closing.

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 new shares will be issued to the exchange agent on behalf of the Oncotech shareholders on Closing Date and will be released 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 new shares will remain deposited with the exchange agent for a period of 12 months in support of 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 to dissenting shareholders will be treated as a liability of Oncotech and will result in an adjustment of the purchase price and as a consequence a return to Exiqon of part of the newly issued shares.

## Comments on the financial performance of Oncotech for the first 9 months of 2007

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. R&D expense for the period was USD 1.2 million a slight increase over the same period in 2006. The net loss for the period totaled USD 1.9 million.

- 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. This shift in strategy will allow the Company to build its own intellectual property portfolio for increased shareholder value.
- Cost of revenue represents the cost of materials, direct labor, costs associated with processing tissue samples, including all laboratory services, client services, and shipping related to patient specimens. Cost of revenue also includes expenses related to activities performed under pharmaceutical services contracts. Cost of revenue amounted to USD 5 million in the first nine months of 2007 a 6% decrease for the same period in 2006. The gross margin decreased slightly to 47% from 49% for the same period of 2006
- Selling and marketing expenses amounted to USD 2.5 million in the first nine months of 2007, an 8% decrease over the same period in 2006. Oncotech has an established selling and marketing infrastructure, with 18 full-time employees to service the Company's existing client base of over 7,000 physicians.
- General and 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 related to operating the business. General and administrative expenses amounted to USD 2.5 million in the first nine months of 2007 a slight decrease over the same period in 2006.
- Research and development: Research and development expenses include the cost of the personnel and consultants related to the Company's development activities, the expansion of the molecular diagnostic product menu and the cost of planning and conducting the clinical studies. Research and development expenses amounted to USD 1.2 million in the first nine months of 2007 a slight increase over the same period in 2006

Oncotech Key figures	Q3 2007		Q3 2006		Year 2006	
	DKK	USD	DKK	USD	DKK	USD
	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

Shareholders are referred to our stock exchange announcements nos. 22 of 27 November 2007 and 1 of 21 January 2008 for information about the proposed transaction.

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**About miRNA**

microRNAs (miRNAs) are a novel class of regulatory RNA molecules with surprisingly widespread effects on gene regulation. Although recently identified as a class of molecules, initial studies indicate that miRNAs may regulate 30% or more of all genes in the genome, thus comprising an up till now hidden level of regulation. Interestingly, miRNAs have already been found to play important roles in several types of cancers and in processes involved in cellular differentiation. In the cells, miRNAs are found in form of single-stranded RNA molecules, which are typically 20-24 nucleotides long in their active form.

**About extreme drug resistance (EDR) tests**

Extreme Drug Resistance ("EDR") Assay: The EDR assay represents Oncotech's flagship product, which accounted for approximately 60% of the Company's revenues in 2006. Drug resistance is the 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 of fresh human tumor tissue collected at the time of surgery.

The EDR assay requires fresh viable malignant tumor tissue sent to Oncotech immediately following surgery. At Oncotech, the specimens are mechanically minced and 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 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 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%.

**About LNA™**

LNA is a class of nucleotide analogues that bind very strongly to RNA and DNA targets. By including LNAs in detection probes, it is possible to design very specific high-affinity detection assays for small RNA targets like miRNAs, which otherwise is not possible using standard DNA-based detection probes.

**About Oncotech**

Oncotech was incorporated in 1985 and is located in Tustin, California, USA. Oncotech's internet address is [www.oncotech.com](http://www.oncotech.com).

Oncotech is a specialized cancer laboratory and molecular diagnostics company that provides information to cancer treating physicians, academic institutions and hospitals worldwide. Oncotech's goal is to individualize cancer therapy for patients by predicting drug response to chemotherapeutics and the likelihood of cancer relapse.

Oncotech offers all its products and services through a CLIA approved and CAP certified laboratory in Tustin, California. Oncotech's product offering includes 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, molecular diagnostics 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.

In 2001, Oncotech moved to a new 44,000 square-foot leased facility that included complete laboratory and research facilities with significant room for growth. Today Oncotech is a specialized cancer laboratory that provides oncology related information to over 7,000 cancer-treating physicians and approximately 1,200 hospitals, including Cedars-Sinai, Memorial Sloan-Kettering, Johns Hopkins, UCLA, the Mayo Clinic and Massachusetts General. In addition, Oncotech has an extensive tumor bank that includes 40,000 viable

tumors and 150,000 paraffin embedded blocks. Building on its extensive experience in oncology, Oncotech is employing its tumor bank and research capabilities to develop next generation proprietary molecular diagnostic products and believes that it is at the forefront of applying gene-based technologies to individualize cancer therapy.

### **About Exiqon**

Exiqon's corporate mission is to combine leading-edge scientific expertise in gene expression with our proprietary LNA™ technology. Exiqon's products, services and scientific staff enable life science researchers to make groundbreaking discoveries. Moreover, Exiqon is addressing the unmet need for a new approach to the diagnosis of cancer. Exiqon's products are based on patented technology (LNA™ or Locked Nucleic Acids) that facilitates very precise and sensitive analysis of nucleic acids. Exiqon aims to expand the existing product offering for research use as well as to develop new proprietary molecular diagnostic products. Exiqon, through a number of recent initiatives, has positioned itself as a significant player in applying miRNA as the key biomarker in cancer diagnostics.

### **Disclaimer**

Forward-looking statements:

This announcement contains forward-looking statements regarding Exiqon's potential future development and financial performance and other statements which are not historical facts. Such statements are made on the basis of assumptions and expectations which, to the best of Exiqon's knowledge, are reasonable and well-founded at this time, but which may prove to be erroneous. Exiqon's operations are characterized by the fact that its actual results may deviate significantly from that described herein as anticipated, believed, estimated or expected.

This announcement is not an offer of securities for sale in Exiqon. The shares in Exiqon have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any State securities laws and may not be offered, sold or delivered within the United States or to U.S. persons absent from registration under or an applicable exemption from the registration requirements of the United States securities laws and applicable State securities laws.