

Interim report for the quarter 1 January – 31 March 2015

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To NASDAQ OMX Copenhagen A/S

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Q1 2015 WAS THE BEST QUARTER EVER FOR EXIQON

Exiqon A/S (NASDAQ OMX Copenhagen: "EXQ") today announced results for the first three months of 2015:

Summarized results (DKK million)	Q1 2015	Q1 2014	Change
Total revenue	39.0	32.5	+ 20%
Gross profit	25.9	22.0	+ 18%
EBITDA	2.7	1.6	+ 63%
EBIT	0.9	0.5	+101%
Net profit	0.0	0.8	N/A
Cash flows from operating activities	1.2	-2.3	N/A

Revenue highlights

- RNA research services and product sales (excluding OEM) are key drivers for Exiqon's growth; and sales increased 24% to DKK 31.0 million (DKK 24.9 million) in the first quarter:
 - RNA services sales increased 70% to DKK 6.6 million (DKK 3.8 million) and initially drives Exiqon's strategy towards becoming the leading provider of flexible solutions for RNA analysis, offering high growth potential and paving the way for new proprietary products.
 - Product sales increased 16% to a record DKK 24.4 million (DKK 21.0 million) as Exiqon continues to leverage existing capabilities to capture new markets for RNA sequencing and RNA functional analysis with significant growth potential.
- Other income, including license and contract research income, increased 16% to DKK 4.4 million (DKK 3.8 million) in the first quarter, reflective of a continued interest for Exiqon's proprietary technologies, and the ongoing development of novel diagnostics within prostate and colorectal cancer with long-term potential of transforming current healthcare practices and improve patient care.

Operational highlights

- On 31 March 2015 Exiqon launched Next Generation Sequencing services for microRNAs present in blood serum and plasma, marking the latest addition to a growing portfolio of RNA sequencing analysis services with high growth potential.
- In July, 2015 Exiqon plans to launch a new cloud to provide leading flexible solutions for RNA analysis to customers in an easy-to-order process by integrating the company's proprietary bioinformatics tools and customizable LNA™ enhanced products for RNA analysis.

In a comment CEO Lars Kongsbak said: "A great quarter for Exiqon. We delivered on key financial objectives. First quarter results are a function of the successful repositioning of our business to capture new markets, targeting double digit growth in our products and services sales".

Exiqon reiterates its full year guidance of revenues between DKK 150-160 million and EBITDA of DKK 5-10 million based on an average USD/DKK exchange rate of DKK 6.50.

KEY FIGURES AND RATIOS – EXIQON GROUP (UNAUDITED)

(DKK'000 except key figures and ratios)	1 Jan. – 31 Mar. 2015	1 Jan. – 31 Mar. 2014	1 Jan. – 31 Dec. 2014
Income statement			
Revenue	39,022	32,471	132,392
Production costs	-13,094	-10,425	-47,193
Gross profit	25,928	22,046	85,199
Research and development costs	-8,319	-6,669	-26,283
Sales and marketing costs	-12,180	-10,391	-43,087
Administrative costs	-4,480	-4,515	-18,911
EBITDA *)	2,681	1,646	3,107
Operating profit/(loss) (EBIT)	949	471	-3,082
Profit/(loss) for the period	29	793	-2,780
Total Comprehensive profit/(loss) for the period	1,205	749	-2,058
Balance sheet			
Assets			
Intangible assets	59,966	60,880	60,433
Property, plant and equipment	11,360	5,454	12,023
Non-current assets	74,267	69,806	75,211
Cash and cash equivalents	20,931	25,516	20,084
Current assets	64,560	59,824	62,451
Total assets	138,827	129,630	137,662
Equity and liabilities			
Equity	79,899	77,897	78,015
Non-current liabilities	2,602	15,744	18,155
Current liabilities	56,326	35,989	41,492
Total liabilities	58,928	51,733	59,647
Total equity and liabilities	138,827	129,630	137,662
Cash flow statement			
Depreciation, amortization and impairment	1,734	1,174	6,197
Cash flows from operating activities	1,213	-2,312	-2,434
Acquisition of intangible assets and property, plant and equipment	-579	-982	-4,977
Cash flows from investing activities	-579	-982	-4,831
Cash flows from financing activities	-586	-356	-2,859
Cash and cash equivalents at the end of period	20,931	25,516	20,084
Key figures and ratios			
Number of shares, average	36,874,082	36,874,082	36,874,082
Basic EPS (DKK)	0.00	0.02	-0.08
Diluted EPS (DKK)	0.00	0.02	-0.08
Gross margin	66.4%	67.9%	64.4%
Assets/Equity (gearing)	1.74	1.66	1.76
Average number of employees	91	83	87
Market price per share (DKK)	8.8	8.8	7.0
Market capitalisation (DKK million)	322.6	322.6	258.1
Price / net asset value	4.04	4.14	3.31
Net interest bearing debt / Equity	0.11	0.01	0.13
Net interest bearing debt / EBITDA	3.40	0.52	3.39
Interest coverage	2.96	3.02	1.44

Basic and diluted EPS have been calculated in accordance with IAS 33 "Earnings per share". Other ratios have been calculated in accordance with "Recommendations & Financial Ratios 2010" issued by the Danish Society of Financial Analysts, dated June 2010.

(*) EBITDA (defined as Earnings Before Special Items, Interest, Tax, Depreciation and Amortization) includes non-cash costs of share-based payment in the first three months of 2015 with tDKK 679.

MANAGEMENT REPORT

Reported figures are for the full reporting period. Figures for the comparable reporting period in the previous year are stated in parenthesis. In the first three months of 2015 the average USD/DKK exchange rate applied to translate revenue and expenses was DKK 6.72 (DKK 5.45).

Revenue

Research product sales and services increased 24% to DKK 31.0 million (DKK 24.9 million) when excluding OEM sales to licensees of DKK 3.6 million (DKK 3.8 million). Services sales remain the primary initial growth driver, in line with the company's strategy to address new markets for RNA sequencing analysis and RNA functional analysis. New products are planned for launch H2 2015 to support the growth in products sales in the new markets mid-term. In Europe research product sales and services (excluding OEM) increased 29% to DKK 14.4 million (DKK 11.2 million). North America research product sales and services (excluding OEM) increased 33% to DKK 11.9 million (DKK 8.9 million) benefitting from an improved competitive pricing situation following the recent increase in the USD/DKK exchange rate. Rest of World sales decreased 2% to DKK 4.7 million (DKK 4.8 million), markets are proving difficult due to price sensitivity. Royalty and license income accounted for DKK 2.9 million (DKK 2.3 million) and revenue from consortium grants reported separately as contract research income totaled DKK 1.5 million (DKK 1.5 million). Total revenue increased 20% to DKK 39.0 million (DKK 32.5 million) in line with expectations.

Gross profit and margins

Gross profit increased 18% to DKK 25.9 million (DKK 22.0 million) as a result of higher sales volumes. Short-term margins are affected negatively by the increase in Services, relative to product sales, however, improved economies of scale and automated solutions will allow us to continue improving margins in the mid and long term.

Operating costs

Operating costs excluding production costs increased 16% to DKK 25.0 million (DKK 21.6 million) in line with the company's strategy to maximize investment in R&D and S&M without compromising EBITDA profitability.

EBITDA/EBIT and Net profit

EBITDA improved to DKK 2.7 million (DKK 1.6 million) whereas EBIT was affected by higher depreciations following recent increase in investments and improved to DKK 0.9 million (DKK 0.5 million). Net profit of DKK 0.03 million (DKK 0.79 million) was negatively affected by a lower provision for tax refund in 2015.

Summarized financial numbers compared to full year outlook

In the table below, the company's realized performance for the first three months of 2015 has been summarized and compared to the outlook for the full year; including an adjustment of the realized numbers to the exchange rate used as basis for the full year outlook (USD/DKK 6.50):

(DKK million)	Realized 2015		
	Realized 2015 (USD/DKK 6.72)	Realized 2015 adjusted to USD/DKK 6.50	Outlook 2015 (USD/DKK 6.50)
Revenue	39.0	38.4	150-160
EBITDA	2.7	2.4	5-10

Cash flows

Cash flows from operating activities were DKK 1.2 million (DKK -2.3 million) primarily reflective of cash flows from primary activities of DKK 2.6 million (DKK -2.7 million), net interest and value gains of DKK -1.3 million (DKK 0.4 million) and high end period sales leading to high trade receivables of DKK 22.4 million (15.6 million).

Equity and capital resources

Equity increased to DKK 79.9 million (DKK 77.9 million). On 31 March 2015 cash and cash equivalents totalled DKK 20.9 (DKK 25.5 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.

FINANCIAL OUTLOOK 2015

Exiqon expects revenues between DKK 150-160 million and EBITDA of DKK 5-10 million in 2015.

The outlook for 2015 is based on an average USD/DKK exchange rate of DKK 6.50.

In addition to exchange rates, the outlook depends primarily on organic growth in Exiqon's services and product sales, excluding OEM sales to licensees. Exiqon continues to pursue license and partnering opportunities during 2015. No significant one-time costs are included in the outlook for 2015, nor are any expected. Any costs related to new warrant grants are not included in the guidance for 2015.

STATEMENT BY THE EXECUTIVE BOARD AND SUPERVISORY BOARD ON THE INTERIM REPORT

The Supervisory Board and the Executive Board have today considered and approved the interim report of Exiqon A/S for the period 1 January – 31 March 2015.

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

We consider the accounting policies to be appropriate, the accounting estimates made to be reasonable and the overall presentation of the interim report to be adequate, so that the interim report, in our opinion, gives a true and fair view of the assets, liabilities, financial position and results of operations and cash flows of the group for the period 1 January – 31 March 2015. We consider the Management's report to give a true and fair description of the development in the Group's activities and economic situation, the results of operations and the Group's financial position as a whole and a description of the significant risks and uncertainty factors, which the Group faces.

Vedbaek, 7 May 2015

Executive Board

Lars Kongsbak, CEO Hans Henrik Chrois Christensen, CFO

Supervisory Board

Erik Walldén, chairman Thorleif Krarup, deputy chairman

Michael Nobel Per Wold-Olsen Rodney Turner

Additional information

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Forward-looking statements

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(DKK'000)	Note	1 Jan. – 31 Mar. 2015	1 Jan. – 31 Mar. 2014	1 Jan. – 31 Dec. 2014
Revenue	2,3	39,022	32,471	132,392
Production costs		-13,094	-10,425	-47,193
Gross profit		25,928	22,046	85,199
Research and development costs		-8,319	-6,669	-26,283
Sales and marketing costs		-12,180	-10,391	-43,087
Administrative costs		-4,480	-4,515	-18,911
Operating profit/(loss) (EBIT)		949	471	-3,082
Financial income		2,128	360	2,210
Financial expenses		-3,325	-907	-5,111
Profit/(loss) before tax		-248	-76	-5,983
Tax on profit/(loss) for the period		277	869	3,203
Profit/(loss) for the period		29	793	-2,780
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Exchange adjustments relating to foreign subsidiaries		1,176	-44	722
Total comprehensive income for the period		1,205	749	-2,058
Earnings per share				
Earnings per share		0.00	0.02	-0.08
Diluted earnings per share		0.00	0.02	-0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(DKK'000)	Note	31 Mar. 2015	31 Mar. 2014	31 Dec. 2014
Goodwill		49,368	49,368	49,368
Acquired patent rights		4,625	5,674	4,887
Acquired software licenses		5,500	5,470	5,932
Intangible assets under construction		473	368	246
Intangible assets		59,966	60,880	60,433
Leasehold improvements		621	671	663
Production and laboratory equipment		8,893	3,943	9,474
Fixtures and fittings, tools and equipment		1,820	615	1,777
Tangible assets under construction		26	225	109
Property, plant and equipment		11,360	5,454	12,023
Deferred tax assets		1,576	1,788	1,430
Deposits		1,365	1,684	1,325
Financial assets		2,941	3,472	2,755
Non-current assets		74,267	69,806	75,211
Inventories		12,950	13,579	13,963
Trade receivables		22,416	15,588	22,147
Other receivables		2,007	1,094	1,200
Refund from Tax Authorities		3,877	2,250	3,690
Prepayments		2,379	1,797	1,367
Receivables		30,679	20,729	28,404
Cash and cash equivalents		20,931	25,516	20,084
Current assets		64,560	59,824	62,451
Total assets		138,827	129,630	137,662
Share capital		36,874	36,874	36,874
Reserves		43,025	41,023	41,141
Equity		79,899	77,897	78,015
Corporate Bonds		0	15,000	15,000
Financial lease liabilities		2,602	744	3,155
Non-current liabilities		2,602	15,744	18,155
Corporate Bonds		15,000	0	0
Financial lease liabilities		2,442	603	2,439
Trade payables		11,427	11,203	10,505
Short term bank loan		10,006	10,020	10,018
Other payables		9,810	7,343	10,394
Deferred revenue		7,641	6,820	8,136
Current liabilities		56,326	35,989	41,492
Total liabilities		58,928	51,733	59,647
Total equity and liabilities		138,827	129,630	137,662

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(DKK'000)	1 Jan. – 31 Mar. 2015	1 Jan. – 31 Mar. 2014	1 Jan. – 31 Dec. 2014
Operating profit/(loss) (EBIT)	949	471	-3,082
Depreciation and amortization	1,734	1,174	6,197
Non-cash adjustments (warrants)	679	929	3,854
Change in working capital	-803	-5,284	-9,403
Profit on sale of assets	0	0	-146
Cash flows from primary activities	2,559	-2,710	-2,580
Net interest and value gains	-1,478	-559	-3,497
Current tax	132	957	3,643
Cash flows from operating activities	1,213	-2,312	-2,434
Acquisition of intangible assets	-333	-502	-2,382
Acquisition of property, plant and equipment	-246	-480	-2,595
Sale of assets	0	0	146
Cash flows from investing activities	-579	-982	-4,831
Repayment of lease debt	-550	-340	-3,215
Repayment of deposit and loans	-23	-23	351
Short term bank loan	-13	7	5
Cash flows from financing activities	-586	-356	-2,859
Change in cash and cash equivalents	48	-3,650	-10,124
Unrealised currency gain/(loss)	799	-24	1,018
Cash and cash equivalents at the beginning of the period	20,084	29,190	29,190
Cash and cash equivalents at the end of the period	20,931	25,516	20,084

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Number of shares No.	Share capital (DKK'000)	Other reserves			Total (DKK'000)
			Reserve for exchange adjustments (DKK'000)	Share- based payment (DKK'000)	Retained profit (DKK'000)	
Consolidated						
Equity at 1 January 2015	36,874,082	36,874	98	20,195	20,848	78,015
Profit/(loss) for the period					29	29
Exchange adjustments relating to foreign subsidiaries			1,176			1,176
Total comprehensive income		0	1,176	0	29	1,205
Share-based payment				679		679
Other transactions	0	0	0	679	0	679
Equity at 31 March 2015	36,874,082	36,874	1,274	20,874	20,877	79,899
Equity at 1 January 2014	36,874,082	36,874	-624	16,341	23,628	76,219
Profit/(loss) for the period					793	793
Exchange adjustments relating to foreign subsidiaries			-44			-44
Total comprehensive income		0	-44	0	793	749
Share-based payment				929		929
Other transactions	0	0	0	929	0	929
Equity at 31 March 2014	36,874,082	36,874	-668	17,270	24,421	77,897

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Note 1 Accounting policies

The interim report of the Exiqon Group for the period 1 January – 31 March 2015 is presented in accordance with IAS 34 and additional Danish disclosure requirements for the presentation of financial statements by listed companies. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of 31 December 2014.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year that ended 31 December 2014. Management has not made new significant accounting estimates and assumptions on topics besides those listed in the Annual Report for 2014.

Note 2 Revenue

(DKK'000)	1 Jan. – 31 Mar. 2015	1 Jan. – 31 Mar. 2014	1 Jan. – 31 Dec. 2014
Product sales	28,059	24,841	96,269
Services	6,557	3,846	20,507
License income	2,859	2,315	8,912
Contract research and grants income	1,547	1,469	6,704
	39,022	32,471	132,392

Note 3 Segment information

Exiqon's Management has organized the reporting in two reportable operating segments: Exiqon Life Sciences and Exiqon Diagnostics. The Group divides its revenue into three geographies: North America, Europe and Rest of World. The split is based on the registered offices of the customers.

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

(DKK'000)	Life Sciences	Diagnostics	Group eliminations	Other ¹⁾	Consolidated
Revenue:					
External customers	38,175	847	0	0	39,022
Internal customers	8,053	0	-8,053	0	0
Total revenue	46,228	847	-8,053	0	39,022
EBITDA	7,013	-4,332	0	0	2,681
Operating profit/(loss) (EBIT)	5,530	-4,581	0	0	949
Net non-operating cost	0	0	0	-1,197	-1,197
Profit (loss) before tax	5,530	-4,581	0	-1,197	-248
Assets	60,718	53,301	0	24,808	138,827

1) The item 'Other' includes net non-operating items.

Geography

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

(DKK'000)	1 Jan. – 31 Mar. 2015	1 Jan. – 31 Mar. 2014	1 Jan. – 31 Dec. 2014
North America	14,250	11,479	45,576
Europe	19,694	15,831	72,000
Rest of World	5,078	5,161	14,816
	39,022	32,471	132,392

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