



EXIQON
Seek Find Verify

Annual Report 2015

Contents

Part I

Management Report

- 3 | Exiqon
- 4 | Five-Year Key Figures and Ratios
- 5 | 2015 Highlights
- 6 | Exiqon Life Sciences
- 10 | Exiqon Diagnostics
- 14 | Risks
- 16 | Financial Performance in 2015
- 21 | Organization & Composition
- 25 | Corporate Social Responsibility
- 26 | Capital Market Information

Part II

Statements

- 28 | Statement by Executive Board and Supervisory Board on the Annual Report
- 29 | Independent Auditor's Reports

Part III

Accounts

- 31 | Statement of Comprehensive Income
- 32 | Statement of Financial Position
- 34 | Statement of Cash Flows
- 35 | Statement of Changes in Equity
- 36 | Statement of Changes in Equity
- 37 | Notes to the Financial Statements

Exiqon

Exiqon at a glance

At Exiqon, we advance the research of when and where genes are expressed. We empower scientists across the world through best-in-class products and user-friendly business solutions designed to transform workflows in our industry.

Our goal is to help customers establish the biological function of genetic variation and facilitate improved human health. We believe this will be achieved through dedicated service to our customers as they seek to find and verify an increasingly deeper understanding of the biological function of genetic variation.

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 products with unique and proprietary bioinformatics tools to provide an exceptional value proposition for our customers.

Exiqon Life Sciences has initially focused on gaining a leading position in the emerging market for miRNA analysis. From this position, we are expanding our products and services to include analysis of other RNAs. We pursue a growth strategy of becoming the leading provider of flexible solutions for RNA analysis by leveraging existing capabilities and capturing new markets.

Exiqon Diagnostics develops molecular diagnostic tests to help physicians detect cancer early and make the most appropriate treatment decisions. Tests are based on the products and technologies sold by Exiqon Life Sciences. 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.

Our two operating segments are highly synergistic and both benefit from the same organization, tangible and intangible assets, infrastructure, know-how and bioinformatics tools.

The investment opportunity

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

Our unique investment proposition is the attractive risk/reward profile of a proprietary life sciences business combined with third-party financed programs in diagnostics.

Through proprietary discovery technologies, we have positioned ourselves as leader in our initial markets. Now, we are expanding in to adjacent markets with our existing technologies, developing new proprietary business solutions and accelerating growth through a competitive value proposition:

- Short-term growth potential in newly launched RNA sequencing services.
- Mid-term growth potential in operating margin and market share for our newly launched products for RNA sequencing analysis, qPCR validation of mRNA and RNA functional analysis by leveraging the company's technologies and business solutions, including XploreRNA™
- Long-term potential for developing transforming diagnostics within prostate and colorectal cancer.

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

Five-Year Key Figures and Ratios

(DKK'000 except key figures)	2015	2014	2013	2012	2011
Income statement					
Revenue	162,017	132,392	123,584	117,400	111,458
Production costs	-59,452	-47,193	-48,132	-50,186	-49,296
Gross profit	102,565	85,199	75,452	67,214	62,162
Research and development costs	-32,435	-26,283	-24,253	-22,259	-22,954
Sales and marketing costs	-49,363	-43,087	-41,261	-37,894	-34,043
Administrative expenses	-17,142	-18,911	-18,718	-18,838	-19,435
EBITDA *	12,207	3,107	-4,100	-4,371	-5,081
Special items	0	0	0	0	-14,200
Operating profit/(loss) (EBIT)	3,625	-3,082	-8,780	-11,777	-28,470
Net financial income and expenses	-4,139	-2,901	-2,728	-1,888	-792
Profit/(loss) for the year	5,903	-2,780	-10,682	-14,595	-24,894
Total comprehensive profit/(loss) for the year	7,003	-2,058	-10,997	-13,905	-25,626
Balance sheet					
Assets					
Intangible assets	59,556	60,433	61,139	61,576	63,633
Property, plant and equipment	11,838	12,023	4,361	3,142	6,492
Total non-current assets	79,365	75,211	69,037	68,719	76,591
Cash and cash equivalents	56,150	20,084	29,190	17,493	12,151
Current assets	103,659	62,451	58,973	53,470	45,910
Total assets	183,024	137,662	128,010	122,189	122,501
Equity and liabilities					
Equity	86,143	78,015	76,219	84,317	80,158
Non-current liabilities	40,178	18,155	15,258	83	1,725
Current liabilities	56,703	41,492	36,533	37,789	40,618
Total liabilities	96,881	59,647	51,791	37,872	42,343
Total equity and liabilities	183,024	137,662	128,010	122,189	122,501
Cash flow and investments					
Depreciation, amortization and impairment	8,582	6,197	4,670	7,402	9,267
Cash flows from operating activities	16,058	-2,434	3,228	-5,411	-30,509
Acquisition of intangible assets and property, plant and equipment	-5,778	-4,977	-4,638	-1,604	-2,098
Cash flows from investing activities	-5,778	-4,831	-4,438	-1,601	-1,697
Cash flows from financing activities	25,234	-2,859	12,992	12,590	24,575
Cash and cash equivalents at 31 December	56,150	20,084	29,190	17,493	12,151
Key figures					
Number of shares, average	36,874,082	36,874,082	36,874,082	35,991,281	34,193,409
Basic EPS operations (DKK)	0.16	-0.08	-0.29	-0.41	-0.73
Diluted EPS operations (DKK)	0.15	-0.08	-0.29	-0.41	-0.71
Gross margin	63.3%	64.4%	61.1%	57.3%	55.8%
Assets / equity	2.12	1.76	1.68	1.45	1.53
Average number of employees	94	87	80	73	71
Market price per share (DKK)	12.0	7.0	8.2	8.3	9.6
Market capitalization (DKK million)	442.5	258.1	300.5	291.1	336.7
Price / net asset value	5.14	3.31	3.94	3.45	4.20
Net interest bearing debt / equity	0.02	0.13	-0.05	-0.07	0.03
Net interest bearing debt / EBITDA	0.12	3.39	0.86	1.27	-0.12
Interest coverage	3.57	1.44	0.38	-0.04	-4.36

(*) EBITDA (defined as Earnings Before Special Items, Interest, Tax, Depreciation and Amortization) includes non-cash costs of share-based payment of tDKK 1,125 in 2015.

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 2015" issued by the Danish Society of Financial Analysts, dated April 2015.

2015 Highlights

In 2015 Exiqon successfully executed its growth strategy of becoming the leading provider of flexible solutions for RNA analysis by leveraging existing capabilities and capturing new markets.

We targeted new markets for qPCR analysis of mRNA and functional analysis of lncRNA by expanding our product offering.

Exiqon positioned itself as market innovator with the launch of the XploreRNA™ cloud-computing environment. With this tool RNA sequencing customers can now integrate the analysis of data from Next Generation Sequencing experiments with the ability to design and order custom products for qPCR validation or functional analysis.

We strengthened our diagnostic pipeline with the addition of two exclusive licenses from Aarhus University to novel validated biomarkers for prostate cancer. These biomarkers were identified as a result of our collaboration with Aarhus University Hospital under a grant from Innovation Fund Denmark.

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.
- On 26 May 2015 Exiqon launched new Antisense LNA™ GapmeRs for RNA functional analysis and on 30 June, 2015 Exiqon launched a new qPCR portfolio for real-time PCR analysis of mRNAs and long non-coding RNAs.
- On 30 June 2015 Exiqon launched its innovative XploreRNA™ cloud-computing environment, leveraging existing bioinformatics capabilities, and bringing together for the first time applications for RNA-seq data analysis with custom assay design in one integrated workflow supported by a full-fledged e-commerce system.
- On 30 June 2015 Exiqon announced the impressive results of a comparative study of technologies for functional knockdown, demonstrating that Exiqon's Antisense LNA™ GapmeR technology is superior for knockdown capability of lncRNAs (long non-coding RNAs).
- On 2 September 2015 Exiqon announced that the company has exclusively licensed two sets of validated prostate cancer biomarkers from Aarhus University Hospital, Department of Molecular Medicine (MOMA) relating to non-invasive diagnosis of prostate cancer based on urine samples and patient stratification for improved treatment selection based on tissue samples.
- On 12 November 2015 Exiqon announced the issue of a senior secured note in the amount of DKK 40 million to accelerate growth.

Financial highlights

- Revenue increased 22% to DKK 162.0 million (DKK 132.4 million).
- RNA services and product sales (excl. OEM) increased 25% to DKK 129.0 million (DKK 103.1 million), driven primarily by growth in the sale of services DKK 25.2 million (DKK 20.5 million) and products (excl. OEM) DKK 103.8 million (DKK 82.6 million) as a result of the company's new RNA sequencing services and new products for PCR validation and RNA functional analysis.
- Gross profit improved 20% to DKK 102.6 million (DKK 85.2 million) driven by higher volumes and optimizations in manufacturing.
- Total operating costs increased 12% to DKK 98.9 million (DKK 88.3 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 12.2 million.
- EBIT improved to DKK 3.6 million.
- Net result improved to DKK 5.9 million (DKK -2.8 million).
- EPS improved to DKK 0.16 (DKK -0.08).

Exiqon Life Sciences

Markets

Exiqon Life Sciences is an established leader in the emerging market for miRNA research products that represents an addressable market of USD 60-70 million.

We are expanding our markets by leveraging Exiqon's proprietary LNA™ technology and bioinformatics capabilities which have allowed us to become a leader in the market for miRNA analysis.

During 2015 we took important steps to expand Exiqon's product portfolio to new markets for detection of RNA molecules. We launched ExiLERATE LNA™, for real-time PCR analysis of mRNAs and long non-coding RNAs, which will allow us to address a significant new market opportunity. We also launched new Antisense LNA™ GapmeRs for RNA functional analysis.

Both of these product lines address new market opportunities that exceed Exiqon's current market for miRNA analysis. The market for RNA functional analysis alone is more than USD 100 million.

New products are planned for RNA sequencing analysis, addressing a market that is growing at double digit rates and exceeds USD 200 million.

Increased adoption of Next Generation Sequencing will continue to drive demand for data analysis and customizable products for validation of RNA sequencing experiments.






To address this need, we have launched a new cloud-based solution, XploreRNA™, designed to empower molecular scientists across the world and advance research by transforming workflows. XploreRNA™ integrates data analysis and the design of custom products for validation and functional analysis of sequencing experiments.

During the coming years, we will seek to leverage XploreRNA™ to capture market share for our proprietary products and services for gene expression profiling.

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 more rapid adoption of new technologies (including Next Generation Sequencing) than other geographic markets. APAC has gained share of the total market in recent years and this trend is expected to continue.

Product offering

Exiqon Product	Isolation	Sequencing	Expression Profiling		Localization	Functional Analysis
						
miRNA	miRCURY™ Isolation Kits Exosomes Total RNA	Exiqon NGS Services microRNA-seq	miRCURY LNA™ microRNA Array System	miRCURY LNA™ Universal RT microRNA PCR System	miRCURY LNA™ microRNA Detection System	miRCURY LNA™ microRNA Mimics, Inhibitors & Target Site Blockers
RNA	miRCURY™ Isolation Kits Exosomes Total RNA	Exiqon NGS Services small RNA-seq RNA-seq	RNA Labeling kits for Arrays	ExiLERATE LNA™ qPCR System for mRNA & lncRNA	LNA™ Detection probes for mRNA & lncRNA	Antisense LNA™ GapmeRs mRNA & lncRNA knockdown

+ Available in Exiqon Services

Products and services

Exiqon Life Sciences offers products addressing all steps in our customers' RNA research workflow.

Our product offering supports research of sncRNA, miRNA, mRNA and lncRNA and includes products for sample preparation, qPCR products for expression analysis and products for functional analysis, including longRNA GapmeRs.

Our proprietary LNA™ detection technology allows our products to have higher specificity and sensitivity, enabling a more precise identification of target molecules than alternative chemistries.

In addition to offering products for RNA analysis, Exiqon Services runs experiments for our customers with their own samples. All analyses are performed by PhD-level scientists who ensure that customers receive excellent service throughout the project. Data and results from customers' service projects are delivered in an easy-to-read report with publication-grade illustrations.

Our team takes pride in ensuring that our customers are given the best service throughout any project from initial consultation and tailored experimental design to data analysis and scientific follow-up.

During 2015 we expanded our services to include Next Generation Sequencing services for microRNAs present in blood serum and plasma.

Research and development

An increasing range of products helps Exiqon expand its customer base and supports future growth in the sale of products and services.

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

Over 50 man-years have been invested in the development of proprietary bioinformatics tools to accelerate new product development within Exiqon.

In 2015 these highly sophisticated tools were leveraged to launch a powerful new data analysis and custom design platform: XploreRNA™.

Exiqon Life Sciences' products and services launches in 2015

- On 31 March 2015 Exiqon launched Next Generation Sequencing services for microRNAs present in blood serum and plasma.
- On 26 May 2015 Exiqon launched new Antisense LNA™ GapmeRs for RNA functional analysis.
- On 30 June 2015 Exiqon launched a new qPCR portfolio, ExiLERATE LNA™, for real-time PCR analysis of mRNAs and long non-coding RNAs.
- On 30 June 2015 Exiqon launched its innovative XploreRNA™ cloud-computing environment, leveraging existing bioinformatics capabilities, and bringing together for the first time applications for RNA seq data analysis with custom assay design in one integrated workflow supported by a full-fledged e-commerce system.
- On 30 June 2015 Exiqon announced the impressive results of a comparative study of technologies for functional knockdown demonstrating that Exiqon's Antisense LNA™ GapmeR technology is superior for knockdown capability of long non-coding RNAs.

Sales and marketing

Exiqon Life Sciences' research products are sold to pharmaceutical and diagnostic companies as well as academic institutions.

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

Our own sales force works directly from corporate headquarters 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.

As scientists rapidly adopt Next Generation Sequencing, they are increasingly challenged by overwhelming amounts of complex data for annotation and design of products for validation studies.

In 2015 we launched XploreRNA™, a proprietary novel cloud-based environment developed by Exiqon to address the bottlenecks and workflow inefficiencies faced by academic and industry researchers seeking to validate RNA sequencing experiments.

XploreRNA™ brings together for the first time RNA sequencing data analysis capabilities and custom assay design for validation of RNA sequencing experiments in one integrated workflow that is supported by a full-fledged e-commerce system.

By offering a fast and simple online platform for analysis of RNA sequencing data and design of custom products, the launch of XploreRNA™ marks an important step in securing a position for Exiqon as the leading provider of flexible solutions for RNA analysis.

At launch, the customers were offered the ability to automatically analyze mRNA and whole transcriptome sequencing data with built-in design of customized validation assays based on the ExiLERATE LNA™ PCR portfolio and the Antisense LNA™ GapmeR product portfolio for functional analysis. This offering will soon include automated miRNA sequencing analysis and miRNA assay design based on the miRCURY LNA™ product portfolio. Looking forward an ever increasing product offering and new tools for data analysis will become available through the XploreRNA™ platform.

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 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.

XploreRNA™

The 700 mUSD RNA sequencing market is rapidly growing, driven by the need to understand when and where genes are expressed.

XploreRNA™ positions Exiqon as the leading provider of integrated bioinformatics software tools and customizable reagents for validation of RNA sequencing experiments.

We estimate that a group of 30-40.000 scientists may benefit from use of the XploreRNA™ platform to analyze and validate their RNA sequencing experiments

XploreRNA™ enables RNA NGS data analysis and validation in 3 easy steps

The XploreRNA™ RNA NGS data analysis pipeline integrates a range of well-established software tools and presents the results in a format which is easy to understand, leaving you free to focus on the biology.



1. Upload your data

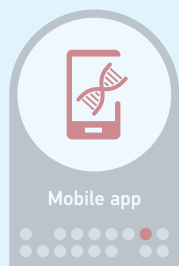
Upload your RNA-seq data (FASTQ files). Define the sample groups you wish to compare, and leave the rest to XploreRNA™. After quality control, we perform mapping, differential expression analysis (including statistical analysis), and Gene Ontology enrichment analysis. All in just 5-7 working days.

2. Explore your results

Explore each group comparison using the XploreRNA™ Gene Sorting Wizard. Sort differentially expressed genes according to all relevant criteria, through an intuitive, user-friendly interface. The main findings are presented in an easy-to-read report. All results files and high-resolution figures are available to download.

3. Validate candidate genes

Order custom reagents for validation with just one click from the XploreRNA™ Gene Sorting Wizard. Validate your candidate genes using LNA™-enhanced qPCR assays or Antisense LNA™ GapmeRs for potent knockdown.



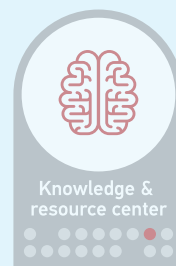
Mobile app



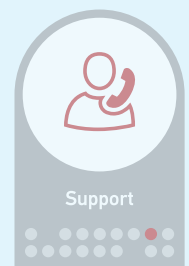
Web site



XploreRNA



Knowledge & resource center



Support



qPCR



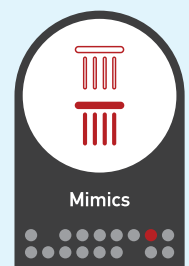
Antisense GapmeR



Inhibitors



Target Site Blockers



Mimics

Exiqon Diagnostics

Promising pipeline of novel diagnostics

At Exiqon Diagnostics we combine our resources and experience 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.

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.

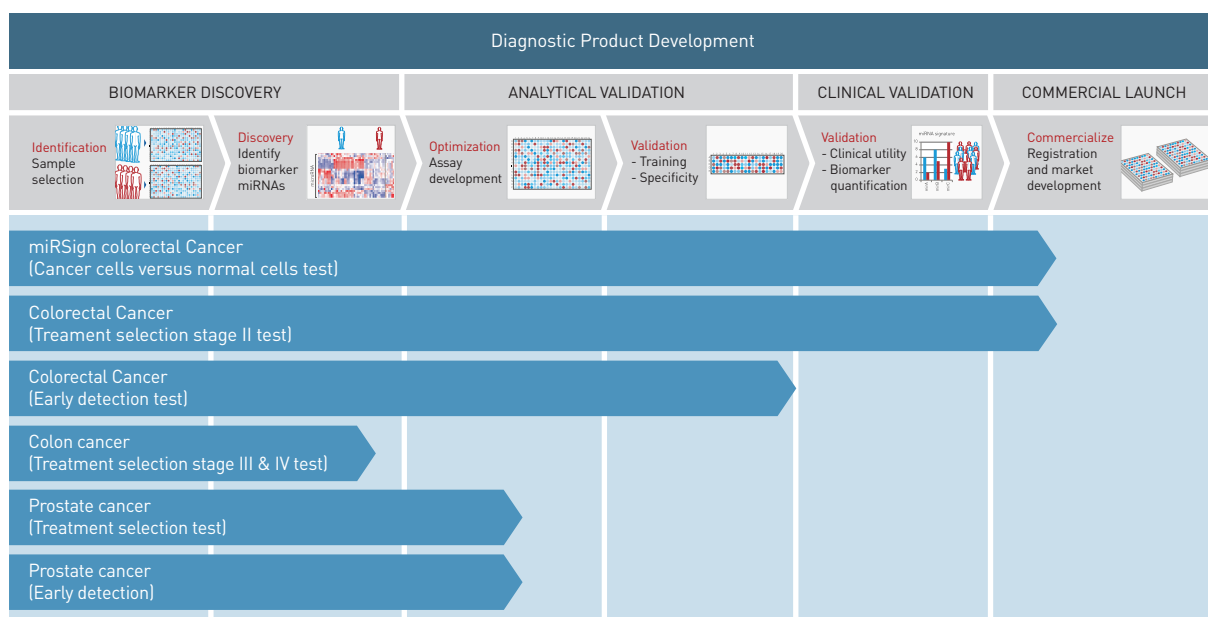
As an immediate result, however, Exiqon Life Sciences benefits from the experience generated throughout the product development process. The challenges and opportunities identified in this process are translated

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 consortia in which Exiqon participates.

Third-party financing, and the associated collaborative product development efforts, helps mitigate financial and other risks pertaining to the development of novel diagnostic tests. These 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. Each member of a consortium brings valuable experience and knowledge to specific programs which maximizes chances of success. The participation of hospitals in the consortia 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 2015 amounts to almost DKK 200 million, and the total funding of Exiqon under existing grants amounts to approximately DKK 40 million with some program funding continuing until 2018.

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

In 2015 we focused primarily on our programs within prostate cancer research. We exclusively licensed two sets of validated prostate cancer biomarkers from Aarhus University Hospital, Department of Molecular Medicine (MOMA) relating to non-invasive diagnosis of prostate cancer based on urine samples and patient stratification for improved treatment selection based on tissue sample

Prostate cancer – early detection

Prostate cancer is the most prevalent cancer affecting men worldwide.

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 develops a set of tests for prostate cancer using Exiqon's proprietary PCR platform. The consortium aims to profile miRNA, to develop novel noninvasive (urine-based) or molecular diagnostic tests to address significant unmet clinical needs including early detection of prostate cancer.

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 at approximately 50-100 USD per test, indicating a significant market potential of USD 2-3 billion. The potential market for a urine-based (less invasive) test with improved performance is therefore promising.

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

Exiqon Diagnostics' Announcements in 2015

- On 2 September 2015 Exiqon announced that the company has exclusively licensed two sets of validated prostate cancer biomarkers from Aarhus University Hospital, Department of Molecular Medicine (MOMA) relating to non-invasive diagnosis of prostate cancer based on urine samples and patient stratification for improved treatment selection based on tissue samples.

Prostate cancer – treatment selection

As part of the consortium that is developing 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 treatment selection; 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 120 mUSD.

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

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 screening test that can easily and reliably identify patients who may have early stage colorectal cancer. These individuals would subsequently undergo endoscopy.

We are currently awaiting data analysis from a prospective trial comprising approximately 5,000 individuals. Data is expected to be available for publication in 2016.

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.

Provided product development is successful, a blood-based test for early detection of colorectal cancer may be commercially available by 2017.

Colon cancer - treatment selection

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

We have launched a test for microRNA-21 as a RUO kit to facilitate further testing of microRNA-21 as a biomarker for recurrence of stage II colon cancer.

Commercialization through partners

Exiqon Diagnostics relies on partners to develop its diagnostic programs and to commercialize any resulting tests. Exiqon does not control all aspects of its collaborative diagnostic programs. All communicated timelines must therefore be considered approximate. 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.



We seek to improve health
through better diagnosis

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 Life Sciences

In Exiqon Life Sciences we primarily face business related risks. Exiqon Life Sciences' products and services 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 consequently risk becoming obsolete or subject to unfavorable price competition. We seek to mitigate these commercial risks by promoting the superior qualities of our products instead of competing on price.

In recent years, we have had limited capital available to retain a high level of innovation and launch new products. We seek to mitigate risks originating from our limited capital resources through corporate bond financing, by focusing resources on developing products at minimum cost, and prioritizing use of existing technologies for new markets and applications that require little or no investment. We also rely on extensive use of bioinformatics to optimize product development.

In 2015 we took steps towards mitigating this risk by securing additional capital through new bond financing, to be used to expand our product offering, and by offering customers the benefit of our existing bioinformatics tools with the launch of the innovative XploreRNA™ cloud-computing environment.

Exiqon Diagnostics

In Exiqon Diagnostics we predominantly face biological risks inherently associated with the development of novel diagnostic tests based on RNA because the underlying biology is still widely unknown.

We seek to mitigate these risks by limiting our efforts to programs which are third-party financed, typically through grants to consortia in which Exiqon participates. All 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 knowledge and experience to specific programs and this helps our chances of success. The participation of hospitals in the consortia also ensures end-user buy-in to the tests being developed, thereby paving the way for commercial adoption of successfully developed tests.

Exiqon Diagnostics, however, also depends on partners to commercialize its diagnostic 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.

In 2015 we benefited from this strategy by exclusively licensing two sets of validated prostate cancer biomarkers from Aarhus University Hospital, Department of Molecular Medicine (MOMA) that can improve the diagnosis and management of prostate cancer patients.

Risk management

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 and retaining the best possible people.

Our risk management begins with providing relevant information in a timely manner to the people who need it. 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 material misstatements 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 processes. 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 annual budgets, monthly internal reporting procedures, weekly reports 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 results quarterly via NASDAQ OMX. All of Exiqon's external communications are approved by the Supervisory Board and Executive Management prior to publication.

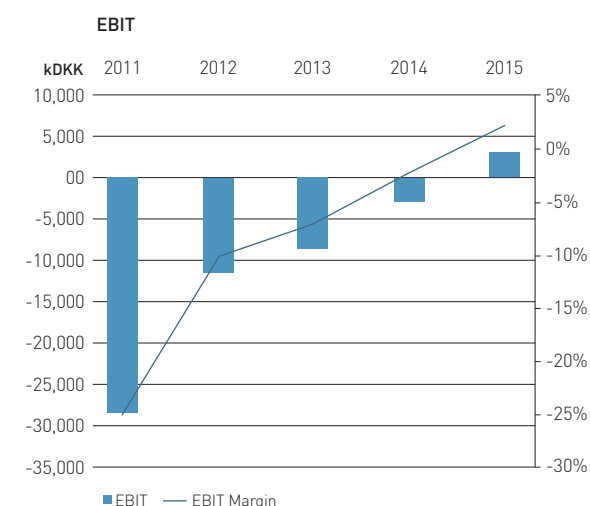
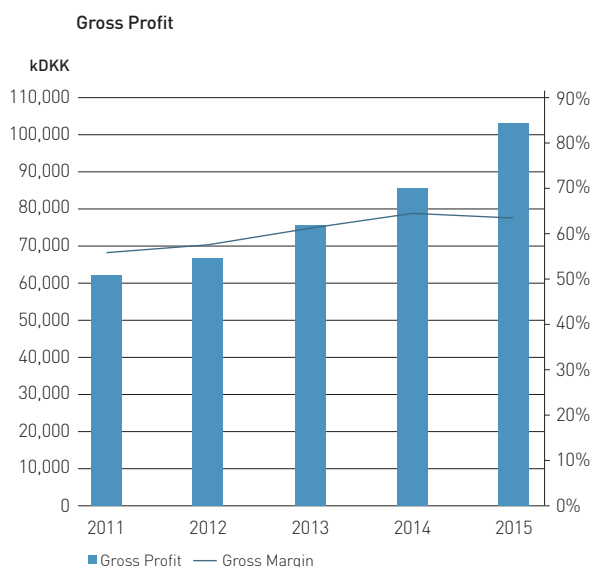
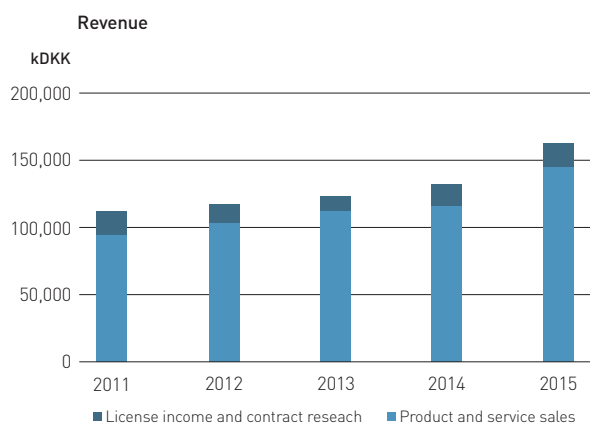
Review and assessment

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 2015

2015 key figures in five-year perspective



2015 financial performance summarized

Realized figures for 2015 are noted below. Comparable figures for 2014 are stated in parenthesis. The average USD/DKK exchange rate applied to translate revenue and costs was DKK 6.75 in 2015 (DKK 5.65).

In the table below, the company's realized performance in 2015 has been summarized and compared to the full-year guidance announced on 25 August 2015 including an adjustment of the realized numbers to the exchange rate (USD/DKK 6.50) used as a basis for the full-year guidance:

(mDKK)	Realized 2015 (USD/DKK 6.75)	Realized 2015 adjusted to USD/DKK 6.50	Guidance 2015 (USD/DKK 6.50)
Revenue	162.0	159.2	-155-160
EBITDA	12.2	11.2	-10

The company depends on continued growth in sales of products and services to be profitable. In 2015, total revenue increased 22% to DKK 162.0 million (DKK 132.4 million), driven primarily by continued organic growth in the company's product and service sales.

Total operating costs increased 12% to DKK 98.9 million (DKK 88.3 million), driven primarily by 23% higher R&D costs and 39% higher depreciations following new investments.

EBIT improved to DKK 3.6 million (DKK -3.1 million) despite increased non-cash costs of share-based payments of DKK 1.1 million (DKK 3.9 million).

The net result for 2015 improved to DKK 5.9 million (-2.8 million) as a result of a tax refund and recognition of tax asset of DKK 6.7 million (DKK 3.2 million).

EPS improved to DKK 0.16 in 2015 (DKK -0.08).

Operating activities generated a cash inflow of DKK 16.0 million in 2015 (DKK -2.4 million), while investing activities caused an outflow of DKK 5.8 million (DKK 4.8 million). Financing activities generated a cash inflow of DKK 25.2 million (DKK -2.9 million).

On December 31, 2015 cash and cash equivalents totaled DKK 56.2 million (DKK 20.1 million) including the company's bond facilities.

The 2015 financial numbers are discussed in more detail below:

Revenue

Revenue increased 22% to DKK 162.0 million in 2015 (DKK 132.4 million). Exiqon’s revenue is comprised of various sources that are subject to different dynamics, with different short-, mid- and long-term growth potential.

In 2015 the increase in Exiqon Life Sciences’ revenue is primarily attributable to 25% organic growth in RNA services and product sales (excluding OEM) of DKK 129.0 million (DKK 103.1 million). Exiqon successfully continues to execute its growth strategy towards becoming the leading provider of flexible solutions for RNA analysis by leveraging existing capabilities and capture new markets.

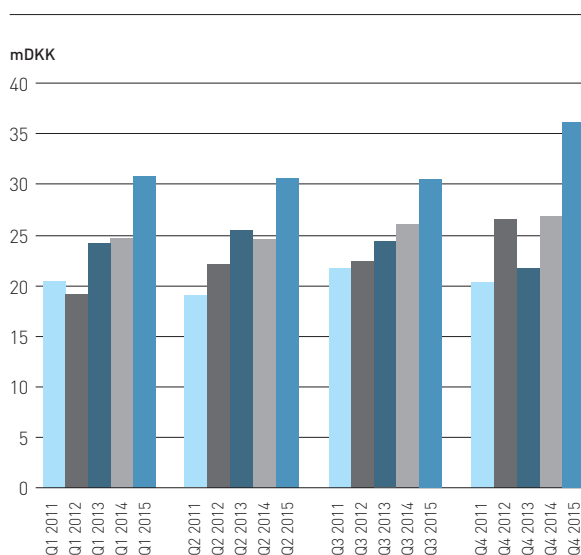
In Europe services and product sales (excluding OEM) increased 12% to DKK 58.6 million (DKK 52.2 million), and North America sales increased 41% to DKK 52.6 million (DKK 37.4 million) benefitting from the value of the USD has climbed during 2015 relative to other currencies. Rest of World services and product sales (excluding OEM) increased 32% to DKK 17.8 million (DKK 13.5 million). OEM sales increased 13% to DKK 12.7 million (DKK 11.2 million).

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 10.4 million (DKK 8.9 million).

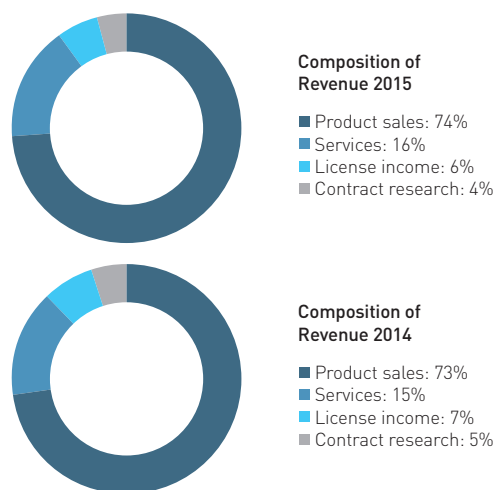
In the long-term, license income may include royalties from the sale of diagnostic products. However, in 2015 Exiqon Diagnostics generated all of its revenue of DKK 3.3 million (DKK 3.3 million) from grants.

Contract research and grants income increased to DKK 7.0 million (DKK 6.7 million) reflective of a higher level of innovation throughout the company supported by accelerated investments to capture new markets.

2015 product sales and services per quarter in five-year perspective



The composition of revenue in 2015 compared to 2014 is summarized in the table below



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

Gross profit

In 2015 gross profit increased 20% to DKK 102.6 million (DKK 85.2 million).

In 2015 inventory was written down with DKK 2.5 million (DKK 3.7 million), which is included in production cost. Exiqon Life Sciences gross margin was realized at 62.9% (63.9%) affected by higher services sales.

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 2015	Q2 2015	Q3 2015	Q4 2015	2015	2014
Revenue	39,022	38,016	38,364	46,615	162,017	132,392
<i>Year over year change (%)</i>	20%	24%	10%	36%	22%	7%
Revenue Life Sciences	38,175	37,350	37,490	45,739	158,754	129,070
<i>Year over year change (%)</i>	20%	25%	11%	36%	23%	9%
Revenue Diagnostics	847	666	874	876	3,263	3,322
<i>Year over year change (%)</i>	24%	-24%	-18%	25%	-2%	-36%
Gross profit	25,928	24,840	23,444	28,353	102,565	85,199
<i>Gross margin</i>	66%	65%	61%	61%	63%	64%
Gross profit Life Sciences	25,154	24,283	22,702	27,716	99,855	82,432
<i>Gross margin</i>	66%	65%	61%	61%	63%	64%
Gross profit Diagnostics	774	557	742	637	2,710	2,767
<i>Gross margin</i>	91%	84%	85%	73%	83%	83%

Operating costs

Total operating costs increased 12% to 98.9 million in 2015 (DKK 88.3 million) and 16% to 97.8 million (DKK 84.4 million) when excluding expensed non-cash costs of share-based payment in 2015.

Research and development costs

In 2015 research and development costs increased 23% to DKK 32.4 million (DKK 26.3 million), driven primarily by investment in services for RNA sequencing analysis (which is 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 2015. 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 2015 Sales and Marketing costs increased 15% to DKK 49.4 million (DKK 43.1 million), primarily as a result of new hirings.

General and administrative costs (excluding cost of share-based payment) increased 6% to DKK 16.0 million (DKK 15.1 million).

In 2015 SG&A costs constituted 41% of total revenue (47%). 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 2015	Q2 2015	Q3 2015	Q4 2015	2015	2014
SG&A costs (net of share-based payment)	-15,981	-16,210	-14,601	-18,588	-65,380	-58,144
<i>Year over year change (%)</i>	14%	13%	12%	10%	12%	2%
Sales & Marketing cost (net of share-based payment)	-12,180	-11,951	-10,736	-14,496	-49,363	-43,087
<i>Year over year change (%)</i>	17%	14%	7%	19%	15%	5%
Administrative costs (net of share-based payment)	-3,801	-4,259	-3,865	-4,092	-16,017	-15,057
<i>Year over year change (%)</i>	6%	12%	27%	-12%	6%	-5%
Share-based payment	-679	-75	-75	-296	-1,125	-3,854
SG&A costs total	-16,660	-16,285	-14,676	-18,884	-66,505	-61,998

EBITDA/EBIT

In 2015, EBITDA totaled DKK 12.2 million (DKK 3.1 million) and reached profitability as measured on EBITDA.

EBIT totaled DKK 3.6 million (DKK -3.1 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 payment totaled DKK 1.1 million in 2015 (DKK 3.9 million).

Financial items

Net financial expenses totaled DKK 4.1 million in 2015 (DKK 2.9 million) attributable to the company's corporate bonds with associated interests.

Financial income primarily consists of currency gains, while other financial expenses mainly consist of interest on corporate bonds and currency losses.

Tax for the year

Income taxes represented an income of DKK 6.4 million (DKK 3.2 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 for the parent company.

Net result for the year

The net result for 2015 totaled DKK 5.9 million (DKK -2.8 million) marking an important milestone for the company.

Consolidated statement of financial position

Assets

On 31 December 2015 the Group had total assets of DKK 183.0 million (DKK 137.7 million). Intangible assets amounted to DKK 59.6 million (DKK 60.4 million), property, plant and equipment to DKK 11.8 million (DKK 12.0 million), while current assets amounted to DKK 103.7 million (DKK 62.5 million).

Receivables totaled DKK 33.5 million (DKK 28.4 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 2015 the realized loss on trade receivables totaled DKK 0.1 million (DKK 0.1 million).

Inventories totaled DKK 14.0 million (DKK 14.0 million).

Equity

At the end of 2015, equity totaled DKK 86.1 million (DKK 78.0 million). The positive movements in equity are attributable to the net profit for the year.

Liabilities

On 31 December 2015 the Group had total liabilities of DKK 96.9 million (DKK 59.6 million). Non-current liabilities amounted to DKK 40.2 million (DKK 18.2 million), current liabilities totaled DKK 56.7 million (DKK 41.5 million) of which trade payables represented DKK 13.0 million (DKK 10.5 million).

Cash flows statement*Cash flows from operating activities*

Operating activities generated a cash inflow of DKK 16.1 million (DKK -2.4 million) primarily attributable to record sales in the 2015.

Cash flows from investing activities

Investing activities caused an outflow of DKK 5.8 million (DKK 4.8 million).

Cash flows from financing activities

Financing activities generated a cash inflow of DKK 25.2 million (DKK -2.9 million).

Capital resources and liquidity

On 31 December 2015 cash and cash equivalents totaled DKK 56.2 million (DKK 20.1 million) including DKK 55 million in corporate bond financing of which DKK 15 million is subject to repayment by 1 March 2016 and DKK 40 million is subject to repayment in 2018.

We expect that the company's capital needs are covered by these existing arrangements.

Earnings per share

Earnings per share amounted to DKK 0.16 (DKK -0.08).

Events after the reporting period

No material events have occurred after year end 2015 with effect on the parent or consolidated financial statement.

Financial outlook 2016

In 2016, we expect total revenue between DKK 180-185 million driven by around 20% growth in sales of products and services (excluding OEM) with EBITDA of DKK 15-20 million (exclusive of shared-based costs) and EBIT more than doubling.

The outlook for 2016 is based on an average USD/DKK exchange rate between DKK 6.75-7.00 and does not include any significant one-time income or extraordinary costs.

Financial targets beyond 2016

By 2017, we expect continued double-digit growth from product and service sales from both operating segments (excluding OEM) and to meet our current long term financial objectives: to be profitable with gross margins of 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.

Organization & Composition

People

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 107 (96) employees at the end of 2015, we must attract and retain the most dedicated, diverse and goal-oriented people we can find. People are the foundation 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 contribute in a new field that holds potential to make a significant positive impact on human health.

We work in a performance culture and strive to build our reputation as a preferred employer. 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 to functional groups that ensure optimal use of resources and benefit from the synergies between our operational business segments: Exiqon Life Sciences and Exiqon Diagnostics.

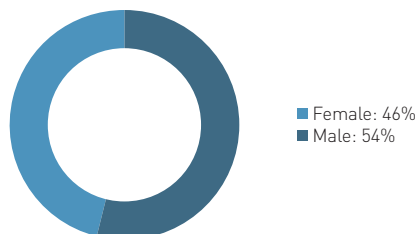
Composition of management

Exiqon recruits its managers and employees solely on the basis of qualifications and abilities without regard to gender, ethnicity, sexual-orientation, or religious and political beliefs. People of more than 20 different nationalities are currently employed by Exiqon. 46% of all employees are women.

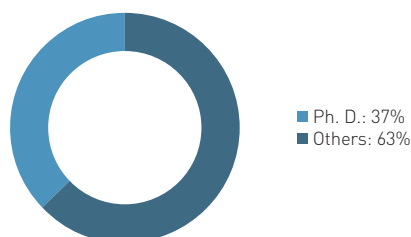
Exiqon prioritizes a balanced gender composition of the management group and will consider this goal achieved when no gender is represented less than 40%.

At the end of 2015 the management group (excluding the Executive Management Board) consisted of a total of 22 employees, of which 9 individuals (41%) were women and 13 individuals (59%) were men. The target of 40% was met.

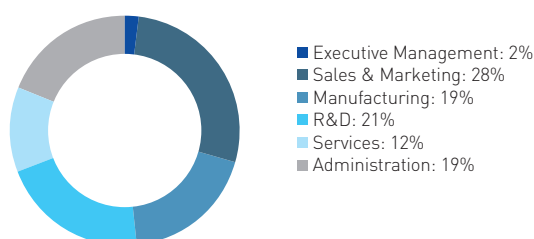
Employees by gender



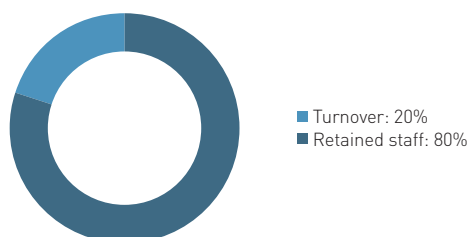
Employees with Ph. D.



Employees by function



Employee turnover



Members of the Executive Management Board

Lars Kongsbak, CEO

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).

Current directorships and managerial positions:
Virogates A/S (Chairman)

	Shares	Warrants
Changes in 2015	-	800,000
Holding year-end 2015	143,389	2,681,306

Hans Henrik Chrois Christensen, CFO

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 of 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 2015	-	400,000
Holding year-end 2015	100,000	1,340,653

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 2015 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 because of its limited size. In consequence, there are no specific policies aimed at changing the current composition of the Executive Management Board.

Remuneration of the Executive Management Board

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>

Members of the Supervisory Board

Erik Walldén, Chairman

(Swedish citizen, elected May 2007).

Erik Walldén, Chairman and President of WalldenAssociates (Erik Wallden AB) and Chairman of the Board at AroCell 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 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)
CellSeed Sweden AB (member)

	Shares	Warrants
Changes in 2015	40,000	-
Holding year-end 2015	44,500	-

Thorleif Krarup, Deputy Chairman

(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:

Brøndby IF (board member)
The Crown Prince Frederik Fund (board member)
Una Invest ApS

	Shares	Warrants
Changes in 2015	-	-
Holding year-end 2015	288,642	-

Michael Nobel, Board member
(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 2015	-	-
Holding year-end 2015	77,345	-

Per Wold-Olsen, Board member
(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 (Chairman)

	Shares	Warrants
Changes in 2015	-	-
Holding year-end 2015	159,736	-

Rodney Weldon Turner, Board member
(U.S. citizen, elected March 2015).

Rodney Turner is former Vice President, Corporate Business Development, at Life Technologies Corporation (2006 – 2014) and has previously held positions in RTK Group, Inc. (2002 – 2006), Fluidigm Corporation (2001 – 2002) and EVOTEC OAI AG and academia. Rodney Turner holds a BA in Biochemistry and Molecular Biology from Rice University 1983, U.S.A.

Current directorships and managerial positions: AYOXXA Biosystems GmbH (board member)

	Shares	Warrants
Changes in 2015	-	-
Holding year-end 2015	-	-

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 three to seven members and is elected every year by the shareholders. At the end of 2015 the Supervisory Board of Exiqon A/S consisted of five members, all of whom were men.

Objective: Exiqon prioritizes a reasonably balanced gender composition of the Supervisory Board and will work to achieve this objective within two 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 20 % in the Supervisory Board.

Planned activities: Exiqon will work to increase the share of the underrepresented gender through attrition and 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.

Organization and meetings of the Supervisory Board

The Supervisory Board of Exiqon A/S is composed of five members. All board members are elected at 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 2015 the Supervisory Board held eight meetings.

The Supervisory Board has created 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 2015 the audit committee held two meetings and focused on accounting estimates with material 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, Erik Walldén. In 2015, the compensation committee held one meeting and focused on incentive salary.

CSR

Corporate Social Responsibility (CSR)

In 2015 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. However, 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 limited. Various 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 seeks to continuously improve performance, processes and procedures. In time, we expect our intentions and current processes and procedures may develop in to formal policies relating to corporate social responsibility, human rights or environmental issues.



Capital Market Information

Share capital

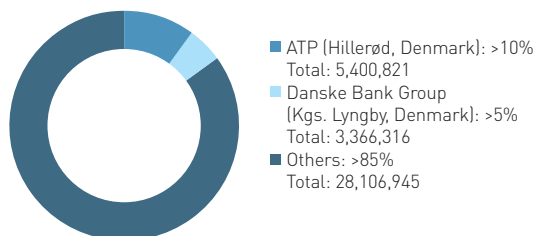
The share capital of Exiqon A/S is DKK 36,874,082 divided into 36,874,082 shares with a nominal value of DKK 1 each. Every share of DKK 1 confers one vote. Article 3 of the company's articles of association includes authorizations to the Supervisory Board to increase the share capital pursuant Section 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 2015 Exiqon had 3,370 registered shareholders who own 85% of the company's share capital.

Corporate Governance

Nasdaq 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 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/2015

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 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 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 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 announcements 2015

No.	1/2015	Full year results for 2014
No.	2/2015	Management's and closely related parties' transactions with securities in Exiqon A/S
No.	3/2015	Call for ordinary general meeting
No.	4/2015	Decisions at annual general meeting 2015
No.	5/2015	Interim report for the period 1 January - 31 March 2015 (unaudited)
No.	6/2015	Exiqon integrates RNAseq workflow in unique cloud-computing environment, XploreRNA™
No.	7/2015	Interim report for the period 1 January - 30 June 2015 (unaudited)
No.	8/2015	Exiqon acquires all rights to new prostate cancer biomarkers from Aarhus University Hospital
No.	9/2015	Major shareholder announcement
No.	10/2015	Interim report for the period 1 January - 30 September 2015 (unaudited)
No.	11/2015	Major shareholder announcement
No.	12/2015	Issues of new warrants to the company's Executive Board
No.	13/2015	DKK 40,000,000 note issue to accelerate growth
No.	14/2015	Financial calendar for 2016
No.	15/2015	DKK 40,000,000 senior secured notes to be admitted to trading at First North Bond Market

Share price performance in 2015



Financial calendar 2016

3 February 2016	Deadline for shareholders' proposal to the annual general meeting
8 February 2016	Announcement of full-year results 2015
16 March 2016	Annual general meeting
26 April 2016	Interim report for the period 1 January 2016 to 31 March 2016
23 August 2016	Interim report for the period 1 January 2016 to 30 June 2016
19 October 2016	Interim report for the period 1 January 2016 to 30 September 2016

Statement by Executive Board and Supervisory Board on the annual report

28

Today, the Supervisory Board and the Executive Board have considered and approved the annual report of Exiqon A/S for the financial year 1 January - 31 December 2015.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2015 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2015.

In our opinion, the Management Report contains a fair review of the development of the Group's and the Parent Company's operations and financial conditions, the results for the year and of the financial position of the Group and Parent Company, as well as a review of the most significant risks and uncertainties facing the Group and the Parent Company.

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

Vedbaek, 8 February 2016

Executive Board

Lars Kongsbak
CEO

Hans Henrik Chrois Christensen
CFO

Supervisory Board of Directors

Erik Walldén
Chairman

Thorleif Krarup
Deputy Chairman

Michael Nobel

Per Wold-Olsen

Rodney Turner

Independent auditor's reports

To the shareholders of Exiqon A/S

Independent auditor's report on the consolidated financial statements and parent company financial statements

We have audited the consolidated financial statements and parent company financial statements of Exiqon A/S for the financial year 1 January – 31 December 2015. The consolidated financial statements and parent company financial statements comprise accounting policies, income statement, statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity and notes for the Group as well as for the Parent Company. The consolidated financial statements and parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

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

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company 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 the parent company 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 as to whether the consolidated financial statements and the parent company 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 company 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 company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of consolidated financial statements and parent company 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and parent company 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 company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2015, and of the results of the Group's and Parent Company's operations and cash flows for the financial year 1 January – 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and additional 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 the parent company 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 company financial statements.

Copenhagen, 8 February 2016

KPMG

Statsautoriseret Revisionspartnerselskab
CVR/TAX Id: 25 57 81 98

Benny Lynge Sørensen
State Authorised Public Accountant

Index to the financial statements

Contents

- 31 | Statement of profit or loss and other comprehensive income
- 32 | Statement of financial position
- 34 | Statement of Cash Flows
- 35 | Statement of Changes in Equity
- 36 | Statement of Changes in Equity

Notes to the financial statements

- 37 | Note 1. Accounting policies
- 46 | Note 2. Significant accounting estimates, assumptions and uncertainties
- 47 | Note 3. Revenue
- 48 | Note 4. Segment information for the Group
- 50 | Note 5. Staff costs
- 52 | Note 6. Share-based payment
- 54 | Note 7. Depreciation, amortization and impairment
- 54 | Note 8. Fees to auditors appointed by the general meeting
- 55 | Note 9. Financial items
- 55 | Note 10. Tax on profit (loss) for the year
- 56 | Note 11. Earnings per share
- 56 | Note 12. Intangible assets
- 57 | Note 12. Intangible assets (continued)
- 58 | Note 13. Property, plant and equipment
- 59 | Note 13. Property, plant and equipment (continued)
- 59 | Note 14. Investment in subsidiaries
- 60 | Note 15. Inventories
- 60 | Note 16. Trade receivables
- 61 | Note 17. Share capital
- 61 | Note 18. Treasury shares
- 62 | Note 19. Deferred tax assets
- 63 | Note 20. Corporate Bonds
- 64 | Note 21. Finance lease liabilities
- 65 | Note 22. Operating lease liabilities
- 65 | Note 23. Change in working capital
- 65 | Note 24. Non-cash adjustments
- 65 | Note 25. Contingent liabilities
- 67 | Note 26. Financial risks (continued)
- 70 | Note 27. Related parties
- 70 | Note 28. Events after the reporting period
- 70 | Note 29. Approval of Annual Report

Statement of profit or loss and other comprehensive income

Parent				Group	
2014	2015			2015	2014
DKK'000	DKK'000		Note	DKK'000	DKK'000
111,195	138,090	Revenue	3,4	162,017	132,392
-41,477	-54,292	Production costs	5,6,7	-59,452	-47,193
69,718	83,798	Gross profit		102,565	85,199
-26,308	-32,435	Research and development costs	5,7,8	-32,435	-26,283
-28,407	-32,000	Sales and marketing costs	5,7	-49,363	-43,087
-18,911	-17,142	Administrative costs	5,6,7,8	-17,142	-18,911
-3,908	2,221	Operating profit/(loss) (EBIT)		3,625	-3,082
13,871	38,337	Financial income	9	5,873	2,210
-16,980	-42,020	Financial expenses	9	-10,012	-5,111
-7,017	-1,462	Profit/(loss) before tax		-514	-5,983
3,690	6,718	Tax on the profit/(loss) for the year	10	6,417	3,203
-3,327	5,256	Profit/(loss) for the year		5,903	-2,780
		Other comprehensive income			
		<i>Items that may be reclassified subsequently to profit or loss:</i>			
0	0	Exchange adjustments relating to foreign subsidiaries		1,100	722
-3,327	5,256	Total comprehensive income for the year		7,003	-2,058
		Earnings per share			
		Earnings per share	11	0.16	-0.08
		Diluted earnings per share	11	0.15	-0.08
		Proposed distribution of loss			
		The Supervisory Board proposes that the loss for the year be distributed as follows			
-3,327	5,256	Retained earnings			

Statement of financial position at 31 December

Parent			Group		
2014	2015		2015	2014	
DKK'000	DKK'000	Note	DKK'000	DKK'000	
0	0	Goodwill	49,368	49,368	
4,887	2,693	Acquired patent rights	2,693	4,887	
5,932	6,220	Acquired software licenses	6,220	5,932	
246	1,275	Intangible assets under construction	1,275	246	
11,065	10,188	Intangible assets	59,556	60,433	12
601	533	Leasehold improvements	575	663	
9,474	7,148	Production and laboratory equipment	7,148	9,474	
1,646	2,900	Fixtures and fittings, tools and equipment	3,022	1,777	
109	1,093	Tangible assets under construction	1,093	109	
11,830	11,674	Property, plant and equipment	11,838	12,023	13
15,051	15,051	Investments in subsidiaries	0	0	14
0	5,248	Deferred tax assets	6,605	1,430	19
1,196	1,223	Deposits	1,366	1,325	
16,247	21,522	Financial assets	7,971	2,755	
39,142	43,384	Non-current assets	79,365	75,211	
13,538	12,983	Inventories	13,966	13,963	15
15,727	19,856	Trade receivables	29,004	22,147	16
1,055	0	Receivables from group companies	0	0	
1,196	1,470	Other receivables	1,470	1,200	
3,690	1,466	Refund from Tax authorities	1,466	3,690	
1,075	1,200	Prepayments	1,603	1,367	
22,743	23,992	Receivables	33,543	28,404	
14,254	52,980	Cash and cash equivalents	56,150	20,084	
50,535	89,955	Current assets	103,659	62,451	
89,677	133,339	Total assets	183,024	137,662	

Statement of financial position at 31 December

Parent				Group	
2014	2015			2015	2014
DKK'000	DKK'000		Note	DKK'000	DKK'000
36,874	36,874	Share capital	17,18	36,874	36,874
-4,301	2,080	Reserves		49,269	41,141
32,573	38,954	Equity		86,143	78,015
15,000	38,046	Corporate Bonds	20	38,046	15,000
3,155	2,132	Finance lease liabilities	21	2,132	3,155
18,155	40,178	Non-current liabilities		40,178	18,155
0	15,000	Corporate Bonds	20	15,000	0
2,439	2,491	Finance lease liabilities		2,491	2,439
9,302	12,106	Trade payables		13,007	10,505
10,018	0	Short term bank loan		0	10,018
0	1,283	Payables to group companies		0	0
9,054	14,866	Other payables		16,759	10,394
8,136	8,461	Deferred revenue		9,446	8,136
38,949	54,207	Current liabilities		56,703	41,492
57,104	94,385	Total liabilities		96,881	59,647
89,677	133,339	Total equity and liabilities		183,024	137,662
		Other notes	22, 25-29		

Statement of cash flows

Parent			Group		
2014	2015		2015	2014	
DKK'000	DKK'000	Note	DKK'000	DKK'000	
-3,908	2,221	Operating profit/ (Loss) (EBIT)	3,625	-3,082	
6,080	8,468	Depreciation and amortization	8,582	6,197	7
3,854	1,125	Non-cash adjustments (warrants)	1,125	3,854	5
-12,167	9,528	Change in working capital	5,567	-9,403	23
-146	0	Profit on sale of assets	0	-146	24
-6,287	21,342	Cash flows from primary activities	18,899	-2,580	
-3,109	-3,608	Net interest and value gains	-4,249	-3,497	
3,690	1,470	Current tax	1,408	3,643	
-5,706	19,204	Cash flows from operating activities	16,058	-2,434	
-2,382	-3,816	Acquisition of intangible assets	-3,816	-2,382	12
-2,529	-1,898	Acquisition of property, plant and equipment	-1,962	-2,595	13
146	0	Sale of assets	0	146	
-4,765	-5,714	Cash flows from investing activities	-5,778	-4,831	
-3,215	-2,692	Repayment of lease debt	-2,692	-3,215	
0	37,971	Proceeds from corporate bonds	37,971	0	20
351	-27	Repayment of deposits and loans	-27	351	
5	-10,018	Short term bank loan	-10,018	5	
-2,859	25,234	Cash flows from financing activities	25,234	-2,859	
-13,330	38,724	Change in cash and cash equivalents	35,514	-10,124	
-4	2	Unrealised currency gain/loss	552	1,018	
27,588	14,254	Cash and cash equivalents at 1 January	20,084	29,190	
14,254	52,980	Cash and cash equivalents at 31 December	56,150	20,084	

Statement of changes in equity

Consolidated	Number of shares No.	Share capital (DKK'000)	Other reserves		Retained profit (DKK'000)	Total (DKK'000)
			Reserve for exchange adjustments (DKK'000)	Share-based payment (DKK'000)		
Equity at 1 January 2015	36,874,082	36,874	98	20,195	20,848	78,015
Profit/(loss) for the year					5,903	5,903
Exchange adjustments relating to foreign subsidiaries			1,100			1,100
Total comprehensive income		0	1,100	0	5,903	7,003
Share-based payment				1,125		1,125
Other transactions	0	0	0	1,125	0	1,125
Equity at 31 December 2015	36,874,082	36,874	1,198	21,320	26,751	86,143
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

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 2015	36,874,082	36,874	20,195	-24,496	32,573
Profit/(loss) for the year				5,256	5,256
Total comprehensive income				5,256	5,256
Share-based payment			1,125		1,125
Other transactions	0	0	1,125	0	1,125
Equity at 31 December 2015	36,874,082	36,874	21,320	-19,240	38,954
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

Notes to the financial statements

Note 1. Accounting policies

The annual report of Exiqon A/S for the year ended 31 December 2015, 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 the functional currency of the parent company and the Group.

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 2015 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 2015. These Standards and Interpretations are:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Amendments to IFRS Annual Improvements to IFRS 2010-2012 cycle
- Amendments to IFRS Annual Improvements to IFRS 2011-2013 cycle
- IFRIC 21 Accounting for levies

The implementation of the new and revised Standards and Interpretations in the annual report for 2015 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 2018 or later. The standard has not yet been adopted by EU.
- IFRS 16 Leases. The new standard is effective for financial years beginning 1 January 2019. 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 controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of any subsidiaries are included in the consolidated financial statements from the date on which controls commences until the date when control ceases.

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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Product sales

Revenue from product sales comprises the sale of goods and is recognized in the statement of profit or loss and other 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 profit or loss and other 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 and laboratory equipment	5 years
Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	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 profit or loss and other 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 profit or loss and other 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 profit or loss and other comprehensive income over the term of the lease as a financial expense.

Lease payments regarding operating leases are recognized in the statement of profit or loss and other 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 profit or loss and other 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 and includes license income and other prepayments for products and services.

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	=	$\frac{\text{Profit/(loss) for the year}}{\text{Average no. of shares}}$
Price / net asset value	=	$\frac{\text{Share price * no. of shares end of the year}}{\text{Equity}}$
Gross margin (%)	=	$\frac{\text{Gross profit * 100}}{\text{Revenue}}$
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	=	$\frac{\text{Net interest bearing debt}}{\text{Equity}}$
Net interest bearing debt / EBITDA	=	$\frac{\text{Net interest bearing debt}}{\text{EBITDA}}$
Interest coverage	=	$\frac{\text{EBITDA + interest income (excluding foreign exchange gains)}}{\text{Interest expenses (excluding foreign exchange losses)}}$

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

Exiqon's 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.

In 2015 Exiqon issued a corporate bond of DKK 40 million subject to repayment by November 2018, which in part will be used to repay the company's 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 new loan arrangements 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:

Research and development costs

In accordance with industry practice, the company has assessed that there is insufficient certainty that the detailed criteria for capitalization will be met for ongoing product development, and the development costs incurred are therefore recognized in the years when incurred. Research and development costs included in 2015 were DKK 32,321 thousands (DKK 26,283 thousands). In consequence, no capitalization of development programs was made as of 31 December 2015.

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 development are estimated based on the objective of each development program and the company's strategy and projections for ten 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 2015 is DKK 49,368 thousands (DKK 49,368 thousands).

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 been capitalized, 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 2015, inventory was written down with DKK 2,506 thousands (DKK 3,726 thousands). The write-down in 2015 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 2015, trade receivables was written down with DKK 62 thousands (DKK 142 thousands). For further details please refer to note 16.

Note 3. Revenue

Parent			Group	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
80,964	95,122	Product sales	119,477	96,269
14,615	25,651	Services	25,223	20,507
8,912	10,351	License income	10,351	8,912
6,704	6,966	Contract research and grants income	6,966	6,704
111,195	138,090		162,017	132,392

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 - 2015 (Group)

DKK'000	Life Sciences	Diagnostics	Group eliminations	Other	Total
Revenue	196,454	3,263	-37,700	0	162,017
Gross profit	99,855	2,726	-16	0	102,565
Segment operating profit/loss (EBIT)	21,509	-17,884	0	0	3,625
Profit/(loss) before tax	21,509	-17,884	0	-4,139	-514
Addition of assets	7,499	0	0	0	7,499
Segment assets	65,400	53,403	0	64,221	183,024
Depreciation and amortization	7,545	1,037	0	0	8,582

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

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.

	2015 DKK'000	2014 DKK'000
North America	61,626	45,576
Europe *)	81,051	72,000
Rest of World	19,340	14,816
	162,017	132,392

*) Including Denmark (country of domicile) tDKK 10,380 (tDKK 6,522 in 2014).

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	
	2015 DKK'000	2014 DKK'000	2015 DKK'000	2014 DKK'000
Europe*)	7,435	13,059	77,700	72,263
North America	64	66	1,665	193
	7,499	13,125	79,365	72,456

*) Non-current assets located in Denmark (country of domicile).

Note 5. Staff costs

Parent			Group	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
1,300	1,450	Supervisory Board's fee	1,450	1,300
44,444	52,828	Wages and salaries	65,117	54,529
721	846	Pension scheme	1,219	1,084
3,854	1,125	Share-based payment	1,125	3,854
3,255	4,426	Other staff costs	4,498	3,316
53,574	60,675		73,409	64,083
		Staff costs are distributed as follows:		
10,759	11,683	Production costs	11,683	10,759
11,588	15,928	Research and development costs	15,928	11,588
16,015	19,555	Sales and marketing costs	32,289	26,524
15,212	13,509	Administrative costs	13,509	15,212
53,574	60,675		73,409	64,083
72	80	Average number of employees	94	87

Remuneration 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. In addition, the Supervisory Board may grant discretionary bonuses based on exceptional circumstances, including the event of a change of control, performance or the achievement of specific results.

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/2015

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 2015 (group):					
Supervisory Board					
Chairman Erik Walldén	0	525	0	0	525
Deputy Chairman, Thorleif Krarup	0	375	0	0	375
Michael Nobel	0	200	0	0	200
Per Wold-Olsen	0	200	0	0	200
Rodney Turner	0	150	0	0	150
Executive Management					
Lars Kongsbak	3,266	0	63	750	4,079
Hans Henrik Chrois Christensen	2,138	0	42	375	2,555
	5,404	1,450	105	1,125	8,084

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 2015 (parent):

Supervisory Board					
Chairman Erik Walldén	0	525	0	0	525
Deputy Chairman, Thorleif Krarup	0	375	0	0	375
Michael Nobel	0	200	0	0	200
Per Wold-Olsen	0	200	0	0	200
Rodney Turner	0	150	0	0	150
Executive Management					
Lars Kongsbak	3,266	0	63	750	4,079
Hans Henrik Chrois Christensen	2,138	0	42	375	2,555
	5,404	1,450	105	1,125	8,084

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

Note 6. Share-based payment

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 previous general meetings. 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, which has been assumed to allow for calculation of the full cost.

	Executive Management	Others	Total	Weighted average exercise price
Outstanding warrants 1 January 2015	2,821,959	0	2,821,959	12.86
Granted in the financial year	1,200,000	0	1,200,000	10.56
Outstanding warrants 31 December 2015	4,021,959	0	4,021,959	12.38
Of which can be exercised	2,637,589	0	2,637,589	13.43
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

2015

No warrants were exercised during 2015.

2014

No warrants were exercised during 2014.

The warrants outstanding at the end of 2015 had a weighted average remaining contractual life of 29 months (in 2014: 29 months).

Note 6. Share-based payment (continued)

As of 31 December 2015, 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	14.11	4 weeks following the announcement of annual and interim financial statements	2,953	4.4
August 2013	9.26	4 weeks following the announcement of annual and interim financial statements	2,426	1.6
November 2015	10.56	4 weeks following the announcement of annual and interim financial statements	6,230	3.7
Total			11,609	

*) 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 44.19% based on the average volatility on the Exiqon share during the last 12 months, a risk-free interest rate of 0.25% per annum, and finally the share price of Exiqon on 31 December 2015, DKK 12.00. 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.

Warrant programs granted in November 2015

Warrants granted in November 2015 are divided into 3 tranches, with 1/3 vesting yearly over a 36 month period. The exercise period expires in 2021. The exercise price is 10,5 with a premium of 2.5% p.a. from the date of grant until exercise.

Note 7. Depreciation, amortization and impairment

Parent			Group	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
2,039	2,266	Software	2,266	2,039
1,048	2,427	Acquired patents and licenses	2,427	1,048
1,465	1,860	Laboratory equipment	1,860	1,465
757	695	Production plant and equipment	695	757
771	1,220	Fixtures and fittings, tools and equipment*)	1,334	879
-146	0	Gains and losses on sale of property, plant and equipment	0	-146
5,934	8,468		8,582	6,042
		Depreciation, amortization and impairment are distributed as follows:		
1,392	3,019	Production costs	3,019	1,392
3,382	4,196	Research and development costs	4,196	3,382
1,005	1,084	Sales and marketing costs	1,198	1,113
155	169	Administrative costs	169	155
5,934	8,468		8,582	6,042

*) Based on average exchange rates for the year. Yearend depreciations and amortizations equal DKK 8.583 million based on yearend exchange rates

Note 8. Fees to auditors appointed by the general meeting*

Parent			Group	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
		Fees to the parent company's auditors appointed by the general meeting for the financial year are specified as follows:		
335	220	Statutory audit	220	335
52	64	Other audit opinions with assurance	64	52
25	94	Tax consultancy	94	25
44	25	Non-audit services	25	44
456	403		403	456

*) Fees to auditors appointed by the general meeting in 2014 were paid to Deloitte

Note 9. Financial items

Parent			Group	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
		Financial income		
0	6	Interest income from bank deposits etc.	7	1
0	0	Interest income from subsidiaries	0	0
13,871	38,331	Foreign exchange gains	5,866	2,209
13,871	38,337		5,873	2,210
		Financial expenses		
2,300	2,525	Interest on bonds and bank loans	3,260	2,735
54	38	Interest expenses to subsidiaries	0	0
197	162	Interest on finance lease obligations	162	197
14,429	39,295	Foreign exchange losses	6,590	2,179
16,980	42,020		10,012	5,111

Net interest and value gains of DKK -4,139 million equal DKK -4,318 million when including exchange gains/losses on intercompany receivables.

Note 10. Tax on profit (loss) for the year

Parent			Group	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
		Tax on profit for the year is explained as follows:		
-1,720	-344	Tax calculated at a rate of 23.5% *)	-166	-1,543
971	397	Permanent deviations	418	998
-2,941	-1,519	Unrecognized change in tax asset	-1,519	-3,157
		Effect of deviating foreign tax rate relative to Danish tax rate		
0	0	Danish tax rate	15	13
0	66	Mandatory local company tax	130	40
0	-5,248	Recognized change in tax asset	-5,215	446
0	0	Adjustment to deferred tax for previous years	-10	0
0	-70	Adjustment to current tax for previous years	-70	0
-3,690	-6,718		-6,417	-3,203
		Income tax recognized in profit or loss:		
-3,690	-1,470	Current tax*)	-1,408	-3,650
0	-5,248	Deferred tax	-5,009	447
-3,690	-6,718		-6,417	-3,203

*) Tax on profit for the year is calculated at a rate of 23.5% (24.5% in 2014)

Note 11. Earnings per share

	Group	
	2015	2014
The calculation of earnings per share and diluted earnings per share are based on the following data:		
Profit/(loss) (DKK'000)	5,903	-2,780
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.)	1,753,110	0
Average number of shares, diluted (no.)	38,621,850	36,868,740
Earnings per share	0.16	-0.08
Diluted earnings per share	0.15	-0.08

2,268,849 outstanding warrants are out-of-the-money. These are not included in the calculation of diluted earnings.

1,753,110 outstanding warrants are in-the-money. These are included in the calculation of diluted earnings.

Note 12. Intangible assets

	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 2015 (Group)					
Cost at 1 January 2015	120,032	17,023	13,253	246	150,554
Additions	0	2,554	233	1,275	4,062
Transfer	0	0	0	-246	-246
Disposals	0	-1,469	-2,515	0	-3,984
Cost at 31 December 2015	120,032	18,108	10,971	1,275	150,386
Amortization and impairment at 1 January 2015	-70,664	-11,091	-8,366	0	-90,121
Amortization	0	-2,266	-1,042	0	-3,308
Amortization regarding assets disposed of	0	1,469	1,130	0	2,599
Amortization and impairment at 31 December 2015	-70,664	-11,888	-8,278	0	-90,830
Carrying amount at 31 December 2015	49,368	6,220	2,693	1,275	59,556
Intangible assets 2015 (parent)					
Cost at 1 January 2015	0	17,021	13,253	246	30,520
Additions	0	2,554	233	1,275	4,062
Transfer	0	0	0	-246	-246
Disposals	0	-1,469	-2,515	0	-3,984
Cost at 31 December 2015	0	18,106	10,971	1,275	30,352
Amortization at 1 January 2015	0	-11,089	-8,366	0	-19,455
Amortization	0	-2,266	-1,042	0	-3,308
Amortization regarding assets disposed of	0	1,469	1,130	0	2,599
Amortization at 31 December 2015	0	-11,886	-8,278	0	-20,164
Carrying amount at 31 December 2015	0	6,220	2,693	1,275	10,188

Note 12. Intangible assets (continued)

	Goodwill DKK'000	Acquired software rights 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

Goodwill is allocated to the cash generating unit Exiqon Diagnostics. In accordance with IAS 36, Impairment of Assets, goodwill (including non current assets) were tested 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 - of fair value in use approved by the Supervisory Board for 2016-2025 prepared on the basis of a continuation of the company's current strategy and reflective of the company's expectations to each new test with regard to market potential, market penetration, future sales and price. Significant parameters in these projections include expected revenue, EBIT, and terminal growth rates: Each planned new test is expected to achieve a market share of 1-2% within the first 3 years after being launched and 7-10% within 8 years. Product margins for all tests are estimated to be around 65% 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 2025. 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 2018, provided the development is successful, and therefore may potentially show growing sales after 2025. The discount rate (WACC) after tax is set to 9.6% (corresponding to a WACC before tax 13.1%) and the current tax rate is expected to gradually reduce to 22%.

The recoverable amount exceeds the carrying amount by DKK 175 million. As part of the impairment test sensitivity analyses are performed on significant parameters, including market share (+/- 25%), COGS (+/- 25%) and WACC (+/-2% points). These analyses have not indicated any risk of impairment. However, if the estimated product margins changes to around 50%, the recoverable amount will be equal to the carrying amount. For further details please refer to note 2.

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 2015 (Group)						
Cost at 1 January 2015	13,512	36,036	14,677	11,059	109	75,393
Exchange rate adjustment	0	269	146	162	0	577
Additions	0	229	2,356	114	1,093	3,792
Transfer	0	0	0	0	-109	-109
Disposals	0	0	-6,807	0	0	-6,807
Cost at 31 December 2015	13,512	36,534	10,372	11,335	1,093	72,846
Depreciation at 1 January 2015	-11,528	-28,546	-12,900	-10,396	0	-63,370
Exchange rate adjustment	0	-269	-131	-155	0	-555
Depreciation	-695	-1,860	-1,126	-209	0	-3,890
Depreciation regarding assets disposed of	0	0	6,807	0	0	6,807
Depreciation at 31 December 2015	-12,223	-30,675	-7,350	-10,760	0	-61,008
Carrying amount at 31 December 2015	1,289	5,859	3,022	575	1,093	11,838
Assets held under finance leases	697	4,471	2,034	0	0	7,202
Property, plant and equipment 2015 (parent)						
Cost at 1 January 2015	13,512	33,714	13,417	9,662	109	70,414
Additions	0	229	2,292	114	1,093	3,728
Transfer	0	0	0	0	-109	-109
Disposals	0	0	-6,807	0	0	-6,807
Cost at 31 December 2015	13,512	33,943	8,902	9,776	1,093	67,226
Depreciation at 1 January 2015	-11,528	-26,224	-11,771	-9,061	0	-58,584
Depreciation	-695	-1,860	-1,038	-182	0	-3,775
Depreciation regarding assets disposed of	0	0	6,807	0	0	6,807
Depreciation at 31 December 2015	-12,223	-28,084	-6,002	-9,243	0	-55,552
Carrying amount at 31 December 2015	1,289	5,859	2,900	533	1,093	11,674
Assets held under finance leases	697	4,471	2,034	0	0	7,202

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 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 14. Investment in subsidiaries

Parent			Group	
2014 DKK'000	2015 DKK'000		2015 DKK'000	2014 DKK'000
15,051	15,051	Cost at 1 January		
15,051	15,051	Cost at 31 December		
15,051	15,051	Carrying amount at 31 December		

Investments in subsidiaries comprise the following subsidiary:

Exiqon Inc., 12 Gill Street, Suite 1650, Woburn, MA 01801, USA, wholly owned, selling and marketing activities.

Note 15. Inventories

Parent			Group	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
6,236	5,953	Raw materials and consumables	5,953	6,273
7,302	7,030	Manufactured goods and goods for resale	8,013	7,690
13,538	12,983		13,966	13,963

Note 16. Trade receivables

Parent			Group	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
15,743	19,861	Trade receivables 31 December (gross)	29,144	22,225
-146	-16	Write-down for expected losses 1 January	-78	-251
-16	-1	Write-down for expected losses during the year	-78	-16
146	12	Reversal of previous write-downs for expected losses	16	189
-16	-5	Write-down for expected losses 31 December	-140	-78
15,727	19,856	Trade receivables 31 December (net)	29,004	22,147
		Ageing of past due but not impaired:		
2,347	3,611	Up to 30 days	4,557	3,328
1,612	176	30 to 90 days	647	2,201
147	53	90 to 180 days	55	148
5	28	More than 180 days	41	54
4,111	3,868		5,300	5,731

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	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
36,874	36,874	No. of shares at 1 January		
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	2011	2012	2013	2014	2015
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Number of shares at 1 January	33,335	35,069	36,874	36,874	36,874
Capital increase	1,667	1,805	-	-	-
Warrant exercise	67	-	-	-	-
Number of shares at 31 December	35,069	36,874	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 2015	5	5	0.01
Treasury shares at 31 December 2015	5	5	0.01
Treasury shares at 1 January 2014	5	5	0.01
Treasury shares at 31 December 2014	5	5	0.01

Note 19. Deferred tax assets

Parent			Group	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
191	-225	Intangible assets	-225	191
954	504	Property, plant and equipment	674	1,140
0	-255	Inventories	-255	0
856	595	Other	630	872
2,001	619	Temporary differences	824	2,203
95,919	95,811	Tax loss carry-forwards	96,963	97,147
97,920	96,430	Deferred tax asset at 31 December	97,787	99,350
-97,920	-91,182	Unrecognized tax asset	-91,182	-97,920
0	5,248	Recognized tax asset at 31 December	6,605	1,430

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

As of 31 December 2015, Exiqon has capitalized tax asset DKK 5.2 million in the parent company. In line with the improvements, year-over-year, during the past five years, Exiqon A/S expects that continued revenue growth, margin expansion and improved gross profits paired with stable operating costs over the coming periods fulfills the criteria for future utilization. The tax asset is expected to be utilized within 3 years.

The local Danish tax rates applied in the calculation corresponds to 22%.

Exiqon Inc.

As of 31 December 2015, Exiqon has capitalized tax asset DKK 1.4 million in the wholly owned US subsidiary Exiqon Inc. Exiqon Inc. expects continued growth in the US market fulfills the criteria for future utilization. The tax asset is expected to be utilized within 3 years. The local US tax rates applied in the calculation corresponds to 26%.

Note 20. Corporate Bonds

Group	Bonds payment		Present value of bonds	
	2015 DKK'000	2014 DKK'000	2015 DKK'000	2014 DKK'000
Due within one year from the balance sheet date	15,000	0	15,000	0
Due in 1-5 years from the balance sheet date	40,000	15,000	39,304	15,520
	55,000	15,000	54,304	15,520
Interest payment due within one year from the balance sheet date	4,364	1,328		
Interest payment due within 1-5 years from the balance sheet date	7,400	664		
	66,764	16,992		
Parent				
Due within one year from the balance sheet date	15,000	0	15,000	0
Due in 1-5 years from the balance sheet date	40,000	15,000	39,304	15,520
	55,000	15,000	54,304	15,520
Interest payment due within one year from the balance sheet date	4,364	1,328		
Interest payment due within 1-5 years from the balance sheet date	7,400	664		
	66,764	16,992		

Key terms of Corporate Bonds

Type	Subordinated loan capital
Currency	DKK
Interest	Fixed 8.85% p.a.
Total nominal amount	15,000,000
Expiry	1 March 2016
Termination	1 March 2016
Type	Senior secured bullet loan
Currency	DKK
Interest	Fixed 9.25% p.a.
Total nominal amount	40,000,000
Expiry	19 November 2018
Termination	3 year with early redemption rights

Note 21. Finance lease liabilities

Group	Lease payment		Present value of lease payments	
	2015 DKK'000	2014 DKK'000	2015 DKK'000	2014 DKK'000
Due within one year from the balance sheet date	2,762	2,572	2,491	2,439
Due in 1-5 years from the balance sheet date	2,082	3,282	2,132	3,155
	4,844	5,854	4,623	5,594
Amortization premium for future expensing	-221	-260		
	4,623	5,594		
Parent				
Due within one year from the balance sheet date	2,762	2,572	2,491	2,439
Due in 1-5 years from the balance sheet date	2,082	3,282	2,132	3,155
	4,844	5,854	4,623	5,594
Amortization premium for future expensing	-221	-260		
	4,623	5,594		

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	2017-20	Fixed	0-7	4,623	4,844
31 December 2015					4,623	4,844
Finance lease liabilities, production equipment	DKK	2015-18	Fixed	0-7	5,594	5,854
31 December 2014					5,594	5,854

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	2017-20	Fixed	0-7	4,623	4,844
31 December 2015					4,623	4,844
Finance lease liabilities, production equipment	DKK	2015-18	Fixed	0-7	5,594	5,854
31 December 2014					5,594	5,854

Note 22. Operating lease liabilities

Parent			Group	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
4,893	4,865	Lease payments included in the income statement		
		Property lease commitments	5,583	5,437
		Total future minimum property lease payments for non-terminable leases fall due as follows:		
3,924	4,650	Within one year of the balance sheet date	5,568	4,694
5,799	3,277	2-5 years after the balance sheet date	3,583	6,814
0	0	More than 5 years after the balance sheet date	0	0
9,723	7,927		9,151	11,508

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	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
-1,303	555	Change in inventories	47	-1,122
-7,893	-2,306	Change in receivables	-4,363	-10,981
2,051	8,942	Change in trade payables etc.	9,883	2,700
-5,022	2,337	Change in loan from Group Companies	0	0
-12,167	9,528		5,567	-9,403

Change in working capital of DKK 5,567 equals DKK 5,991 when based on 2014 exchange rates.

Note 24. Non-cash adjustments

Parent			Group	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
-146	0	Profit on the sale of non-current assets	0	-146
-146	0		0	-146

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 corporate bond issued in 2015 of DKK 40 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 58.8 million (DKK 59.2 million in 2014).

Note 26. Financial risks

Categories of financial instruments

Parent			Group	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
1,196	1,223	Deposits	1,366	1,325
15,727	19,856	Trade receivables	29,004	22,147
1,055	0	Receivables from group companies	0	0
1,196	1,470	Other receivables	1,470	1,200
3,690	1,466	Refund from tax authorities	1,466	3,690
14,254	52,980	Cash and cash equivalents	56,150	20,084
37,118	76,995	Loan and receivables	89,456	48,446
5,594	4,623	Finance lease liabilities	4,623	5,594
9,302	12,106	Trade payables	13,007	10,505
10,018	0	Short term bank loan	0	10,018
15,000	53,046	Corporate Bonds	53,046	15,000
0	1,283	Payables to group companies	0	0
9,054	14,866	Other payables	16,759	10,394
48,968	85,924	Financial liabilities measured at amortized cost	87,435	51,511

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 annually, 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 2015.

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 41% against 64% in 2014 and the equity by 1% against 2% in 2014.

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	11,431	11,494	-5,762	17,163
EUR	2,142	16,878	-3,312	15,708
DKK	42,569	3,568	-87,618	-41,481
Other currencies	8	0	-189	-181
31 December 2015	56,150	31,940	-96,881	-8,791
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

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	8,261	2,346	-3,265	7,342
EUR	2,142	16,878	-3,312	15,708
DKK	42,569	3,568	-87,619	-41,482
Other currencies	8	0	-189	-181
31 December 2015	52,980	22,792	-94,385	-18,613
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

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	56,150	0	0	56,150	0	0
Corporate bonds*	-15,000	-38,046	0	-53,046	-53,046	8-11
Finance lease liabilities	-2,491	-2,132	0	-4,623	-4,623	0-7
31 December 2015	38,659	-40,178	0	-1,519	-57,669	
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
Finance lease liabilities	-2,439	-3,155	0	-5,594	-5,594	0-7
31 December 2014	7,627	-18,155	0	-10,528	-5,594	

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	52,980	0	0	52,980	0	0
Corporate bonds*	-15,000	-38,046	0	-53,046	-53,046	8-11
Finance lease liabilities	-2,491	-2,132	0	-4,623	-4,623	0-7
31 December 2015	35,489	-40,178	0	-4,689	-57,669	
Bank deposits	14,254	0	0	14,254	0	0
Corporate bonds*	0	-15,000	0	-15,000	-15,000	8.85
Short term bank loan	-10,018	0	0	-10,018	0	8-9
Finance lease liabilities	-2,439	-3,155	0	-5,594	-5,594	0-7
31 December 2014	1,797	-18,155	0	-16,358	-5,594	

* Interest on corporate bonds has not been included in this table but applies as follows: DKK 4.4 million within one year (in 2014: DKK 1.3 million); and DKK 7.4 million within two to five years (in 2014: DKK 0.7 million). Corporate bonds expire 1 March 2016 and 19 November 2018.

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.

Note 26. Financial risks (continued)

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	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
		Not impaired not due receivables are distributed as follows:		
8,998	12,127	Europe	12,127	8,998
861	1,343	North America	9,059	5,661
1,757	2,518	Rest of world	2,518	1,757
11,616	15,988		23,704	16,416

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

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 corporate bond of DKK 15 million subject to repayment by 1 March 2016, a corporate bond of DKK 40 million subject to repayment by 19 November 2018 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:

	2015	2014
	DKK'000	DKK'000
Cash and cash equivalents	56,150	20,084
Credit facilities	0	0
Capital resource	56,150	20,084

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 Supervisory Board, Executive Management Board and key management personal, see note 5.

Other related party transactions in 2015

Transactions with group companies comprised invoicing of contract work in the total amount of DKK 37,667 thousand and purchase of goods of DKK 32 thousands.

Transactions with Supervisory Board member Rodney Turner comprised consultancy fees in the total amount of DKK 102 thousands.

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.

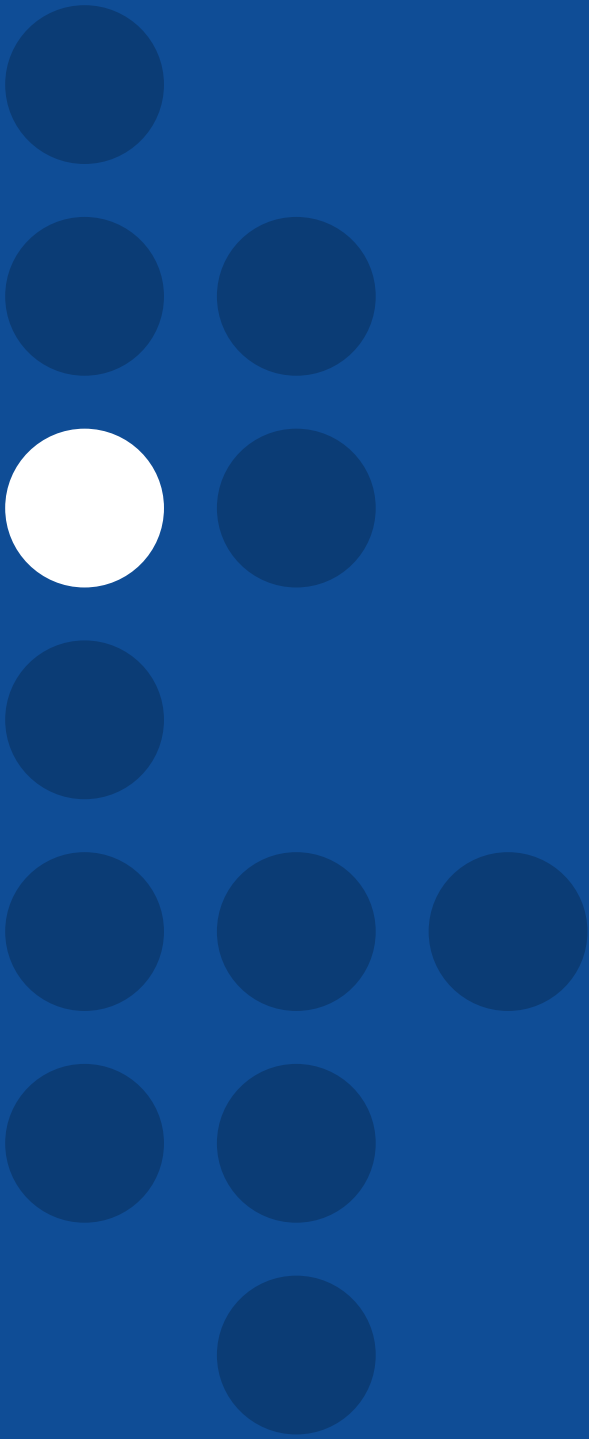
Note 28. Events after the reporting period

No material events have occurred after year end 2015 with effect on the parent or consolidated financial statement.

Note 29. Approval of Annual Report

The Annual Report were approved by the Supervisory Board and authorized for issue on 8 February 2016.

The Annual Report is submitted for approval on the Annual General Meeting on 16 March 2016.



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

www.exiqon.com

EXIQON
Seek Find Verify