Annual Report 2014

EXIQON
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Contents

Exiqon

Exiqon operates in two business segments. Exiqon Life Sciences is a leading provider of flexible solutions for RNA analysis. Exiqon Diagnostics develops novel molecular diagnostic tests for early detection of cancer and to help physicians make the most appropriate treatment decisions.

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

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

The markets for our products vary in size and dynamics depending on biology and technology. Exiqon has initially focused on gaining a leading position as a one-stop supplier in the emerging market for miRNA analysis. From this position we have expanded our products and services to include analysis of other RNAs. In January 2014 we launched services for RNA sequencing analysis to address the need in basic research to reveal known as well as unknown RNAs. We plan to expand our current product offering to capture additional high growth markets with our proprietary technologies and bioinformatics tools. New products are planned for RNA sequencing analysis and RNA functional analysis that will quintuple our current addressable markets.

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

In collaboration with principal hospitals, we use our proprietary technologies and bioinformatics tools to develop groundbreaking diagnostic tests that address large unmet needs.

We focus on early detection and treatment selection for colorectal and prostate cancer.

Our strategy is to market positive results from Exiqon's diagnostic programs in collaboration with world-leading diagnostic companies that can help ensure their commercial success.

The investment opportunity

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

Our unique investment proposition is the combination of a proprietary Life Sciences business combined with third-party financed programs in diagnostics:

- Leading provider of flexible solutions for RNA analysis:
  - Short-term (2015) growth potential in newly launched RNA sequencing services.
  - Mid-term (2016) growth potential in leveraging the company's existing capabilities to capture additional market segments with new products for RNA sequencing analysis and RNA functional analysis.
  - Long-term potential (2017) for developing transforming diagnostics within prostate and colorectal cancer.
- Attractive risk/reward profile for the development of groundbreaking novel molecular diagnostic products to be marketed in collaboration with world-leading diagnostic companies.
- Potential for expanded operating margin with increased scale.
- Financed until expected profitability.

Five-Year Key Figures and Ratios

(DKK'000 except key figures)	2014	2013	2012	2011	2010
Income statement					
Revenue	132,392	123,584	117,400	111,458	93,510
Production costs	-47,193	-48,132	-50,186	-49,296	-45,424
Gross profit	85,199	75,452	67,214	62,162	48,086
Research and development costs	-26,283	-24,253	-22,259	-22,954	-30,204
Sales and marketing costs	-43,087	-41,261	-37,894	-34,043	-35,801
Administrative expenses	-18,911	-18,718	-18,838	-19,435	-22,297
EBITDA *	3,107	-4,100	-4,371	-5,081	-30,216
Special items	0	0	0	-14,200	0
Operating profit/(loss) (EBIT)	-3,082	-8,780	-11,777	-28,470	-40,216
Net financial income and expenses	-2,901	-2,728	-1,888	-792	-1,876
Profit/(loss) from continued operations	-2,780	-10,682	-14,595	-24,894	-42,115
Profit/(loss) from discontinued operations	0	0	0	0	-1,427
Profit/(loss) for the year	-2,780	-10,682	-14,595	-24,894	-43,542
Total comprehensive profit/(loss) for the year	-2,058	-10,997	-13,905	-25,626	-57,605
Balance sheet					
Assets					
Intangible assets	60,433	61,139	61,576	63,633	64,643
Property, plant and equipment	12,023	4,361	3,142	6,492	11,299
Total non-current assets	75,211	69,037	68,719	76,591	78,181
Cash and cash equivalents	20,084	29,190	17,493	12,151	18,184
Current assets	62,451	58,973	53,470	45,910	51,216
Total assets	137,662	128,010	122,189	122,501	129,397
Equity and liabilities					
Equity	78,015	76,219	84,317	80,158	84,667
Non-current liabilities	18,155	15,258	83	1,725	3,631
Current liabilities	41,492	36,533	37,789	40,618	41,098
Total liabilities	59,647	51,791	37,872	42,343	44,730
Total equity and liabilities	137,662	128,010	122,189	122,501	129,397
Cash flow and investments					
Depreciation, amortization and impairment	6,197	4,670	7,402	9,267	10,000
Cash flows from operating activities	-2,434	3,228	-5,411	-30,509	-22,453
Acquisition of intangible assets and property, plant and equipment	-4,977	-4,638	-1,604	-2,098	-3,801
Cash flows from investing activities	-4,831	-4,438	-1,601	-1,697	-3,801
Cash flows from financing activities	-2,859	12,992	12,590	24,575	14,291
Cash flows from discontinued operations	0	0	0	0	-16,986
Cash and cash equivalents at 31 December	20,084	29,190	17,493	12,151	18,184
Key figures					
Number of shares, average	36,874,082	36,874,082	35,991,281	34,193,409	31,841,002
Basic EPS continued operations (DKK)	-0.08	-0.29	-0.41	-0.73	-1.32
Diluted EPS continued operations (DKK)	-0.08	-0.29	-0.41	-0.71	-1.28
Gross margin	64.4%	61.1%	57.3%	55.8%	51.4%
Assets / Equity	1.76	1.68	1.45	1.53	1.53
Average number of employees	87	80	73	71	76
Market price per share (DKK)	7.0	8.2	8.3	9.6	9.5
Market capitalization (DKK million)	258.1	300.5	291.1	336.7	316.7
Price / net asset value	3.31	3.94	3.45	4.20	3.74
Net interest bearing debt / Equity	0.13	-0.05	-0.07	0.03	-0.13
Net interest bearing debt / EBITDA	3.39	0.86	1.27	-0.12	0.36
Interest coverage	1.44	0.38	-0.04	-4.36	-29.34

* EBITDA (defined as Earnings Before Special Items, Interest, Tax, Depreciation and Amortization) includes non-cash cost of share-based payment in 2014 with tDKK 3,854.

Basic and diluted EPS have been calculated in accordance with IAS 33 "Earnings per share". Other ratios have been calculated in accordance with "Recommendations & Financial Ratios 2011" issued by the Danish Society of Financial Analysts, dated June 2011.

2014 Highlights

In January 2014 Exiqon introduced services for RNA sequencing analysis, an important new initiative that will help open additional market opportunities and pave the way for new products based on Exiqon's proprietary LNA™ technology. New products are also planned for RNA sequencing analysis and RNA functional analysis.

During 2014 Exiqon also launched the first in a series of new apps for scientists in both academia and the pharmaceutical industry, the XploreRNA™ app for advanced cross-database searches, marking a first step towards an increased focus on proprietary bioinformatics tools in the future.

In 2014 we announced the publication of data from a population-based study of 554 patients with stage II colon cancer, demonstrating that microRNA-21 in combination with more traditional biomarkers can improve the identification of patients at high risk of reccurence. Exiqon proceeded to launch a test for microRNA-21 as a Research Use Only (ROU) kit to facilitate further testing of microRNA-21 as biomarker for recurrence of stage II colon cancer.

We also strengthened our diagnostic pipeline through an exclusive license from Aarhus University to novel validated biomarkers for prostate cancer. These biomarkers complement our existing programs for early detection of and treatment selection for prostate cancer which we co-develop with Aarhus University Hospital under a grant from Innovation Fund Denmark.

Operational highlights

- On 21 January 2014 Exiqon launched its new services for RNA sequencing analysis.
- On 4 February 2014 Exiqon launched a new version of miRSearch, an established online search tool for rapid retrieval of detailed information about miRNA as well as related mRNA and lncRNA.
- On 23 April 2014 Exiqon launched highly potent miRCURY LNA™ microRNA Mimics to complement the company's product offering for functional analysis.
- On 6 May 2014 Exiqon launched miRCURY™ Exosome Isolation Kits for exosome isolation from various biofluids and cell media.
- On 9 May 2014 Exiqon launched the XploreRNA™ app for advanced cross-database searches, easy interpretation of data and seamless planning of experiments.
- On 9 September 2014 Exiqon launched version 4 of its proprietary miRCURY LNA™ Universal RT microRNA PCR platform with significantly improved performance.
- On 12 September 2014 Exiqon announced the publication of data from a population-based study of 554 patients with stage II colon cancer demonstrating the prognostic value of microRNA-21 .
- On 3 December 2014 Exiqon exclusively licensed novel biomarkers for prostate cancer from Aarhus University to complement its current diagnostic programs.
- On 18 December 2014 Exiqon launched a test for microRNA-21 as a RUO kit.

Financial highlights

- Revenue increased 7% to DKK 132.4 million (DKK 123.6 million), and life sciences products and services (excl. OEM) increased 6% to DKK 102.8 million (DKK 96.7 million), driven primarily by 32% growth in services sales to DKK 20.5 million (DKK 15.5 million) as a result of the company's newly launched RNA sequencing services.
- Gross profit improved 13% to DKK 85.2 million (DKK 75.5 million) driven by higher volumes and optimizations in manufacturing.
- Total operating costs increased 5% to DKK 88.3 million (DKK 84.2 million) driven by increased R&D costs and higher depreciations as a result of recent investments in establishing services for RNA sequencing analysis.
- EBITDA improved to DKK 3.1 million.
- EBIT improved 65% to DKK -3.1 million.
- Net result improved 74% to DKK -2.8 million (DKK-10.7 million).
- EPS improved 72% to DKK –0.08 (DKK –0.29).

Business Model

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

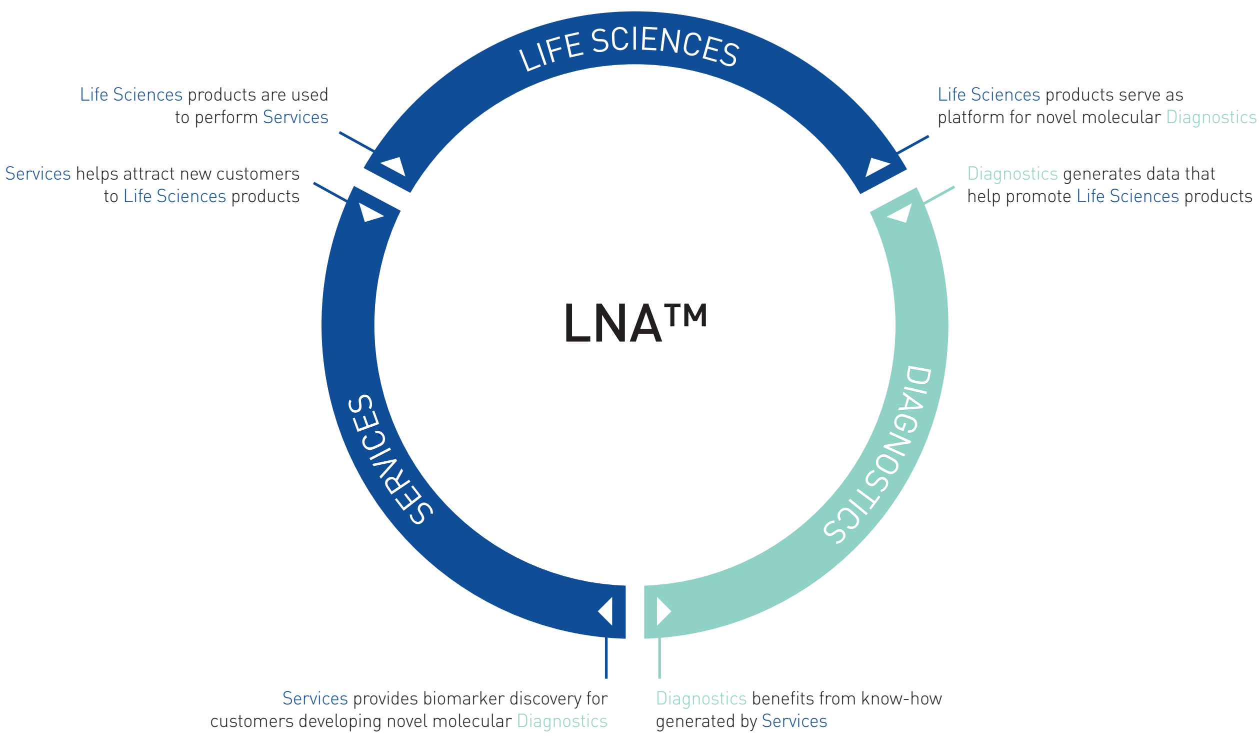
Exiqon Life Sciences generates revenue through the sale of products and services worldwide.

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

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

Exiqon's business model is highly scalable as demonstrated with the 2014 launch of services for RNA sequencing analysis based on Next Generation Sequencing technologies, which complement Exiqon's proprietary LNA™ technology in both operating segments.

Synergistic business model



Business Strategy

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

Our initial strategic focus has been to pioneer the development of miRNA research and diagnostic tools in the emerging niche market for miRNA analysis, with cutting-edge products and services based on the LNA™ technology. Today Exiqon is a recognized leader in an addressable market for miRNA analysis of 60-70 mUSD.

From this position, we are expanding our product offering to include tools for analysis of other RNAs and new technologies. In early 2014 we introduced services for RNA sequencing analysis . We plan to also expand our product offering in coming years to capture additional high-growth markets with our proprietary technologies, thereby leveraging our existing technologies, organization and customer base to support future growth. New products are planned for RNA sequencing analysis addressing a rapidly growing market opportunity in excess of $200 million. Additional new products are planned for RNA functional analysis targeting a market opportunity of over $100 million.

DNA and RNA information is currently doubling every 6-8 months and efficient information retrieval is critically important for our customers. The planned new products will be supported by advanced bioinformatics tools for mobile devices and cloud computing. In May 2014 Exiqon launched the first of a series of new bioinformatics tools in the form of apps: the XploreRNA™ app for advanced cross-database searches, easy interpretation of database content and seamless planning of experiments and ordering of products. More apps are planned.

Following the expected completion by 2015 of our current diagnostic program for early detection of colorectal cancer, Exiqon Diagnostics will increasingly focus on improved molecular diagnostics for prostate cancer.

Our goal in the coming years is to become profitable with gross profits between 65-70%, R&D costs of approximately 15% of total revenue and SG&A costs of no more than 30% of total revenue.

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

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

In the short term, Exiqon Diagnostics has adopted a strategy that will allow us to pioneer the diagnostic application of RNAs and other biomarkers at minimal financial risk. We focus our efforts on the largest potential: qPCR diagnostics based on readily available samples such as blood and urine. We finance projects through grants and collaborations to mitigate the risks associated with the development of novel molecular diagnostics. As we validate biomarker signatures for diagnostic applications with high commercial value, we plan to find partners for our programs to secure their commercial success in the diagnostics market.

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

We also capitalize on the LNA™ technology in partnerships and through the grant of licenses for applications outside Exiqon's strategic focus. As a result, we act as OEM supplier and receive royalties from licensed third-party product sales that incorporate LNA™ technology.

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

Exiqon Life Sciences

Markets
Exiqon Life Sciences is an established leader in the emerging market for miRNA research products. Today we serve an addressable market for miRNA analysis of 60-70 mUSD with our proprietary LNA™ technology.

Next Generation Sequencing has taken market share in recent years. We expect this to continue and drive the demand for new products and bioinformatics tools for RNA sequencing analysis and RNA functional analysis.

During the coming years, we will leverage this opportunity and significantly expand Exiqon Life Sciences' current product offering to capture additional high growth markets with our proprietary technologies and bioinformatics tools.

New products are planned for RNA sequencing analysis addressing a market that is growing at double digit rates and exceeds $200 million. Additional new products are planned for RNA functional analysis, targeting a market opportunity of more than $100 million.

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

The North American market is characterized by a faster uptake of new technologies (including Next Generation Sequencing) than other geographic markets. Our planned new products for RNA sequencing analysis and RNA functional analysis will help us gain a larger share of the North American market for RNA analysis in the coming years. APAC has gained share of the total market in recent years and this trend is expected to continue.

Products and services
Exiqon Life Sciences offers products addressing all steps in our customers' RNA research workflow. Our proprietary LNA™ detection technology ensures products with higher specificity and sensitivity, enabling a more precise identification of target molecules than alternative chemistries.

Across the areas of sncRNA, miRNA, mRNA and lncRNA, our product offering includes sample preparation, qPCR products for expression analysis and products for functional analysis, including longRNA GapmeRs. In the coming years' we plan to significantly expand our product offering for RNA sequencing analysis and RNA functional analysis.

In addition to offering products for RNA analysis, Exiqon Services will profile customer samples. Our team takes pride in ensuring that our customers are given the best service throughout any project from initial consultation and tailored experimental setup to data analysis and scientific follow-up. During 2014 we expanded our services to RNA sequencing analysis.

Exiqon's services for RNA sequencing analysis include every step in the process from initial consultation with our RNA experts through RNA isolation, total RNA QC, library preparation and QC, sequencing and QC, data analysis and reporting. All analyses are performed by PhD-level scientists who ensure that customers receive excellent service throughout the project.

Exiqon Services provides outstanding and advanced data analysis, interpretation and visualization based on superior bioinformatics tools. Data and results from customers' service projects are delivered in an easy-to-read report with publication-grade illustrations.

Isolation	Expression Analysis	Expression Analysis	Localization	Functional Analysis

miRNA	miRNA	miRNA	miRNA	miRNA
sncRNA	sncRNA	sncRNA	sncRNA	sncRNA
mRNA	lncRNA	mRNA	mRNA	mRNA
lncRNA	lncRNA	lncRNA	lncRNA	lncRNA

In 2014 the largest microRNA benchmarking study to date, the miRQC, demonstrated that Exiqon's qPCR platform offers superior performance.

The study published in Nature Methods* compare 12 commercially available microRNA expression profiling platforms. Each vendor was responsible for performing experiments on their own platform. Experimental design and data analysis were carried out by the independent academic miRQC study group.
**Mestdagh et al. Nature Methods 2014, 11: 809-15*

The miRQC study demonstrates that Exiqon's qPCR platform offers superior performance:
- Superior sensitivity in relation to sample input
- Only platform with perfect specificity
- Best choice for low input samples: only platform with high call rate and no off-target reactions
- Best platform for accurate identification of differentially-expressed microRNAs in biological samples
- Best choice for validation studies: best correlation with sequencing platforms.

Exiqon Life Sciences' Products and Services Launches in 2014

- On 21 January 2014 Exiqon launched its new services for RNA sequencing analysis including miRNAs and other RNAs.
- On 4 February 2014 Exiqon launched a new version of miRSearch, an established online search tool for rapid retrieval of detailed information about miRNA as well as related mRNA and lncRNA.
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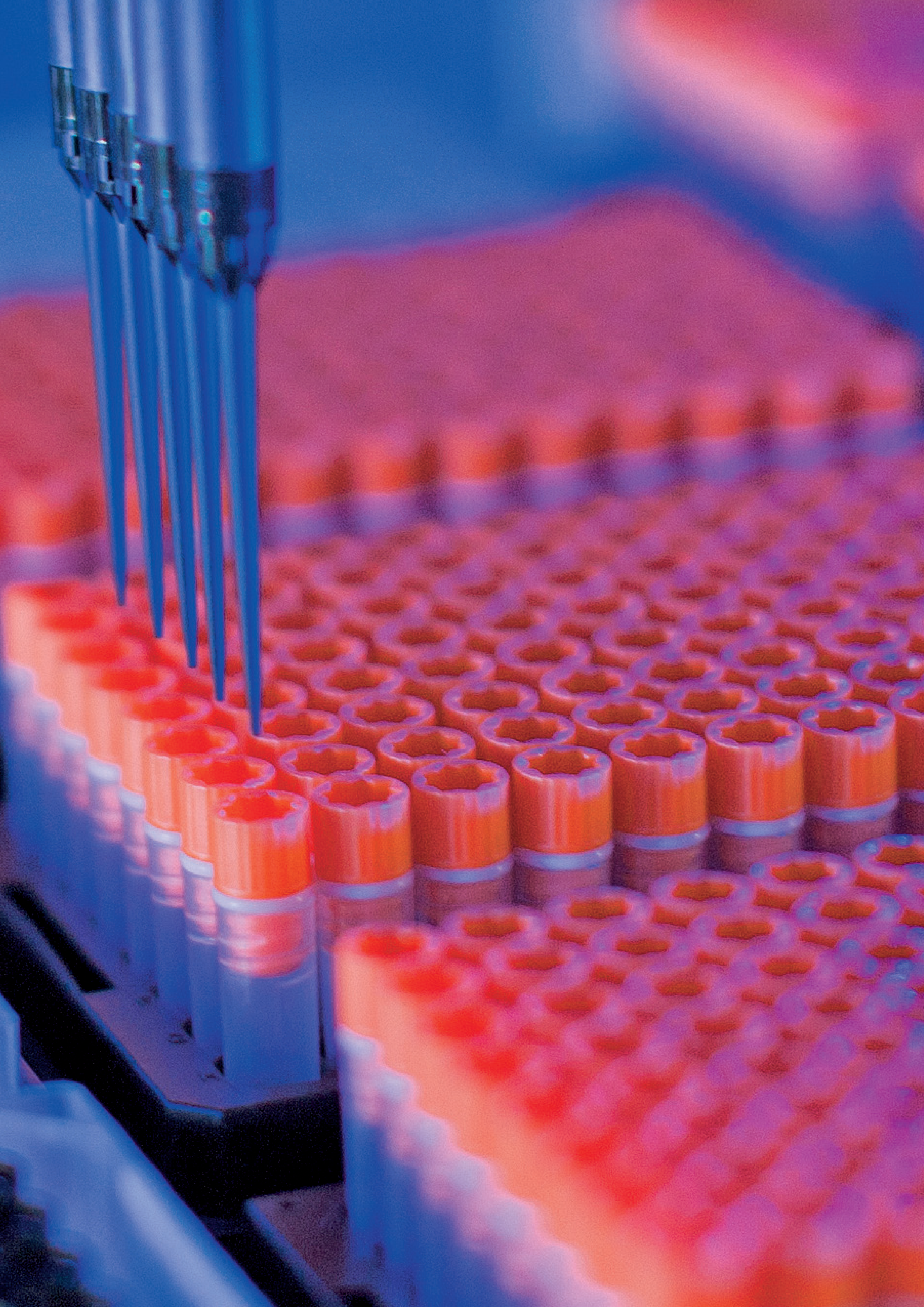
- On 9 September 2014 Exiqon launched version 4 of its proprietary miRCURY LNA™ Universal RT microRNA PCR platform with significantly improved performance.

XploreRNA™
XploreRNA™ enables scientists engaged in transcription analysis to scroll any transcript, view splice sites and SNPs, and to zoom in on specific transcripts of interest in an interactive interface. Major databases including Ensembl and miRBase have been cross-annotated to provide seamless searching. XploreRNA™ allows for detailed analysis of transcripts in human, mouse and rat. Relevant abstracts and original publications have been integrated through PubMed. Products customized to address search results can be easily sourced and readily ordered.

Sales and marketing
Exiqon Life Sciences' research products are sold to



pharmaceutical and diagnostic companies as well as academic institutions.

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

Exiqon Life Sciences has witnessed a compounded average growth rate of 11% year over year during the past five years.

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

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

The web represents an important sales channel. During 2014 we enhanced our web services launching new bioinformatics tools for mobile devices and cloud computing.

DNA and RNA information is currently doubling every 6-8 month and efficient information retrieval is critically important for scientists in genomics. In May 2014 Exiqon launched the first of a series of new bioinformatics tools: the XploreRNA™ app for advanced cross-database searches, easy interpretation of database content and seamless planning of experiments and ordering of products. We plan to launch more apps next year that will allow customers to design experiments and products to their own specification.

Manufacturing and supply

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

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

Exiqon Life Sciences retains the manufacturing of all critical and customizable aspects of its PCR products. Our current PCR manufacturing capacity allows us to meet significant future demand without requiring additional capital expenditure. Manufacturing robotics and storage facilities are located at the company's headquarters in Vedbaek, Denmark.

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

Research and development

Exiqon's R&D organization regularly meets with customers to ensure their needs are considered when new products are developed for research use.

Over 50 man-years have been invested in the development of proprietary bioinformatics tools that are used to develop Exiqon's new products. These highly sophisticated tools speed the developement of new high-quality products.

Exiqon Diagnostics

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

Our diagnostic programs are primarily based on Exiqon Life Sciences' highly specific and sensitive miRCURY LNA™ Universal RT PCR system. Implementation of a new technological platform, Next Generation Sequencing, has allowed us to expand our diagnostic abilities to analyze RNAs.

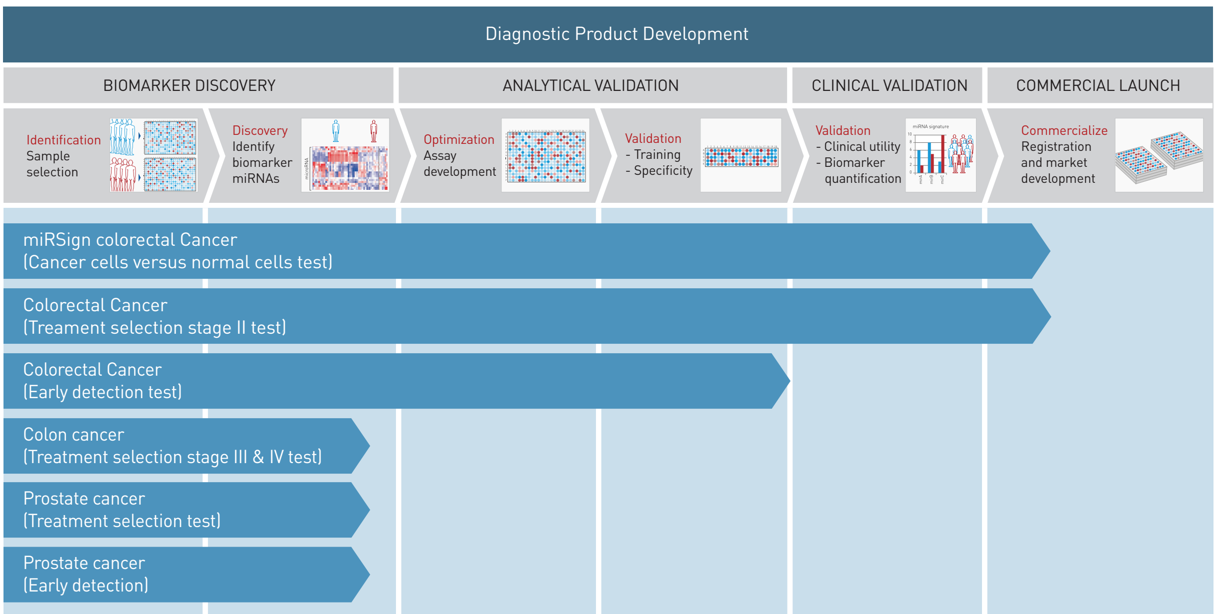
Our present ground-breaking diagnostic programs represent a significant business opportunity in their own right. The opportunity is matched by an inherent risk of failure if biological results prove insufficiently conclusive to warrant a commercial test.

As an immediate result, however, Exiqon Life Sciences benefits from the know-how generated throughout the product development process. The challenges and opportunities identified in this process are translated into new products for unmet market needs for Exiqon Life Sciences to address. This applies to existing as well as future programs. Moreover, data generated and results published from Exiqon Diagnostics' programs help promote general interest for biomarker research and, specifically, the sale of Exiqon's Life Sciences products.

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

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

Diagnostic pipeline



The total consortium funding in which Exiqon Diagnostics has participated by end 2014 amounts to almost DKK 200 million, and the total funding of Exiqon under existing grants amounts to approxiamtely DKK 40 million with some program funding continuing until 2018.

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

In 2014 we made progress in all current programs and have initiated work on a new development program within prostate cancer.

mirSign
In tissue-based cancer, any diagnosis may be compromised if the tissue sample does not contain sufficient cancer cells to support the intended investigations.

Exiqon Diagnostics has developed a kit based on our miRCURY LNA™ Universal RT PCR platform that enables the simple assessment of cancer cell content in colon cancer samples *(mirSign)*.

Colorectal cancer - early detection
Colorectal cancer is the third most frequently diagnosed cancer and the second most frequent cause of cancer-related mortality in the Western world.

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

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

Recruitment for the prospective trial has been completed and totals approximately 5,000 individuals. Data is expected to be available for publication in 2015.

Provided product development is successful, a blood-based test for early detection of colorectal cancer may be commercially available by 2016.

Exiqon Diagnostics' Announcements in 2014

- On 12 September 2014 Exiqon announced the publication of data from a population-based study of 554 patients with stage II colon cancer. The company's proprietary miRCURY LNA™ Universal RT microRNA PCR platform was used to validate the prognostic value of microRNA-21 based on tissue sections from formalin fixed paraffin embedded tumor blocks.

- On 3 December 2014 Exiqon exclusively licensed novel biomarkers for prostate cancer from Aarhus University to complement its current diagnostic programs for prostate cancer.

- On 18 December 2014 Exiqon launched a test for microRNA-21 as a RUO kit to facilitate further testing of microRNA-21 as biomarker for recurrence of stage II colon cancer.

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

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

In 2014, Exiqon Diagnostics announced the publication of data from a population-based study of 554 patients with stage II colon cancer. Our proprietary miRCURY LNA™ Universal RT microRNA PCR platform was used to examine the prognostic value of microRNA-21 based on tissue sections from formalin-fixed paraffin-embedded tumor blocks with the objective to develop a test to help identify stage II colon cancer patients, who may be at a significantly higher risk of recurrence and for whom adjuvant chemotherapy may be warranted.

We proceeded to launch a test towards the year end for microRNA-21 as a RUO kit.to facilitate further testing of microRNA-21 as a biomarker for recurrence of stage II colon cancer.

Prostate cancer – early detection
Prostate cancer is the most prevalent cancer in the male population in the world.

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

Exiqon Diagnostics is part of a consortium that developes a set of tests for prostate cancer using Exiqon's proprietary PCR platform. The consortium aims to profile miRNA, other RNA and methylated DNA to develop novel noninvasive (urine-based) or less invasive (fine needle aspiration-based) molecular diagnostic tests that can address major unmet clinical needs; including early detection of aggressive disease (when it is still curable).

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

Provided product development is successful this test will be commercially available by 2017.

Prostate cancer – treatment selection
As part of the consortium that develops a test for early detection of prostate cancer, Exiqon Diagnostics is also using its proprietary technologies to identify RNA and methylated DNA biomarkers to develop tests for treament selction; to help limit unnecessary initial and repeat prostate biopsy caused by exaggerated PSA testing, and to distinguish aggressive and nonaggressive prostate cancer at the time of PSA testing/biopsy to avoid overtreatment of clinically insignificant (nonaggressive) prostate cancer.

The potential market in the Western world for such tests is more than 1 million individuals annually, representing a market opportunity in excess of $1 billion.

Provided product development is successful these tests will be commercially available by 2018.

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

The process of discovery and development of RNA-based diagnostics at Exiqon can be divided in three phases: biomarker discovery, analytical validation and clinical validation, which, if successful, is followed by commercial launch.

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

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

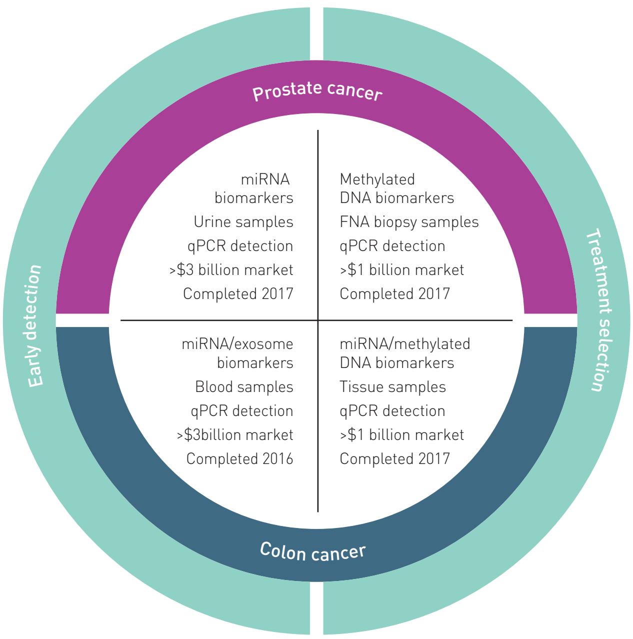
- Provided that the analytical validation process is concluded successfully, clinical validation and commercialization can begin. Initially, marketing material will make no clinical claims and the product will be sold for "Research Use Only" during the process of clinical validation. The product will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

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

Commercialization through partners
Exiqon Diagnostics relies on partners to develop its diagnostic programs and to commercialize any resulting tests. Partnering allows Exiqon to share the risk and cost of development and commercialization of new tests with reputable commercial partners. These partners have insight into and an understanding of how to successfully develop, market and sell new diagnostic products into specific markets.

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

Exiqon's diagnostic programs



- Focus on two indications; prostate cancer and colon cancer
- Focus on large unmet needs; early detection and treatment selection
- Diversity of biomarkers
- Diversity of samples types
- Emphasis on proprietary qPCR detection platform

Business Risks

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

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

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

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

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

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

Exiqon Diagnostics is predominantly characterized by biological risks
Risks associated with the development of novel diagnostic tests by Exiqon Diagnostics are multiple and most fundamentally associated with the still unknown characteristics of miRNAs and other RNAs which are not yet fully understood. Exiqon Diagnostics seeks to mitigate the risks of its diagnostics efforts via careful selection and planning, and most importantly through participation in third-party-financed consortiums for all diagnostic development programs.

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

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

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

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

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

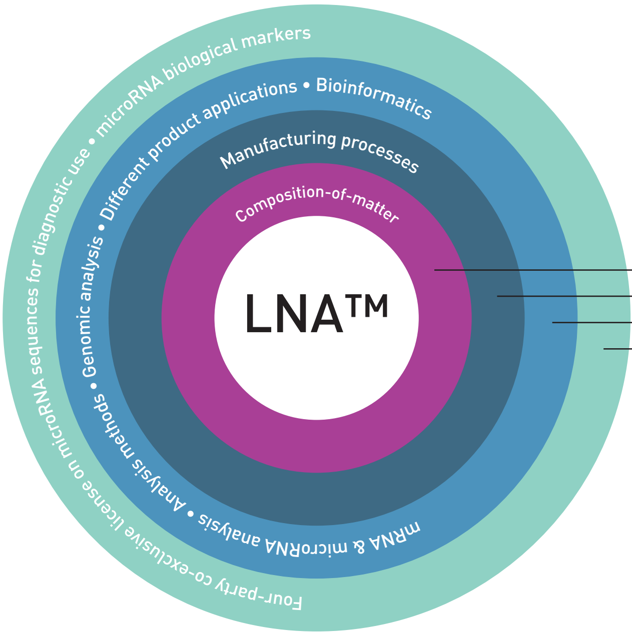
Risks associated with our employees
It will negatively impact our prospects if we cannot recruit and retain key employees.

Risks associated with intellectual property rights
Exiqon's business depends on patent protection. If we are not able to obtain and enforce patent protection for our discoveries, our ability to develop and effectively commercialize products, whether for life sciences or diagnostics, may be harmed. If Exiqon does not prevail in current or future patent litigations, we could incur substantial costs, substantial liability for damages or be required to stop specific product development activities or commercialization efforts.

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

Exiqon also relies on patent rights licensed from third-party owners. If we fail to maintain necessary licenses from such owners, our business prospects may be harmed. If any licensor terminates or fails to perform its obligations under agreements with us, the development and commercialization of our products could be delayed or hindered.

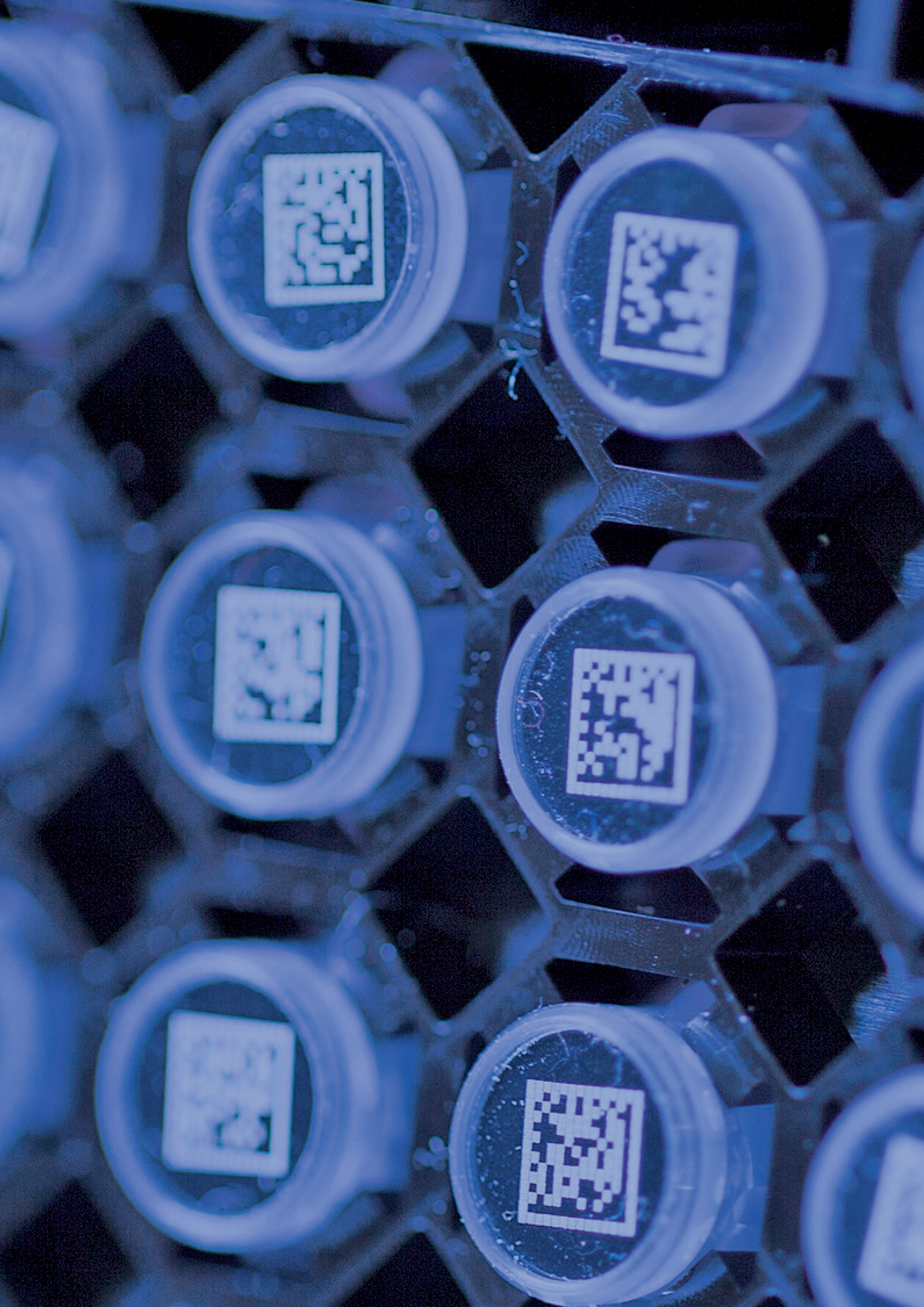
Exiqon's patent strategy



Composition of matter [1]
Manufacturing process [2]
Product applications [3]
Biological markers [4]

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

[1] Protection of our key chemistry (LNA™) by patents for chemical structures.
[2] Patents for the manufacturing process of LNA™ amidtes.
[3] Protection of the formats used for the nucleic acid analysis and the bioinformatic analysis used in the products.
[4] Protection of the biological markers to be analyzed in connection with the use of products.



Risk management is an inherent part of our business operations

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

Our risk management begins with providing relevant information in a timely manner to the people who need it to minimize risks. At Exiqon, real-time information is available to all decision-makers across the entire value chain of the company through integrated IT based on a Microsoft Office SharePoint® Server, a Microsoft data warehouse solution and Microsoft SQL Server® Reporting Services.

The combination of highly integrated IT systems and extensive use of business process documentation enables automated reporting of live data, early warnings to company decision-makers and a decentralized approach to risk management. Those parts of the organization that have the most knowledge of risks specific to any area of our business also have the best possibility to adequately address these without undue delay. End-user demand drives the continued development of our IT systems and business process documentation. Data quality is assured through automated tests that run continuously to validate the data presented to end-users in the form of charts and indicators in support of a 'one truth' culture for decision-making purposes.

Internal financial risk management

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

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

Financial control environment

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

Financial control activities

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

Financial information

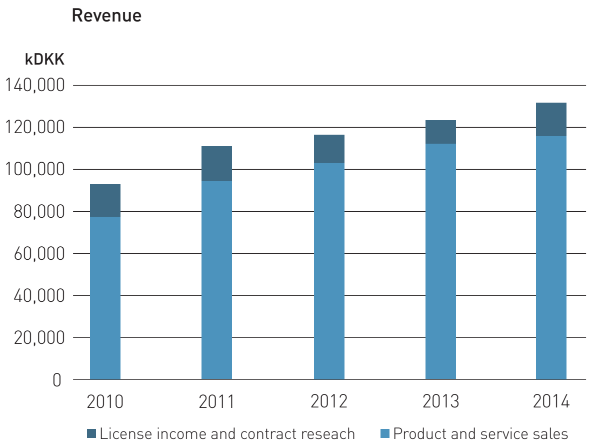
Real-time financial information is available to all managers within their respective area of responsibility via the company's Business Intelligence system on a daily basis. We report financial information to the Supervisory Board on a monthly basis and we publish our result quarterly via NASDAQ OMX.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

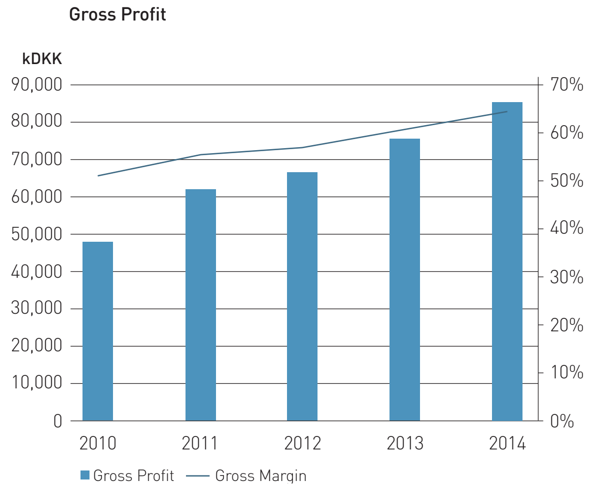
Review and assessment

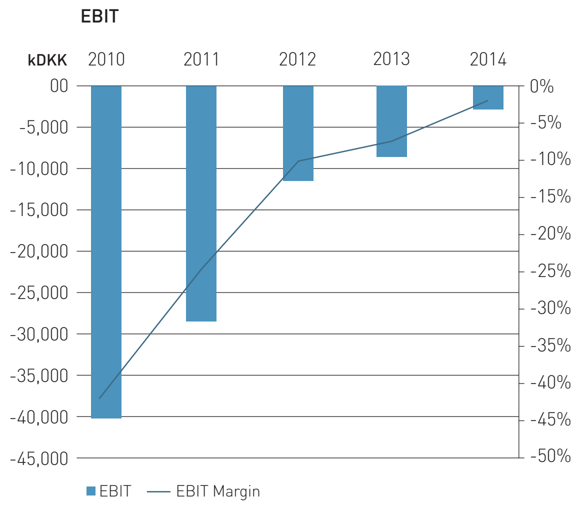
Risks associated with the financial reporting process are regularly assessed by Executive Management together with the Supervisory Board. At least once a year, the Supervisory Board reviews particular risk areas including changes in accounting policies, important accounting estimates and internal controls.

Financial Performance in 2014

2014 key figures in five-year perspective







2014 financial performance summarized

Realized figures for 2014 are noted below. Comparable figures for 2013 are stated in parenthesis. The average USD/DKK exchange rate applied to translate revenue and costs was DKK 5.65 in 2014 (DKK 5.61).

In the table below, the company's realized performance in 2014 has been summarized and compared to the full-year guidance announced on 14 August 2014 including an adjustment of the realized numbers to the exchange rate (USD/DKK 5.50) used as a basis for the full-year guidance:

(mDKK)	Realized 2014 (USD/DKK 5.65)	Realized 2014 adjusted USD/DKK 5.50	Revised guidance 2014 (USD/DKK 5.50)
Revenue	132.4	130.8	~135
EBITDA	3.1	2.5	~5

The company depends on continued growth in products and services sales to become profitable. In 2014, total revenue increased 7% to DKK 132.4 million (DKK 123.6 million), driven primarily by continued organic growth in the company's services sales following the launch of RNA sequencing services in January 2014.

Total operating costs increased 5% to DKK 88.3 million (DKK 84.2 million), driven primarily by 8% higher R&D costs and 32% higher depreciations following new investments.

EBIT improved 65% to DKK -3.1 million (DKK -8.8 million) despite increased non-cash costs of share based payments of DKK 3.9 million (DKK 2.9 million).

The net result for 2014 improved 74% to DKK -2.8 million (-10.7 million) as a result of a tax refund of DKK 3.2 million (DKK 0.8 million).

EPS improved 72% to DKK -0.08 in 2014 (DKK -0.29).

Operating activities generated a cash outflow of DKK 2.4 million in 2014 (DKK -3.2 million), while investing activities caused an outflow of DKK 4.8 million (DKK 4.4 million). Financing activities generated a cash outflow of DKK 2.9 million (DKK -13.0 million).

On December 31, 2014 cash and cash equivalents totaled DKK 20.1 million (DKK 29.2 million) including the company's credit facility.

The 2014 financial numbers are discussed in more detail below:

Revenue

Revenue increased 7% to DKK 132.4 million in 2014 (DKK 123.6 million). Exiqon's revenue is comprised of various sources that are subject to different dynamics, with different short-, mid- and long-term growth potential.

The biggest short-term potential for growth lies within services for RNA sequencing analysis.

In 2014 the increase in Exiqon Life Sciences' revenue is primarily attributable to 32% organic growth in services sales of DKK 20.5 million (DKK 15.5 million), driven by the company's new services for RNA sequencing analysis launched at the begining of 2014.

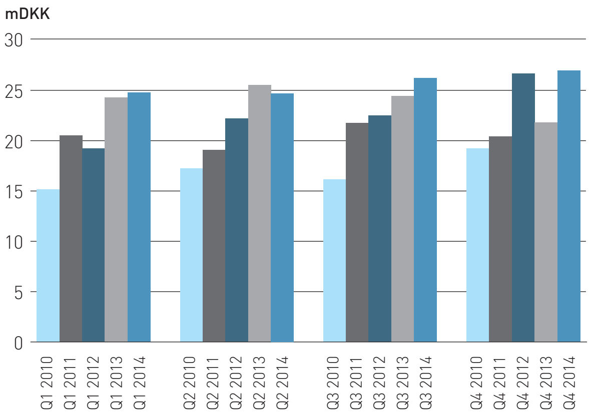
This is in line with the company's strategy to capture new markets for RNA sequencing and RNA functional analysis by first offering a service and subsequently products developed based on the know-how gained.

Exiqon Life Sciences' product sales of DKK 96.3 million (DKK 96.6 million) constitute the majority of current revenue. New products for both RNA sequencing and RNA functional analysis with significant potential for scaleable growth are planned for launch during 2015. In 2014, however, product sales did not develop satisfactory and were affected negatively by declining OEM sales of DKK 11.6 million (DKK 13.2 million) and stagnating markets for the company's miRNA products. Management believes this is temporary and that new discoveries and applications of miRNA may result in a faster growing market for miRNA analysis tools already in the mid-term.

In the interim, Management is confident that planned new bioinformatics and products for RNA sequencing and RNA functional analysis will help improve product sales already in the short-term.

Royalty and license income, which includes third-party royalty payments to Exiqon under existing license agreements and recognized upfront payments from new license agreements, accounted for DKK 8.9 million (DKK 7.7 million).

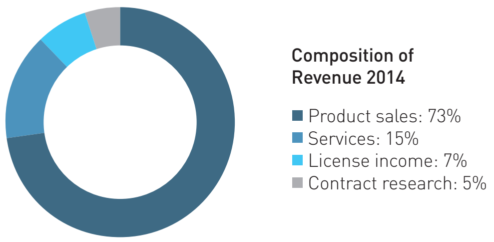
2014 product sales and services per quarter in five-year perspective

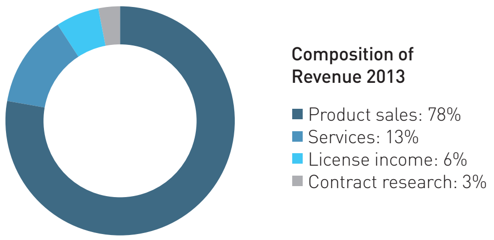


In the long-term license income may include royalties from the sale of diagnostic products. However, in 2014 Exiqon Diagnostics generated all of its revenue of DKK 3.2 million (DKK 5.2 million) from grants.

Contract reseach and grants income increased to DKK 6.7 million (DKK 3.8 million) reflective of a higher level of innovation throughout the company supported by accelerated investments to capture new markets.

The composition of revenue in 2014 compared to 2013 is summarized in the table below





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

Gross profit

In 2014 gross profit increased 13% to DKK 85.2 million (DKK 75.5 million).

In 2014 gross profit was negatively affected by extraordinary scrapping of obsolete products of DKK 2.1 million and ordinary scrapping of products that failed quality control ofDKK 1.6 million representing a total cost of DKK 3.7 million (DKK 1.7 million). Exiqon Life Sciences gross margin was realized at 63.9% (59.8%) driven by higher volumes and optimizations.

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

Revenue, gross profit and margins

DKK '000	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	2013
Revenue	**32,471**	**30,722**	**34,825**	**34,374**	**132,392**	**123,584**
Year over year change (%)	2%	-8%	17%	20%	7%	*5%*
Revenue Life Sciences	31,790	29,842	33,765	33,673	129,070	118,365
Year over year change (%)	3%	-2%	16%	21%	9%	*6%*
Revenue Diagnostics	681	880	1,060	701	3,322	5,219
Year over year change (%)	-27%	-69%	70%	-14%	-36%	*-15%*
Gross profit	**22,046**	**20,217**	**20,816**	**22,120**	**85,199**	**75,452**
Gross margin	68%	66%	60%	64%	64%	*61%*
Gross profit Life Sciences	21,506	19,479	19,893	21,554	82,432	70,771
Gross margin	*68%*	*65%*	*59%*	*64%*	*64%*	*60%*
Gross profit Diagnostics	540	738	923	566	2,767	4,681
Gross margin	*79%*	*84%*	*87%*	*81%*	*83%*	*90%*

Operating costs

Total operating costs increased 5% to 88.3 million in 2014 (DKK 84.2 million) and 4% to 84.4 million (DKK 81.3 million) when excluding expensed non-cash costs of share-based payment in 2014.

Research and developement costs

In 2014 research and development costs increased 8% to DKK 26.3 million (DKK 24.3 million), driven primarily by investment in services for RNA sequencing analysis, in line with the company's strategy broaden its products and services offering to address new markets, and increased depreciations.

Research and development costs constituted 20% of total revenue (20%) in 2014. Management expects that the company's target for research and development costs of approximately 15% of revenue will be reached as a result of continued organic growth in revenue.

SG&A costs

In 2014 Sales and Marketing costs increased 4% to DKK 43.1 million (DKK 41.3 million), primarily as a result of new hirings.

General and administrative costs (net cost of share based payment) decreased 5% to DKK 15.1 million (DKK 15.9 million) as aresult of employee turnover and cost savings.

In 2014 SG&A costs constituted 47% of total revenue (49%). Management expects that the company's target for SG&A costs of approximately 30% of revenue can only be reached as a result of continued revenue growth. In the interim, the company expects to continue to invest in sales and marketing activities to secure renewed growth in product sales while expanding the company's product offering to include new markets and technologies.

Operating costs relative to revenue

DKK '000	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	2013
SG&A costs (net of share-based payment)	-13,977	-14,300	-13,041	-16,826	-58,144	-57,095
Year over year change (%)	*-2%*	*-7%*	*1%*	*16%*	*2%*	*6%*
Sales & marketing cost (net of share-based payment)	-10,391	-10,509	-9,991	-12,196	-43,087	-41,215
Year over year change (%)	*2%*	*-6%*	*5%*	*18%*	*5%*	*9%*
Administrative costs (net of share-based payment)	-3,586	-3,791	-3,050	-4,630	-15,057	-15,880
Year over year change (%)	*-14%*	*-10%*	*-9%*	*12%*	*-5%*	*-2%*
Share-based payment	-929	-975	-975	-975	-3,854	-2,883
SG&A costs total	-14,906	-15,275	-14,016	-17,801	-61,998	-59,979

EBITDA/EBIT

In 2014, EBITDA totaled DKK 3.1 million (DKK -4.1 million) and reaching profitability measured on EBITDA marked an important milestone for the company. EBIT totaled DKK -3.1 million (DKK -8.8 million) reflecting increasing depreciations in line with the company's strategy to invest to capture new markets including RNA sequencing and RNA functional analysis. Our existing markets and technologies have required little or no new investment in recent years.

Expensed non-cash costs of share-based payments totaled DKK 3.9 million in 2014 (DKK 2.9 million).

Financial items

Net financial expenses totaled DKK 2.9 million in 2014 (DKK 2.7 million) attributable to the company's corporate bond and credit line with associated interests. The company has no other debt except for trade payables and currently no risks associated with deferred financial instruments.

Financial income primarily consists of interest on fixed-term deposit accounts, while other financial expenses mainly consist of interest on finance leases and currency losses.

Tax for the year

Income taxes represented an income of DKK 3.2 million (DKK 0.8 million) attributable to refund of the tax value of costs relating to research and development and deferred tax adjustments associated with tax losses carried forward in the company's subsidiary.

Net result for the year

The net result for 2014 totaled DKK -2.8 million (DKK -10.7 million) and was in line with the revised expectations announced on 14 August 2014.

Consolidated statement of financial position

Assets

On 31 December 2014 the Group had total assets of DKK 137.7 million (DKK 128.0 million). Intangible assets amounted to DKK 60.4 million (DKK 61.1 million), property, plant and equipment to DKK 12.0 million (DKK 4.4 million), while current assets amounted to DKK 62.5 million (DKK 59.0 million).

Receivables totaled DKK 28.4 million (DKK 17.0 million) attributable to record fourth quarter sales of the company's products and services (excluding OEM). The customer base consists of universities and large pharmaceutical companies that represent little risk. In 2014 the realized loss on trade receivables totaled DKK 0.1 million (DKK 0.1 million).

Inventories totaled DKK 14.0 million (DKK 12.8 million). The increases inventory value is attributable to inventory build up of recently launched products.

Equity

At the end of 2014, equity stood at DKK 78.0 million (DKK 76.2 million). The negative movements in equity are attributable to the net loss for the year.

Liabilities

On December 31, 2014 the Group had total liabilities of DKK 59.6 million (DKK 51.8 million.). Non-current liabilities amounted to DKK 18.2 million (DKK 15.3 million), current liabilities amounted to DKK 41.5 million (DKK 36.5 million), of which trade payables represented DKK 10.5 million (DKK 11.9 million).

Cash flow statement

Cash flow from operating activities
Operating activities generated a cash outflow of DKK 2.4 million (DKK -3.2 million) primarily attributable to record sales in the fourth quarter, which has resulted in higher trade receivables.

Cash flow from investing activities
Investing activities caused an outflow of DKK 4.8 million (DKK 4.4 million).

Cash flow from financing activities
Financing activities generated a cash outflow of DKK 2.9 (DKK -13.0 million).

Capital resources and liquidity

On 31 December 2014 cash and cash equivalents totaled DKK 20.1 (DKK 29.2 million) including a credit of DKK 10 million that is subject to repayment by 10 January 2016 and proceeds of DKK 15 million from the company's corporate bond that is subject to repayment by 1 March 2016.

We expect that the company's future capital needs are covered by these existing arrangements. Any requirement for additional capital in the future, we will seek to cover by continuing the existing arrangements beyond their current terms, replacing them with new arrangements on similar terms, or increasing the current share capital under existing authorizations to the Supervisory Board.

As part of the company's growth strategy, working capital primarily is invested in sales and marketing activities, product development, inventories and trade receivables.

Earnings per share

Earnings per share amounted to DKK -0.08 (DKK -0.29).

Events after the reporting period

No material events have occoured after year end 2014.

Financial outlook 2015

In 2015, we expect total revenue between DKK 150-160 million and EBITDA of DKK 5-10 million.

Total revenue in 2015 will depend primarily on Exiqon Life Sciences products and services sales for which the expected growth will depend on the success of the company's new products for RNA sequencing analysis and RNA functional analysis. Products and services sales for miRNA analysis are expected on par with 2014.

During 2015, we expect Exiqon Diagnostics will announce the publication of data from our blood based test for early detection of colorectal cancer.

The outlook for 2015 is based on an average USD/DKK exchange rate of DKK 6.50 and does not include any significant one-time payments or any extraordinary costs. The cost related to any grant of new warrants is not reflected in the outlook for 2015.

Financial targets beyond 2015

By 2016, we expect EBIT will be positive, driven by double digit growth in sales of products and services (excluding OEM), particularly our planned new products for RNA sequencing analysis and RNA functional analysis, and we anticipate first capitalization of our tax asset.

During 2017 we expect products and services sales (excluding OEM) to continue growing at double digits, with revenues from both operating segments, and we expect to meet our current long term financial objectives; to become a profitable company with gross profits around 65-70%, R&D costs of approximately 15% of total revenue and SG&A costs approaching the goal of no more than 30% of total revenue.

Forward-looking statements

All forward looking statements contained in this annual report and other communications by Exiqon are subject to risks, uncertainties and inaccurate assumptions including those described above. This may cause actual results to differ materially from expectations. Factors that may affect future results include: Delay or failure of development projects, production problems, unexpected contract breaches or terminations, government mandated or market-driven price decreases for Exiqon's products, introduction of competing products, Exiqon's ability to successfully market both new and existing products, exposure to product liability and other lawsuits, and government laws and related interpretation thereof and unexpected growth in costs and expenses, interest rate and exchange rate fluctuations and shortage of cash.

People and Organization

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

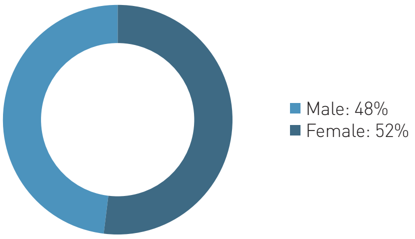
With only 91 (83) employees at the end of 2014, we must attract the most dedicated, diverse and goal-oriented people we can find. People are the foundation of our business.

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

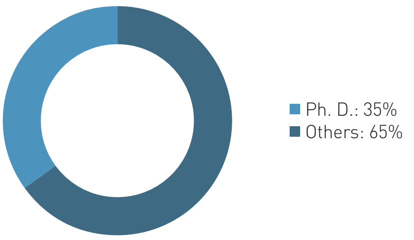
We have been fortunate to attract the best and brightest people in our industry from all over the world, in part due to our leadership position in our current markets and the opportunities for professional growth and development offered at Exiqon. Ultimately, we believe many people come to Exiqon because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

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

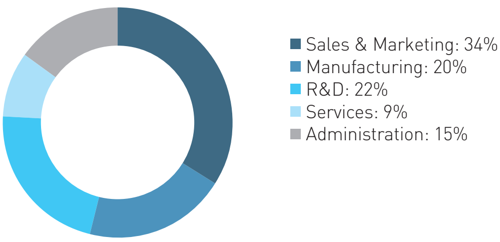
Employees by gender



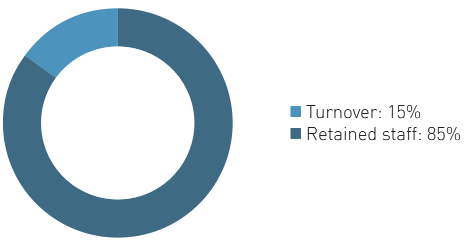
Employees with Ph. D.



Employees by function



Employee turnover



Executive Management Board

Lars Kongsbak, Chief Executive Officer

Lars Kongsbak (born 1961, Danish citizen) joined Exiqon in 2000 as head of the EURAY division, then R&D and lastly Business Development, before he was appointed as CEO in 2003. Before joining Exiqon, Lars Kongsbak served as Senior Scientist with Novozymes, Novo Nordisk and Bioimage, respectively. For several years, Lars Kongsbak conducted postdoctoral research in the United States, Australia and Denmark. Lars Kongsbak is the inventor of several patents and the author of more than 40 scientific publications.

Lars earned his M.Sc. in Biology from the University of Copenhagen (1988) and his PhD in Molecular Biology from the Technical University of Denmark (1990).

	Shares	Warrants
Changes in 2014	-	-
Holding year-end 2014	143,389	1,881,306

Hans Henrik Chrois Christensen, Chief Financial Officer

Hans Henrik Chrois Christensen (born 1965, Danish citizen) joined Exiqon as CFO in January 2007 from equivalent position with Pharmexa A/S. Hans Henrik Chrois Christensen has a background as a group general counsel with Danisco A/S (1998-2002) where he completed an in-house management training program and worked with research and license collaborations, joint ventures and venture investments and as attorney-at-law with the law firm Dragsted & Helmer Nielsen (now Bech-Bruun) Copenhagen. Hans Henrik earned his Master at Laws from the University of Copenhagen (1990) and became authorized attorney-at-law in 1993 with a right to appear before the Danish High Court.

	Shares	Warrants
Changes in 2014	-	-
Holding year-end 2014	100,000	940,653

Supervisory Board

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

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

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

	Shares	Warrants
Changes in 2014	-	-
Holding year-end 2014	288,642	-

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

Erik Walldén, Chairman and President of WalldenAssociates (Erik Wallden AB) and Chairman of the Board at Arocell AB and Genovis AB, has a record of achievement in the biotech industry for over 30 years. He has held senior management positions in companies such as Pharmacia LKB Biotechnology AB and PerSeptive Biosystems Inc. Erik Walldén was formerly the CEO of Pyrosequencing AB, Biacore International AB, Affibody Holding AB and Gyros AB.

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

	Shares	Warrants
Changes in 2014	-	-
Holding year-end 2014	4,500	-

Michael Nobel, Board member
(born 1956, Danish citizen, elected January 1996).

Michael Nobel was trained and employed with A.P.Møller between 1978 and 1983, after which time he became Export Manager with E. Nobel Cigar og Tobaksfabrikker A/S and Skandinavisk Tobakskompagni A/S.

Current directorships and managerial positions:
Investcom A/S (chairman)
Ejendomsselskabet Vestergade A/S (board member and CEO)
H.J. Nobel 1 ApS
H.J. Nobel 2 ApS
MT Trading ApS
Health Media ApS

	Shares	Warrants
Changes in 2014	-	-
Holding year-end 2014	77,345	-

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

Per Wold-Olsen, MBA was CEO of MSD Norway from 1976 to 1986 when he was appointed regional Director and VP of MSD Scandinavia. In 1991, Per Wold-Olsen was appointed Senior Vice President for Worldwide Human Health Marketing of Merck & Co., Inc., U.S., and in 1994 he was appointed President for Human Health Europe Merck & Co., Inc., U.S. In 1997, his responsibilities for Human Health Europe were extended to include Eastern Europe, the Middle East and Africa, and Worldwide Human Health Marketing. In 2005, his field of responsibility was extended to include Latin America and Canada as President for Human Health Intercontinental Region, Merck & Co., Inc. From 1994 to 2006, Per Wold-Olsen was a member of Merck's Management Committee.

Current directorships and managerial positions:
GN Store Nord A/S (chairman) and 2 subsidiaries
Novo A/S (board member)
Gilead Sciences, Inc. (board member)
Medicines for Malaria Venture (vice chairman)

	Shares	Warrants
Changes in 2014	-	-
Holding year-end 2014	159,736	-

The Supervisory Board of Exiqon A/S is composed of four members. All board members are elected by the general meeting and considered independent. All board members possess the financial and commercial skills necessary to serve on the Supervisory Board and its committees. The board members' business address is Exiqon A/S, Skelstedet 16, 2950 Vedbaek, Denmark.

In 2014 the Supervisory Board held nine meetings including a two-day strategy seminar.

The Supervisory Board has created two board committees: an audit committee and a compensation committee. Material decisions are always made by all members of the Supervisory Board and all members of the Supervisory Board are informed of all decisions.

The audit committee assists the Supervisory Board in its oversight with the company's annual and interim financial reporting, including accounting policies and internal controls. The audit committee currently consists of all members of the Supervisory Board and is headed by Michael Nobel. In 2014 the audit committee held two meetings and focused on accounting estimates with significant impact on the annual report.

The compensation committee advises the Supervisory Board on remuneration of employees and Executive Management including incentive schemes. The compensation committee currently consists of all members of the Supervisory Board and is headed by the Chairman, Thorleif Krarup. In 2014, the compensation committee held two meetings and focused on incentive salary.

Gender composition of the Supervisory Board
Pursuant to Danish law no. 1383 dated 23 December 2012, Exiqon must report on the gender composition of the Supervisory Board. According to § 10 of the Articles of Association, the Supervisory Board of Exiqon A/S consists of 3-7 members and is elected every year by the shareholders. At the end of 2014 the Supervisory Board of Exiqon A/S consisted of 4 members, all of whom were men.

CSR

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

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

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

Gender composition of Executive Management Board
According to § 12 of the Articles of Association the Supervisory Board appoints an Executive Management Board of Exiqon A/S consisting of 1-3 members. At the end of 2014 the Executive Management Board of Exiqon consisted of 2 members, both of which were men. No objective for a specific gender composition of the Executive Management Board has been defined. Together with non-executive management the ratio of 40% was met.

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

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

Gender composition of non-executive management
Exiqon recruits its managers and employees solely on the basis of qualifications and abilities without regard to gender, ethnicity, sexual, religious and political beliefs. Exiqon prioritizes a balanced gender composition of the non-executive management group. A balanced gender composition of the non-executive management group is considered achieved when no gender is represented less than 40%. At the end of 2014 this group consisted of a total of 32 employees, of which 14 individuals (44%) were women and 18 individuals (56%) were men. The target was met.

CSR (Corporate Social Responsibility)
In 2014 Exiqon had no separate policies and did not report on issues relating specifically to corporate social responsibility, human rights or environmental issues.

The Supervisory Board has not adopted a formal policy on these matters because of the limited resources available to the company at this early stage.

The Supervisory Board intends for the company's practices to follow the UN Global Compact's ten principles that have become a global standard for corporate social responsibility.

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

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

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

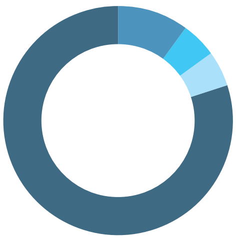
Capital Market Information

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

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

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

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



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

On 31 December 2014 Exiqon had approximately 1,900 registered shareholders who own 85.73% of the company's share capital.

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

Exiqon's reporting on corporate governance pursuant to NASDAQ OMX Copenhagen A/S' rules for issuers and the Danish Financial Statement Act sec. 107b is directly available at the following URL address on the company's website: www.exiqon.com/investor/corporategovernance/2014

Investor relations policy
Exiqon maintains an open and continuous dialogue with existing and potential shareholders and the general public. We are committed to communicating information in compliance with the disclosure requirements of NASDAQ OMX Copenhagen A/S.

Exiqon publishes quarterly reports on the company's development, including relevant financial information. In addition, we publish details about the company when such information is considered important to the pricing of our shares. Exiqon maintains an insider register and publishes any changes to certain insiders' shareholdings in accordance with the rules that apply for NASDAQ OMX Copenhagen A/S. Any such publication will be made immediately after the transaction. We have adopted in-house rules that only allow insiders to purchase and sell shares in Exiqon A/S during a 28-day period after the company's publication of financial statements. Such information will first be published via the websites of the NASDAQ OMX in Copenhagen (www.omxnordicexchange.com) and will immediately thereafter be available at Exiqon's website. Shareholders and others who have requested the receipt of email news from Exiqon via our website will receive the information immediately thereafter.

Investor relations contact
For Investor Relations inquiries, please contact:
Hans Henrik Chrois Christensen, CFO
Investor Relations, Exiqon A/S
Phone: +45 4566 0888
Email: ir@exiqon.com

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

Stock exchange releases 2014

No.	1/2014	Major shareholder announcement
No.	2/2014	Exiqon announces full year results for 2013
No.	3/2014	Exiqon calls for ordinary general meeting on 25 March 2014
No.	4/2014	Exiqon announces decisions at annual general meeting 2014
No.	5/2014	Interim report for the period 1 January - 31 March 2014 (unaudited)
No.	6/2014	Interim report for the period 1 January - 30 June 2014 (unaudited)
No.	7/2014	Exiqon announces diagnostic data redefining high risk patients with stage II colon cancer
No.	8/2014	Interim report for the period 1 January - 30 September 2014 (unaudited)
No.	9/2014	Exiqon announces financial calendar for 2015
No.	10/2014	Exiqon licenses validated biomarkers for prostate cancer from Aarhus University Hospital

Share price performance in 2014

Financial calendar 2015

30 January 2015	Announcement of full-year results 2014
5 February 2015	Deadline for shareholders' proposal to the annual general meeting
19 March 2015	Annual general meeting
7 May 2015	Interim report for the period 1 January 2015 to 31 March 2015
25 August 2015	Interim report for the period 1 January 2015 to 30 June 2015
26 October 2015	Interim report for the period 1 January 2015 to 30 September 2015

Statement by Executive Board and Supervisory Board on the annual report

The Supervisory Board and the Executive Board have today considered and approved the annual report of Exiqon A/S for the financial year 1 January - 31 December 2014.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2014 and of the results of their operations and cash flows for the financial year 1 January - 31 December 2014.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

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

Vedbaek, 30 January 2015

Executive Board

Lars Kongsbak
CEO

Hans Henrik Chrois Christensen
CFO

Supervisory Board of Directors

Thorleif Krarup
Chairman

Erik Walldén
Deputy Chairman

Michael Nobel

Per Wold-Olsen

Independent auditor's reports

To the shareholders of Exiqon A/S

Report on the consolidated financial statements and parent financial statements

We have audited the consolidated financial statements and parent financial statements of Exiqon A/S for the financial year January 1 – December 31, 2014, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as for the Parent. The consolidated financial statements and parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and parent financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and parent financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2014, and of the results of their operations and cash flows for the financial year January 1 – December 31, 2014 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the management report

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

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

Copenhagen, 30 January 2015

Deloitte
Statsautoriseret Revisionspartnerselskab

Bill Haudal Pedersen
State Authorised
Public Accountant

Jørgen Holm Andersen
State Authorised
Public Accountant

Index to the consolidated financial statements

Contents

Notes to the financial statements

Consolidated statement of comprehensive income

Parent				Group	
2013	2014			2014	2013
DKK'000	DKK'000		Note	DKK'000	DKK'000
102,243	111,195	Revenue	3	132,392	123,584
-42,284	-41,477	Production costs	5,6,7	-47,193	-48,132
59,959	**69,718**	**Gross profit**		**85,199**	**75,452**
-24,075	-26,308	Research and development costs	5,6,7,8	-26,283	-24,253
-26,886	-28,407	Sales and marketing costs	5,6,7	-43,087	-41,261
-18,718	-18,911	Administrative costs	5,6,7,8	-18,911	-18,718
-9,720	**-3,908**	**Operating profit/(loss) (EBIT)**		**-3,082**	**-8,780**
8,236	13,871	Financial income	9	2,210	5,085
-10,952	-16,980	Financial expenses	9	-5,111	-7,813
-12,436	**-7,017**	**Profit/(loss) before tax**		**-5,983**	**-11,508**
1,250	3,690	Tax on the profit/(loss) for the year	10	3,203	826
-11,186	**-3,327**	**Profit/(loss) for the year**		**-2,780**	**-10,682**
		Other comprehensive income			
		Items that may be reclassified subsequently to profit or loss:			
0	0	Exchange adjustments relating to foreign subsidiaries		722	-315
-11,186	**-3,327**	**Total comprehensive income for the year**		**-2,058**	**-10,997**
		Earnings per share			
		Earnings per share	11	-0.08	-0.29
		Diluted earnings per share	11	-0.08	-0.29
		Proposed distribution of loss			
		The Supervisory Board proposes that the loss for the year be distributed as follows			
-11,186	**-3,327**	**Retained earnings**			

Consolidated statement of financial position at 31 December

Parent				Group	
2013	2014			2014	2013
DKK'000	DKK'000		Note	DKK'000	DKK'000
0	0	Goodwill		49,368	49,368
5,936	4,887	Acquired patent rights		4,887	5,936
4,187	5,932	Acquired software licenses		5,932	4,187
1,648	246	Intangible assets under construction		246	1,648
11,771	**11,065**	**Intangible assets**	**12**	**60,433**	**61,139**
508	601	Leasehold improvements		663	586
3,162	9,474	Production and laboratory equipment		9,474	3,163
449	1,646	Fixtures and fittings, tools and equipment		1,777	591
21	109	Tangible assets under construction		109	21
4,140	**11,830**	**Property, plant and equipment**	**13**	**12,023**	**4,361**
15,051	15,051	Investments in subsidiaries	14	0	0
0	0	Deferred tax assets	19	1,430	1,876
1,547	1,196	Deposits		1,325	1,661
16,598	**16,247**	**Financial assets**		**2,755**	**3,537**
32,509	**39,142**	**Non-current assets**		**75,211**	**69,037**
12,231	**13,538**	**Inventories**	**15**	**13,963**	**12,771**
10,237	15,727	Trade receivables	16	22,147	13,197
0	1,055	Receivables from group companies		0	0
1,212	1,196	Other receivables		1,200	1,216
1,250	3,690	Refund from Tax authorities		3,690	1,250
1,104	1,075	Prepayments		1,367	1,349
13,803	**22,743**	**Receivables**		**28,404**	**17,012**
27,588	**14,254**	**Cash and cash equivalents**		**20,084**	**29,190**
53,622	**50,535**	**Current assets**		**62,451**	**58,973**
86,131	**89,677**	**Total assets**		**137,662**	**128,010**

Consolidated statement of financial position at 31 December

Parent				Group	
2013	2014			2014	2013
DKK'000	DKK'000		Note	DKK'000	DKK'000
36,874	36,874	Share capital	17,18	36,874	36,874
-4,827	-4,301	Reserves		41,141	39,345
32,047	**32,573**	**Equity**		**78,015**	**76,219**
15,000	15,000	Corporate Bonds	20	15,000	15,000
258	3,155	Financial lease liabilities	21	3,155	258
15,258	**18,155**	**Non-current liabilities**		**18,155**	**15,258**
403	2,439	Financial lease liabilities	21	2,439	403
11,038	9,302	Trade payables		10,505	11,881
10,013	10,018	Short term bank loan		10,018	10,013
3,968	0	Payables to group companies		0	0
6,879	9,054	Other payables		10,394	7,712
6,525	8,136	Deferred revenue		8,136	6,524
38,826	**38,949**	**Current liabilities**		**41,492**	**36,533**
54,084	**57,104**	**Total liabilites**		**59,647**	**51,791**
86,131	**89,677**	**Total equity and liabilities**		**137,662**	**128,010**
		Other notes	22, 25-29		

Consolidated statement of cash flows

Parent				Group	
2013	2014			2014	2013
DKK'000	DKK'000		Note	DKK'000	DKK'000
-9,720	-3,908	Operating profit/ (Loss) (EBIT)		-3,082	-8,780
4,583	6,080	Depreciation and amortization	7	6,197	4,670
2,899	3,854	Non-cash adjustments (warrants)	5	3,854	2,899
6,999	-12,167	Change in working capital	23	-9,403	6,152
-200	-146	Profit on sale of assets	24	-146	-200
4,561	**-6,287**	**Cash flows from primary activities**		**-2,580**	**4,741**
-2,716	-3,109	Net interest and value gains		-3,497	-2,716
1,250	3,690	Current tax		3,643	1,203
3,095	**-5,706**	**Cash flows from operating activities**		**-2,434**	**3,228**
-2,616	-2,382	Acquisition of intangible assets	12	-2,382	-2,616
-1,957	-2,529	Acquisition of property, plant and equipment	13	-2,595	-2,022
200	146	Sale of assets		146	200
-4,373	**-4,765**	**Cash flows from investing activities**		**-4,831**	**-4,438**
-2,022	-3,215	Repayment of lease debt		-3,215	-2,022
15,000	0	Proceeds from corporate bonds	20	0	15,000
-13	351	Repayment of deposits and loans		351	79
0	0	Proceeds from capital increase	17	0	0
-65	5	Short term bank loan		5	-65
12,900	**-2,859**	**Cash flows from financing activities**		**-2,859**	**12,992**
11,623	**-13,330**	**Change in cash and cash equivalents**		**-10,124**	**11,782**
0	-4	Unrealised currency gain/loss		1,018	-85
15,965	27,588	Cash and cash equivalents at 1 January		29,190	17,493
27,588	**14,254**	**Cash and cash equivalents at 31 December**		**20,084**	**29,190**

Consolidated statement of changes in equity

Consolidated	Number of shares No.	Share capital (DKK'000)	Other reserves: Reserve for exchange adjustments (DKK'000)	Other reserves: Share-based payment (DKK'000)	Retained profit (DKK'000)	Total (DKK'000)
Equity at 1 January 2014	**36,874,082**	**36,874**	**-624**	**16,341**	**23,628**	**76,219**
Profit/(loss) for the year					-2,780	-2,780
Exchange adjustments relating to foreign subsidiaries			722			722
Total comprehensive income			**722**	**0**	**-2,780**	**-2,058**
Share-based payment				3,854		3,854
Other transactions			**0**	**3,854**	**0**	**3,854**
Equity at 31 December 2014	**36,874,082**	**36,874**	**98**	**20,195**	**20,848**	**78,015**
Equity at 1 January 2013	**36,874,082**	**36,874**	**-309**	**13,442**	**34,310**	**84,317**
Profit/(loss) for the year					-10,682	-10,682
Exchange adjustments relating to foreign subsidiaries			-315			-315
Total comprehensive income			**-315**	**0**	**-10,682**	**-10,997**
Share-based payment				2,899		2,899
Other transactions			**0**	**2,899**	**0**	**2,899**
Equity at 31 December 2013	**36,874,082**	**36,874**	**-624**	**16,341**	**23,628**	**76,219**

Statement of changes in equity

Parent	Number of shares No.	Share capital (DKK'000)	Share-based payment (DKK'000)	Retained profit (DKK'000)	Total (DKK'000)
Equity at 1 January 2014	**36,874,082**	**36,874**	**16,341**	**-21,169**	**32,046**
Profit/(loss) for the year				-3,327	-3,327
Total comprehensive income				**-3,327**	**-3,327**
Share-based payment			3,854		3,854
Other transactions			**3,854**	**0**	**3,854**
Equity at 31 December 2014	**36,874,082**	**36,874**	**20,195**	**-24,496**	**32,573**
Equity at 1 January 2013	**36,874,082**	**36,874**	**13,442**	**-9,983**	**40,333**
Profit/(loss) for the year				-11,186	-11,186
Total comprehensive income				**-11,186**	**-11,186**
Share-based payment			2,899		2,899
Other transactions			**2,899**	**0**	**2,899**
Equity at 31 December 2013	**36,874,082**	**36,874**	**16,341**	**-21,169**	**32,046**

Notes to the financial statements

Note 1. Accounting policies
The annual report of Exiqon A/S for the year ended 31 December 2014, comprising the financial statements of the parent company and the consolidated financial statements, has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for the annual reports for accounting class D (listed companies).

The annual report is presented in Danish kroner (DKK), which is considered the presentation currency of the Group's activities and the functional currency of the parent company.

The annual report is presented on a historical cost basis. Otherwise, the accounting policies are as described in the following. Accounting policies that affect five-year key figures are included.

IMPLEMENTATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS
The annual report for 2014 has been presented in accordance with the new and revised Standards (IFRS/IAS) and the new Interpretations (IFRIC) that apply to financial years beginning 1 January 2014. These Standards and Interpretations are:
- Amendments to IFRS 10 Consolidated Financial Statements.
- IFRS 12 Disclosure of Interest in other Entities.

The implementation of the new and revised Standards and Interpretations in the annual report for 2014 has not led to any changes in the accounting policies, and has not had any impact on the amounts and disclosures reported for current or prior years but may affect the accounting for future transactions or arrangements.

STANDARDS AND INTERPRETATIONS THAT HAVE NOT YET BECOME EFFECTIVE
At the time of publication of this annual report, a number of Standards and Interpretations have not become effective, for which reason they have not been incorporated in the annual report.

Of these Standards and Interpretations only the following are deemed relevant for the parent and consolidated financial statements:
- IFRS 9 Financial Instruments. The new standard is effective for financial years beginning 1 January 2018 or later. The Standard has not yet been adopted by EU.
- IFRS 15 Revenue from Contracts with customers. The new standard is effective for financial years beginning 1 January 2017 or later. The standard has not yet been adopted by EU.

Management anticipates that the adoption of these new and revised Standards and Interpretations will have no material impact on the annual reports for the coming financial years.

CONSOLIDATION
The consolidated financial statements comprise the financial statements of Exiqon A/S (the parent company) and companies (subsidiaries) controlled by the parent company. The parent company is considered to control a subsidiary when it directly or indirectly holds more than 50% of the voting rights or is otherwise able to exercise or actually exercises a controlling influence.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of Exiqon A/S and its subsidiaries. The consolidated financial statements are prepared by combining items of a like nature. The financial statements used for consolidation purposes are prepared in accordance with the Group's accounting policies.

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

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see note 3,16,2); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

FOREIGN CURRENCY TRANSLATION
On initial recognition, transactions denominated in currencies other than the functional currency are translated at the exchange rate ruling at the transaction date. Receivables, liabilities and other monetary items denominated in foreign currencies which are not settled at the statement of financial position date are translated at the rate of exchange at the statement of financial position date. Exchange differences between the exchange rate at the date of the transaction and the exchange rate at the date of payment or the statement of financial position date, respectively, are recognized in the statement of comprehensive income under financial items. Property, plant and equipment and intangible assets, inventories and other non-monetary assets acquired in foreign currency and measured based on historical cost are translated at the exchange rates at the transaction date. Non-monetary items revalued at fair value are translated at the exchange rates at the revaluation date.

On recognition in the consolidated financial statements of subsidiaries whose financial statements are presented in a functional currency other than DKK, their income statements are translated at average exchange rates for the respective months, unless these deviate materially from the actual exchange rates at the transaction dates. In that case, the actual exchange rates are used. Statement of financial position items are translated at the exchange rates at the end of period.

Exchange differences arising on the translation of foreign subsidiaries' opening statement of financial position items to the exchange rates at the statement of financial position date and on the translation of the income statements from average exchange rates to exchange rates at the statement of financial position date are recognized in other comprehensive income. Similarly, exchange differences arising as a result of changes made directly in the equity of the foreign subsidiary are also recognized in other comprehensive income.

SHARE-BASED INCENTIVE PLANS

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

The fair value of the equity instruments is determined using the Black & Scholes model with the parameters stated in note 6 to the financial statements.

TAX

Tax on the profit for the year comprises the year's current tax and changes in deferred tax. The tax expense relating to the profit/(loss) for the year is recognized in the statement of comprehensive income, and the tax expense relating to changes directly recognized in equity is recognized directly in equity. Exchange adjustments of deferred tax are recognized as part of the adjustment of deferred tax for the year.

Current tax payable and receivable is recognized in the statement of financial position as the tax charge on the year's taxable income, adjusted for tax paid on account.

The current tax charge for the year is calculated based on the tax rates and rules applicable at the statement of financial position date.

Deferred tax is recognized according to the statement of financial position liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities and is calculated based on the planned use of each asset and settlement of each liability, respectively.

Deferred tax is measured using the tax rates and tax rules that are expected to apply when the deferred tax is expected to materialize current tax. Changes in deferred tax as a result of changed tax rates or rules are recognized in the statement of comprehensive income, unless the deferred tax can be attributed to items previously recognized directly in equity. In that case, the change is also recognized directly in equity or other comprehensive income.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognized in the statement of financial position at the value at which the asset is expected to be realized, either through a set-off against deferred tax liabilities or as net tax assets to be offset against future positive taxable income. At each statement of financial position date, it is assessed whether it is likely that there will be sufficient future taxable income for the deferred tax asset to be utilized

STATEMENT OF COMPREHENSIVE INCOME

Revenue

Product sales

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

Service sales

Revenue from service agreements comprises profiling of customer's biological samples and is recognized by reference to the stage of completion. A service contract can be divided into a number of separate identifiable value-adding processes. Stage of completion is measured by reference to processes completion to date as a percentage of the total overall process and other relevant measures for each contract. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

License income

Revenue from licenses comprises royalty and one time payments from licenses and is recognized on accrual basis when it is probable those future economic benefits will flow to the company and that these can be measured reliably. Income from one time payments in the form of license fees and commercial milestones are recognized when the requirements are fulfilled.

Contract research & grants income

Revenue from contract research and grant income comprises third party financed product development and is recognized when there is a reasonable assurance that Exiqon comply with the conditions attached to the contracted research and grants and payment will be received.

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

Research and development costs
Research and development costs include salaries and costs directly attributable to the company's research and development projects. Furthermore, salaries and costs supporting direct research and development, including costs of ongoing maintenance of patents, rent, leasing and depreciation attributable to the laboratories and external scientific consultancy services, are recognized under research and development costs.

All research costs are expensed in the year in which they are incurred.

Development costs are recognized in the statement of comprehensive income as incurred if the criteria for capitalization are deemed not to be met. For further details please refer to note 2.

Sales and marketing costs
Sales and marketing costs comprise costs incurred for the selling and marketing of goods sold as well as for sales campaigns, costs for sales and marketing staff, including business development costs, advertising costs, rent and depreciation, amortization and impairment of property, plant and equipment and intangible assets used in the sales and marketing process.

Administrative expenses
Administrative expenses comprise expenses incurred for the Supervisory Board, Executive Management Board and the administrative functions of the Group, including salary staff cost rent, office expenses and depreciation and impairment losses on property, plant and equipment and intangible assets used in the administration of the Group.

Financial items
Financial income and expenses comprise interest income and expenses, the interest element of finance lease payments, realized and unrealized gains and losses on transactions in foreign currencies.

Interest income and expense is accrued based on the principal and the effective rate of interest. The effective rate of interest is the discount rate to be used in discounting expected future payments in relation to the financial asset or the financial liability so that their present value corresponds to the carrying amount of the asset or liability, respectively.

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

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

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

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

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

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

Development projects are measured at cost on initial recognition. The cost of development projects comprises costs, including salaries and amortization that are directly attributable to the development projects and are necessary for the completion of the project, calculated from the date when the development project first qualifies for recognition as an asset.

Completed development projects are amortized on a straight-line basis over the useful lives of the assets. The usual amortization period is five years. For development projects protected by intellectual property rights, the maximum amortization period is the remaining term of the rights concerned. Development projects are written down to their recoverable amount where this is lower than the carrying amount, as described below. Development projects in progress are tested for impairment at least once a year.

Intellectual property rights acquired in the form of patents and licenses are measured at cost less accumulated amortization and impairment. Patents are amortized on a straight-line basis over the remaining patent term, and licenses are amortized over the term of the agreement. If the actual useful life is shorter than either the remaining life or the contract period, the asset is amortized over this shorter useful life. Acquired intellectual property rights are written down to their recoverable amount where this is lower than the carrying amount, as described below.

Intangible assets with indeterminable useful lives are not amortized, but are tested for impairment at least once a year. If the carrying amount of the assets exceeds the recoverable amount, the assets are written down to this lower amount, as described below.

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

Acquired patent rights	5-18 years
Acquired software rights	3-5 years

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

Tangible fixed assets
Production and laboratory equipment and other production plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition and any preparation costs incurred until the date when the asset is available for use. In the case of assets manufactured by the company, cost includes expenses directly attributable to the manufacture of the asset, including materials, components, third-party suppliers and labour. The cost of assets held under finance leases is determined as the lower of the fair value of the assets and the present value of future minimum lease payments.

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

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

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

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

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

Impairment of property, plant and equipment and intangible assets as well as investments in subsidiaries
The carrying amounts of property, plant and equipment and intangible assets with determinable useful lives and investments in subsidiaries are reviewed at the statement of financial position date to determine whether there are any indications of impairment. If such indications are found, the recoverable amount of the asset is assessed to determine any need for an impairment write-down and, if so, the amount of the write-down.

For intangible assets with indefinite useful lives and goodwill, and intangible assets in progress (not yet available for use) the recoverable amount is assessed annually, regardless of whether any indications of impairment have been found.
If the asset does not generate any cash flows independently of other assets, the recoverable amount is calculated for the smallest cash-generating unit that includes the asset. The recoverable amount is calculated as the higher of the fair value less costs to sell and the value in use of the asset or the cash-generating unit, respectively.

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

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

For cash-generating units, the write-down is allocated in such a way that goodwill amounts are written down first, and any remaining need for write-down is allocated to other assets in the unit, although no individual assets are written down to a value lower than their fair value less costs to sell. Impairment write-downs are recognized in the statement of comprehensive income.

If write-downs are subsequently reversed as a result of changes in the assumptions on which the calculation of the recoverable amount is based, the carrying amount of the asset or the cash-generating unit is increased to the adjusted recoverable amount, not, however, exceeding the carrying amount that the asset or cash-generating unit would have had, had the write-down not been made.

Impairment of goodwill is not reversed.

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

Inventories
Inventories are measured at the lower of cost computed in accordance with the FIFO method and net realizable value. The cost of goods for resale, raw materials and consumables includes the purchase price plus transportation costs.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labor as well as allocated fixed and variable production overheads.

Variable production overheads comprise indirect materials and payroll costs and are allocated based on preliminary calculations of the goods actually manufactured. Fixed production overheads comprise maintenance of and depreciation on the machines, factory buildings and equipment used in the manufacturing process as well as the cost of factory management and administration. Fixed production overheads are allocated based on the normal capacity of the production plant.

The net realizable value of inventories is calculated as the expected selling price less completion costs and costs incurred in making the sale.

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

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

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

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

Treasury shares
Acquisition and sales sums arising on the purchase and sale of treasury shares and dividends on treasury shares are recognized directly in retained earnings under equity.

Provisions
Provisions are recognized when, as a consequence of a past event during the financial year or previous years, the Group has a legal or constructive obligation, and it is likely that settlement of the obligation will require an outflow of the company's financial resources.

Provisions are measured as the best estimate of the costs required to settle the liabilities at the statement of financial position date. Provisions with an expected term of more than a year after the statement of financial position date are measured at present value. On sales of goods subject to a right of return, provision is made for the proceeds on the goods expected to be returned as well as any costs related to the returns.

Finance lease liabilities
Finance lease liabilities regarding assets held under finance leases are recognized in the statement of financial position as liabilities and measured at the inception of the lease at the lower of the fair value of the leased asset and the present value of future lease payments.

On subsequent recognition, lease liabilities are measured at amortized cost price. The difference between the present value and the nominal value of lease payments is recognized in the statement of comprehensive income over the term of the lease as a financial expense.

Lease payments regarding operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

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

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

CASH FLOW STATEMENT

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

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

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

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

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

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

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

SEGMENT INFORMATION

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

Revenue, segment assets and additions to property, plant and equipment and intangible assets are disclosed in the three geographical segments of the Exiqon Group. The segment information follows the Group's risks, the Group's accounting policies and in-house financial management.

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

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

DEFINITION OF KEY RATIOS

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

Note 2. Significant accounting estimates, assumptions and uncertainties

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

Capital resources and liquidity

Exiqons financial statements are prepared on a going concern basis based on a budget which inherently is subject to a number of assumptions and uncertainties including most notably an assumption of continued growth in the company's sale of life sciences products and services, and associated uncertainties relating to the emerging nature of the markets, which the company addresses. Management acknowledges that there are risks associated with achieving the budget.

Management is convinced that the company has sufficient capital resources and liquidity to support the current strategy even if one or more budget assumptions fail, and that other measures can be taken to ensure that sufficient capital resources are available as may be required also in the longer run.

Current capital resources depend on a credit facility of DKK 10 million subject to renewal on 10 January 2016, and a corporate bond of DKK 15 million subject to repayment by 1 March 2016. Management expects any requirement for additional capital in the future may be covered by continuing the existing arrangements beyond their current terms, replacing them with new arrangements on similar terms or increasing the current share capital under existing authorizations to the Supervisory Board.

Significant accounting estimates

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

Goodwill

Goodwill originates from the acquisition of Oncotech, Inc. which was discontinued in June 2010 and relates to work-force competences, the company's proprietary qPCR technology platform and diagnostic development programs for tests which are continued by Exiqon A/S

In the annual impairment test of goodwill, an estimate is made to determine how the part of the enterprise (cash-generating unit) to which goodwill is attributed will be able to generate sufficient future positive net cash flows to support the value of goodwill and other net assets of the enterprise in question.

The future cash flows from diagnostic tests currently under developement are estimated based on the objective of each developement program and the company's strategy and budgets for the coming three years and projections for seven subsequent years. Risks relating to key parameters including market potential, market penetration, price, future sales and costs have been assessed and recognized in estimated future cash flows. For further details reference is made to note 12 which is hereby incorporated by reference.

The carrying amount of goodwill as of 31 December 2014 is DKK 49,368 thousands (DKK 49,368 thousands).

Research and development costs

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

In accordance with industry practice, the company has assessed that there is insufficient certainty that the detailed criteria for capitalization will be met, and the development costs incurred are therefore recognized in the years when incurred. Research and development costs included in 2014 were DKK 26,283 thousands (DKK 24,253 thousands).

Since none of the Group's development programs have reached a status, which requires capitalization, no capitalization of development programs was made as of 31 December 2014.

Deferred tax assets
Deferred tax assets, including tax losses carried forward, are recognized with their expected value. The assessment of deferred tax assets regarding loss carry-forwards, which has not been activated, is based on the expected, future taxable income of the respective company and the due date of their losses. For further details please refer to note 19.

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

In 2014, inventory was written down with DKK 3,726 thousands (DKK 1,677 thousands). The write-down in 2014 consists primarily of discontinued products.

Trade receivables
Trade receivables are measured at amortized cost using the effective interest method, less any impairment. Write downs for expected bad debt losses are based on an individual assessment of each customer's creditworthiness. If a customer's financial condition deteriorates, and thus the ability to meet the financial obligation to Exiqon, further write-downs may be required in future accounting periods. In 2014, trade receivables was written down with DKK 142 thousands (DKK 53 thousands). For further details please refer to note 16.

Note 3. Revenue

Parent			Group	
2013	2014		2014	2013
DKK'000	DKK'000		DKK'000	DKK'000
78,303	80,964	Product sales	96,269	96,633
12,478	14,615	Services	20,507	15,489
7,652	8,912	License income	8,912	7,652
3,810	6,704	Contract research and grants income	6,704	3,810
102,243	**111,195**		**132,392**	**123,584**

Note 4. Segment information for the Group

Executive Management Board has organized the reporting into two reportable operating segments: Life Sciences and Diagnostics. Life Sciences are made up of both Life Sciences and Services. Life Sciences includes the sales of research products for RNA analysis and Services uses the research products in their business.
Executive Management Board monitors the operating results of its business segments separately to decide the resource allocation and performance assessments. Segment performance is monitored on operating results as presented in the tables below. Financial items and taxes are managed on a Corporate level and are not allocated to operating segments.

Diagnostics includes R&D of a variety of diagnostics tests currently under development and not yet ready for sale. Diagnostics are presented as a reporting segment by Executive Management Board, since revenue is expected in this segment in the future and more than 10% of EBIT and assets can be allocated to this segment. Transactions between operating segments are made on an arm's length basis as though the transactions had been with third parties.

Segment information on reportable segments - 2014 (Group)

DKK'000	Life Sciences	Diagnostics	Group eliminations	Other	Total
Revenue	131,190	3,322	-2,120	0	132,392
Gross profit	82,432	2,767	0	0	85,199
Segment operating profit/loss (EBIT)	13,615	-16,697	0	0	-3,082
Profit/(loss) before tax	13,615	-16,697	0	-2,901	-5,983
Addition of assets	13,029	96	0	0	13,125
Segment assets	60,304	53,584	0	23,774	137,662
Depreciation and amortization	5,310	878	0	0	6,188

Segment information on reportable segments - 2013 (Group)

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

Note 4. Segment information for the Group (continued)

Geographical split of revenue

The Group divides its revenue into three geographies: North America, Europe and Rest of World. The split is based on the registered offices of the customers.

	2014 DKK'000	2013 DKK'000
North America	45,576	42,355
Europe *)	72,000	66,102
Rest of World	14,816	15,127
	132,392	123,584

*) Including Denmark (country of domicile) tDKK 6,522 (tDKK 3,934 in 2013).

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	
	2014 DKK'000	2013 DKK'000	2014 DKK'000	2013 DKK'000
Europe	13,059	5,437	72,263	65,283
North America	66	66	193	217
	13,125	5,503	72,456	65,500

Note 5. Staff costs

Parent			Group	
2013 DKK'000	2014 DKK'000		2014 DKK'000	2013 DKK'000
1,300	1,300	Supervisory Board's fee	1,300	1,300
39,038	44,444	Wages and salaries	54,529	49,007
696	721	Pension scheme	1,084	988
2,899	3,854	Share-based payment	3,854	2,899
2,490	3,255	Other staff costs	3,316	2,560
46,423	**53,574**		**64,083**	**56,754**
		Staff costs are distributed as follows:		
8,508	10,759	Production costs	10,759	8,508
8,396	11,588	Research and development costs	11,588	8,396
15,298	16,015	Sales and marketing costs	26,524	25,628
14,221	15,212	Administrative costs	15,212	14,222
46,423	**53,574**		**64,083**	**56,754**
65	72	Average number of employees	87	80

Renumeration for the Management

Remuneration for Management is subject to the remuneration policy for the Supervisory Board and the Executive Board of Exiqon A/S and the Company's overall guidelines for incentive pay as approved by the Annual General Meeting.

Members of the Supervisory Board are paid a fixed annual base fee that is approved the year in advance by the Annual General Meeting. Hence, the Supervisory Board is not covered by any incentive pay scheme.

Members of the Executive Board are paid a fixed basic remuneration, pension, standard staff benefits as well as short or long-term incentive pay. While the Company is still in a start-up phase and has limited financial resources, the incentive pay can make up a substantial part of the total remuneration to the Company's Executive Board. Reference is made to Note 6 for information about the current incentive program for the Company's Executive Board.

For members of the Executive Board the standard notice of termination on part of the Company does not exceed twelve months. In the event of a change of control a longer notice of termination or a severance pay corresponding to two years' remuneration applies.

The standard notice of termination on the part of the executive officer does not exceed six months.

Details about the remuneration policy for the Supervisory Board and the Executive Board of Exiqon A/S are available at the Company's web site: www.exiqon.com/investor/Pages/RemunerationPolicy.aspx

The remuneration policy is supplemented by the Company's overall guidelines for incentive pay which may be found on the Company's website: www.exiqon.com/investor/corporategovernance/2014

Note 5. Staff costs (continued)

Remuneration for the Management:

	Fixed salary, bonus etc.	Supervisory Board's fee	Pensions	Share-based payment	Total remuneration
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Management remuneration 2014 (group):					
Supervisory Board					
Chairman Thorleif Krarup	0	600	0	0	600
Deputy Chairman, Erik Walldén	0	300	0	0	300
Michael Nobel	0	200	0	0	200
Per Wold-Olsen	0	200	0	0	200
Executive Management					
Lars Kongsbak	3,261	0	58	2,570	5,889
Hans Henrik Chrois Christensen	2,183	0	38	1,284	3,505
	5,444	1,300	96	3,854	10,694
Management remuneration 2013 (group):					
Supervisory Board					
Chairman Thorleif Krarup	0	600	0	0	600
Deputy Chairman, Erik Walldén	0	300	0	0	300
Michael Nobel	0	200	0	0	200
Per Wold-Olsen	0	200	0	0	200
Executive Management					
Lars Kongsbak	3,190	0	87	1,908	5,185
Hans Henrik Chrois Christensen	2,087	0	57	926	3,070
	5,277	1,300	144	2,834	9,555
Management remuneration 2014 (parent):					
Supervisory Board					
Chairman Thorleif Krarup	0	600	0	0	600
Deputy Chairman, Erik Walldén	0	300	0	0	300
Michael Nobel	0	200	0	0	200
Per Wold-Olsen	0	200	0	0	200
Executive Management					
Lars Kongsbak	3,261	0	58	2,570	5,889
Hans Henrik Chrois Christensen	2,183	0	38	1,284	3,505
	5,444	1,300	96	3,854	10,694
Management remuneration 2013 (parent):					
Supervisory Board					
Chairman Thorleif Krarup	0	600	0	0	600
Deputy Chairman, Erik Walldén	0	300	0	0	300
Michael Nobel	0	200	0	0	200
Per Wold-Olsen	0	200	0	0	200
Executive Management					
Lars Kongsbak	3,190	0	87	1,908	5,185
Hans Henrik Chrois Christensen	2,087	0	57	926	3,070
	5,277	1,300	144	2,834	9,555

Note 6. Share-based payment

For the purpose of motivating and retaining employees and encourage the fulfillment of common goals for employees, management and shareholders, the company has set up share-based incentive programs in the form of warrant schemes for, Executive Management, senior employees and other employees, as approved by shareholders at a previous general meeting. The scheme, which can only be exercised by buying the shares in question (equity-based scheme), entitles the holder to buy a number of shares in the parent company at an agreed price, corresponding to a calculated average price of the shares at the time of grant added an annual performance adjustment. Warrants that remain unexercised will lapse. The right to exercise warrants is conditional on continuing employment until the end of the vesting period.

	Executive Management	Others	Total	Weighted average exercise price
Outstanding warrants 1 January 2014	3,417,610	402,183	3,819,793	12.07
Expired in the financial year	-595,651	-402,183	-997,834	10.32
Outstanding warrants 31 December 2014	**2,821,959**	**0**	**2,821,959**	**12.86**
Of which can be exercised	1,696,936	0	1,696,936	13.27
Outstanding warrants 1 January 2013	3,671,696	489,683	4,161,379	11.20
Granted in the financial year	553,110	0	553,110	8.82
Expired in the financial year	-807,196	-87,500	-894,696	8.79
Outstanding warrants 31 December 2013	**3,417,610**	**402,183**	**3,819,793**	**12.07**
Of which can be exercised	1,335,388	391,714	1,727,102	11.91

2014
No warrants have been exercised during 2014.

2013
No warrants have been exercised during 2013.

The warrants outstanding at the end of 2014 had a weighted average remaining contractual life of 29 months (in 2013: 31 months).

Note 6. Share-based payment (continued)

As of 31 December 2014, the following warrant programs are still outstanding:

Program	Exercise price	Exercise period	Fair value at year end in DKK'000 *)	Estimated fair value at time of grant per warrant in DKK
March 2012	13.47	4 weeks following the announcement of annual and interim financial statements	473	4.4
August 2013	8.82	4 weeks following the announcement of annual and interim financial statements	640	1.6
Total			**1,114**	

*) 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 33.92% based on the average volatility on the Exiqon share during the last 12 months, a risk-free interest rate of 0.2% per annum, and finally the share price of Exiqon on 31 December 2014, DKK 7.00. The expected maturity is calculated as the latest possible exercise of warrants adjusted for expected termination of employment and other causes for the non-exercise of warrants.

Warrant programs granted in March 2012

Warrants granted in March 2012 are divided into 3 tranches, with 1/3 vesting yearly over a 36 month period. The exercise period expires in 2018. The exercise price is 12.9 with a premium of 2.5% p.a. from the date of grant until exercise.

Warrant programs granted in August 2013

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

Note 7. Depreciation, amortization and impairment

Parent			Group	
2013 DKK'000	2014 DKK'000		2014 DKK'000	2013 DKK'000
2,005	2,039	Software	2,039	2,005
1,048	1,048	Acquired patents and licenses	1,048	1,048
424	1,465	Laboratory equipment	1,465	431
658	757	Production plant and equipment	757	658
448	771	Fixtures and fittings, tools and equipment*)	879	530
-200	-146	Gains and losses on sale of property, plant and equipment	-146	-200
4,383	**5,934**		**6,042**	**4,472**
		Depreciation, amortization and impairment are distributed as follows:		
1,197	1,392	Production costs	1,392	1,197
1,707	3,382	Research and development costs	3,382	1,707
967	1,005	Sales and marketing costs	1,113	1,056
512	155	Administrative costs	155	512
4,383	**5,934**		**6,042**	**4,472**

*) Based on average exhange rates for the year. Year end depreciations and amortizations equal DKK 6,197 million based on year end exhange rates

Note 8. Fees to auditors appointed by the general meeting

Parent			Group	
2013 DKK'000	2014 DKK'000		2014 DKK'000	2013 DKK'000
		Fees to the parent company's auditors appointed by the general meeting for the financial year are specified as follows:		
335	335	Statutory audit	335	335
73	52	Other audit opinions with assurance	52	73
25	25	Tax consultancy	25	25
88	44	Non-audit services	44	88
521	**456**		**456**	**521**

Note 9. Financial items

Parent			Group	
2013	2014		2014	2013
DKK'000	DKK'000		DKK'000	DKK'000
		Financial income		
0	0	Interest income from bank deposits etc.	1	2
0	0	Interest income from subsidiaries	0	1
8,236	13,871	Foreign exchange gains	2,209	5,082
8,236	**13,871**		**2,210**	**5,085**
		Financial expenses		
2,144	2,300	Interest on bonds and bank loans	2,735	2,204
31	54	Interest expenses to subsidiaries	0	0
59	197	Interest on financial lease obligations	197	59
8,718	14,429	Foreign exchange losses	2,179	5,550
10,952	**16,980**		**5,111**	**7,813**

Net interest and value gains of DKK -2,901 million equal DKK - 3,497 million when including exchange gains/losses on intercompany receivables.

Note 10. Tax on profit for the year

Parent			Group	
2013	2014		2014	2013
DKK'000	DKK'000		DKK'000	DKK'000
		Tax on profit for the year is explained as follows:		
-3,109	-1,720	Tax calculated at a rate of 24.5% *)	-1,543	-2,877
788	971	Permanent deviations	998	814
1,071	-2,941	Unrecognized change in tax asset	-3,157	753
0	0	Effect of deviating foreign tax rate relative to Danish tax rate	13	60
0	0	Mandatory local company tax	40	48
0	0	Recognized change in tax asset	446	376
-1,250	**-3,690**		**-3,203**	**-826**
		Income tax recognized in profit or loss:		
-1,250	-3,690	Current tax**)	-3,650	-1,202
0	0	Deferred tax	447	376
-1,250	**-3,690**		**-3,203**	**-826**

*) Tax on profit for the year is calculated at a rate of 24.5% (25% in 2013)
**) Current tax equals DKK-3,643 million when based on year end exchange rates.

Note 11. Earnings per share

	Group	
	2014	2013
The calculation of earnings per share and diluted earnings per share are based on the following data:		
Profit/(loss) (DKK'000)	-2,780	-10,682
Average number of shares	36,874,082	36,874,082
Average number treasury shares	-5,342	-5,342
Average number of outstanding shares	36,868,740	36,868,740
Average diluting effect of outstanding warrants (no.)	0	0
Average number of shares, diluted (no.)	36,868,740	36,868,740
Earnings per share	-0.08	-0.29
Diluted earnings per share	-0.08	-0.29

2,821,959 outstanding warrants are out-of-the-money. These are not included in the calculation of diluted earnings.
The Supervisory Board proposes that the parent's loss for the year be distributed to retained earnings.

Note 12. Intangible assets, consolidated and parent company financial statements

	Goodwill DKK'000	Acquired software licenses DKK'000	Acquired patent rights DKK'000	Intangible assets under construction DKK'000	Intangible assets DKK'000
Intangible assets 2014 (Group)					
Cost at 1 January 2014	120,032	13,236	13,255	1,648	148,171
Adjustment to opening balance	0	-8	-2	10	0
Additions	0	3,795	0	246	4,041
Transfer	0	0	0	-1,658	-1,658
Cost at 31 December 2014	**120,032**	**17,023**	**13,253**	**246**	**150,554**
Amortization and impairment at 1 January 2014	-70,664	-9,049	-7,319	0	-87,032
Adjustment to opening balance	0	-3	1	0	-2
Amortization	0	-2,039	-1,048	0	-3,087
Amortization and impairment at 31 December 2014	**-70,664**	**-11,091**	**-8,366**	**0**	**-90,121**
Carrying amount at 31 December 2014	**49,368**	**5,932**	**4,887**	**246**	**60,433**
Intangible assets 2014 (parent)					
Cost at 1 January 2014	0	13,234	13,255	1,648	28,137
Adjustment to opening balance	0	-8	-2	10	0
Additions	0	3,795	0	246	4,041
Transfer	0	0	0	-1,658	-1,658
Cost at 31 December 2014	**0**	**17,021**	**13,253**	**246**	**30,520**
Amortization at 1 January 2014	0	-9,047	-7,319	0	-16,366
Adjustment to opening balance	0	-3	1	0	-2
Amortization	0	-2,039	-1,048	0	-3,087
Amortization at 31 December 2014	**0**	**-11,089**	**-8,366**	**0**	**-19,455**
Carrying amount at 31 December 2014	**0**	**5,932**	**4,887**	**246**	**11,065**

Note 12. Intangible assets, consolidated and parent company financial statements (continued)

	Goodwill DKK'000	Acquired software licenses DKK'000	Acquired patent rights DKK'000	Intangible assets under construction DKK'000	Intangible assets DKK'000
Intangible assets 2013 (Group)					
Cost at 1 January 2013	120,032	12,239	13,255	29	145,555
Additions	0	968	0	1,668	2,636
Transfer	0	29	0	-49	-20
Cost at 31 December 2013	**120,032**	**13,236**	**13,255**	**1,648**	**148,171**
Amortization and impairment at 1 January 2013	-70,664	-7,043	-6,271	0	-83,978
Amortization		-2,006	-1,048	0	-3,054
Amortization and impairment at 31 December 2013	**-70,664**	**-9,049**	**-7,319**	**0**	**-87,032**
Carrying amount at 31 December 2013	**49,368**	**4,187**	**5,936**	**1,648**	**61,139**
Intangible assets 2013 (parent)					
Cost at 1 January 2013	0	12,237	13,255	29	25,521
Additions	0	968	0	1,668	2,636
Transfer	0	29	0	-49	-20
Cost at 31 December 2013	**0**	**13,234**	**13,255**	**1,648**	**28,137**
Amortization at 1 January 2013	0	-7,042	-6,271	0	-13,313
Amortization	0	-2,005	-1,048	0	-3,053
Amortization at 31 December 2013	**0**	**-9,047**	**-7,319**	**0**	**-16,366**
Carrying amount at 31 December 2013	**0**	**4,187**	**5,936**	**1,648**	**11,771**

Goodwill is allocated to the cash generating unit Exiqon Diagnostics. According to IAS 36, Impairment of Assets, goodwill (including non current assets) must be impairment tested at least annually at yearend to ensure that the carrying amount is not higher than the recoverable amount. This years' impairment test was performed at yearend after the annual strategy review by Executive Management and the Supervisory Board. The recoverable amount of the cash-generating unit is determined based on discounted cash flow calculations which are based on cash flow budgets approved by the Supervisory Board as part of the company's budgets for 2015-2017 and projections for 2018-2024.

Significant parameters in these budgets and projections include expected revenue, EBIT, and terminal growth rates. The budgets for 2015-2017 are prepared on the basis of the company's three year strategy plan and related specific assumptions, while the projection for 2018-2024 is prepared on the basis of a continuation of this strategy and reflective of the company's expectations to each new test with regard to market potential, market penetration price and future sales. The following remains unchanged compared to 2013: Each planned new test is expected to achieve a market share of 1-5% within the first 3 years after being launched and sales are thereafter estiamted to grow 12% on average year over year until 2024. Product margins for all tests are estiamted to be around 55-60% while R&D costs and SG&A costs are expected to align with industry standards over time, equal to R&D costs of 15% and SG&A costs of 30% of revenue. A growth rate of 0% in revenue applies for the terminal period after 2024. The terminal value represents less than 5% of the total carrying amount's present value although some of the planned new tests expectedly will not be launched until end of the budget period 2015-2017, provided the development is successful, and therefore may potentially show growing sales after 2024. The discount rate (WACC) after tax is set to 12.5% (corresponding to a WACC before tax 13.8%) and the current tax rate is expected to gradually reduce to 22%. A number of sensitivity analyses are performed as part of the impairment test on significant parameters such as expected revenue, COGS, EBIT and WACC have been performed and these analyses have not indicated any risk for impairment.

Note 13. Property, plant and equipment

	Production equipment DKK'000	Laboratory equipment DKK'000	Fixtures and fittings DKK'000	Leasehold improve-ments DKK'000	Tangible assets under construction DKK'000	Property, plant and equipment DKK'000
Property, plant and equipment 2014 (Group)						
Cost at 1 January 2014	11,957	28,884	14,040	10,690	21	65,592
Adjustment to opening balance	191	-285	-1,376	-40	0	-1,510
Exchange rate adjustment		269	138	162	0	569
Additions	1,364	7,168	1,875	247	109	10,763
Disposals					-21	-21
Cost at 31 December 2014	**13,512**	**36,036**	**14,677**	**11,059**	**109**	**75,393**
Depreciation at 1 January 2014	-10,582	-27,096	-13,449	-10,104	0	-61,231
Adjustment to opening balance	-189	283	1,376	41	0	1,511
Exchange rate adjustment	0	-269	-120	-152	0	-541
Depreciation	-757	-1,464	-707	-181	0	-3,109
Depreciation at 31 December 2014	**-11,528**	**-28,546**	**-12,900**	**-10,396**	**0**	**-63,370**
Carrying amount at 31 December 2014	**1,984**	**7,490**	**1,777**	**663**	**109**	**12,023**
Assets held under finance leases	1,162	5,897	926	0	0	7,985
Property, plant and equipment 2014 (parent)						
Cost at 1 January 2014	11,957	26,832	12,981	9,454	21	61,245
Adjustment to opening balance	191	-286	-1,373	-39	0	-1,507
Additions	1,364	7,168	1,809	247	109	10,697
Transfer	0	0	0	0	-21	-21
Cost at 31 December 2014	**13,512**	**33,714**	**13,417**	**9,662**	**109**	**70,414**
Depreciation at 1 January 2014	-10,582	-25,045	-12,532	-8,946	0	-57,105
Adjustment to opening balance	-189	285	1,375	42	0	1,513
Depreciation	-757	-1,464	-614	-157	0	-2,992
Depreciation at 31 December 2014	**-11,528**	**-26,224**	**-11,771**	**-9,061**	**0**	**-58,584**
Carrying amount at 31 December 2014	**1,984**	**7,490**	**1,646**	**601**	**109**	**11,830**
Assets held under finance leases	1,162	5,897	926			7,985

Note 13. Property, plant and equipment (continued)

	Production equipment DKK'000	Laboratory equipment DKK'000	Fixtures and fittings DKK'000	Leasehold improve-ments DKK'000	Tangible assets under construction DKK'000	Property, plant and equipment DKK'000
Property, plant and equipment 2013 (Group)						
Cost at 1 January 2013	11,353	27,533	13,729	10,309	11	62,935
Exchange rate adjustment	0	-93	-43	-53	0	-189
Additions	604	1,444	354	434	10	2,847
Cost at 31 December 2013	**11,957**	**28,884**	**14,040**	**10,690**	**21**	**65,592**
Depreciation at 1 January 2013	-9,922	-26,758	-13,125	-9,988	0	-59,793
Exchange rate adjustment	0	93	39	52	0	184
Depreciation	-660	-431	-363	-168	0	-1,622
Depreciation at 31 December 2013	**-10,582**	**-27,096**	**-13,449**	**-10,104**	**0**	**-61,231**
Carrying amount at 31 December 2013	**1,375**	**1,788**	**591**	**586**	**21**	**4,361**
Assets held under finance leases	585	1,081	0	0	0	1,666
Property, plant and equipment 2013 (parent)						
Cost at 1 January 2013	11,353	25,388	12,676	9,036	11	58,464
Additions	604	1,444	305	418	10	2,781
Cost at 31 December 2013	**11,957**	**26,832**	**12,981**	**9,454**	**21**	**61,245**
Depreciation at 1 January 2013	-9,922	-24,619	-12,230	-8,800	0	-55,571
Depreciation	-660	-426	-302	-146	0	-1,534
Depreciation at 31 December 2013	**-10,582**	**-25,045**	**-12,532**	**-8,946**	**0**	**-57,105**
Carrying amount at 31 December 2013	**1,375**	**1,787**	**449**	**508**	**21**	**4,140**
Assets held under finance leases	585	1,081	0			1,666

Note 14. Investment in subsidiaries

Parent			Group	
2013 DKK'000	2014 DKK'000		2014 DKK'000	2013 DKK'000
15,051	15,051	Cost at 1 January		
0	0	Capital injection in subsidiaries		
0	0	Disposals		
15,051	**15,051**	**Cost at 31 December**		
0	0	Impairment at 1 January		
0	0	Impairment regarding assets disposed		
0	**0**	**Impairment at 31 December**		
15,051	**15,051**	**Carrying amount at 31 December**		

Investments in subsidiaries comprise the following:
Exiqon Inc., 12 Gill Street, Suite 1650, Woburn, MA 01801, USA, wholly owned, selling and marketing activities.

Note 15. Inventories

Parent			Group	
2013 DKK'000	2014 DKK'000		2014 DKK'000	2013 DKK'000
4,871	6,236	Raw materials and consumables	6,273	4,904
7,360	7,302	Manufactured goods and goods for resale	7,690	7,867
12,231	**13,538**		**13,963**	**12,771**

Note 16. Trade receivables

Parent			Group	
2013 DKK'000	2014 DKK'000		2014 DKK'000	2013 DKK'000
10,383	15,743	Trade receivables 31 December (gross)	22,225	13,435
-93	-146	Write-down for expected losses 1 January	-251	-196
-146	-16	Write-down for expected losses during the year	-16	-238
93	146	Reversal of previous write-downs for expected losses	189	196
-146	-16	Write-down for expected losses 31 December	-78	-238
10,237	15,727	Trade receivables 31 December (net)	22,147	13,197
		Ageing of past due but not impaired:		
1,775	2,347	Up to 30 days	3,328	1,985
795	1,612	30 to 90 days	2,201	844
17	147	90 to 180 days	148	31
0	5	More than 180 days	54	4
2,587	4,111		5,731	2,864

All trade receivables fall due within 1 year.
The write down of trade receivables is recognized in the income statement as part of the Sales and marketing costs. The write-down is based on an individual assessment of each individual debtor's creditworthiness.

Note 17. Share capital

Parent			Group	
2013 DKK'000	2014 DKK'000		2014 DKK'000	2013 DKK'000
36,874	36,874	No. of shares at 1 January		
-	-	Capital increase		
-	-	Warrant exercises		
36,874	**36,874**	**No. of shares at 31 December**		

The share capital consists of 36,874,082 shares of DKK 1 each. The shares are paid up in full. The shares are not divided into classes, nor are any special rights attached to any shares.

Changes in share capital

Parent	2010 DKK'000	2011 DKK'000	2012 DKK'000	2013 DKK'000	2014 DKK'000
Number of shares at 1 January	30,305	33,335	35,069	36,874	36,874
Capital increase	3,030	1,667	1,805	-	-
Issue of bonus shares	-	-	-	-	-
Warrant exercise	-	67	-	-	-
Number of shares at 31 December	**33,335**	**35,069**	**36,874**	**36,874**	**36,874**

Note 18. Treasury shares

	No. in '000	Nominal value DKK'000	% of share capital
Treasury shares at 1 January 2014	5	5	0.01
Acquisition of treasury shares	-	-	-
Sale of treasury shares	-	-	-
Treasury shares at 31 December 2014	**5**	**5**	**0.01**
Treasury shares at 1 January 2013	5	5	0.01
Acquisition of treasury shares	-	-	-
Sale of treasury shares	-	-	-
Treasury shares at 31 December 2013	**5**	**5**	**0.01**

Note 19. Deferred tax assets

Parent			Group	
2013 DKK'000	2014 DKK'000		2014 DKK'000	2013 DKK'000
1,303	191	Intangible assets	191	1,303
2,594	954	Property, plant and equipment	1,140	2,751
1,375	856	Prepayments received	872	1,406
5,272	**2,001**	**Temporary differences**	**2,203**	**5,460**
108,876	95,919	Tax loss carry-forwards	97,147	110,564
114,148	**97,920**	**Deferred tax asset at 31 December**	**99,350**	**116,024**
-114,148	-97,920	Unrecognized tax asset	-97,920	-114,148
0	**0**	**Recognized tax asset at 31 December**	**1,430**	**1,876**

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

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

Exiqon A/S
The parent company has generated losses in the past few years. As it is still uncertain when the deferred tax asset can be utilized, the asset has not been recognized in the financial statements for 2014.

Exiqon Inc.
As of 31 December 2014, Exiqon has capitalized tax asset DKK 1.4 million in the wholly owned US subsidiary Exiqon, Inc. Continuing growth in the US market implies that the criteria for future utilization are fulfilled. The tax asset is expected to be utilized within 5 years (DKK 0.4 million within 1 year). The local US tax rates are applied in the calculation which averagely corresponds to 26%.

Note 20. Corporate Bonds

	Bonds payment		Present value of bonds*)	
Group	2014 DKK'000	2013 DKK'000	2014 DKK'000	2013 DKK'000
Due within one year from the balance sheet date	0	0	0	0
Due in 1-5 years from the balance sheet date	15,000	15,000	15,520	15,285
	15,000	**15,000**	**15,520**	**15,285**
Interest payment due within one year from the balance sheet date	1,328	1,328		
Interest payment due within 1-5 years from the balance sheet date	664	1,991		
	16,992	**18,319**		
Parent				
Due within one year from the balance sheet date	0	0	0	0
Due in 1-5 years from the balance sheet date	15,000	15,000	15,520	15,285
	15,000	**15,000**	**15,520**	**15,285**
Interest payment due within one year from the balance sheet date	1,328	1,328		
Interest payment due within 1-5 years from the balance sheet date	664	1,991		
	16,992	**18,319**		

*) Present value of of bonds is based on future cash flows discounted by the market interest rate (development in CIBOR) and considered level 3 of the fair value hierarchy cf. IFRS 13.

Terms of Corporate Bonds

Type	Subordinated loan capital
Currency	DKK
Interest	Fixed 8.85%
Expiry	1 March 2016
Termination	Exiqon is entitled to redeem the principal sum 1 March 2015

Note 21. Finance lease liabilities

	Lease payment		Present value of lease payments	
Group	2014 DKK'000	2013 DKK'000	2014 DKK'000	2013 DKK'000
Due within one year from the balance sheet date	2,572	418	2,439	403
Due in 1-5 years from the balance sheet date	3,282	263	3,155	258
	5,854	**681**	**5,594**	**661**
Amortization premium for future expensing	-260	-20		
	5,594	**661**		
Parent				
Due within one year from the balance sheet date	2,572	418	2,439	403
Due in 1-5 years from the balance sheet date	3,282	263	3,155	258
	5,854	**681**	**5,594**	**661**
Amortization premium for future expensing	-260	-20		
	5,594	**661**		

Group	Currency	Expiry	Fixed/ floating	Effective interest rate %	Present value of lease payments DKK'000	Fair value DKK'000
Finance lease liabilities, production equipment	DKK	2015-18	Fixed	0-7	5,594	5,854
31 December 2014					**5,594**	**5,854**
Finance lease liabilities, production equipment	DKK	2014-15	Fixed	0-4	661	681
31 December 2013					**661**	**681**

Parent	Currency	Expiry	Fixed/ floating	Effective interest rate %	Present value of lease payments DKK'000	Fair value DKK'000
Finance lease liabilities, production equipment	DKK	2015-18	Fixed	0-7	5,594	5,854
31 December 2014					**5,594**	**5,854**
Finance lease liabilities, production equipment	DKK	2014-15	Fixed	0-4	661	681
31 December 2013					**661**	**681**

Note 22. Operating lease liabilities

Parent			Group	
2013	2014		2014	2013
DKK'000	DKK'000		DKK'000	DKK'000
		Lease payments included in the income statement		
4,567	4,893	Property lease commitments	5,437	5,101
		Total future minimum property lease payments for non-terminable leases fall due as follows:		
4,684	3,924	Within one year of the balance sheet date	4,694	5,364
9,096	5,799	2-5 years after the balance sheet date	6,814	10,514
0	0	More than 5 years after the balance sheet date	0	0
13,780	**9,723**		**11,508**	**15,878**

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

Note 23. Change in working capital

Parent			Group	
2013	2014		2014	2013
DKK'000	DKK'000		DKK'000	DKK'000
-387	-1,303	Change in inventories	-1,122	-122
3,458	-7,893	Change in receivables	-10,981	6,007
61	2,051	Change in trade payables etc.	2,700	267
3,867	-5,022	Change in loan from Group Companies	0	0
6,999	**-12,167**		**-9,403**	**6,152**

Change in working capital of DKK -9,403 equals DKK - 9,666 when based on 2013 exchange rates.

Note 24. Non-cash adjustments

Parent			Group	
2013	2014		2014	2013
DKK'000	DKK'000		DKK'000	DKK'000
-200	-146	Profit on the sale of non-current assets	-146	-200
-200	**-146**		**-146**	**-200**

Note 25. Contingent liabilities

Security for loans

The loan mentioned in note 21 above is secured upon leased assets under "Property, plant and equipment". Security for the short term bank loan DKK 10 million recognized as borrowings is secured upon a business mortgage ("virksomhedspant") relating to Exiqon A/S's intangible assets, property, plant and equipment, inventories and receivables amounting to DKK 59.2 million (DKK 41.9 million in 2013).

Note 26. Financial risks

Categories of financial instruments

Parent			Group	
2013	2014		2014	2013
DKK'000	DKK'000		DKK'000	DKK'000
1,547	1,196	Deposits	1,325	1,661
10,237	15,727	Trade receivables	22,147	13,197
0	1,055	Receivables from group companies	0	0
1,212	1,196	Other receivables	1,200	1,216
1,250	3,690	Refund from tax authorities	3,690	1,250
27,588	14,254	Cash and cash equivalents	20,084	29,190
41,834	**37,118**	**Loan and receivables**	**48,446**	**46,514**
661	5,594	Finance lease liabilities	5,594	661
11,038	9,302	Trade payables	10,505	11,881
10,013	10,018	Short term bank loan	10,018	10,013
15,000	15,000	Corporate Bonds	15,000	15,000
3,968	0	Payables to group companies	0	0
6,879	9,054	Other payables	10,394	7,712
47,559	**48,968**	**Financial liabilities measured at amortized cost**	**51,511**	**45,267**

Policy for managing financial risks

The parent company manages the Group's financial risks centrally and co-ordinates the Group's cash management, including capital procurement and investment of excess cash. The Group follows a finance policy, approved by the Supervisory Board annuallly, that limits currency risks , interest rate risks and credit risks to commercial transactions in the company's ordinary course of business.

Currency risks

The Group's currency risks are primarily hedged by matching payments received and made in the same currency. The Group regularly assesses the need to enter into forward exchange contracts. No forward exchange contracts were entered into as of 31 December 2014.

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

Fluctuations in the exchange rate of 10% for USD against DKK can be expected to impact the Group's net result by 64% against 19% in 2013 and the equity by 2% against 3% in 2013.

Note 26. Financial risks (continued)

Currency risks in respect of recognized financial assets and liabilities

	Group			
	Cash and cash equivalents DKK'000	Receivables DKK'000	Financial liabilities DKK'000	Non-secured net position DKK'000
USD	6,635	8,072	-4,780	9,927
EUR	4,422	12,390	-1,124	15,688
DKK	9,017	6,575	-53,629	-38,037
Other currencies	10	0	-114	-104
31 December 2014	**20,084**	**27,037**	**-59,647**	**-12,526**
USD	15,683	3,212	-4,029	14,867
EUR	1,646	8,480	-1,196	8,929
DKK	11,852	3,890	-46,356	-30,614
Other currencies	9	81	-210	-120
31 December 2013	**29,190**	**15,663**	**-51,791**	**-6,938**

Currency risks in respect of recognized financial assets and liabilities

	Parent			
	Cash and cash equivalents DKK'000	Receivables DKK'000	Financial liabilities DKK'000	Non-secured net position DKK'000
USD	805	2,703	-2,237	1,271
EUR	4,422	12,390	-1,124	15,688
DKK	9,017	6,575	-53,629	-38,037
Other currencies	10	0	-114	-104
31 December 2014	**14,254**	**21,668**	**-57,104**	**-21,182**
USD	14,081	248	-6,322	8,008
EUR	1,646	8,480	-1,196	8,929
DKK	11,852	3,890	-46,356	-30,614
Other currencies	9	81	-210	-120
31 December 2013	**27,588**	**12,699**	**-54,084**	**-13,797**

Note 26. Financial risks (continued)

Interest rate risks

The interest rate risks on the Group's interest-bearing financial assets and liabilities are not hedged and 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	20,084	0	0	20,084	0	0
Corporate bonds*	0	-15,000	0	-15,000	0	8.85
Short term bank loan	-10,018	0	0	-10,018	0	8-9
Lease arrangements	-2,439	-3,155	0	-5,594	-5,594	0-7
31 December 2014	**7,627**	**-18,155**	**0**	**-10,528**	**-5,594**	
Bank deposits	29,190	0	0	29,190	0	2-6
Corporate bonds*	0	-15,000	0	-15,000	0	8.85
Short term bank loan	-10,013	0	0	-10,013	0	2-6
Lease arrangements	-403	-258	0	-661	-661	0-4
31 December 2013	**18,774**	**-15,258**	**0**	**3,516**	**-661**	

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	14,254	0	0	14,254	0	0
Corporate bonds*	0	-15,000	0	-15,000	0	8.85
Short term bank loan	-10,018	0	0	-10,018	0	8-9
Lease arrangements	-2,439	-3,155	0	-5,594	-5,594	0-7
31 December 2014	**1,797**	**-18,155**	**0**	**-16,358**	**-5,594**	
Bank deposits	27,588	0	0	27,588	0	2-6
Corporate bonds*	0	-15,000	0	-15,000	0	8.85
Short term bank loan	-10,013	0	0	-10,013	0	2-6
Lease arrangements	-403	-258	0	-661	-661	0-4
31 December 2013	**17,172**	**-15,258**	**0**	**1,914**	**-661**	

* Interest on corporate bonds has not been included in this table but applies as follows: DKK 1.3 million within one year (in 2013: DKK 1.3 million); and DKK 0.7 million within two to five years (in 2013: DKK 2.0 million). Corporate bonds expire 1 March 2016.

The Group's bank deposits are placed on cash and demand deposits or fixed-term deposits with duration of up to 14 days. A change in the interest rate level of 0.50% compared to the realized interest during the year can be expected to have limited impact on the Group's net result or equity.

Credit risks

The Group's primary credit risk is related to trade receivables. The Group's customers are mainly well-consolidated large companies and public research institutes in Denmark, Europe and North America representing a limited credit risk. The Group's policy for undertaking credit risks involves an ongoing credit assessment of all major customers and a weekly review of all major trade receivables.

Parent			Group	
2013 DKK'000	2014 DKK'000		2014 DKK'000	2013 DKK'000
		Not impaired not due receivables are distributed as follows:		
6,775	8,998	Europe	8,998	6,775
0	861	North America	5,661	2,683
875	1,757	Rest of world	1,757	875
7,650	**11,616**		**16,416**	**10,333**

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

Note 26. Financial risks (continued)

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization between the Group's strategy and cash position and also of the debt and equity balance. The Group's overall strategy remains unchanged from 2010. The capital structure of the Group consists of debt, which includes property and equipment finance lease arrangements, a credit facility of DKK 10 million subject to renewal on 10 January 2016, a corporate bond of DKK 15 million subject to repayment by 1 March 2016, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Excess liquidity
Executive Management and the Supervisory Board review the capital structure, including the cash position, on a regular basis. As part of this review, Management and the Supervisory Board considers the capital resources future capital need and the risks associated with each class of capital.

The capital resource at the year end was as follows:

	2014 DKK'000	2013 DKK'000
Cash and cash equivalents	20,084	29,190
Credit facilities	0	0
Capital resource	**20,084**	**29,190**

Note 27. Related parties

No third party has control over Exiqon A/S.
Related parties exercising significant influence comprise Exiqon A/S' Management and Supervisory Board including their families. Other related parties comprise the subsidiary Exiqon, Inc.

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

Other related party transactions in 2014
Transactions with group companies comprised invoicing of contract work in the total amount of DKK 24,290 thousand and purchase of goods of DKK 141 thousands.

Other related party transactions in 2013
Transactions with group companies comprised invoicing of contract work in the total amount of DKK 21,001 thousand and purchase af goods of DKK 398 thousands.

Note 28. Events after the reporting period

There have been no material events after 31 December 2014 that have a bearing on the understanding of these consolidated financial statements.

Note 29. Approval of Annual Report

The Annual Report were approved by the Supervisory Board and authorized for issue on 30 January 2015.
The Annual Report is submitted for approval on the Annual General Meeting on 19 March 2015.

Headquarters
Exiqon A/S
Skelstedet 16
2950 Vedbæk
Denmark
Phone: +45 4566 0888
Fax: +45 4566 1888
CVR/Tax Id: 18 98 44 31

Exiqon, Inc.
12 Gill Street, Suite 1650
Woburn, MA 01801
USA
Phone: +1 (781) 376 4150

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