PROSPECTUS **2007**

EXIQON

Prospectus dated 14 May 2007

EXIQON

Exiqon A/S
(a Danish public limited company, CVR no. 18984431)

Offering of up to 8,690,000 new Shares of DKK 1 nominal value each
Offer Price Range: DKK 32 to DKK 42 per Share

This prospectus (the "Prospectus") has been prepared in connection with the listing of all shares in Exiqon A/S (the "Company" or "Exiqon") on Københavns Fondsbørs A/S (the "Copenhagen Stock Exchange") and in connection with the offering and listing of up to 8,690,000 new shares of DKK 1 nominal value each (the "Offer Shares", which, unless the context indicates otherwise, comprise additional shares, if any, subscribed in connection with the Option referred to below). The Company's shares, including the Offer Shares, are referred to as the "Shares". As at the Prospectus Date, but prior to the Offering (as defined below) Exiqon's share capital totals DKK 14,280,990 nominal value divided into 14,280,990 Shares of DKK 1 nominal value each, which are all fully paid up. The Offering consists of (1) a public offering to retail and institutional investors in Denmark (the "Danish Public Offering"), (2) a private placement to institutional investors in certain other jurisdictions (the "International Offering"), which together with the Danish Public Offering are collectively referred to as the "Offering"). The International Offering is directed at institutional investors outside the United States under Regulation S of the United States Securities Act of 1933, as amended (the "U.S. Securities Act").

The offer price (the "Offer Price") will be determined within a range (the "Offer Price Range") according to the bookbuilding method. The final Offer Price will be determined by Exiqon's Board of Directors having consulted the Lead Manager & Bookrunner and the Co-Lead Manager (as defined in "Terms and conditions of the Offering") and is expected to be announced through the Copenhagen Stock Exchange on or before 30 May 2007.

The offer period (the "Offer Period") is expected to commence on 22 May 2007 and close on 29 May 2007, at 4 p.m. Copenhagen time, unless the Offering is closed earlier in whole or in part. If the Offering is closed before 29 May 2007, the announcement of allocation, the date of payment and the first day of trading will be moved forward accordingly. Prospective investors should be aware that an investment in the Offer Shares involves a high degree of risk. For a description of factors to consider before investing in the Offer Shares, see "Risk factors", beginning on page 14.

The Company has given the Lead Manager & Bookrunner and the Co-Lead Manager an over-allotment option (the "Option"), which can be exercised in whole or in part at any time as of the first day of trading in the Offer Shares on the Copenhagen Stock Exchange and until 30 calendar days later, to subscribe up to a total of 1,303,500 additional new Shares at the Offer Price. See "Terms and conditions of the Offering".

Prior to the Offering, there has been no public market in the Shares. An application has been made for all the Shares to be admitted for trading on the Copenhagen Stock Exchange under the symbol "EXQ". Trading in the Shares is expected to commence on 31 May 2007. The Offer Shares will rank *pari passu* in all respects, mutually and relative to the Company's other Shares. The Offer Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States or the securities laws of any jurisdiction outside Denmark and may only be offered and sold in transactions exempt from, or not subject to, the registration requirements in the relevant jurisdictions. See "Jurisdictions in which the Offering is made and restrictions relating to the Offering" for a description of these and certain other restrictions regarding resale and transfer of the Offer Shares.

It is expected that delivery against payment in cash of the Offer Shares under the Offering will take place on or about 4 June 2007 (the "Closing Date"). The Offer Shares will be delivered in book-entry form on the Closing Date to investors' accounts with VP Securities Services and through Euroclear Bank, S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, S.A. ("Clearstream, Luxembourg"). The final number of Shares offered and the final Offer Price will be determined with consideration for the criteria and conditions described in "The Offering" and announced through the Copenhagen Stock Exchange. The Offering and the listing of Exiqon will be implemented under Danish law. This Prospectus has been prepared in compliance with the standards and requirements of Danish law, including the rules issued by the Copenhagen Stock Exchange and the Danish FSA.

The Danish-language version of this Prospectus contains certain additional statements required by the Copenhagen Stock Exchange and the Danish FSA to be included in prospectuses in Denmark, including statements regarding the responsibility of the Company's Executive Management and Board of Directors for the contents of this Prospectus, statements by the auditors, and the Lead Manager & Bookrunner and the Co-Lead Manager, which are not included in the English-language version of the Prospectus.

Lead Manager & Bookrunner:

Danske Markets

Co-Lead Manager:

Handelsbanken Capital Markets

General information

This Prospectus has been prepared in compliance with Danish legislation and regulations, including the Danish Securities Trading Act, the rules of the Copenhagen Stock Exchange and Executive Order no. 306 of 28 April 2005 issued by the Danish FSA on prospectuses (the Prospectus Order). This Prospectus is subject to Danish law.

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

No person is authorised to give any information or to make any representation in connection with the listing of Exiqon other than as contained in this Prospectus. If given or made, such information or representation must not be relied upon as having been made or authorised by Exiqon, Danske Markets or Handelsbanken, which are not liable therefor.

The distribution of this Prospectus must not create any implication that there have been no changes in the business of Exiqon, its assets and liabilities or any other affairs since the date hereof, or that the information contained in this Prospectus is correct as at any time subsequent to the date of this Prospectus. In the event of any material changes to the information reproduced in this Prospectus during the period from the date of publication to the first day of trading, such changes will be announced pursuant to the rules in the Prospectus Order and the rules of the Copenhagen Stock Exchange governing prospectus supplements.

This Prospectus has been prepared with a view to listing Exiqon's Shares on the Copenhagen Stock Exchange and to making the Offering.

In making an investment decision, investors should rely on their own examination of the Company and the terms of this Offering, including the risks involved.

The distribution of this Prospectus and the Offering may be restricted by law in certain jurisdictions, and this Prospectus may not be used for, or in connection with, any offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any persons to whom it is unlawful to make such offer or solicitation. This Prospectus does not constitute an offer of or a solicitation to buy the Offer Shares in any jurisdiction where such an offer or solicitation is unlawful. The Company, the Lead Manager & Bookrunner and the Co-Lead Manager require persons into whose possession this Prospectus may come to inform themselves of and observe such restrictions. Neither the Company nor the Lead Manager & Bookrunner nor the Co-Lead Manager assume any legal responsibility for any violation of these restrictions by any person, irrespective of whether such person is a potential purchaser of the Offer Shares. See "Terms and conditions of the Offering" for a more detailed description of certain restrictions in connection with the Offering.

NOTICE REGARDING CANADA, AUSTRALIA, JAPAN AND THE UNITED STATES

This Prospectus may not be sent to or in any other way be made available in Canada, Australia, Japan or the United States.

NOTICE REGARDING THE EUROPEAN ECONOMIC AREA

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

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

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

(c) to less than 100 individuals or legal persons (except for "qualified investors" as defined in the Prospectus Directive) subject to the prior written consent of the Lead Manager & Bookrunner and the Co-Lead Manager; or

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

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

NOTICE TO UK INVESTORS

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

STABILISATION

In connection with the Offering, the Lead Manager & Bookrunner and the Co-Lead Manager may for a period of up to 30 days after the first day of trading in the Offer Shares effect transactions that stabilise or maintain the price of the Shares at a higher level than would otherwise be applicable in the open market. However, the Lead Manager & Bookrunner and Co-Lead Manager are not required to effect such stabilisation and, if initiated, such stabilisation may be suspended at any time. The Lead Manager & Bookrunner will act as stabilising manager and stabilising agent regarding transactions on the Copenhagen Stock Exchange and other stabilising transactions in Denmark.

INDUSTRY AND MARKET DATA AND INFORMATION PROVIDED BY THIRD PARTIES

This Prospectus contains information on the markets in which Exiqon operates. A substantial part of the information comes from analyses prepared by external organisations. Such information is considered to be reliable, but the information has not been verified, and neither Exiqon nor the Lead Manager & Bookrunner nor the Co-Lead Manager makes any declaration as to the accuracy of such information. Thus, developments in Exiqon's activities may deviate from the market developments stated in this Prospectus. Exiqon does not assume any obligation to update such information. If information has been obtained from third parties, we confirm that such information has been accurately reproduced and to the best of the Company's knowledge and belief and in so far as can be ascertained from the information published by such third party, no facts have been omitted which would render the information provided inaccurate or misleading.

PRESENTATION OF FINANCIAL INFORMATION AND OTHER INFORMATION

References to "DKK" are to Danish kroner. References to "EUR" or "euro" are to the single currency of the member states participating in the third stage of the European Economic and Monetary Union pursuant to the Treaty Establishing the European Community as amended from time to time, and references to "USD" and "dollar" are to US dollars. Exiqon publishes its financial statements in Danish kroner. The exchange rates used in this Prospectus are stated on the relevant pages in this Prospectus. Unless otherwise indicated, the exchange rate used is EUR 1 = DKK 7.50. These rates are only included for the convenience of the reader and are not necessarily the rates used by the Company when preparing the financial statements included elsewhere in this Prospectus. No declaration will be made that EUR or USD could have been translated or may be translated into DKK at the exchange rates set out above.

Exiqon's annual financial statements for the year ended 31 December 2006 with comparative figures for 2005 and 2004, which are included in this Prospectus, are extracts from the official 2006 Annual Report. The 2006 Annual Report was prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports. Exiqon's interim report for the three months ended 31 March 2007 with comparative figures for the same period of 2006, which are included in this document, was prepared in accordance with the provisions on recognition and measurement set out in the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies.

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

WARNING RELATING TO FORWARD-LOOKING STATEMENTS

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

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

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

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

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Summary

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

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

Overview

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

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

Customer needs for Exiqon's products

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

Exiqon's technology and products

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

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

Licence agreements

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

Exiqon's strategy

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

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

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

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

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

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

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

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

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

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

Technology platform

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

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

Products for research purposes

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

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

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

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

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

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

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

Services

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

Table 1: Potential miRNA diagnostic projects.

Medical indication	Product	Application	Status
Classification of breast cancer	5-20 miRNA analysis	Risk of relapse/ treatment selection	Screening for markers
Identification of unknown primary tumour	100+ miRNA analysis	Treatment selection	Sampling/Screening for markers
Breast cancer	Unknown	Early detection	Sampling
Ovarian cancer	Unknown	Early detection	Sampling
Colon cancer	Unknown	Risk of relapse/ treatment selection Early detection	Sampling
ASR *in situ* reagents (several indications)	Single miRNAs	Early analysis	Assay development Biomarker identified

Source: Exiqon 2007

Developing diagnostic products based on miRNA measurement

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

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

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

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

Diagnostic products in our pipeline
Table 1 describes some of the product development programmes that may lead to new diagnostic products.

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

Principal markets

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

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

Exiqon's existing and future products target the markets outlined in table 7.
The nucleic acid analysis market can be divided into two main segments by function:

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

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

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

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

As a result of our patent strategy, we own an ever growing number of patents and patent applications currently exceeding 150 active patents and patent applications, including 75 issued patents. Our patent portfolio derives from 30 patent families, including Danish and US priority applications. Over the past 12 months, we have filed seven new patent applications that may form the basis of new patent families. It is the Company's strategy to continuously expand the patent portfolio in order to secure patent protection beyond the term of the basic LNA patents by applying for patents on the use of the LNA technology.

Summary of reasons for the Offering and use of proceeds

The net proceeds (gross proceeds after deduction of estimated expenses to the Company, see "Expenses") in connection with the Offering are expected to be about DKK 294 million (about EUR 39 million) if the Option is not exercised and about DKK 339 million (about EUR 45 million) if the Option is exercised in full.

We intend to use the net proceeds from the Offering to further develop our product portfolio, to expand our production capacity and to increase our marketing efforts in respect of current and future products. At the present time, we intend to use the net proceeds from the Offering and our existing cash funds as follows:

About DKK 100 to 150 million (about EUR 13 to 20 million) for expanding our activities within products for research purposes, including for financing additional products; expanding the production capacity; approval of products requiring regulatory approval; classification of laboratories and processes; patent-related purposes, including acquisition of necessary licenses; and for enhancing our marketing efforts and our sales organisation.

About DKK 150 to 200 million (about EUR 20 to 27 million) for developing our diagnostics products, including for clinical trials; acquisition of licenses and patents (biomarkets); regulatory approval; ensuring approved production capacity; and for sales and marketing.

The remainder of the net proceeds from the Offering will be used for general corporate purposes, including for administrative purposes, including business development. The specific use of the net proceeds from the Offering depends on a range of factors, including the amount of the actual net proceeds from the Offering, the results of the Company's general development and the progress in the development of specific products. Exiqon may have to change the use of the net proceeds due to unforeseen events, including progress and results of product development, signing of collaborative and licence agreements and legislative and competitive developments. The Company will therefore keep a high degree of freedom as regards the use of the net proceeds from the Offering. Furthermore, the amount and timing of the actual expenses may differ from our estimate. Until the net proceeds from the Offering have been used, Exiqon will place the funds in short-term interest-bearing securities and other similar low-risk investments in Denmark and abroad.

Summary of risk factors

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

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

Summary of risk factors:
Exiqon has incurred losses since its inception, and there is a risk of negative future results, which may adversely affect Exiqon.

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

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

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

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

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

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

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

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

The Company relies on a number of licenses that may expire and may not be replaced

Exiqon and its collaborators may not be able to maintain the marketing of its products, which may have an adverse effect on Exiqon.

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

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

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

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

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

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

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

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

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

There has been no prior public market for Exiqon's Shares, and there can be no assurance that a liquid market for the Shares will develop, which could impair an investment in the Offer Shares.

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

The Board of Directors and Executive Management have broad discretion in the use of the net proceeds.

Exiqon has never paid dividends.

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

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

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

There are additional risks to investors resident outside Denmark, which could have an impact on the value of the Shares for the shareholders in question.

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

Shareholders outside Denmark are subject to exchange rate risk.

Company details

Exiqon A/S was founded on 1 November 1995 but did not become operational until in the spring of 1996. The Company is located north of Copenhagen and has 71 employees as of the Prospectus Date. The Company's registered office is at the address Bygstubben 9, DK-2950 Vedbæk (Municipality of Rudersdal), Denmark. Our telephone number is +45 4566 0888

Offer Shares

The Offer Shares to be issued by Exiqon will be of the same class as the Existing Shares.

The Offer Shares will be registered under a temporary identification code and will be traded separately on the Copenhagen Stock Exchange until registration of the Offer Shares with the Danish Commerce and Companies Agency after which time the temporary code will be merged with the code of the Existing Shares. The codes will be merged as soon as possible after the Offer Shares have been registered with the Danish Commerce and Companies Agency.

Summary of the Offering

For a complete description of the Offering, see Part III

Issuer:	Exiqon A/S, CVR no. 18984431
Offering:	The Offering comprises up to 8,690,000 Offer Shares of DKK 1 nominal value each. In addition, an overallotment option has been granted for up to 1,303,500 additional new Shares.
Proceeds:	The net proceeds (gross proceeds less estimated expenses for the Company relating to the Offering, see "Expenses") are expected to be about DKK 294 million (about EUR 39 million) excluding the Option and about DKK 339 million (about EUR 45 million) including the Option (in both cases assuming an Offer Price of DKK 37 and that 8,690,000 Shares are subscribed).
Offer Price:	All Offer Shares are offered at an Offer Price Range of DKK 32 to DKK 42 per Share of DKK 1 nominal value each, free of brokerage. The final Offer Price will be determined by Exiqon's Board of Directors having consulted the Lead Manager & Bookrunner and Co-Lead Manager.
Offer period:	The Offer Shares may be subscribed during the period from 22 May to 29 May, at 4 pm Copenhagen time unless the Offering is closed in whole or in part at an earlier date.
Lead Manager & Bookrunner:	Danske Markets (division of Danske Bank A/S)
Co-Lead Manager:	Handelsbanken Capital Markets (division of Svenska Handelsbanken AB (Publ))
Underwriting:	At the end of the Offer Period, Danske Markets (division of Danske Bank A/S), Lead Manager & Bookrunner, and Handelsbanken Capital Markets (division of Svenska Handelsbanken AB (Publ)), Co-Lead Manager, are expected to sign an underwriting agreement (the "Underwriting Areement") with Exiqon A/S agreeing, severally and not jointly, to procure subscribers or purchasers for, or failing which, to subscribe or purchase themselves (as the case may be) and pay for the Offer Shares indicated opposite their names in table 30 at the Offer Price. Exiqon A/S has agreed to pay to the Lead Manager & Bookrunner and the Co-Lead Manager a commission of 6% of the Offer Price per Offer Share and to reimburse the Lead Manager & Bookrunner and the Co-Lead Manager for expenses in connection with the Offering. In addition, Exiqon A/S may decide to pay to the Lead Manager & Bookrunner and the Co-Lead Manager a further discretionary remuneration of 1% of the Offer Price per Share. See "Terms and conditions of the Offering".
ISIN/Securities identification codes:	Existing Shares DK0060077758 Offer Shares (temporary code) DK0060077832
Trading symbol at the Copenhagen Stock Exchange	"EXQ"
Voting rights:	Shareholders are entitled to one vote for each share amount of DKK 1 nominal value at general meetings. As each Share has a nominal value of DKK 1, each Share carries one vote.
Dividend rights:	The Offer Shares are eligible for dividends, which are distributed by Exiqon A/S following registration of the Offer Shares with the Danish Commerce and Companies Agency, and are thus eligible for any dividends declared and payable as from the financial year 2007.

Issuing agent:	Danske Bank A/S
Lock-up agreements in connection with the Offering:	The Company, the Board of Directors, the Executive Management, Key Employees and Major Shareholders have undertaken towards the Lead Manager & Bookrunner and Co-Lead Manager that they will not, without the prior written consent of the Lead Manager & Bookrunner (which consent shall not be unreasonabley withheld), issue, sell, offer for sale, contract to sell or in any other way, directly or indirectly, dispose of Shares or securities convertible into Shares in the Company or warrants or other rights to acquire Shares in the Company or publish that any such action will be made. This does not cover the issuance of Offer Shares and shares upon the exercise of warrants issued in the Company at the Prospectus Date. The obligation for the Company, the Board of Directors, the Executive Management, and the Company's CFO and Major Shareholders applies for a period from the Prospectus Date until 365 days after the first day of listing of the Shares on the Copenhagen Stock Exchange. The obligation for other Key Employees applies for a period from the Prospectus Date until 180 days after the first day of listing of the Shares on the Copenhagen Stock Exchange.
Governing law and jurisdiction:	The Offering is subject to Danish law. Any dispute arising out of the Offering must be brought before the Court of Lyngby.
Selling and transfer restrictions	General restrictions Certain selling and transfer restrictions for the Offer Shares will apply. See "Terms and conditions of the Offering–Jurisdictions in which the Offering is made and restrictions relating to the Offering".
How to order this Prospectus:	Additional copies of the Prospectus are available from: Danske Bank Corporate Actions Holmens Kanal 2-12 DK-1092 Copenhagen K Denmark Tel.: +45 7023 0833 Fax: +45 43551223 Handelsbanken Capital Markets Amaliegade 3 DK-1007 Copenhagen K Denmark Tel.: +45 3341 8200 Fax: +45 3341 8264 The Prospectus can also be downloaded, with certain exceptions, from the Company's website: www.exiqon.com

Expected timetable of principal events

Offer Period	22 May to 29 May 2007
Final Offer Price and size of the Offering	30 May 2007
First day of listing and trading	31 May 2007
Payment for the Offer Shares	4 June 2007

Financial calendar

Interim report for the period 1 January to 30 June 2007:	28 August 2007
Interim report for the period 1 January to 30 September 2007:	27 November 2007
Announcement of full-year results 2007	12 March 2008

The annual general meeting is scheduled to be held on 28 March 2008.

Selected financial information and key figures

Set out below are selected financial information and key figures for 2006, 2005 and 2004 and for the period 1 January to 31 March 2007 and 2006.

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

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

The interim financial statements for the period 1 January to 31 March 2007 with comparative figures for 2006 are presented in accordance with the recognition and measurement provisions of IFRS as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies. The interim financial statements and the comparative figures are unaudited.

Table 2. Financial highlights for 2006, 2005 and 2004

Key figures (DKK million)	2006 Group DKK	2006 Group EUR	2005 Group DKK	2005 Group EUR	2004 Group DKK	2004 Group EUR
	audited	unaudited	audited	unaudited	audited	unaudited
Income statement:						
Revenue	43.1	5.8	16.0	2.1	10.3	1.4
Production costs	(11.9)	(1.6)	(5.4)	(0.7)	(4.7)	(0.6)
Research and development costs	(27.6)	(3.7)	(14.2)	(1.9)	(17.0)	(2.3)
Sales and marketing costs	(19.5)	(2.6)	(9.6)	(1.3)	(4.2)	(0.6)
Administrative expenses	(9.6)	(1.3)	(6.8)	(0.9)	(6.0)	(0.8)
Operating profit/(loss)	(25.5)	(3.4)	(20.0)	(2.7)	(21.6)	(2.9)
Net financials	0.6	0.1	(3.2)	(0.4)	(7.2)	(1.0)
Profit/(loss) before tax	(24.9)	(3.3)	(23.3)	(3.1)	(28.7)	(3.8)
Profit/(loss) for the year	(24.9)	(3.3)	(23.3)	(3.1)	(28.7)	(3.8)
Balance sheet:						
Assets						
Intangible assets	8.1	1.1	0.6	0.1	0.7	0.1
Property, plant and equipment	10.6	1.4	7.4	1	4.6	0.6
Financial assets	1.1	0.1	0.9	0.1	0.7	0.1
Non-current assets	19.7	2.6	8.9	1.2	6.0	0.8
Inventories	4.6	0.6	2.4	0.3	1.3	0.2
Receivables	22.2	3	2.3	0.3	1.0	0.1
Cash and cash equivalents	20.4	2.7	40.2	5.4	1.7	0.2
Current assets	47.3	6.3	44.9	6	3.9	0.5
Total assets	67.0	8.9	53.8	7.2	9.9	1.3
Equity and liabilities						
Equity	34.0	4.5	28.0	3.7	(43.9)	(5.9)
Non-current liabilities	5.3	0.7	2.8	0.4	1.5	0.2
Current liabilities	27.7	3.7	23.0	3.1	52.3	7.0
Total liabilities	33.0	4.4	25.8	3.4	53.8	7.2
Equity and liabilities	67.0	8.9	53.8	7.2	9.9	1.3
Cash flow statement:						
Cash flows from operating activities	(35.6)	(4.7)	(5.0)	(0.7)	(16.3)	(2.2)
Cash flows from investing activities	(9.9)	(1.3)	(2.4)	(0.3)	(2.0)	(0.3)
Cash flows from financing activities	25.7	3.4	45.9	6.1	0.0	0.0
Cash and cash equivalents at year end	20.4	2.7	40.2	5.4	1.7	0.2
Financial ratios:						
Earnings per share	(4)	(0.5)	(7)	(0.9)	(18)	(2.4)
Diluted earnings per share	(4)	(0.5)	(7)	(0.9)	(18)	(2.4)
Assets/Equity (gearing)	2.0	0.3	1.9	0.3	(Neg.)	(Neg.)
Average number of employees	62		42		30	

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

Table 3: Financial highlights for the reporting period 1 January to 31 March 2007 and 2006

Key figures (DKK million)	2007 Group		2006 Group	
	DKK	EUR	DKK	EUR
	unaudited	unaudited	unaudited	unaudited
Income statement:				
Revenue	9.4	1.3	5.1	0.7
Production costs	(3.4)	(0.5)	(1.5)	(0.2)
Research and development costs	(4.9)	(0.7)	(5.5)	(0.7)
Sales and marketing costs	(6.7)	(0.9)	(3.0)	(0.4)
Administrative expenses	(5.6)	(0.7)	(1.5)	(0.2)
Operating profit/(loss)	(11.2)	(1.5)	(6.4)	(0.9)
Net financials	0.0	0.0	0.0	0.0
Profit/(loss) before tax	(11.2)	(1.5)	(6.4)	(0.9)
Profit/(loss) for the period	(11.2)	(1.5)	(6.4)	(0.9)
Balance sheet:				
Assets				
Intangible assets	7.9	1.1	0.7	0.1
Property, plant and equipment	12.7	1.7	7.8	1.0
Financial assets	0.0	0.0	0.4	0.1
Non-current assets	20.6	2.8	8.9	1.2
Inventories	6.4	0.9	2.9	0.4
Receivables	10.4	1.4	24.1	3.2
Cash and cash equivalents	18.3	2.4	31.9	4.3
Current assets	35.1	4.7	58.9	7.9
Total assets	55.7	7.5	67.8	9.1
Equity and liabilities				
Equity	21.7	2.9	43.1	5.8
Non-current liabilities	4.5	0.6	0.2	0
Current liabilities	29.5	4.0	24.5	3.3
Total liabilities	34.0	4.6	24.7	3.3
Equity and liabilities	55.7	7.5	67.8	9.1
Cash flow statement:				
Cash flows from operating activities	(1.6)	(0.2)	(8.1)	(1.1)
Cash flows from investing activities	(1.0)	(0.1)	(0.6)	(0.1)
Cash flows from financing activities	0.5	0.1	0.4	0.1
Cash and cash equivalents at 31 March	18.3	2.4	31.9	4.3
Financial ratios:				
Earnings per share	(1.6)	(0.2)	(0.9)	(0.1)
Diluted earnings per share	(1.6)	(0.2)	(0.9)	(0.1)
Assets/Equity (gearing)	2.6	0.3	1.6	0.2
Average number of employees	67		37	

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

Risk factors

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

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

Risks related to Exiqon's activities

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

Risks related to Exiqon's financial results and financial resources

Exiqon has incurred losses since its inception, and there is a risk of negative future results, which may adversely affect Exiqon.
Exiqon has incurred losses since its inception in 1996, and since its future profitability is uncertain, an investment in Exiqon involves significant risk. Despite generating revenue of DKK 43.096 million (EUR 5.746 million) in 2006, Exiqon incurred an operating loss of DKK 25.505 million (EUR 3.400 million) and a net loss of DKK 24.918 million (EUR 3.322 million). For the financial year ending 31 December 2007, the Company expects an operating loss in the region of DKK 60.000 million (EUR 8.000 million) and a net loss in the region of DKK 50.000 million (EUR 6.666 million) after recognition of the consequences of the completion of the Offering. Exiqon does not expect to generate an operating profit until in 2011 at the earliest, and that goal is subject to uncertainty.

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

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

Risks related to development and regulatory and legal requirements

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

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

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

Risks related to dependence on third parties

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

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

Risks related to intellectual property rights

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

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

If Exiqon becomes involved in any litigation, interference or other administrative proceedings, the Company may incur substantial expense and it may require substantial management resources. An adverse ruling or other determination may subject Exiqon to significant liabilities or require the Company to seek licenses. Such licenses may not be available from third parties on commercially reasonable terms, if at all. Accordingly, there can be no assurance that Exiqon and its collaborators may not be restricted, in full or in part, from manufacturing and selling products employing Exiqon's technology.

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

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

The issuance of a patent does not guarantee its validity or enforceability, and third parties may challenge either. The issuance and enforceability of a patent within Exiqon's type of products is generally highly uncertain and involves complex legal and scientific issues. To date, no uniform and worldwide policy has emerged regarding this or the scope of claims allowable in biotechnology patents. Exiqon has an extensive portfolio of patents and patent applications. Exiqon cannot predict the breadth of claims that will ultimately be allowed in its patent applications. The claims of Exiqon's pending patent applications may have to be significantly narrowed in order to secure the issuance of patents, thereby reducing the scope of protection available from such patents and, by extension, Exiqon's commercial sphere of activity. Litigation or other proceedings may be necessary to enforce Exiqon's intellectual property rights, to protect the Company's trade secrets and to determine the validity and scope of the Company's intellectual property rights. Any litigation could result in substantial expense, may reduce Exiqon's profits and may fail to adequately protect the Company's intellectual property rights. The competition may successfully challenge patents issued or licensed to Exiqon in court or in other proceedings, resulting in limitations of the coverage of the Company's patents. Moreover, patents issued or licensed to Exiqon may be infringed or successfully circumvented. Accordingly, rights under any issued patents may not provide Exiqon with sufficient protection against competitive products or processes.

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

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

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

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

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

The Company relies on a number of licences that may expire and may not be replaced
Exiqon relies on its ability to maintain a number of inlicensing agreements that provide the Company with access to employing third party technology, and Exiqon must be expected to require an additional number of such licences in the future. Failure to obtain or maintain some of these licences on commercially acceptable terms may adversely affect Exiqon's future opportunities to develop and sell products and services and, by extension, the Company's results of operations and prospects.

Risks related to Exiqon's production and production facilities

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

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

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

Risks related to commercialisation

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

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

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

Exiqon faces substantial competition, which may result in others discovering, developing or commercialising products before or more successfully than Exiqon does.
The pharmaceutical and biotechnology industries are subject to rapid change, making it difficult to predict the future competitive environment for Exiqon's existing and future products. Technological competition from existing companies and others diversifying into the product field in which Exiqon operates is intense and expected to increase. Many companies are engaged in the research and development of products that may compete with Exiqon's products, although very little information is made public regarding these activities. A number of other

companies operating in the same field as Exiqon does have significantly greater resources than Exiqon does, for example in the areas of research and development, manufacturing, marketing, finance and management, and may therefore represent significant competition. Business combinations or arrangements between competing companies could enhance such competitors' financial, marketing or other resources. Competitors who are able to complete clinical trials and obtain required approvals and commence commercial sales of their products before Exiqon does may enjoy a significant competitive advantage.

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

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

Exiqon faces the risk of product liability claims and may not be able to obtain adequate insurance, which may have an adverse effect on Exiqon.
Exiqon's business exposes it to potential product liability risks which are inherent in development, manufacturing, marketing and use of clinical analysis products. Even in cases where Exiqon may license others to manufacture and sell Exiqon's products, there can be no assurance that product liability claims would not be filed against Exiqon for such products or that indemnification or other relief would not be sought from Exiqon for any such claims. Exiqon intends to expand its insurance cover to include the sale of all of its commercial products. Exiqon may not be able to obtain or maintain adequate protection against potential liabilities at acceptable cost. If Exiqon is unable to obtain insurance or other protection against potential product liability claims, Exiqon may be exposed to significant liabilities, which may materially and adversely affect its business and financial position. These liabilities could prevent or interfere with Exiqon's product development and commercialisation efforts. If Exiqon is sued for any injury caused by any of its products or processes, Exiqon's liability could exceed its product liability insurance cover and its own financial resources.

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

Risks related to the market in which Exiqon operates

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

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

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

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

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

Historically, Exiqon has generated income in the form of non-recurring payments and royalties from licences

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

Risks related to employees

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

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

Risks related to currency and other financial risks

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

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

Risks related to the Offering

Exiqon's Major Shareholders control a significant part of Exiqon's Shares, and their interests may conflict with the interests of other shareholders, which could have an adverse effect on Exiqon.
Exiqon's Major Shareholders control a significant part of Exiqon's Shares, and their interests may conflict with the interests of other shareholders. Upon completion of the Offering, Exiqon's Major Shareholders, the Board of Directors and the Executive Management will own approximately 51.4%, 1.2% and 3.9% of Exiqon's Shares on a fully diluted basis, assuming that all issued warrants are exercised, and approximately 56.8%, 0.0% and 0.4% of Exiqon's Shares assuming no exercise of warrants – in both cases assuming no exercise of the Option. As a result, these persons may have the ability either alone or voting together as a group to determine and/or significantly influence the outcome of matters submitted to the shareholders for approval, including the election and removal of members of the Board of Directors, payment of dividends, amendments to the Articles of Association, including changes to the share capital or any merger. In addition, this group of shareholders may have the ability to control Exiqon's Management and affairs. Such control and concentration of ownership may affect the market price of the Shares and may discourage certain types of transactions, including those involving actual or potential change of control of Exiqon (whether through merger, consolidation, take-over or other business combination), which might otherwise have a positive effect on the market price of the Shares.

There may be limited liquidity in the Shares, which may adversely affect the value of the Shares
Following the Offering, 37.8% of Exiqon's Shares will be held by persons other than the existing shareholders as at the Prospectus Date (in each case assuming that existing shareholders do not acquire any Shares in the Offering, that no warrantholder exercises warrants and no exercise of the Option). Exiqon has agreed not to issue any further Shares for a period from the Prospectus Date to 365 days following the Closing Date. Exiqon's Board of Directors and Executive Management and Hans Henrik Chrois Christensen, CFO, have agreed not to dispose of their shareholdings in any such case, subject to certain exceptions, from the Prospectus Date until 365 days following the Closing Date, without the consent of the Lead Manager & Bookrunner and the Co-Lead Manager and certain Key Employees not to dispose of their shareholdings without the consent of the Lead Manager & Bookrunner and the Co-Lead Manager during a period of 180 days from the Prospectus Date. Exiqon's Major Shareholders have agreed not to dispose of their shareholdings for a period from the Prospectus Date to 365 days following the Closing Date without the consent of the Lead Manager & Bookrunner and Co-Lead Manager.

The limited public market for Exiqon's Shares may impair the ability of investors to sell their Shares at the time or times they wish to do so or at an acceptable price, and may increase the volatility of the price of Exiqon's Shares.

There has been no prior public market for Exiqon's Shares, and there can be no assurance that a liquid market for the Shares will develop, which could impair an investment in the Offer Shares.
There has been no prior public market for the Shares, and there can be no assurance that a liquid market for the Shares will develop. The Offer Price has been determined through negotiations among the Board of Directors and the Lead Manager & Bookrunner and Co-Lead Manager, and it may not be possible to sell the Offer Shares at or above the Offer Price. The price at which the Shares will trade depends on a number of factors, including any of the risks described in "Risk Factors" and in "Warning relating to forward-looking statements", Exiqon's results of operations, its collaborators and competitors and general or forecast market and economic conditions.

Subscribers of the Offer Shares will suffer immediate and substantial dilution of their investment.
The price investors will pay for the Offer Shares will be significantly greater than the net asset value per Share of Exiqon's registered Share capital after the Offering. Accordingly, investors will suffer immediate and substantial dilution of their investment. In addition, there are 2,371,806 outstanding warrants of which 1,309,240 warrants each confer a right to subscribe one Share at an exercise price of DKK 9.50. The remaining 10,062,566 warrants each confer a right to subscribe one Share at an exercise price equal to the Offer Price plus 5% p.a. calculated per calendar day from the date of grant until the date of exercise. If any of such warrants are exercised, subscribers of the Offer Shares will suffer further dilution.

The Board of Directors has been authorised to issue 2,437,434 warrants to the members of the Board of Directors, Executive Management, employees and Exiqon's consultants and advisers. Each warrant will, upon issuance, confer the right to subscribe one Share at not less than the market price of the Shares on the date of issuance of the warrants. This price may be lower than the Offer Price depending on the market price of the Shares on the date such warrants are granted. See "Additional information". The issuance and exercise of such warrants may cause investors in the Offer Shares to suffer further dilution.

The Board of Directors and Executive Management have broad discretion in the use of the net proceeds.
The Board of Directors and Executive Management have broad discretion in the use of the net proceeds of the Offering and they may not apply these funds effectively, which could have an adverse effect on Exiqon's results of operations, prospects and the value of the Shares.

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

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

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

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

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

A sale of Shares by Management could also have an adverse impact on Exiqon's share price.
In connection with the transaction, the Board of Directors, the Executive Management and certain Key Employees are restricted by lock-up agreements (subject to certain exceptions therein). See "Lock-up agreements" for a more detailed description of these agreements, including exceptions thereto. Following the end of the lock-up period, members of the Board of Directors and the Executive Management and certain Key Employees will be free to sell their Shares, which could cause the market price of Exiqon's Shares to decline.

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

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

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

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

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

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

I. Company information - Exiqon

Persons responsible

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

Auditors

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

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

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

Selected financial information and key figures

Set out below are selected financial information and key figures for 2006, 2005 and 2004 and for the period 1 January to 31 March 2007 and 2006.

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

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

The interim financial statements for the period 1 January to 31 March 2007 with comparative figures for 2006 are presented in accordance with the recognition and measurement provisions of IFRS as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies. The interim financial statements and the comparative figures are unaudited.

Table 4. Financial highlights for 2006, 2005 and 2004

	2006 Group		2005 Group		2004 Group	
Key figures (DKK million)	DKK	EUR	DKK	EUR	DKK	EUR
	audited	unaudited	audited	unaudited	audited	unaudited
Income statement:						
Revenue	43.1	5.8	16.0	2.1	10.3	1.4
Production costs	(11.9)	(1.6)	(5.4)	(0.7)	(4.7)	(0.6)
Research and development costs	(27.6)	(3.7)	(14.2)	(1.9)	(17.0)	(2.3)
Sales and marketing costs	(19.5)	(2.6)	(9.6)	(1.3)	(4.2)	(0.6)
Administrative expenses	(9.6)	(1.3)	(6.8)	(0.9)	(6.0)	(0.8)
Operating profit/(loss)	(25.5)	(3.4)	(20.0)	(2.7)	(21.6)	(2.9)
Net financials	0.6	0.1	(3.2)	(0.4)	(7.2)	(1.0)
Profit/(loss) before tax	(24.9)	(3.3)	(23.3)	(3.1)	(28.7)	(3.8)
Profit/(loss) for the year	(24.9)	(3.3)	(23.3)	(3.1)	(28.7)	(3.8)
Balance sheet:						
Assets						
Intangible assets	8.1	1.1	0.6	0.1	0.7	0.1
Property, plant and equipment	10.6	1.4	7.4	1	4.6	0.6
Financial assets	1.1	0.1	0.9	0.1	0.7	0.1
Non-current assets	19.7	2.6	8.9	1.2	6.0	0.8
Inventories	4.6	0.6	2.4	0.3	1.3	0.2
Receivables	22.2	3	2.3	0.3	1.0	0.1
Cash and cash equivalents	20.4	2.7	40.2	5.4	1.7	0.2
Current assets	47.3	6.3	44.9	6	3.9	0.5
Total assets	67.0	8.9	53.8	7.2	9.9	1.3
Equity and liabilities						
Equity	34.0	4.5	28.0	3.7	(43.9)	(5.9)
Non-current liabilities	5.3	0.7	2.8	0.4	1.5	0.2
Current liabilities	27.7	3.7	23.0	3.1	52.3	7.0
Total liabilities	33.0	4.4	25.8	3.4	53.8	7.2
Equity and liabilities	67.0	8.9	53.8	7.2	9.9	1.3
Cash flow statement:						
Cash flows from operating activities	(35.6)	(4.7)	(5.0)	(0.7)	(16.3)	(2.2)
Cash flows from investing activities	(9.9)	(1.3)	(2.4)	(0.3)	(2.0)	(0.3)
Cash flows from financing activities	25.7	3.4	45.9	6.1	0.0	0.0
Cash and cash equivalents at year end	20.4	2.7	40.2	5.4	1.7	0.2
Financial ratios:						
Earnings per share	(4)	(0.5)	(7)	(0.9)	(18)	(2.4)
Diluted earnings per share	(4)	(0.5)	(7)	(0.9)	(18)	(2.4)
Assets/Equity (gearing)	2.0	0.3	1.9	0.3	(Neg.)	(Neg.)
Average number of employees	62		42		30	

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

Table 5. Financial highlights for the reporting period 1 January to 31 March 2007 and 2006

Key figures (DKK million)	2007 Group		2006 Group	
	DKK	EUR	DKK	EUR
	unaudited	unaudited	unaudited	unaudited
Income statement:				
Revenue	9.4	1.3	5.1	0.7
Production costs	(3.4)	(0.5)	(1.5)	(0.2)
Research and development costs	(4.9)	(0.7)	(5.5)	(0.7)
Sales and marketing costs	(6.7)	(0.9)	(3.0)	(0.4)
Administrative expenses	(5.6)	(0.7)	(1.5)	(0.2)
Operating profit/(loss)	(11.2)	(1.5)	(6.4)	(0.9)
Net financials	0.0	0.0	0.0	0.0
Profit/(loss) before tax	(11.2)	(1.5)	(6.4)	(0.9)
Profit/(loss) for the period	(11.2)	(1.5)	(6.4)	(0.9)
Balance sheet:				
Assets				
Intangible assets	7.9	1.1	0.7	0.1
Property, plant and equipment	12.7	1.7	7.8	1.0
Financial assets	0.0	0.0	0.4	0.1
Non-current assets	20.6	2.8	8.9	1.2
Inventories	6.4	0.9	2.9	0.4
Receivables	10.4	1.4	24.1	3.2
Cash and cash equivalents	18.3	2.4	31.9	4.3
Current assets	35.1	4.7	58.9	7.9
Total assets	55.7	7.5	67.8	9.1
Equity and liabilities				
Equity	21.7	2.9	43.1	5.8
Non-current liabilities	4.5	0.6	0.2	0
Current liabilities	29.5	4.0	24.5	3.3
Total liabilities	34.0	4.6	24.7	3.3
Equity and liabilities	55.7	7.5	67.8	9.1
Cash flow statement:				
Cash flows from operating activities	(1.6)	(0.2)	(8.1)	(1.1)
Cash flows from investing activities	(1.0)	(0.1)	(0.6)	(0.1)
Cash flows from financing activities	0.5	0.1	0.4	0.1
Cash and cash equivalents at 31 March	18.3	2.4	31.9	4.3
Financial ratios:				
Earnings per share	(1.6)	(0.2)	(0.9)	(0.1)
Diluted earnings per share	(1.6)	(0.2)	(0.9)	(0.1)
Assets/Equity (gearing)	2.6	0.3	1.6	0.2
Average number of employees	67		37	

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

Risk factors

For a description of risk factors for Exiqon, please see “Risk factors” starting on page 14.

Information about Exiqon

Name, registered office, etc.

Exiqon A/S
Company reg. (CVR) no.: 18984431
Bygstubben 9
DK-2950 Vedbæk (Municipality of Rudersdal)
Denmark
Tel.: +45 4565 0929

Exiqon has no secondary names.

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

Exiqon A/S is governed by Danish law.

Financial calendar

Interim report for the period 1 January to 30 June 2007:	28 August 2007
Interim report for the period 1 January to 30 September 2007:	27 November 2007
Announcement of full-year results 2007	12 March 2008

The annual general meeting is scheduled to be held on 28 March 2008.

Financial year, financial reporting and stock exchange announcements

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

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

Objects

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

Principal bankers

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

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

The Company and Danske Bank have ordinary banking relations, and it should be noted that Danske Bank owns 4.4% of the share capital of Exiqon before the Offering as described in ò – Major Shareholders.

Registrar

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

Issuing agent

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

Transactions with financial advisers

The Lead Manager & Bookrunner and the Co-Lead Manager have in the past provided, and may in the future from time to time provide, investment banking services to the Company for which they have in the past received, and may in the future receive, fees and commissions.

Deloitte, Exiqon's auditors, also perform advisory work other than auditing the annual reports.

Exiqon's history and development

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

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

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

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

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

In 2006, Exiqon A/S established de-facto in-house production through its subsidiary in the United States, using its own US sales organisation, which so far has 11 employees. The Company was also certified to the ISO 9001 standard, and both the Universal ProbeLibrary™ and the miRCURY™ product lines were substantially expanded during the year. The Company entered into a strategic collaboration with Luminex for the development, production and sale of a number of products for miRNA analysis based on Luminex' "bead"-based analysis platform. The first products (FlexmiR™) under this agreement were launched at the end of 2006 (see "Additional information–Collaborative and licence agreements").

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

Exiqon A/S has signed an agreement to sell its stake in Santaris Pharma A/S. The sale is expected to be completed on 25 June 2007.

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

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

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

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

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

Investments

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

The Company has no material contracts in progress.

Table 6. Investments

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

Company information

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

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

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

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

Table 7. Characteristics of Exiqon's principal markets.

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

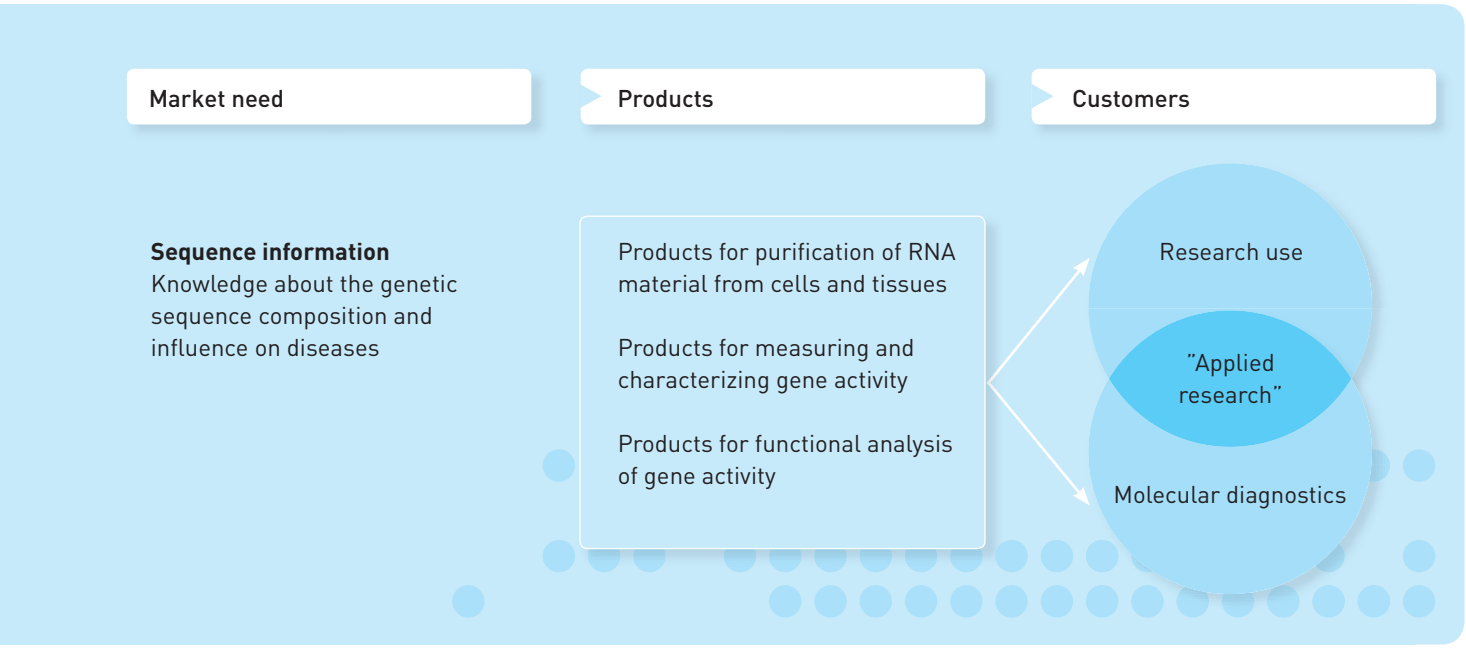
[1] Based on the following sources; Fuji-Keizai U.S.A. Inc. "The Worldwide Biochip and Equipment Market 2007", Frost & Sullivan Report #B079-55: "European Nucleic Acids Amplification Kits and Reagents Market", Frost & Sullivan: US qRT-PCR Markets, 2006, Qiagen GmbH's annual report 2005, Fluidigm Inc.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

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

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

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

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



Source: Exiqon 2007

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

Customer needs for Exiqon's products

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

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

Exiqon's technology and products

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

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

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

Product category	Products	Application
miRCURY™ LNA Detection 	Available with many different visualisation systems	Visualisation of miRNA activity in e.g. tissue
miRCURY™ LNA Array 	miRNA microarrays	Parallel measuring of miRNA activity
	Labelling kits	Fluorescence labelling of miRNA
	Ready to spot set	Probes for manufacturing own miRNA microassays
	Buffer systems	Reagents for array analyses
miRCURY™ LNA Knock Down 	Antisense LNA oligonucleotides	System for functional knockdown of miRNA activity
Universal ProbeLibrary™ (UPL) 	UPL Human set	Activity profiling of mRNA in human cells
	UPL Mouse set	Activity profiling of mRNA in mouse cells
	UPL Rat set	Activity profiling of mRNA in rat cells
	UPL Extension set	Kit that provides access to the combined set of probes when the human set is also sourced
	UPL Control set	System for controlling customer's system set-up
FlexmiR™ (bead-based) 	FlexmiR™ Human	Analysis of human miRNA molecules
	FlexmiR™ Extension kit	Enables analysis of miRNA in mice and rats
	FlexmiR™ Control kit	Control of system set-up
	FlexmiR™ Labelling	Labelling of miRNA molecules
LNA oligonucleotides 	Special oligonucleotides	*In situ* hybridisation, chromosomal analysis, PCR primers, etc.
Reagents 	LNA amidites	Polymerisation of LNA oligonucleotides
	AQ-Link™ reagents	Used for working with our photo chemistry

Source: Exiqon 2007

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

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

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

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

Licence agreements

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

Corporate strategy

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

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

Our patented LNA technology allows us to develop the Company, both short-term and long-term. In the short term, our revenue will derive primarily from our products for molecular biology research, but longer term we expect that a substantial proportion of our revenue will be generated from molecular diagnostics applications.

Historically, a significant part of our income has consisted of licence payments. We expect to continue to receive licence income, but our strategy is that our own sales, including our service business, should represent the bulk of our income base.

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

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

an agreement covering production facilities and a service laboratory. Until we have established US manufacturing facilities, all service and production activities will take place in our new laboratories in Denmark.

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

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

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

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

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

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

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

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

We also expect to develop kits for early detection of cancer by using miRNA molecules as biomarkers.

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

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

Technology platform

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

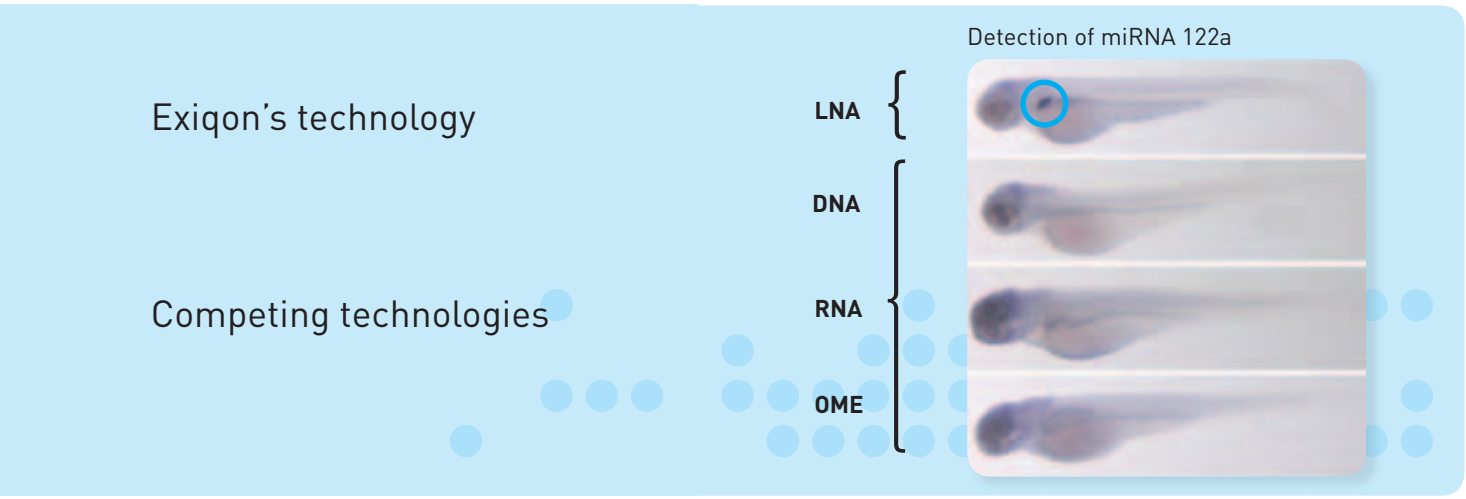
The LNA™ (Locked Nucleic Acid) technology

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

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

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

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



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

Products for research purposes

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

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

Products for the measurement of microRNA

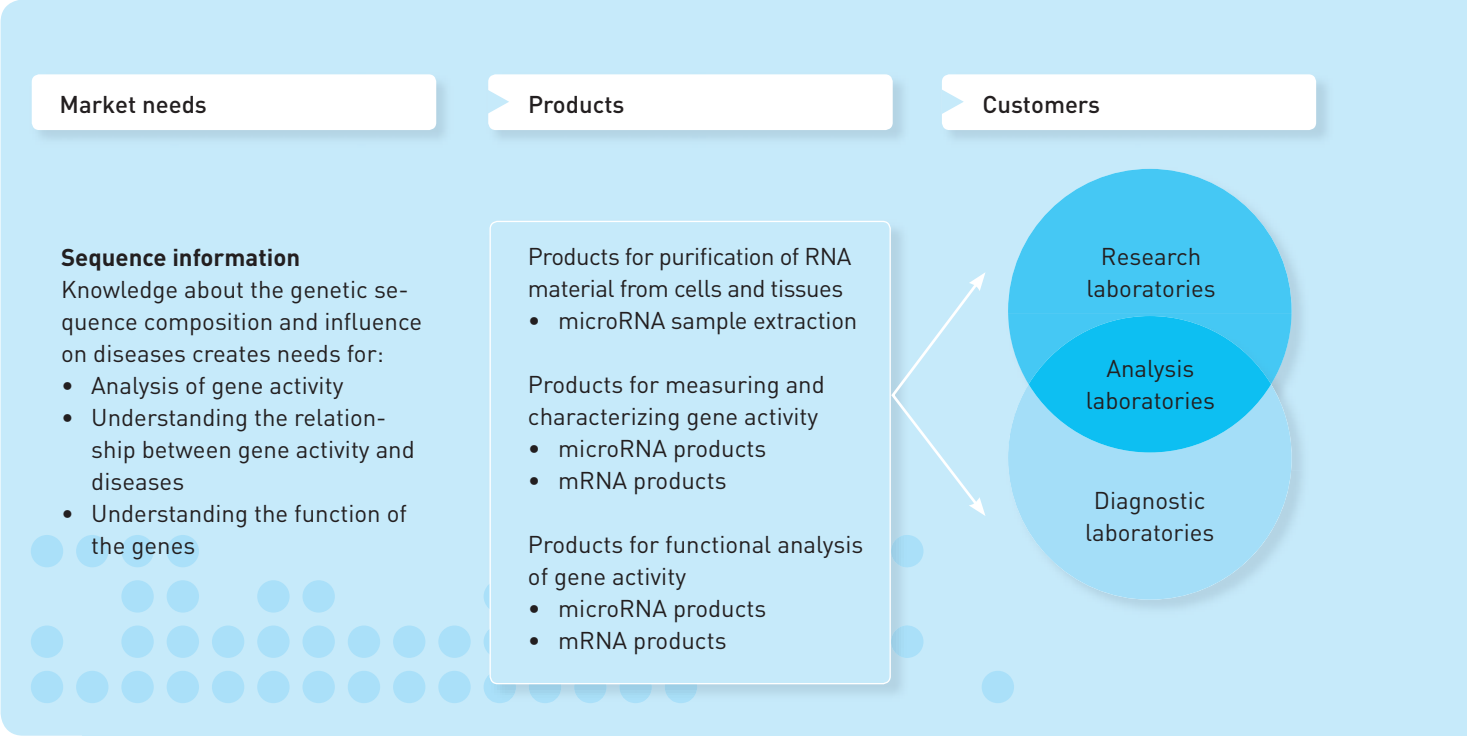
We have a broad product range for analysing miRNA as we supply products for microarray analysis (multiparallel analysis of many different miRNA at once), *in situ* hybridisation, which is an analysis on tissue sections, products for conventional analysis using the Northern blot technology, which provides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

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

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

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

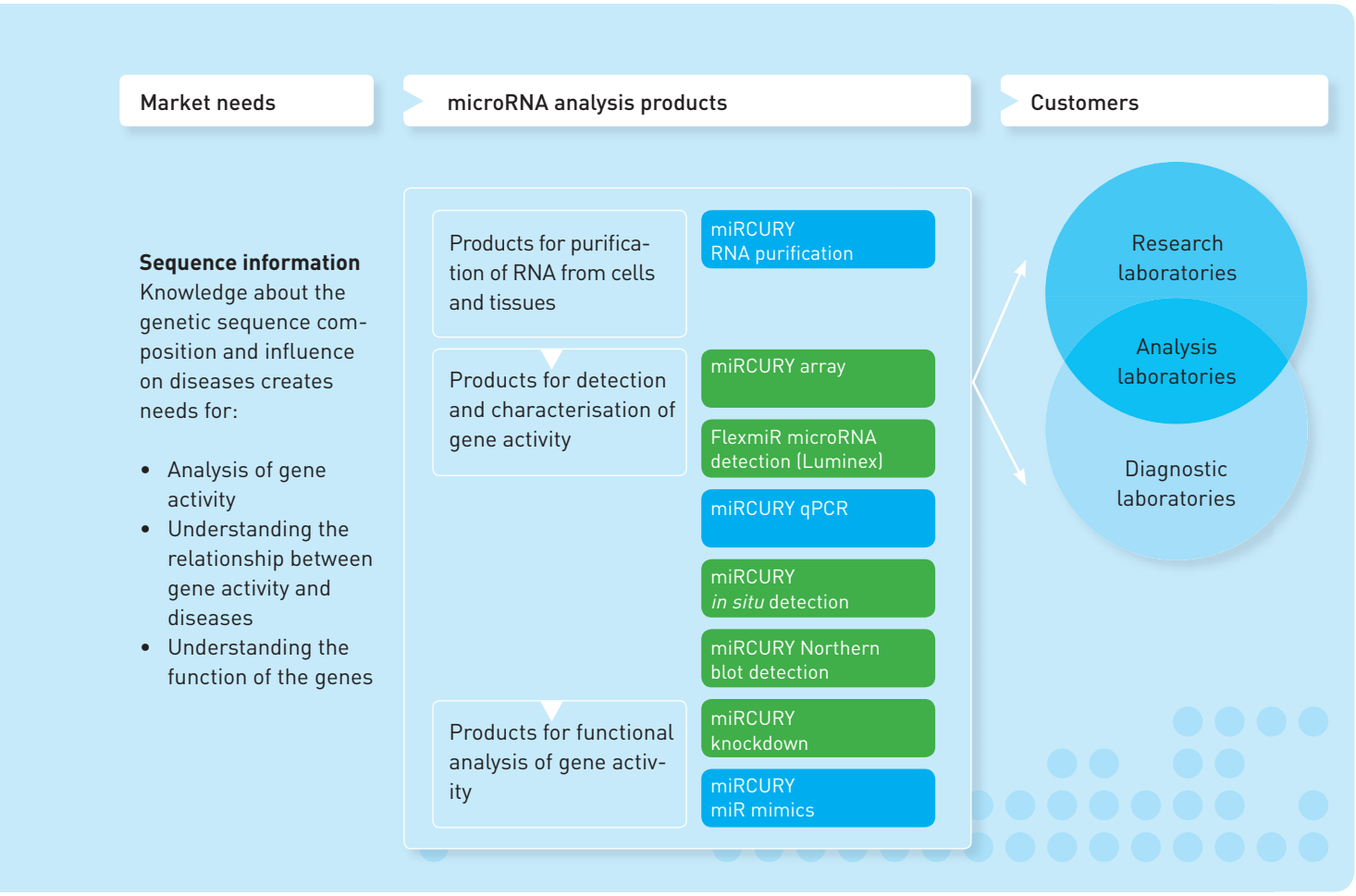
Figure 3. Product overview: Exiqon's research products to measure gene activity.



Source: Exiqon 2007

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

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



Source: Exiqon 2007
The green colour indicates that the products have been launched, whilst blue indicates products under development.

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

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

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

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

Combined with modern and highly sensitive microscopy techniques, *in situ* gene activity measurements reveal

important information about gene activity in each individual cell, whilst maintaining the tissue structure. The information obtained in this process may be very important for example in clinical laboratories.

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

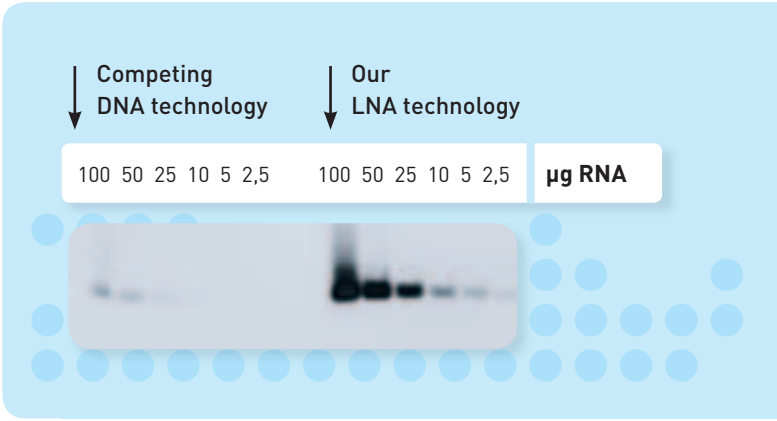
miRCURY™ LNA Northern blot detection
Northern blot analysis is the conventional method of measuring all forms of RNA. We have developed products for miRNA analysis using the Northern blot analysis method, and as illustrated in figure 5, our patented technology gives us a major advantage, for example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

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

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

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

Figure 5. Example of Northern blot analysis



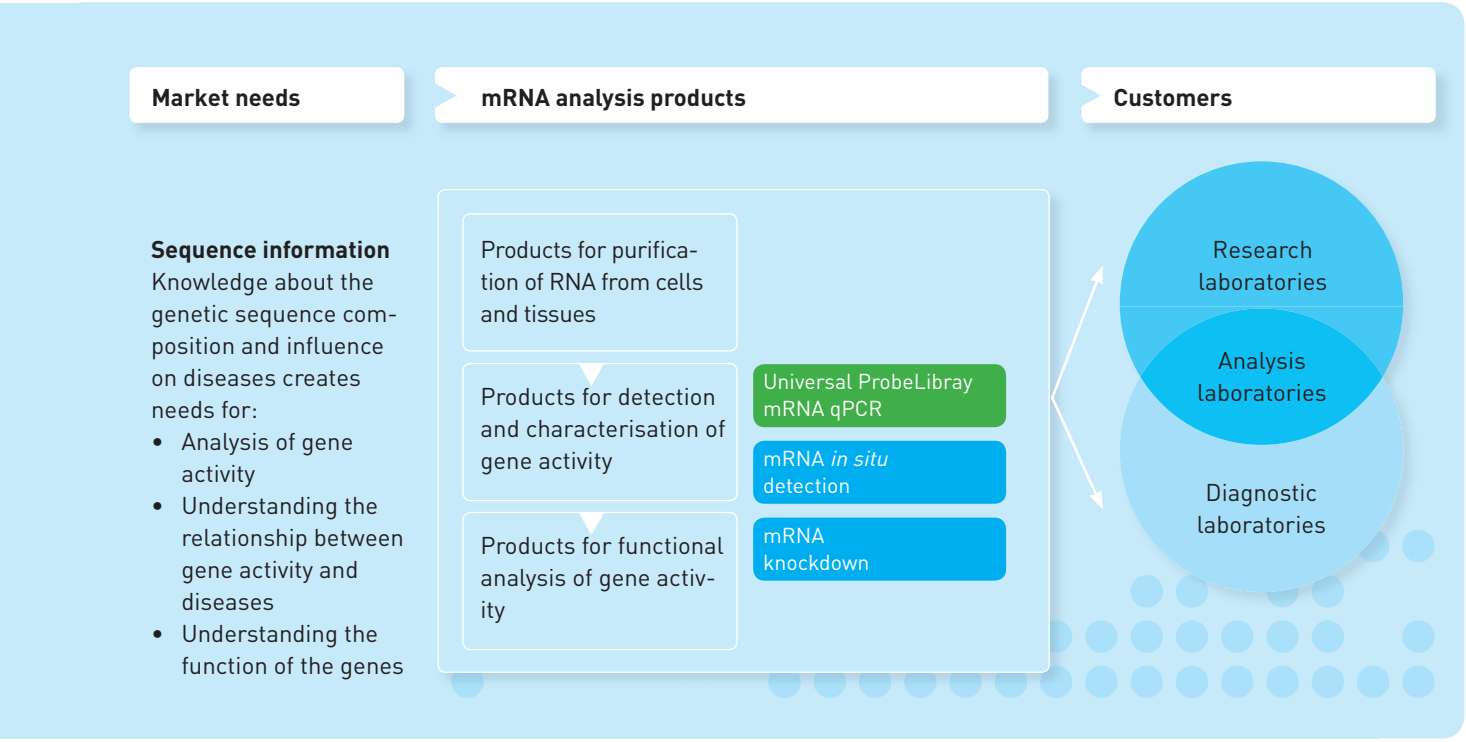
Source: Válóczi et al., NAR 2004, vol 32, No. 22, el175
The figure shows a comparison of the LNA and DNA technologies. As illustrated, miRCURY™ LNA Detection by Northern blotting is up to 10 times more sensitive than the competing DNA technology. The analysis employed total RNA (i.e. non-enriched RNA)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

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

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

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

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



Source: Exiqon 2007
The green colour indicates that the products have been launched, whilst blue indicates products under development.

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

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

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

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

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

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

Developing diagnostic products based on miRNA measurement

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

MicroRNA – a potential new tool for molecular classification

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

MicroRNA and cancer

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

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

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

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

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

Diagnostic products in our pipeline

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

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

Breast cancer – Need for better prediction of cancer development

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

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

Current diagnostic methods

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

Based on the overall tumour description, the patient's prognosis for a relapse is evaluated, and the patient is

then offered adjuvant systemic treatment in the form of various chemotherapeutic regimes.

We believe that molecular classification of breast cancer based on miRNA may improve the choice of treatment for patients and thereby lead to improved treatments for breast cancer patients. In the United States, more than 140,000 patients receive treatment with adjuvant chemotherapy every year. A large number of the patients do not respond adequately to this treatment, and we therefore expect that there is a substantial market for a successful classification test.

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

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

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

Current diagnostic methods

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

Patients with an unknown primary tumour have a poor prognosis with a median survival time of 3-5 months (literature review on CUP, published in Annals of Oncology 2003; 14 supl 3: iii11-8). In Denmark, approximately 25% of the patients are alive one year after the date of diagnosis, and the 3-year and 5-year survival rates are 11% and 6% respectively (Co-operative Cancer Departments in Denmark: "Treatment of unknown primary tumour", reference programme 2006).

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

Developing products to classify tumour origin

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

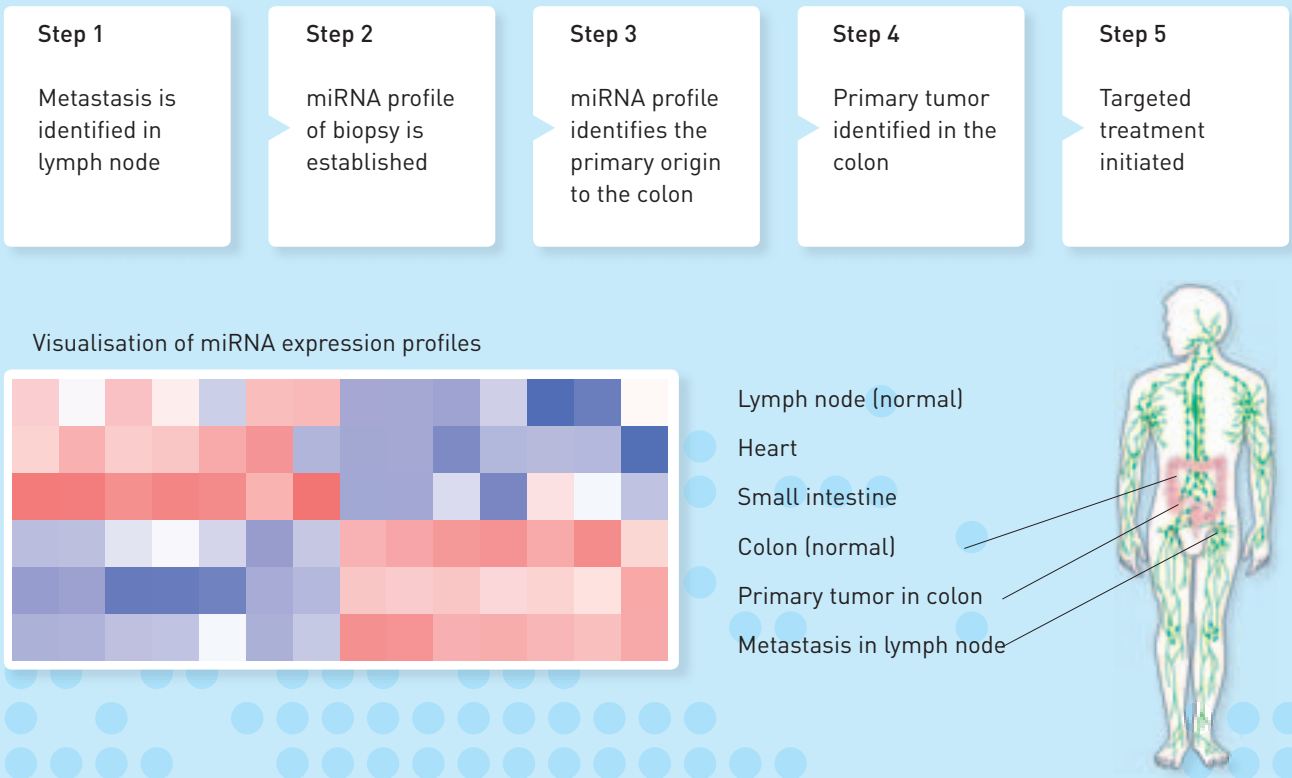
Table 9. Potential miRNA diagnostic projects.

Medical indication	Product	Application	Status
Classification of breast cancer	5-20 miRNA analysis	Risk of relapse/ treatment selection	Screening for markers
Identification of unknown primary tumour	100+ miRNA analysis	Treatment selection	Sampling/Screening for markers
Breast cancer	Unknown	Early detection	Sampling
Ovarian cancer	Unknown	Early detection	Sampling
Colon cancer	Unknown	Risk of relapse/ treatment selection Early detection	Sampling
ASR *in situ* reagents (several indications)	Single miRNAs	Early analysis	Assay development Biomarker identified

Source: Exiqon 2007

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

Figure 7. Identification of primary tumour using miRNA activity profiles



Source: Exiqon 2007

The figure shows how the primary tumour was identified in the colon on the basis of a metastasis found in a lymph node. The coloured "heatmap" is a visual presentation of the miRNA profile of different tissue, and as appears from the figure, the profile depends on the tissue type and therefore functions as a fingerprint that may be used to identify the primary tumour by comparing the "metastasis profile" to the profile of healthy tissue.

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

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

ASR reagents for *in situ* analysis

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

Developing diagnostic products via partnerships

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

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

Principal markets

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

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

Our overall market: Nucleic acid analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The markets for miRNA and mRNA analysis
The market for miRNA analysis is in its infancy and the market segment is therefore still not covered by major independent market research reports. Our product sales indicates that the market is very buoyant, and this trend is supported by the fact that the number of scientific papers on miRNA research has increased by 70-100% each year over the past three years (NCBI PubMed database). Moreover, the number of research grants from the National Institute of Health in the US for miRNA related projects has also doubled on a year-by-year basis and in 2008 alone, and these grants are expected to amount to more than USD 100 million as compared with an estimated USD 13.5 million in 2005 (BioCognito: The Academic microRNA Market: An Emerging Opportunity, 2006). A US study last year (Biocompare 2006 Fall Purchasing Survey) revealed that 27% of responding scientists were planning to engage in miRNA research within 12 months, indicating that the market is set to more than double, as only 10% of the respondents already worked with miRNA. Management estimates that the miRNA market has a value of approximately DKK 120 million in 2007.

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

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

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

Table 11. List of competing technologies and their applicability.

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

Source: Exiqon 2007
LNA: Locked Nucleic Acid, DNA: Deoxyribonucleic Acid, RNA: Ribonucleic Acid, OME: Methoxyethylnucleic Acid, PNA: Peptide Nucleic Acid, and MGB: Minor Grove Binder.

Nucleic acid analysis market for diagnostic products

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

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

Market for diagnostic analyses in cancer therapy

According to WHO, more than 11 million people are diagnosed with cancer every year, and the disease causes more than 7 million deaths each year – or 12.5% of all deaths worldwide. According to the American Cancer Association, the US spends more than DKK 400 billion on cancer therapies every year, and the market for nucleic acid analysis-based cancer diagnostics is estimated at DKK 2.4 billion in 2007 with estimated growth of approximately 48% in 2007 in the United States, which is the largest market (see table 10). For 2007 the American Cancer Association expects more than 1.4 million new cases of cancer and more than half a million deaths in the United States, specified by a number of different cancers as illustrated in table 12 (ACA, Cancer Facts and Figures 2007).

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

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

Source: American Cancer Association, 2007. Pavlidis N, et al. Eur J Cancer. 2003 Sep;39(14):1990-2005, American Cancer Society. Cancer Facts and Figures 2006, Co-operative Cancer Departments in Denmark: "Treatment of unknown primary tumour", reference programme 2006" and Pavlidis N. Cancer of unknown primary: Biological and clinical characteristics. Ann Oncol. 2003;14 Suppl 3:iii11-8.
* Unknown primary tumours are not registered separately but are calculated on the basis of published prevalence figures for unknown primary tumours in the United States.
The table shows some of the most significant cancers in the United States.

Tumour markers

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

MicroRNA molecules as classification molecules in cancer
Whilst there are more than 30,000 human genes (characterised as expressed mRNA molecules), only 474 human miRNA molecules have been registered to date in the generally accepted miRNA database (miRBase Sequence Database Release 9.0 October 2006). miRNA molecules thus represent a group that is much less complex than mRNA. On the other hand, each miRNA molecule can typically regulate hundreds of mRNAs, and the gene activity profile of a given miRNA can potentially reflect the activity of hundreds of genes. The microRNA molecules thus play an overall regulatory role in the cell, allowing scientists and clinicians to source a much greater amount of biological information from much fewer measurements. In addition, the expression of miRNA is characterised by a much greater dynamic range, making miRNA measurements far more robust compared to similar measurements on mRNA. Table 13 below shows a comparison of different cancer biomarker molecules.

Competition

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

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

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

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

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

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

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

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

Source: Exiqon 2007
The statements in the table may vary from case to case, and future cases may deviate from the table.

Marketing strategy for research and diagnostic products

Research products

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

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

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

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

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

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

Diagnostic products

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

Commercialisation of own products

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

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

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

Offering of reagents for home brew analyses (ASR reagents)

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

Offering of analyses based on ASR reagents

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

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

Our strategy is to obtain access to facilities approved for diagnostic testing. In the United States for example, the approval must be at CLIA level, and the activities will be performed either independently in our own laboratories or via a partnership.

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

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

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

Regulatory approval

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

Regulation of IVD products

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

IVD products in Europe

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

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

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

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

IVD products in the United States

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

IVD products are classified into two main categories. If approved equivalent products are already available in the market, which means that the new product can be said to be substantially equivalent to the one already approved,

the new product will be classified into Class II and may be approved via a PreMarket Notification, also known as 510(k). The manufacturer must be able to document equivalence with the analogue product ("predicate device") or several predicates which combine to cover the specifications of the new product. For a 510(k) the data filed must document that the product is safe and performs at least as effectively as the existing analogue product(s) and that it performs at the end user in accordance with the defined and intended use.

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

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

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

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

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

Home brew tests

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

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

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

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

Organisational structure

Organisation

Exiqon A/S has a subsidiary Exiqon Inc., registered in Delaware, United States, and has a sales and distribution office at 600 West Cummings Park, Suite 1650, Woburn, MA 01801, United States.

On 15 May 2007, Exiqon Inc. will relocate to 14-F G and Gill Street, Woburn, MA 01801, United States.

Functional structure

As at the Prospectus Date, Exiqon employs a total of 71 staff, 21 of whom work in sales and marketing. Exiqon employs 60 people in Denmark and 11 in the United States.

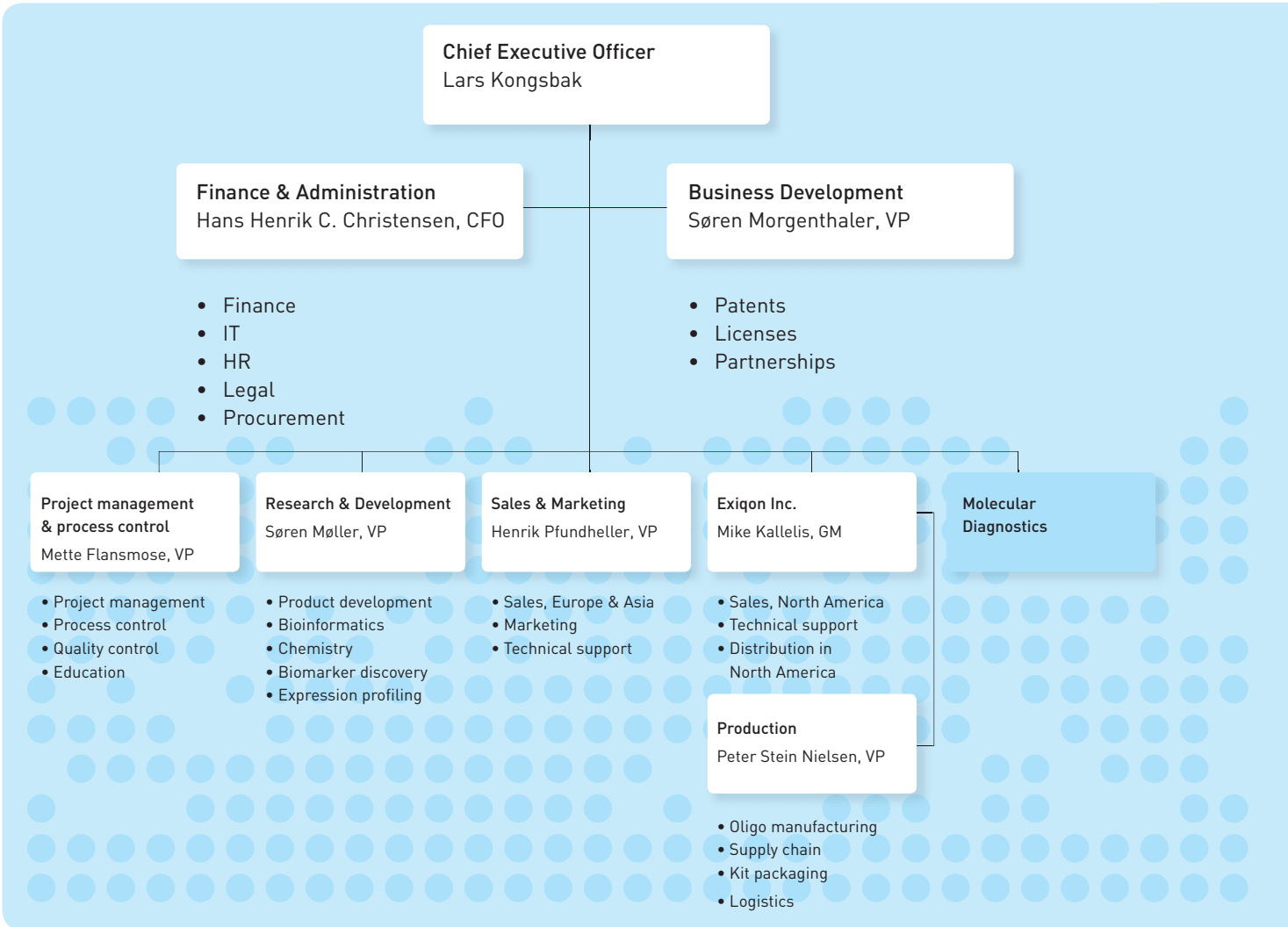
Executive Management and administration

The Executive Management consists of the CEO and the CFO. Administration handles functions such as finance, IT including intraweb and website maintenance, HR, logistics,

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

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

Figure 8. Exiqon's functional structure.



Source: Exiqon 2007

The main areas of responsibility for the individual functions are listed as items under each function. Oligo manufacturing involves the production of oligonucleotides. The blue box indicates a department expected to be established. The other departments already exist.

including order processing and shipment, procurement and legal affairs. As of the Prospectus Date, the function employs 13 staff, one of whom holds a PhD.

Business development

This function ensures an optimum patenting strategy, which is of the utmost importance for our ability to supply state-of-the-art products to a market that demands constant innovation. As a result, the function is also responsible for coordinating scientific as well as commercial partnerships with a view to accessing new technology or new applications of existing technology. As of the Prospectus Date, the function employs 4 staff, one of whom holds a PhD.

Product development

Our product development department employs highly skilled specialists with a scientific background in organic chemistry, bioinformatics, molecular biology and human biology. In product development we have access to analysis equipment similar to that employed by our customers, and in this way we ensure that our products are compatible with the customers' analysis processes. To ensure that our products offer maximum customer value, we have used our ISO 9001 certification to build a system for short and effective communication of customer requirements from the sales organisation to our product innovators. To identify and validate new miRNA biomarkers in our cancer projects, we have built a system for massive parallel screening for miRNA activity in biological samples. As at the Prospectus Date, our diagnostic product development is an independent unit in R&D, using approximately the remaining screening capacity mentioned above. As of the Prospectus Date, the function employs 20 staff, 10 of whom hold a PhD. As illustrated in figure 8, we expect that the diagnostic product development arm will be hived off as an independent unit in the foreseeable future.

Production and distribution

Our production is to a large extent based on suppliers who provide various components we use in our value-added kits. We have some oligonucleotide synthesis capacity in our production, but it is focused primarily on quality control of own and supplier components and packaging of the finished kits. We are currently expanding our facilities for automated fluid handling to increase capacity and lower production costs. Our products are distributed directly from Denmark or, when the shipment is for North America, from our inventory at the Boston office. As of the Prospectus Date, the function employs 8 staff, one of whom holds a PhD. We are in the process of building manufacturing capacity in Boston. Our quality control function ensures that we consistently improve the quality and our processes in order to create products that offer even more value to our customers. The function presently employs one engineer.

Sales and marketing and activities in the United States

As the sale of our products is to a large degree driven by scientific and technological insight, our marketing staff typically have a background in molecular biology research. The actual marketing department is located in Denmark, whilst most salespersons are located on the East Coast or West Coast of the United States. Technical support is provided by both the Danish head office (in close collaboration with R&D) and our US office in Boston. An advanced CRM (Customer Relationship Management) database is used to ensure that all information on customer contacts and sales is accumulated in the Company. As of the Prospectus Date, the US and Danish sales and marketing organisation has 20 employees, 8 of whom hold a PhD.

Property, plant and equipment

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

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

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

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

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

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

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

600 West Cummings Park, Suite 1650, Woburn, MA 01801 (USA): The lease totals 320 sqm. and the premises are used for our US sales organisation. The lease includes an area for inventories. The lease runs for four years until 14 February 2010. Effective 15 May 2007, the lease will be replaced by a new and larger lease at the address: 14-F G and Gill Street, Woburn, MA 01801 (USA) with the same landlord. The new lease totals 1,100 sqm., which in addition to our US sales organisation can provide the framework for production. The new lease runs for five years until 15 May 2012 and will automatically be extended for another five-year period unless terminated by one of the parties at least six – and no more than – 12 months before the first lease term expires.

Insurance

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

Environmental issues

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

The external environment

We have the necessary permissions for the Company's industrial production, and our discharge into the air, soil

and water is very limited. Various kinds of chemicals are used in the production of the Company's products. We also use small quantities of radioactive trace elements in certain laboratory experiments. Chemicals and radioactive material are stored and disposed of in compliance with applicable guidelines and instructions, including those issued by the Danish National Institute of Radiation Hygiene. The Company has not taken out separate insurance for these compounds. Management believes that the Company complies with current environmental legislation.

The indoor environment

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

Litigation

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

Operating and financial review

The following section is a review of the Company's financial position and results of operations for 2006, 2005 and 2004 and of the interim financial statements for the period 1 January to 31 March 2007 with comparative figures for the same period of 2006. The section also contains a description of the most important factors that have affected, or that the Management assesses will affect, Exiqon's present or future operations.

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

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

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

The interim financial statements for the period 1 January to 31 March 2007 with comparative figures for 2006 are presented in accordance with the recognition and measurement provisions of IFRS as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies. The interim financial statements and the comparative figures are unaudited.

Financial highlights

Table 15: Three-year key figures and financial ratios

	2006 Group		2005 Group		2004 Group	
Key figures (DKK million)	DKK	EUR	DKK	EUR	DKK	EUR
	audited	unaudited	audited	unaudited	audited	unaudited
Income statement:						
Revenue	43.1	5.8	16.0	2.1	10.3	1.4
Production costs	(11.9)	(1.6)	(5.4)	(0.7)	(4.7)	(0.6)
Research and development costs	(27.6)	(3.7)	(14.2)	(1.9)	(17.0)	(2.3)
Sales and marketing costs	(19.5)	(2.6)	(9.6)	(1.3)	(4.2)	(0.6)
Administrative expenses	(9.6)	(1.3)	(6.8)	(0.9)	(6.0)	(0.8)
Operating profit/(loss)	(25.5)	(3.4)	(20.0)	(2.7)	(21.6)	(2.9)
Net financials	0.6	0.1	(3.2)	(0.4)	(7.2)	(1.0)
Profit/(loss) before tax	(24.9)	(3.3)	(23.3)	(3.1)	(28.7)	(3.8)
Profit/(loss) for the year	(24.9)	(3.3)	(23.3)	(3.1)	(28.7)	(3.8)
Balance sheet:						
Assets						
Intangible assets	8.1	1.1	0.6	0.1	0.7	0.1
Property, plant and equipment	10.6	1.4	7.4	1	4.6	0.6
Financial assets	1.1	0.1	0.9	0.1	0.7	0.1
Non-current assets	19.7	2.6	8.9	1.2	6.0	0.8
Inventories	4.6	0.6	2.4	0.3	1.3	0.2
Receivables	22.2	3	2.3	0.3	1.0	0.1
Cash and cash equivalents	20.4	2.7	40.2	5.4	1.7	0.2
Current assets	47.3	6.3	44.9	6	3.9	0.5
Total assets	67.0	8.9	53.8	7.2	9.9	1.3
Equity and liabilities						
Equity	34.0	4.5	28.0	3.7	(43.9)	(5.9)
Non-current liabilities	5.3	0.7	2.8	0.4	1.5	0.2
Current liabilities	27.7	3.7	23.0	3.1	52.3	7.0
Total liabilities	33.0	4.4	25.8	3.4	53.8	7.2
Equity and liabilities	67.0	8.9	53.8	7.2	9.9	1.3
Cash flow statement:						
Cash flows from operating activities	(35.6)	(4.7)	(5.0)	(0.7)	(16.3)	(2.2)
Cash flows from investing activities	(9.9)	(1.3)	(2.4)	(0.3)	(2.0)	(0.3)
Cash flows from financing activities	25.7	3.4	45.9	6.1	0.0	0.0
Cash and cash equivalents at year end	20.4	2.7	40.2	5.4	1.7	0.2
Financial ratios:						
Earnings per share	(4)	(0.5)	(7)	(0.9)	(18)	(2.4)
Diluted earnings per share	(4)	(0.5)	(7)	(0.9)	(18)	(2.4)
Assets/Equity (gearing)	2.0	0.3	1.9	0.3	(Neg.)	(Neg.)
Average number of employees	62		42		30	

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

Table 16: Financial highlights for the reporting period 1 January to 31 March 2007 and 2006

Key figures (DKK million)	2007 Group		2006 Group	
	DKK	EUR	DKK	EUR
	unaudited	unaudited	unaudited	unaudited
Income statement:				
Revenue	9.4	1.3	5.1	0.7
Production costs	(3.4)	(0.5)	(1.5)	(0.2)
Research and development costs	(4.9)	(0.7)	(5.5)	(0.7)
Sales and marketing costs	(6.7)	(0.9)	(3.0)	(0.4)
Administrative expenses	(5.6)	(0.7)	(1.5)	(0.2)
Operating profit/(loss)	(11.2)	(1.5)	(6.4)	(0.9)
Net financials	0.0	0.0	0.0	0.0
Profit/(loss) before tax	(11.2)	(1.5)	(6.4)	(0.9)
Profit/(loss) for the period	(11.2)	(1.5)	(6.4)	(0.9)
Balance sheet:				
Assets				
Intangible assets	7.9	1.1	0.7	0.1
Property, plant and equipment	12.7	1.7	7.8	1.0
Financial assets	0.0	0.0	0.4	0.1
Non-current assets	20.6	2.8	8.9	1.2
Inventories	6.4	0.9	2.9	0.4
Receivables	10.4	1.4	24.1	3.2
Cash and cash equivalents	18.3	2.4	31.9	4.3
Current assets	35.1	4.7	58.9	7.9
Total assets	55.7	7.5	67.8	9.1
Equity and liabilities				
Equity	21.7	2.9	43.1	5.8
Non-current liabilities	4.5	0.6	0.2	0
Current liabilities	29.5	4.0	24.5	3.3
Total liabilities	34.0	4.6	24.7	3.3
Equity and liabilities	55.7	7.5	67.8	9.1
Cash flow statement:				
Cash flows from operating activities	(1.6)	(0.2)	(8.1)	(1.1)
Cash flows from investing activities	(1.0)	(0.1)	(0.6)	(0.1)
Cash flows from financing activities	0.5	0.1	0.4	0.1
Cash and cash equivalents at 31 March	18.3	2.4	31.9	4.3
Financial ratios:				
Earnings per share	(1.6)	(0.2)	(0.9)	(0.1)
Diluted earnings per share	(1.6)	(0.2)	(0.9)	(0.1)
Assets/Equity (gearing)	2.6	0.3	1.6	0.2
Average number of employees	67		37	

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

Operating and financial review

The following discussion and analysis should be read in conjunction with the Company's financial statements and interim financial statements and the notes to the financial statements appearing elsewhere in this Prospectus. The audited financial statements for 2006, 2005 and 2004 are included on pages F–15 to F–43, and the unaudited interim financial statements are included on pages F–5 to F–11.

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

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

Factors affecting the Company's results of operations

Revenue

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

Production costs

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

Research and development costs

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

Sales and marketing costs

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

Administrative expenses

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

Critical accounting policies

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

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

Revenue

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

Revenue furthermore comprises milestone payments and other income from licence and distribution agreements. Revenue is recognised when it is probable that future economic benefits will flow to the company and these can be measured reliably. In addition, recognition requires that all material risks and rewards of ownership have been

transferred to the purchaser. If all risks and returns have not been transferred, revenue is recognised as deferred income until all components of the transaction have been completed. Revenue from agreements comprising multiple components, and where the individual components cannot be separated and the fair value cannot be reliably measured, is recognised over the period of the agreement.

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

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

Production costs
Production costs comprise costs incurred to generate the revenue. Costs for raw materials, consumables, production staff as well as maintenance and depreciation, amortisation and impairment of property, plant and equipment and intangible assets used in production are recognized in production costs.

Research and development costs
Research and development costs include salaries and costs directly attributable to the Company's research and development projects, less government grants. Furthermore, salaries and costs supporting direct research and development, including costs of patents, rent, leasing and depreciation regarding laboratories, and external scientific consultancy services, are recognised under research and development costs.

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

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

Intangible assets
Development projects which are clearly defined and identifiable are recognised as intangible assets if it is probable that the project will generate future economic benefits for the Group and the development costs relating to the individual assets can be measured reliably.

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

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

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

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

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

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

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

Results of operations for the three months ended 31 March 20007

Revenue was DKK 9.353 million (EUR 1.246 million) up from DKK 5.118 million (EUR 0.682 million) in 2006. The increase in revenue was attributable to an increase in the product range, sales of services and generally increased sales activities.

Production costs totalled DKK 3.414 million (EUR 0.455 million) in Q1 2007, up from DKK 1.466 million (EUR 0.195 million) in Q1 2006. The increased production costs during the period were a consequence of the increased product sales and the fact that employees and facilities were transferred from research and development to production.

Research and development costs totalled DKK 4.890 million (EUR 0.652 million) in Q1 2007, down from DKK 5.552 million (EUR 0.740 million) in 2006. Research and development costs fell as employees and facilities went from research and development to production and as IT costs were to a greater extent recognised under administrative expenses.

Sales and marketing costs totalled DKK 6.655 million (EUR 0.887 million) up from DKK 2.971 million (EUR 0.396 million) in Q1 2006. Sales and marketing costs increased during the period as a consequence of new product launches and the larger product portfolio as well as the establishment of the Company's own sales organisation in the United States.

Administrative expenses totalled DKK 5.612 million (EUR 0.748 million) in Q1 2007, up from DKK 1.537 million (EUR 0.205 million) in Q1 2006. The increase in costs in 2007 as compared with 2006 was due to an increase in administrative staff, higher rent in connection with an expansion of the Company's leased premises and that larger IT costs were recognised as administrative expenses.

Balance sheet

The Company's assets as at 31 March 2007 totalled DKK 55.704 million (EUR 7.427 million), down from DKK 67.805 million (EUR 9.041 million) at 31 March 2006. The increase was mainly attributable to the fact that receivables at 31 March 2006 included share capital receivable of DKK 21.191 million (EUR 2.825 million) and an increase in non-current assets which totalled DKK 20.634 million (EUR 2.751 million) at 31 March 2007, up from DKK 8.873 million (EUR 1.183 million) at 31 March 2006. Property, plant and equipment increased due to investments in production and laboratory equipment, whilst intangible assets rose as a result of patent rights and licences acquired.

Inventories

Our inventories increased during the period as a result of rising product sales and totalled DKK 6.434 million (EUR 0.858 million) at 31 March 2007, up from DKK 2.879 million (EUR 0.384 million) at 31 March 2006.

Receivables

Receivables reflect the Company's activity level and stood at DKK 10.356 million (EUR 1.381 million) at 31 March 2007, down from DKK 24.150 million (EUR 3.220 million) at 31 March 2006.

Liquidity and capital resources

The Company's cash is mainly held in Danish kroner and placed in ordinary bank deposits. In the past, the Company has realised losses and continues to do so. Since inception, the Company's operations have primarily been financed through private placements, convertible debt instruments and warrants. At 31 March 2007, the Company had raised DKK 246.516 million (EUR 32.869 million) through equity issues and the exercise of warrants. At 31 March 2007, the Company's cash funds amounted to DKK 18.280 million (EUR 2.437 million).

We expect that our cash funds, including the net proceeds from the Offering, will be sufficient to finance operations until the Company becomes profitable which, according to the present strategy, is expected to be as from the financial year ending 31 December 2011. There are many factors that may decide whether the net proceeds and cash flows from the continued operation are adequate, including those mentioned in the sections "Forward-looking Statements" and "Risk Factors". Thus, we may need additional funds, including funds for acquisitions, and we may seek to obtain additional funding by way of equity or debt financing, collaboration agreements with commercial partners or from other sources.

Results of operations for the years ended 31 December 2006, 2005 and 2004

Revenue amounted to DKK 10.306 million (EUR 1.374 million) in 2004, DKK 16.001 million (EUR 2.133 million) in 2005 and DKK 43.096 million (EUR 5.746 million) in 2006. The product development strategy implemented in 2003 resulted in a number of product launches in 2004, including the ProbeLibrary™ series, which was followed up in 2005 by further product launches, including the miRCURY™ products, and as a result the Company realised an increase in sales in 2005 which continued in 2006 when non-recurring income from the agreement with Santaris Pharma also contributed DKK 13 million to the revenue for the year.

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

Production costs amounted to DKK 4.744 million (EUR 0.630 million) in 2004, DKK 5.427 million (EUR 0.720 million) in 2005 and DKK 11.936 million (EUR 1.591 million) in 2006. The rise in production costs over the period was a consequence of the increased product sales.

Research and development costs amounted to DKK 16.969 million (EUR 2.262 million) in 2004, DKK 14.194 million (EUR 1.892 million) in 2005 and DKK 27.624 million (EUR 3.683 million) in 2006. The cost reduction from 2004 to 2005 was due to the relatively high costs of developing ProbeLibrary™ in 2004. The increased costs in 2006 relative to 2005 reflected the Company's higher level of activity and the hiring of additional research and development staff (from 14 at the end of 2005 to 17 at the end of 2006).

Sales and marketing costs amounted to DKK 4.168 million (EUR 0.560 million) in 2004, DKK 9.620 million (EUR 1.3 million) in 2005 and DKK 19.425 million (EUR 2.590 million) in 2006. Sales and marketing costs increased during the period as a consequence of new product launches and an increased product portfolio.

Administrative expenses amounted to DKK 5.995 million (EUR 0.799 million) in 2004, DKK 6.778 million (EUR 0.904 million) in 2005 and DKK 9.616 (EUR 1.282 million) in 2006. The increased costs in 2005 relative to 2004 were due to an expansion of the administrative staff and higher rental costs in connection with an expansion of the Company's premises, including a 350 sqm. expansion of the office premises in Boston, USA. The higher costs in 2006 compared to 2005 were principally due to the increased number of staff during the period, including staff recruited.

Net financials amounted to and expense of DKK 7,179 million (EUR 0,957 million) in 2004, an expense of DKK 3,249 million (EUR 0,433 million) in 2005 and income of DKK 0.587 million (EUR 0.078 million) in 2006. In 2004 and part of 2005 the Company incurred interest expenses for a bridge loan, which was settled in 2005. In 2006, the Company had net interest income from its cash in the form of bank deposits, which was partially set off by finance lease expenses.

Balance sheet items (including investments)

Intangible assets

Our recognised intangible assets mainly consist of acquired patent rights and licences and amounted to DKK 0.707 million (EUR 0.09 million) in 2004, DKK 0.596 million (EUR 0.080 million) in 2005 and DKK 8.057 million (EUR 1.074 million) in 2006.

Property, plant and equipment

Property, plant and equipment mainly consists in leasehold improvements, as premises were extended

Table 17. Exiqon's revenue by activity

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

Table 18. Exiqon's revenue by geographical segment

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

The breakdown is based on the registered offices of customers.

when required during the period, and production and laboratory equipment, which was increased in line with the Company's growth from DKK 4.581 million (EUR 0.611 million) at the end of 2004 to DKK 7.441 million (EUR 0.992 million) at the end of 2005 and DKK 10.607 million (EUR 1.414 million) at the end of 2006.

Inventories
Our inventories rose during the period in line with product sales increases, from DKK 1.303 million (EUR 0.174 million) at the end of 2004 to DKK 2.351 million (EUR 0.313 million) at the end of 2005 and DKK 4.637 million (EUR 0.618 million) at the end of 2006.

Receivables
Receivables rose as the Company's level of activity increased, from DKK 0.961 million (EUR 0.128 million) at the end of 2004, to DKK 2.311 million (EUR 0.308 million) at the end of 2005 and DKK 22.233 million (EUR 2.964 million) at the end of 2006. However, the increase from the end of 2005 to 2006 was mainly explained by a receivable from the transaction with Santaris Pharma, which has subsequently been settled.

Liquidity and capital resources
Exiqon posted a loss for the year ended 31 December 2006 of DKK 24.918 million (EUR 3.332 million) and had current assets of DKK 47.266 million (EUR 6.302 million) at 31 December 2006, of which cash and cash equivalents totalled DKK 20.396 million (EUR 2.719 million).

Investments
Capital investments totalled DKK 2.162 million (EUR 0.288 million) in 2004, DKK 5.683 million (EUR 0.758 million) in 2005 and DKK 13.855 million (EUR 1.847 million) in 2006, of which net property, plant and equipment stood at DKK 1.637 million (EUR 0.218 million) in 2004, DKK 5.555 (EUR 0.741 million) in 2005 and DKK 6.033 million (EUR 0.804 million) in 2006, primarily consisting of leasehold improvements for the Company's service business and purchases of production and laboratory equipment. See also "Information about Exiqon–Investments".

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

Contractual obligations
Our material contractual obligations mainly relate to finance leases, lease of premises and certain contractual supplier obligations. The below table shows the Company's contractual and commercial obligations 31 March 2007 and the net effect that these obligations are expected to have on the Company's liquidity and cash flows in the coming years.

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

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

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

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

Table 19: Exiqon's contractual obligations as of 31 March 2007

DKK million	1 year	1-3 years	4-5 years	More than 5 years	Total
Finance lease liabilities	2.152	4.304	0.209	-	6.665
Other contracts	1.777	1.796	0.890	-	4.463
Total	**3.929**	**6.100**	**1.099**	**-**	**11.128**

Capital resources

The table below shows the Company's capital resources at 31 March 2007, including as adjusted for the net proceeds of DKK 294 million from the issuance and subscription of 8,690,000 New Shares at DKK 37 per Share (the midpoint of the Offer Price Range). Audited figures as at 31 December 2006 are also shown for comparative purposes. Management believes that the information gives a true and fair view in respect of the recently ended quarter.

Management expects that the Company's existing capital resources combined with the net proceeds from the Offering, DKK 294 million, expected income, credit facilities and the proceeds from exercise of Exiqon's warrant programme will be sufficient to support the Company's operations until 2011, after which operating activities are expected to generate a cash inflow. The net proceeds are based on the issuance of 8,690,000 Offer Shares (provided that the Option is not exercised) at an Offer Price of DKK 37 per Share (corresponding to the midpoint of the Offer Price Range) and deduction of commission and estimated expenses.

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

Table 20. Exiqon's capital resources

	Capital resources		
	Adjusted for the net proceeds	Actual	Actual
DKK million	**31 March 2007***	**31 March 2007***	**31 December 2006***
Cash	312.3	18.3	20.4
Securities	-	-	-
Credit facilities	10.0	10.0	-
Total capital resources	**322.3**	**28.3**	**20.4**

*The three-month figures as at 31 March 2007 are unaudited. The figures as at 31 December 2006 are audited.

Research and development, patents and licences

Research and development

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

Patents, licences and other intellectual property rights

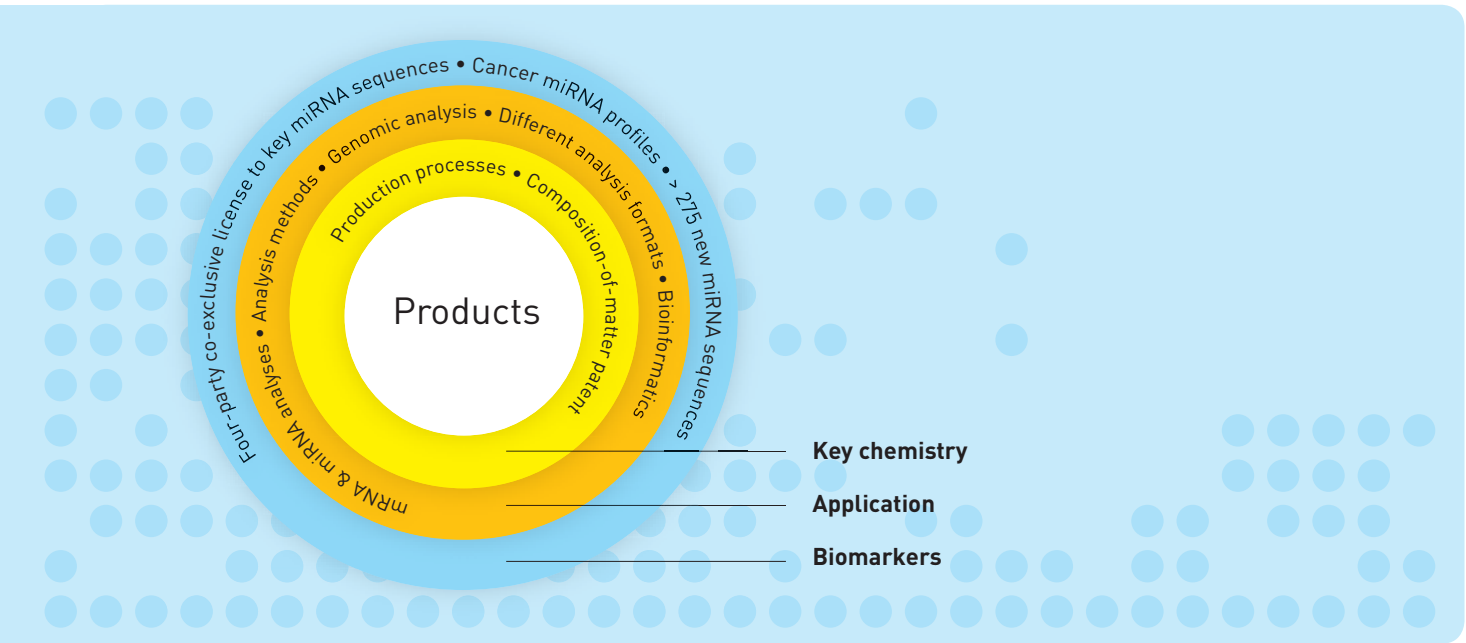
We believe that the protection of our products and technology is fundamental to our business prospects. We are pursuing a comprehensive patent programme in the United States, Japan, Europe and in other countries and regions where we believe significant market opportunities exist.

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

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

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

Figure 9. Exiqon's patent strategy



Source: Exiqon 2007

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

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

(2) protection of the formats used for the nucleic acid analyses and the bio-informatic analysis used in the products; and

(3) protection of the biomarkers to be analysed in connection with the use of the products.

As a result of our patent strategy, we own an ever growing number of patents and patent applications currently exceeding 150 active patents and patent applications, including 75 issued patents. Our patent portfolio derives from 30 patent families, including Danish and US priority applications. Over the past 12 months, we have filed seven new patent applications that may form the basis of new patent families.

The 75 patents include 17 patents in the United States and 44 national European patents (derived from six issued EPC patents). Two of our patents have been granted in Japan and one in China. The patents last for 20 years from the filing of the patent application.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The US company ISIS Pharmaceuticals has filed an objection against the issued European patent, and the Company in collaboration with Santaris Pharma A/S has filed arguments to meet the objection. ISIS Pharmaceuticals has objected to elements in the application that are of no significance to our current products or products we expect to market. It is up to the European authorities to make a decision regarding the justification of the patent claims issued.

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

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

Intellectual property rights other than patents and patent applications

Trademarks
The Company owns the following trademarks:

Exiqon
LNA
AQ-Link
ProbeLibrary
ProbeFinder
MIRCURY

Moreover, Exiqon owns a number of domain names.

Patent declaration

Patent declaration regarding Exiqon A/S from Inspicos

This declaration is issued in connection with the Offering of Shares in Exiqon A/S, company reg. (CVR) no. 18984431, in the following referred to as the "Company".

Inspicos A/S is an independent Danish firm of consultants which provides intellectual property consulting focusing on patent law. We have assisted and represented the Company in patent law issues since the summer of 2003.

With a view to the present declaration, I have reviewed the following documents:

(a) a list of the Company's patents and patent applications;
(b) the Company's file of all its existing patent applications, patents and objections, including updated correspondence with the authorities and external advisers;
(c) the Danish Prospectus for Exiqon A/S dated 14 May 2007 (the "Prospectus"), including, in particular, the sections "Research and development, patents and licences" and "Risks related to intellectual property rights;" and
(d) other documents deemed necessary by me in order to prepare the present declaration, including database printouts from Inpadoc and Delphion and selected patent letters found when searching those databases.

On the basis of and subject to the assumptions listed in (a)-(d) above, I hereby declare as follows:

The Company is the owner of the patents and patent applications (the "Patent Rights") stated in the List of Patents. Other than as stated specifically in the Prospectus, no third party rights exist to the Patent Rights.

In my opinion, the information in the section of the Prospectus under the headline "Research and development, patents and licences" gives a true, accurate and complete overview of the Company's patent position.

Although there can be no assurance that a patent application leads to the grant of a valid patent, or that an issued patent can be upheld in light of objections and invalidity claims raised by third parties, my investigation and the review of information provided by the Company have not made me aware of any matters that would have the effect that the patent rights discussed in the section "Research and development, patents and licences" should not lead to/be upheld as patents that are sufficiently broad to afford the Company patent protection that is relevant to its business in the technological area which each of such patent rights concern.

In my opinion, the Company maintains a high standard of conduct with respect to the handling of its own patent rights and with respect to securing freedom to operate in light of third-party rights. To the best of my knowledge and belief based on my experience from working with the Company, the Company is working continuously and carefully, on the one hand to ensure that the Company's technological development is appropriately protected, and on the other hand to ensure that valid third-party patent rights are respected, for instance by ensuring that, wherever necessary and after examining the scope of third-party rights, the Company obtains necessary licences for patented technology.

In that connection I consider, in particular, that the Company's approach to patent rights concerning the profiling of miRNA sequences using LNA probes will give the Company exclusive rights to this type of probing.

Two specific miRNA molecules were disclosed in 2000 but were never patented. Due to the novelty requirements of the patent systems, this means that the entire class of miRNA molecules cannot be validly patented as such, but that all patenting of miRNA must either (i) concern individual miRNA molecules, or (ii) different methods of using or profiling miRNA molecules.

The Company has obtained licences from the Max Planck Institute and The Rockefeller University, respectively, for research and diagnostic use of a large number of miRNA molecules. To the best of my knowledge and belief, those two institutions were the first to patent and profile miRNA, and it is therefore unlikely that others will be able to block the Company's access to profiling these particular miRNA molecules. Moreover, the Company has filed patent applications for a number of miRNA molecules and their use in diagnostics, and if these miRNA molecules end up being protected by issued patents, it would not appear that the Company's use of LNA to profile them can be prevented by any third party.

In my opinion, the strategy chosen in respect of miRNA thus entails that the Company has obtained or will obtain an exclusive right to LNA-based diagnostic profiling of, at least, the miRNA molecules for which licences have been obtained or for which the Company will obtain patents and for LNA-based profiling of non-patented miRNA molecules.

Finally, it is important to state that, although third parties may obtain licences or rights to profile the same miRNA sequences, only the Company will have the right to LNA-based profiling due to its exclusive right to the molecule.

Yours faithfully
Inspicos A/S

Peter Koefoed
European Patent Attorney

Trend information

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

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

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

Our future products for diagnostic purposes will be subject to regulatory approval. The trend is moving towards increasing control and validation of diagnostic products, and this could prolong the lead times relative to the Company's expectations. No sales of diagnostic products are projected for 2007.

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

Management's review of prospective financial information

Management's statement
We have presented our forecast for 2007 in "Prospective financial information for 2007". The information was prepared using the Company's accounting policies, which are described on pages F-21 to F-26. The prospective financial information was prepared for use herein. The Executive Management and the Board of Directors believe that the material assumptions on which the prospective financial information is based are described herein, and that the assumptions have been consistently applied in the preparation of the information.

The prospective financial information is based on a number of assumptions, some of which are within our control, whilst others are beyond our control. The methods used in the preparation of the prospective financial information and the underlying assumptions on which it is based are stated in "Prospective financial information for 2007".

The prospective financial information represents the Executive Management's and the Board of Directors' best estimates of our revenue, production costs, research and development costs, administrative expenses, sales and marketing costs and results of operations for the financial year ending 31 December 2007. The prospective financial information contains forward-looking statements concerning our financial position that are subject to considerable uncertainty. The actual results may differ materially from those contained in such statements. In addition to the risks addressed in "Prospective financial information for 2007", potential risks and uncertainties comprise, without limitation, those referred to in "Risk factors" herein.

Vedbæk, 14 May 2007

Executive Management

Lars Kongsbak
Chief Executive Officer

Board of Directors

Thorleif Krarup
Chairman

Henrik Lawaetz

Michael Nobel

Steinar J. Engelsen

Erik Walldén

Report by the Auditors on Management's prospective financial information for 2007 of Exiqon A/S

To the shareholders and prospective shareholders of Exiqon A/S
We have examined the budget of Exiqon A/S for the period 1 January 2007 to 31 December 2007 prepared by the Management from which the prospective financial information for 2007 and the assumptions underlying such information have been extracted.

Our declaration on the budget is reproduced below:

"Independent accountant's statement on the budget

To the Board of Directors of Exiqon A/S
As agreed we have examined the budget of Exiqon A/S for the period 1 January 2007 to 31 December 2007, comprising budgets for the income statement, balance sheet and cash flow statement as well as budget assumptions and other explanatory notes. The budget for 2007 was prepared on the basis of Exiqon's accounting policies, which are in accordance with the recognition and measurement provisions of the International Financial Reporting Standards (IFRS) issued and in force at 31 December 2006.

The Company's Management is responsible for the budget and the assumptions on which it is based. Our responsibility is, on the basis of our examinations, to issue a report on the budget.

Examinations performed
We have conducted our examinations in accordance with the Danish Auditing Standard on "Examination of prospective financial information (RS 3400). This standard requires that we plan and perform our examinations in order to obtain limited assurance that the applied budget assumptions are well founded and do not contain material misstatement, and reasonable assurance that the budget has been prepared on the basis of these assumptions.

Our examinations comprised a review of the budget in order to assess whether the assumptions applied by Management are documented, well founded and complete. We also tested whether the budget was prepared in accordance with the budget assumptions defined and checked that the numbers in the budget correlate.

We believe that our examinations provide a reasonable basis for our conclusion.

Conclusion
Based on our examination, nothing has come to our attention that causes us to believe that the budget assumptions do not form a reasonable basis for the budget. Further, in our opinion, the budget was prepared on the basis of the assumptions defined and is presented in accordance with the recognition and measurement provisions of the International Financial Reporting Standards (IFRS) issued and in force as of 31 December 2006.

Actual results are likely to be different from the budget since anticipated events frequently do not occur as expected and the variation may be material."

We have ensured that the Management's prospective financial information for 2007 and the assumptions for such information on pages 72 to 73 has been correctly extracted and reproduced from the budget of Exiqon A/S for the period 1 January 2007 to 31 December 2007.

The Company's Management is responsible for the presentation of the prospective financial information for 2007 and the assumptions on which it is based. Our responsibility is, on the basis of our work, to express an opinion as to whether the prospective financial information for 2007 and the assumptions on which it is based have been correctly extracted and are correctly reproduced from the budget examined by us.

Review performed
We planned and conducted our work in accordance with the Danish Auditing Standard on "Assurance engagements other than audits or reviews of historical financial information" (RS 3000) in order to obtain reasonable assurance that the prospective financial information for 2007 and the assumptions on which it is based have been correctly extracted and reproduced from the budget examined by us.

Conclusion
In our opinion, the prospective financial information for 2007 and the assumptions on which it is based have in all essentials been correctly extracted and reproduced from the budget for the period 1 January to 31 December 2007 examined by us.

Copenhagen, 14 May 2007

Deloitte
Statsautoriseret Revisionsaktieselskab

Jens Rudkjær	Jørgen Holm Andersen
State Authorised	State Authorised
Public Accountant	Public Accountant

Introduction

We have presented our forecast for 2007 in "Prospective financial information for 2007".

The information was prepared using the Company's accounting policies, which are described on pages F-21 to F-26. The prospective financial information was prepared for use herein. Management believes that the material assumptions on which the prospective financial information is based are described herein, and that the assumptions have been consistently applied in the preparation of the information.

The prospective financial information is based on a number of assumptions, some of which are within our control, whilst others are beyond our control. The methods used in the preparation of the prospective financial information and the underlying assumptions on which the information is based are stated in "Prospective financial information for 2007" below.

The prospective financial information represents Management's best estimates of our revenue, research and development costs, administrative expenses and results of operations for the 2007 financial year. The prospective information contains forward-looking statements concerning our financial position that are subject to considerable uncertainty. The actual results may differ materially from those contained in such statements. In addition to the risks addressed in "Prospective financial information for 2007" and "Report by the Auditors on Management's prospective financial information for 2007 of Exiqon A/S", potential risks and uncertainties comprise, without limitation, those referred to in "Risk factors" herein. This also applies to "Prospects" below.

Methodology and Assumptions

The prospective financial information for 2007 reflects Management's estimates and assumptions. The prospective financial information has been prepared in accordance with the Company's normal budgeting procedures, in which the focus is on the income statement and the Company's expected cash flow performance. For 2007, the estimates also include actual figures as at 31 March 2007. The prospective financial information presupposes that the Company's strategy, including the marketing strategy for research and diagnostic products as described in section 6.g is achieved as planned. The realisation of this strategy is subject to uncertainties and contingencies, and there can be no assurance that the strategy will not be changed as Management becomes aware of new circumstances. The prospective financial information may vary materially from our actual results. In particular, the following factors in respect of the prospective financial information for 2007 are assumed:

- that we experience continuing growth in the demand for the Company's products and services;
- that the current price level of the Company's products can essentially be retained;
- that the Company's product development and the launch of new products and the updating of existing product lines progress as planned;
- that no material delivery or quality problems arise which affect demand;
- that we can attract and retain the necessary staff;
- that the patent and legal regulation of significance to the processing and handling of our products does not change materially;
- that the exchange rates (especially of DKK/USD and DKK/EUR) do not change materially as compared with the exchange rates ruling on 31 March 2007; and
- that sub-contractors are able to live up to the assumptions made by the Company.

Prospective financial information for 2007

For 2007, Management expects revenue in the region of DKK 55 million, of which product sales amounting to DKK 45 million.

We expect our operating costs to be in the region of DKK 115 million, of which sales and marketing costs and administrative expenses are expected to account for DKK 65 million.

An operating loss in the region of DKK 60 million is expected. This includes costs of incentive plans, including warrants, in the amount of DKK 9.6 million.

The loss for the year is expected to be in the region of DKK 50 million.

Prospects

In the longer term, Management expects continuing strong growth in sales of products for research purposes (incl. services). This growth is expected to be driven primarily by the launch of new products for miRNA analyses and projected relatively strong growth in sales of Universal ProbeLibraryTM for mRNA analysis. In the longer term, Management expects that growth in revenue will decline as the market matures and prices may come under pressure.

The first actual product sales in diagnostics could be products for *in situ* detection of miRNA expression, as pathologists would benefit from this technology in connection with cancer diagnosis. Management expects that sales of diagnostic products will initially be driven by agreements with pharmaceutical companies who wish to stratify patients in clinical trials.

Our diagnostics business is at an early stage and will require material investments as described in "Use of proceeds". Investments in staff and equipment and infrastructure have been initiated, and the laboratory in which most of the work is expected to be conducted is scheduled for completion during 2007. Subject to successful development of the products, we therefore expect to launch the first products in the second half of 2008. The Company expects to generate revenues within molecular diagnostics already from 2008.

We also expect to invest heavily in an expansion of our sales and marketing capabilities in the future.

The developments described in this section are subject to significant uncertainty, and there can be no assurance that they will materialise as described herein.

Board of Directors, Executive Management and Key Employees

Board of Directors

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

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

Thorleif Krarup, Chairman
(born 1952, Danish citizen).
Thorleif Krarup holds a number of directorships and is Senior Advisor to Nordic Capital. Throughout the past 20 years, Thorleif Krarup has served as Managing Director/ Group CEO in Nykredit (1985-1992), Unibank (1992-2000) and Nordea (2000-2003).

Current directorships and managerial positions:
Dangaard Holding A/S (chairman)
Dangaard Telecom A/S (chairman)
H. Lundbeck A/S (vice chairman)
ALK-Abelló A/S (vice chairman)
LFI A/S (vice chairman)
Group 4 Securicor Plc (board member)
Bang & Olufsen A/S (board member)
The Lundbeck Foundation (board member)
The Crown Prince Frederik Fund (board member)
The Denmark-America Foundation (board member)

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

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

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

Table 21. The Company's Board of Directors

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

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

Michael Nobel, Board member
(born 1956, Danish citizen)
Trained and employed with A.P.Møller between 1978 and 1983, after which time he became Export Manager with E. Nobel Cigar og Tobaksfabrikker A/S and Skandinavisk Tobakskompagni A/S. Joined the boards of directors of the Nobel Group companies in 1990. Member of the Board of Directors of Exiqon since 1996. Co-founder and chairman of the software company Medtime A/S that develops and markets tools for worktime planning, particularly in the healthcare sector.

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

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

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

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

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

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

Current directorships and managerial positions:
Proxeon A/S (board member)
Proxeon Bioinformatics A/S (board member)
Proxeon Biosystems A/S (board member)
VisEn Medical Inc. (board member)
Bergekullen Fastighets (board member)
Stockholm-Uppsala Chamber of Commerce (board member)

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

Executive Management

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

Table 22: Exiqon's Executive Management.

Name	Year of birth	Position
Lars Kongsbak	1961	Chief Executive Officer

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

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

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

Other Key Employees

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

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

Current directorships and managerial positions:
None

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

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

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

Søren Morgenthaler Echwald (born 1967, Danish citizen, Exiqon, Staktoften 22D, DK-2950 Vedbæk, Denmark), M.Sc. in Chemistry & Genetics (1993), PhD (1998), joined Exiqon in 2001. He was promoted to Senior Manager, Business Development in 2003, and since 2006 he has served as Vice President in charge of Business Development, including licensing, patent strategy and market research. Søren Morgenthaler Echwald previously held a position of Senior Scientist with Steno Diabetes Center (Novo Nordisk A/S) focusing on the development of gene diagnostics within obesity and diabetes, and he has co-authored more than 50 scientific articles.

No current or previous directorships or managerial positions.

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

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

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

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

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

No current or previous directorships or managerial positions.

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

No current or previous directorships or managerial positions.

Conflicts of interest

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

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

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

Executive Management
The Executive Management holds a total of 80,758 shares representing about 0.6% of the Company's share capital prior to the Offering and has been granted warrants conferring the right to subscribe a total of 918,840 shares, see "Remuneration and benefits".

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

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

Previous activities

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

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

Remuneration and benefits

Total fees paid to the members of the Board of Directors were DKK 795,000 in 2006 DKK 600,000 of which can be attributed to a consultancy fee to the former chairman of the Board of Directors, Jack T. Johansen. The members of the Board of Directors also participate in the Company's warrant programme. However, only the former Chairman of the Board of Directors was granted warrants in 2006 (a total of 50,906 warrants adjusted to 101,812 warrants as a result of the bonus share issue).

The remuneration to the Executive Management, which in 2006 only consisted of Lars Kongsbak, Chief Executive Officer, amounted to DKK 1,977,000 in 2006. The CEO was granted 233,171 warrants in 2006 (adjusted to 466,342 warrants as a result of the bonus share issue made). As part of his remuneration, Lars Kongsbak has a company car, landline telephone, ADSL connection, mobile phone, portable pc, daily newspaper, industry publications and relevant industry memberships.

Incentive schemes

The Company's Board of Directors, Executive Management and other employees have historically participated in the Company's warrant programmes. During previous programmes, within which the warrants granted in 2006 fall, the number of warrants granted were determined individually. These programmes were based on grants once or twice a year in order to ensure balanced grants, taking into account each employee's performance, Company performance and movements in the price of Exiqon's shares. The amounts of the programmes were subject to a 10% limit relative to the amount of the Company's issued share capital from time to time, and at year-end 2006 the warrant programme amounted to about 9.2% of the Company's issued share capital.

In 2006, the Board of Directors granted warrants to the Company's employees and the former chairman in May and December. These warrants confer a right on the warrant holders to subscribe for new shares in the Company at a price of DKK 19 per share which will be adjusted in the event of issuance of new shares above or below the market price, bonus share issues, etc. As a result of the bonus share issue adopted at the Company's annual general meeting held in 2007, the subscription price has subsequently been adjusted to DKK 9.50 per share of DKK 1, and the number of warrants has been doubled). These warrants may be exercised prematurely in the event of a merger if the Company announces that a decision to that effect has been made.

For the Company's former chairman, Jack Johansen, and the Company's CFO, Hans Henrik Chrois Christensen, the warrants granted vest finally on the first trading day of the Company's shares on the Copenhagen Stock Exchange. For the Company's CEO, Lars Kongsbak, and senior employees, one half of the warrants granted in 2006 vest on the Prospectus Date whereas another quarter of the warrants vests on the first trading day of the Company's shares on the Copenhagen Stock Exchange and the remaining quarter vests on 31 December 2007. No vesting period applies to the warrants granted to the Company's other employees (see table 25 for further information). Warrants vested may be exercised to subscribe for new shares during four-week periods after the Company's publication of its full-year and interim profit announcements, starting with the Company's publication of its H1 report for 2007. Unexercised warrants lapse automatically on 31 December 2010 without any further notice, remuneration or compensation to the holder.

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

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

The number of warrants issued and/or the exercise price for the warrants granted must be adjusted in the event of bonus share issues, share capital increases at a price below the market price and certain cases of share capital reductions, among others. The vesting and exercise dates can be moved forward in the event of a merger, demerger,

certain asset sales and change of control (as defined in section 31 of the Danish Securities Trading Act) and delisting.

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

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

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

Board practices

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

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

Name	Office	Year of appointment to current office	Expiry of term	Remuneration on severance
Board of Directors:				
Thorleif Krarup	Chairman	2007	Up for election in 2008	None
Henrik Lawaetz	Vice Chairman	2000	Up for election in 2008	None
Michael Nobel	Board member	1996	Up for election in 2008	None
Steinar Engelsen	Board member	2001	Up for election in 2008	None
Erik Walldén	Board member	2007	Up for election in 2008	None
Executive Management:				
Lars Kongsbak	Chief Executive Officer	2003	None	None

Board of Directors

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

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

Executive Management

The Company has entered into a service agreement with Lars Kongsbak as its Chief Executive Officer. Lars Kongsbak can terminate his employment giving six months' notice and is subject to a non-competition clause for a period of six months following termination of his employment with the Company. Furthermore, Lars Kongsbak can terminate his employment in case of sale of the Company or a significant part of the Company's assets to a third party and has a right in such case to receive pay during the notice period without having a duty to work. The non-competition clause does not apply if Lars Kongsbak is dismissed without reasonable cause or if he resigns his position as a consequence of the Company's breach of the employment relationship. The Company can terminate the employment relationship giving 12 months' notice.

Board committees

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

Audit committee

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

Compensation committee

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

Description of management reporting systems and internal control systems

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

- establish guidelines for the distribution of responsibilities, including business procedures, authorisations and instructions, between the Board of Directors and the Executive Management;
- determine the Company's overall organisation, including the accounting function, internal controls, IT organisation and budgeting;
- follow up on targets, strategies and action plans, budgets, etc. and consider reports about the Company's

financing, liquidity, revenue, material transactions, overall insurance issues, cash flows and special risks; and

- follow up on plans, budgets, cash position and other material issues relating to the Company and its operations.

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

Corporate governance

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

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

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

Following the listing of the Company's Shares on the Copenhagen Stock Exchange, the Board of Directors intends to follow the recommendation regarding terms for directorships.

Not until in 2007 will the Board of Directors establish a formalised assessment procedure whereby the cooperation between the Board of Directors and the Executive Management is assessed once each year in a meeting between the CEO and the Chairman of the Board of Directors.

Not until in 2007 will the Board of Directors establish a formalised assessment procedure which continuously and systematically assesses the work, results and composition of the Board of Directors and the individual members, including the Chairman, in order to improve the Board work.

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

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

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

Staff

The Company's staff has grown substantially in numbers during the period 2003-2006 in line with the Company's increased activities, primarily within Sales & Marketing and Research & Development.

As at the Prospectus Date, Exiqon employs a total of 71 staff, 21 of whom work in Sales and Marketing. Exiqon employs 60 people in Denmark and 11 in the United States. The number of staff has been calculated excluding employees on fixed-term contracts, temporary staff and student assistants.

Shareholdings and warrants

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

Table 24: Number of staff at 31 December.

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

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

Name	Number of shares	Number of warrants	Total
Thorleif Krarup	0	303,503	303,503
Henrik Lawaetz	0	0	0
Steinar J. Engelsen	0	0	0
Michael Nobel	422	0	422
Erik Walldén	0	0	0
Lars Kongsbak[1]	80,758	918,840	999,598
Hans Henrik C. Christensen	0	344,565	344,565
Michael Kallelis	0	153,812	153,812
Søren Morgenthaler Echwald	7,740	76,906	84,646
Henrik Pfundheller	11,578	76,906	88,484
Søren Møller[2]	3,844	76,906	80,750
Peter Stein Nielsen	3,484	38,340	41,824
Mette Flansmose	0	0	0
Total	**107,826**	**1,989,778**	**2,097,604**

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

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

Major Shareholders

As at the Prospectus Date, the Company has more than 80 registered shareholders who hold the Company's total share capital of DKK 14,280,990.

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

- KS Teknoinvest VII 10.4%
- Teknoinvest VIII KS 15.7%
- LD Pensions 17.8%
- Bio Fund Ventures I Follow on Fund Ky 7 %
- Bio Fund Ventures I Ky 1.3%
- Medicon Valley Capital KB 8.2%
- Medicon Valley Capital K/S 8.2%
- Danske Bank A/S 4.4%
- Nobelgruppen[1] 18.4%

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

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

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

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

Related party transactions

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

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

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

Transactions with related parties in Q1 2007
In Q1 2007, the Company was invoiced for consulting services in a total amount of DKK 150,000 by the former chairman of the Board of Directors, Jack T. Johansen. The consulting agreement was signed in 2003 and terminated on 2 May 2007.

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

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

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

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

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

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

Additional information

Share capital

The Company has one class of shares, and as at the Prospectus Date the Company's share capital amounts to 14,280,990 nominal value divided into 14,280,990 shares of DKK 1 nominal value each which are fully paid up. In addition, the Company has authorisations to issue a total of 10,000,000 Shares of DKK 1 nominal value each. The Offer Shares rank *pari passu* with the Company's existing Shares.

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

Table 26. Share capital movements from incorporation until the Prospectus Date.

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

[1] The price is stated in DKK per share of DKK 1 nominal value each
[2] Subscribed by certain employees
[3] Subscribed by new and existing shareholders
[4] Subscribed by new and existing shareholders
[5] Conversion of debt to existing shareholders
[6] Subscribed by new and existing shareholders
[7] Subscribed by new and existing shareholders and certain employees
[8] Subscribed by existing shareholders on the basis of warrants granted in 2001
[9] Subscribed by new and existing shareholders
[10] Subscribed by existing shareholders. Payment was effected on 31 March 2006.
[11] Subscribed by certain employees on the basis of warrants granted in 2002
[12] Subscribed by certain employees on the basis on warrants granted in 2003
[13] Subscribed by existing shareholders on the basis of warrants granted in 2004
[14] Subscribed by certain employees, including members of the Board of Directors and Executive Management on the basis of warrants granted in 2004

Tabel 27. Ownership structure

	Before the Offering				After the Offering					
Holder's name	**Number of shares**	**Ownership (%)**	**Number of warrants**	**Ownership (%) including warrants**	**Number of shares**	**Ownership (%)**	**Ownerswhip (%) including Overall.**	**Number of warrants**	**Ownership (%) including warrants**	**Ownership (%) including Overall.**
Major Shareholders										
Nobelgruppen	2,627,426	18.4	0	16.9	2,627,426	11.4	(10.8)		10.4	(9.9)
Lønmodtagernes Dyrtidsfond	2,538,720	17.8	0	16.3	2,538,720	11.1	(10.5)		10.0	(9.5)
Teknoinvest VIII KS	2,244,500	15.7	0	14.4	2,244,500	9.8	(9.2)		8.9	(8.4)
KS Teknoinvest VII	1,485,088	10.4	0	9.5	1,485,088	6.5	(6.1)		5.9	(5.6)
Medicon Valley Capital KB	1,169,994	8.2	0	7.5	1,169,994	5.1	(4.8)		4.6	(4.4)
Medicon Valley Capital K/S	1,169,994	8.2	0	7.5	1,169,994	5.1	(4.8)		4.6	(4.4)
Bio Fund Ventures I Follow on Fund Ky	1,000,000	7.0	0	6.4	1,000,000	4.4	(4.1)		3.9	(3.8)
Bio Fund Ventures I Ky	177,886	1.3	0	1.1	177,886	0.8	(0.7)		0.7	(0.7)
Danske Bank A/S	624,516	4.4	0	4.0	624,516	2.7	(2.6)		2.5	(2.3)
Board of Directors										
Thorleif Krarup					0			303,503	1.2	(1.1)
Henrik Lawaetz					0					
Michael Nobel	422	0.0		0.0	422	0.0	(0.0)		0.0	(0.0)
Steinal J. Engelsen					0					
Erik Waldén					0					
Executive Management										
Lars Kongsbak	80,758	0.6	466.342	3.5	80,758	0.4	(0.3)	918,840	3.9	(3.8)
Key employees										
Hans Henrik Chrois Christensen			38.000	0.2	0	0.0	(0.0)	344,565	1.4	(1.3)
Michael Kallelis			153.812	1.0	0	0.0	(0.0)	153,812	0.6	(0.6)
Søren M. Echwald	7,740	0.1	76.906	0.5	7,740	0.0	(0.0)	76,906	0.3	(0.3)
Henrik Pfundheller	11,578	0.1	76.906	0.6	11,578	0.1	(0.0)	76,906	0.3	(0.3)
Søren Møller	3,844	0.0	76.906	0.5	3,844	0.0	(0.0)	76,906	0.3	(0.3)
Peter Stein Nielsen	3,484	0.0	38.340	0.3	3,484	0.0	(0.0)	38,340	0.2	(0.2)
Other employees	81,490	0.6	240.094	2.1	81,490	0.4	(0.3)	240,094	1.3	(1.2)
Other investors	1,053,550	7.3	141.934	7.7	1,053,550	4.6	(4.3)	141,934	4.7	(4.5)
Nye aktionærer efter udbuddet					8,690,000	37.8			34.3	
(inkl. fuld Overallokering)					(9,993,500)		(41.2)			(37.5)
Total	14,280,990	100.0	1.309.240	100.0	22,970,990	100.0		2,371,806	100.0	
(inkl. fuld Overallokering)					(24,274,490)		(100.0)			(100.0)

Table 28: Warrants granted and outstanding as at the Prospectus Date.

	May 2006	Exercise price, DKK per share of DKK 1	December 2006	Exercise price, DKK per share of DKK 1	May 2007	Exercise price, DKK per share of DKK 1[1]	Total	Exercise periods[2]
Board of Directors								
Thorleif Krarup	-		-		303,503	See below	303,503	See below
Henrik Lawaetz	-		-		-	See below	-	-
Michael Nobel	-		-		-	See below	-	-
Steinar J. Engelsen	-		-		-	See below	-	-
Erik Walldén	-		-		-	See below	-	-
Board of Directors, total	**-**		**-**		**303,503**		**303,503**	
Executive Management								
Lars Kongsbak	466,342[3]	9,50	-		452,498	See below	918,840	See below
Executive Management, total	**466,342**[4]		**-**		**452,498**		**918,840**	
Senior employees								
Hans Henrik Chrois Christensen	-		38,000[5]	9,50	306,565	See below	344,565	See below
Michael Kallelis	153,812[6]	9,50	-		-	See below	153,812	See below
Søren M. Echwald	76,906[7]	9,50	-		-	See below	76,906	See below
Henrik Pfundheller	76,906[8]	9,50	-		-	See below	76,906	See below
Søren Møller	76,906[9]	9,50	-		-	See below	76,906	See below
Peter Stein Nielsen	8,340[10]	9,50	30,000	9,50	-	See below	38,340	See below
Mette Flansmose	0		0		-	See below	0	-
Senior employees, total	**392,870**		**68,000**		**306,565**		**767,435**	
Other employees [11]	130,674	9,50	109,420[12]	9,50			240,094	See below
Others [13]	139,338	9,50	**2,596**	9,50			**141,934**	See below
Total	**1,129,224**		**180,016**		**1,062,566**		**2,371,806**	

[1] Warrants granted in May 2007 can be exercised at a price equivalent to the final Offer Price plus 5% p.a. from the date of grant to the date of exercise.

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

[3] As at the Prospectus Date, half of these warrants have vested in full. One additional quarter will vest in full on the first trading day of the Company's Shares on the Copenhagen Stock Exchange and the remaining quarter will vest in full on 31 December 2007.

[4] As at the Prospectus Date, half of these warrants have vested in full. One additional quarter will vest in full on the first trading day of the Company's Shares on the Copenhagen Stock Exchange and the remaining quarter will vest in full on 31 December 2007.

[5] Vest in full on at the first trading day of the Company's Shares on the Copenhagen Stock Exchange

[6] As at the Prospectus Date, half of these warrants have vested. One additional quarter will vest on the first trading day of the Company's Shares on the Copenhagen Stock Exchange and the remaining quarter will vest on 31 December 2007.

[7] As at the Prospectus Date, half of these warrants have vested in full. One additional quarter will vest in full on the first trading day of the Company's Shares on the Copenhagen Stock Exchange and the remaining quarter will vest in full on 31 December 2007.

[8] As at the Prospectus Date, half of these warrants have vested in full. One additional quarter will vest in full on the first trading day of the Company's Shares on the Copenhagen Stock Exchange and the remaining quarter will vest in full on 31 December 2007.

[9] As at the Prospectus Date, half of these warrants have vested in full. One additional quarter will vest in full on the first trading day of the Company's Shares on the Copenhagen Stock Exchange and the remaining quarter will vest in full on 31 December 2007.

[10] As at the Prospectus Date, half of these warrants have vested in full. One additional quarter will vest in full on the first trading day of the Company's Shares on the Copenhagen Stock Exchange and the remaining quarter will vest in full on 31 December 2007.

[11] Except for 25,000 warrants, see note 12, all of these warrants have vested in full.

[12] One employee was granted 50,000 warrants, 25,000 of which had vested in full as at the Prospectus Date. One additional quarter will vest in full on the first trading day of the Company's Shares on the Copenhagen Stock Exchange and the remaining quarter will vest in full on 31 December 2007.

[13] Includes outstanding warrants to the former Chairman.

Value and diluting effect of warrants

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

To the extent existing warrants are exercised or additional warrants are issued and exercised, the Shares will be diluted. The diluting effect of warrants, if all warrants are exercised, is shown in table 27.

Shareholders agreements

In 2002, certain of the Company's shareholders entered into a shareholders agreement, which will terminate on the first day of trading in the Company's shares on the Copenhagen Stock Exchange.

The Chairman of the Board of Directors of the Company has received offers from a number of the company's most important shareholders about acquiring from them up to about 1% of the Company's total share capital calculated as at the first day of listing of the Shares on the Copenhagen Stock Exchange. The purchase option must subsist for a period of up to four weeks after the first profit announcement following the anniversary of the first day of listing. The purchase price will be the Offer Price plus 5% p.a.

Treasury shares

Under the Danish Public Companies Act, the shareholders may authorise the Board of Directors to arrange for the Company to acquire treasury shares, however, the aggregate amount of such shares may not exceed 10% of the Company's total share capital. As at the Prospectus Date, the Company holds 5,342 treasury shares with a book value of DKK 0 acquired under the authorisation previously applicable, equal to 0.1 % of the Company's share capital.

Memorandum of Association and Articles of Association

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

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

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

Objects

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

Provisions concerning members of the Board of Directors and Executive Management

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

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

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

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

Authorisations

In the period until 11 May 2012, the Company's Board of Directors is authorised through one or more issues to increase the Company's share capital by up to 10,000,000 Shares with a nominal value of DKK 1 each, see section 37 of the Danish Public Companies Act. The capital increase may be carried out by payment in cash or by a non-cash contribution with or without pre-emption rights to the Company's existing shareholders and generally on the terms determined by the Board of Directors in each case, see Article 3b of the Articles of Association. Where the capital increase is effected for cash at a subscription price lower than the market price, the existing shareholders have pre-emption rights in proportion to their shareholdings. The Board of Directors has used part of this authorisation in connection with the Offering.

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

The Board of Directors exercised part of this authorisation on 11 May 2007 to issue warrants to the Chairman of the Company, the CEO and the CFO.

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

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

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

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

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

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

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

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

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

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

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

Issues which may lead to postponement of control
Shareholders who have acquired Shares by transfer may not exercise their voting rights on such Shares, unless the Shares have been recorded in the Company's register of shareholders, or the shareholder has applied to the Company for registration and substantiated his acquisition prior to the notice convening the general meeting, see Article 8 of the Articles of Association.

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

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

Collaborative and licence agreements

Exiqon has acquired the rights to a number of patents and patent applications from the Danish and Japanese inventors covering parts of the LNA technology. Entering into licence and collaborative agreements is an integral part of Exiqon's business and strategy. Exiqon has obtained licences to rights for technologies in three fields in particular. Through both Garching Innovation GmbH and The Rockefeller University, Exiqon has in-licensed the right to exploit miRNA sequences invented by Dr. Tomas Tüschl for research and diagnostic use. In addition, Exiqon has a licence agreement with Roche Diagnostics GmbH on the use of DIG Labelling together with LNA. Furthermore, Exiqon has signed a supplier agreement with MICROARRAYS, Inc. regarding the manufacture and sale of micro arrays. Exiqon currently has patent control of the LNA technology, which is the basis for the Company's product portfolio and product pipeline.

In 2000, Exiqon spun out the therapeutic rights to the LNA technology and in that connection founded the company Cureon A/S which, through a merger with Pantheco A/S, has become Santaris Pharma A/S. Exiqon has granted Santaris Pharma A/S an exclusive licence to exploit the LNA technology in the therapeutic area. Furthermore, Exiqon has granted limited licences to GenProbe, Inc., AdvanDx, Inc. and Luminex Corporation for exploitation of the LNA technology in the diagnostic and research fields.

In order to ensure early access to new miRNA biomarker discoveries, Exiqon also participates in a number of scientific collaborations, including inter alia partnerships in the EU FP6 SCIROCCO research programme and the Danish innovation consortium's research programme.

Listed below are the agreements, including licence and collaborative agreements, etc., which are considered material to the Exiqon's business as of the Prospectus Date:

Purchase agreements, etc.

Purchase agreement with Professor Jesper Wengel and dr. Poul Nielsen, M.Sc., with a related licence agreement with RiboTask ApS

Exiqon signed an agreement with Professor Wengel and dr. Nielsen in 1997 to buy the intellectual property rights to an invention covering part of the LNA technology specified in the agreement (the Danish part of the LNA technology) for a lump-sum consideration and royalties on revenues from sales of products covered by the agreement. The parties signed a new agreement in 2006 under which Professor Wengel and dr. Nielsen waived all claims for additional consideration for Exiqon's acquisition of the intellectual property rights to the Danish part of the LNA technology in exchange for a further lump-sum consideration and against the grant of a licence to RiboTask ApS. RiboTask ApS is indirectly controlled by Professor Wengel. The agreements between Exiqon and Professor Wengel and dr. Nielsen are subject to the laws of Denmark.

Purchase agreement with Professor, Dr. Takeshi Imanishi

In 2000, Exiqon signed a licence agreement with Chugai Pharmaceutical Co. Ltd. and Professor, Dr. Takeshi Imanishi, under which Exiqon obtained the right to exploit certain rights regarding parts of the LNA technology invented inter alia by Professor Imanishi (the Japanese part of the LNA technology). Chugai Pharmaceutical Co. Ltd. later assigned all its rights under the agreement to Professor Imanishi.

In 2006, Exiqon and Santaris Pharma A/S signed an agreement with Professor Imanishi under which Exiqon and Santaris Pharma A/S have jointly acquired all rights comprised by the licence agreement signed in 2000 for consideration by way of a lump-sum payment, a further payment when a patent is issued in Europe and the granting of a limited territorially restricted licence to Gene Design, Inc., a company assisted by Professor Imanishi, under which Gene Design, Inc. is granted the right to exploit parts of the LNA technology in question within the research area. The agreement signed in 2000 with Chugai Pharmaceuticals lapsed when the agreement with Professor Imanishi was signed in 2006. The agreement is subject to the laws of the United Kingdom.

Assignment and licence agreement with Santaris Pharma A/S (the Danish part of the LNA technology)

The agreement regulates the exploitation by the parties of a number of patents originating from the above-mentioned Danish inventors of the LNA technology and of certain subsequent application patents. Under the agreement, Santaris Pharma A/S has been granted an exclusive licence without territorial restrictions to exploit certain of these patents in the therapeutic field. The parties will each pay half the maintenance fees for these patents. Under the agreement, a number of patent rights have been assigned to Exiqon without royalty commitments. Under the agreement, certain other patents were also assigned to Santaris Pharma A/S, as Exiqon was concurrently granted a licence to exploit these rights outside the therapeutic area. Santaris Pharma A/S paid a lump-sum consideration to Exiqon for the assignment of the patents covered by the agreement and for the granting of a licence, and Exiqon therefore has no further claims for compensation from Santaris Pharma A/S under the agreement. The agreement is interminable during the life of the patents covered by the agreement. The agreement is subject to the laws of Denmark.

Co-ownership agreement with Santaris Pharma A/S (the Japanese part of the LNA technology)
The agreement concerns the co-ownership by the parties to a number of patents and patent applications for parts of the LNA technology which the parties acquired jointly from Professor, Dr. Takeshi Imanishi. Exiqon has issued an exclusive licence without any territorial restrictions to Santaris Pharma A/S covering exploitation of the rights covered by the agreement in the therapeutic field. Exiqon holds exclusive rights to exploit the rights within all other fields. The parties will each pay half the future patent costs. The agreement is interminable by either party during the life of the patents. Exiqon is entitled to assign the agreement in the event of a transfer of all material parts of Exiqon's assets. The agreement is subject to the laws of Denmark.

In-licensing agreements
Licence agreement with Roche Diagnostics GmbH
In 2005, Exiqon in-licensed from Roche Diagnostics GmbH, Germany, the rights under a number of Roche's patents to manufacture and sell on a non-exclusive basis without any territorial restrictions certain LNA products containing Roche's DIG Labelling System for research use. Exiqon must pay royalties to the licensor on revenues from sales of products covered by the agreement, subject to a small minimum royalty per year to be paid by Exiqon to the licensor. Exiqon must report sales of products under the agreement to Roch every year. The agreement runs until expiry of the last patent covered by the agreement, and the agreement is interminable by either party until then. However, Exiqon is entitled to terminate the agreement if Exiqon has not reached sales corresponding to the agreed minimum royalty in two consecutive years. Exiqon may not assign the agreement, neither as part of a transfer of all Exiqon's material assets. The agreement is subject to the laws of Germany.

Licence agreements with Max-Planck-Innovation GmbH
In 2006, Exiqon in-licensed from Garching Innovation GmbH, Germany (after a re-naming now called Max-Planck-Innovation GmbH) on a non-exclusive basis and without territorial restrictions the right, in connection with its LNA technology, to exploit a number of miRNA sequences discovered by Dr. Thomas Tuschl whilst he was with the Max-Planck-Institute for Biophysical Chemistry in Goettingen, an institute of the Max-Planck-Gesellschaft zur Foerderung der Wissenschaften e.V. (MPG), a German non-profit scientific research organisation. This agreement covers the manufacture and sale of products for research use and the provision of certain related services. Under a separate agreement, Exiqon concurrently obtained a four-party, co-exclusive licence without territorial restrictions and with limited rights to grant sub-licences to third parties, to exploit the miRNA sequences in question to manufacture and sell products for diagnostic use, and to provide certain related services. MPG has filed patent applications for the respective miRNA sequences, and has authorized Max-Planck-Innovation, its technology transfer agency, to grant the aforementioned licences. Under the terms of both agreements, Exiqon must pay annual maintenance fees, royalties on revenues from sales of products and the provision of services under the agreements, and on revenues from the grant of sub-licences. In addition, under the diagnostic licence, Exiqon has to pay a certain part of the patenting costs. When commercial sales of products or services under the agreements have been initiated, Exiqon must report to Max-Planck-Innovation semi-annually on Exiqon's sales of the products and services in question. In addition, Exiqon has to provide to Max-Planck-Innovation certain other information relating to the progress to develop and commercialise products and services under the agreements. The agreements expire on the date of expiration or abandonment of all issued patents and filed patent applications within the respectively licensed patent rights, unless they are earlier terminated in accordance with the provisions of the agreements. The agreements are terminable by Max-Planck-Innovation only for cause, and Exiqon is, in addition, also entitled to terminate the agreements without cause at sixty or ninety days' notice respectively. Exiqon may solely assign the agreements in connection with the merger, consolidation, or sale of all or substantially all of its assets or that portion of its business to which the agreements relate. The agreements are subject to the laws of Germany.

Licence agreements with The Rockefeller University
In 2006, Exiqon in-licensed on a non-exclusive basis and without territorial restrictions the right to exploit a number of miRNA sequences described by Dr. Thomas Tüschl of the Rockefeller University, USA. The licence under this agreement covers the manufacture and sale of research products. Under a separate agreement, Exiqon concurrently obtained a co-exclusive licence without territorial restrictions to exploit the miRNA sequences in question to manufacture and sell products for diagnostic use. The licensor has filed patent applications for the affected miRNA sequences. Exiqon must pay royalties on revenues from sales of products covered by the agreements and a certain part of the patenting costs. Under both agreements, Exiqon must pay a small minimum royalty per year. Exiqon must submit semi-annual status reports to the licensor. The agreements expire on expiry of the last patent covered by the respective agreements or ten years after the first sale of a product manufactured under one of the agreements, in case no patents should be issued under the patent applications subject to the agreements. The agreements can only be terminated by the licensor in the event of breach of contract, but Exiqon is entitled to terminate the agreements at sixty days' notice. Exiqon may not assign the agreements without the licensor's consent. The agreements are subject to the laws of the state of New York, USA.

Supplier and distribution agreements, etc.

Distribution agreement with Roche Diagnostics GmbH

In 2005, Exiqon signed an agreement with Roche Diagnostics GmbH covering the distribution of Exiqon's Universal ProbeLibrary™ products. Exiqon manufactures the products and is responsible for continuing product development and expansion of the product range. Roche Diagnostics GmbH exclusively handles the marketing and sale of the products worldwide. Under the agreement, Exiqon must invoice Roche Diagnostics GmbH a certain part of the estimated average sales price (transfer pricing), however, subject to fixed minimum payments. Moreover, Roche Diagnostics GmbH must take a certain quantity of products before 2009. If the agreed quantity is not reached, Roche Diagnostics GmbH will lose its exclusive rights, unless Exiqon is compensated for the shortfall of sales. The agreement contains detailed provisions on prerequisites and consequences to Exiqon, if the Company is unable to supply the agreed number of products. Exiqon guarantees the quality of its deliveries and that the quality of the products is duly tested. Exiqon must provide reasonable product guidance to Roche Diagnostics GmbH. Any new discoveries or inventions made jointly by the parties during the term of the agreement will belong jointly to the parties. The parties must mutually indemnify each other if a party suffers a loss as a result of the other party's actions; however, this does not apply to indirect losses. The agreement runs until 31 December 2009, although Roche Diagnostics GmbH is entitled to terminate the agreement at six months' notice if Roche Diagnostics GmbH pulls out of the market. If Roche Diagnostics GmbH does not reach the agreed minimum sales during a period of two consecutive years and does not pay the difference amounts, Exiqon is furthermore entitled to terminate the agreement at ninety days' notice. The agreement may not be assigned, except that Roche Diagnostics GmbH may assign the agreement to an affiliated company and that Exiqon may assign the agreement as part of a transfer of all the Company's activities. If Exiqon assigns the agreement to a third party, Roche Diagnostics GmbH is entitled to convert the agreement into a licence agreement with access to certain Exiqon source codes. The agreement is subject to the laws of Germany.

Development and commercialisation agreement with Luminex Corporation

In 2006, Exiqon signed a development and commercialisation agreement with Luminex, USA, covering the production and sale of miRNA analysis products for Luminex' bead-based platform within research and diagnostics. Under the agreement, the products will be developed and produced by Exiqon and marketed and sold by Luminex within the diagnostic and research areas. The first products under this agreement were marketed in late 2006. The products covered by the agreement are developed by Exiqon according to product specifications and criteria laid down by the parties. As from 1 January 2007, Luminex has a minimum purchase commitment specified in the agreement. HHHea to acquire such exclusive rights. The agreement runs for five years from the first commercial sale, which took place in late 2006. The agreement is subject to the laws of the state of Massachusetts, USA.

Supplier agreement with MICROARRAYS, Inc. The parties are currently renegotiating this agreement.

Exiqon has signed an agreement with Microarrays, Inc. for the manufacture and delivery of LNA-microarrays. Microarrays, Inc. manufactures and sells the products covered by the agreement under a licence granted by Oxford Gene Technology. Exiqon holds the right to sell the microarrays covered by the agreement for research use by end users. The products must be produced and supplied in accordance with specifications laid down in the agreement by the parties. The parties must regularly discuss the potential of further developing and improving the products covered by the agreement. Exiqon may assign the agreement in connection with a transfer of all the Company's material assets. The agreement is subject to the laws of the state of Tennessee, USA.

Collaborative agreements

Research and development agreement with Roche Diagnostics GmbH

In 2006, Exiqon signed a research and development agreement with Roche Diagnostics GmbH which regulates future specific research and development collaboration regarding Exiqon's ProbeLibrary™ products. The agreement is related to and refers to Exiqon's distribution agreement with Roche Diagnostics GmbH concerning ProbeLibrary™ products. The parties wish to develop future OEM products and other products which exploit the know-how held by the parties in the area affected. These products are to be sold by Roche Diagnostics GmbH or a third party. Exiqon is to perform the research and development work against a fee from Roche Diagnostics GmbH. The fee becomes due when the milestones agreed by the parties in relation to specific research and development projects have been reached. The agreement is a framework agreement, and specific research and development projects will be regulated by individual agreements. These individual agreements must be entered into on terms described in an annex to the framework agreement. Pursuant to the framework agreement, Roche Diagnostics GmbH is entitled to distribute the products and may, to the extent it is agreed in the individual agreements, be entitled to the results of research and development work. During the term of the framework agreement, the parties may not enter into research agreements with any third party involving ProbeLibrary™ products. However, under the agreement, this will not bar Exiqon from carrying out research and development projects in house involving its ProbeLibrary™ products. The parties may terminate the framework agreement at six months' notice. Furthermore,

Roche Diagnostic GmbH may terminate the framework agreement at thirty days' notice if, in the opinion of Exiqon, it is no longer technically or commercially viable to continue the collaboration. Subject to certain conditions, Roche Diagnostic GmbH is entitled to terminate the framework agreement at thirty days' notice if any changes occur to the ownership or control of Exiqon (change of control). The parties may not assign the agreement. However, Roche Diagnostics GmbH may assign the framework agreement if it can be done as part of a transfer of all material assets in the relevant part of the company. The framework agreement runs until 17 January 2009. The agreement is subject to the laws of Germany.

Agreement concerning the SCIROCCO programme
This agreement has been entered into by the European Commission and a consortium of 17 universities, laboratories and companies, among them Exiqon, and concerns a research project with the title of "Silencing RNAs: organisers and coordinators of complexity in eukaryotic organisms SCIROCCO" (FP 6 EU project). The collaboration concerns research into various kinds of cancer with special focus on the role of miRNA. The project coordinator is Professor David Baulcombe, The Sainsbury Laboratory (United Kingdom). The budget totals DKK 115,000,000, of which the European Commission will pay a maximum of approximately DKK 88,000,000, which will be payable in instalments when specific milestones are reached. The rest will be paid by the other participants in the consortium. The agreement came into force on 20 December 2006. The agreement will have been fulfilled when all the parties have fulfilled their rights and obligations or have had their rights and obligations fulfilled under the agreement, and the research project proper runs from 1 January 2007 to 1 January 2011. The agreement is subject to the laws of Belgium.

Agreement with Danish MicroRNA Innovation Consortium
In 2006, Exiqon signed an agreement with Bioneer A/S, the Molecular Diagnostic Laboratory, the Institute of Medical Biochemistry and Genetics, Visiopharm and Novo Nordisk A/S concerning the establishment of an innovation consortium under the name of the "Danish MicroRNA Consortium". This was done in order to establish two technology and detection platforms for measuring, identifying and visualising microRNA molecules and for developing new technologies for purification and detection of microRNA molecules from biological material. The project is co-financed by the Danish Council for Technology and Innovation under the Danish Ministry of Science, Technology and Innovation. The parties are obliged to report knowledge and results to the above-mentioned council, and the results must also be made available to the general public in Denmark. The project runs over a total of thirty-six months until 28 February 2009. The rights to knowledge generated under the project ("foreground knowledge") will belong to the party who has generated the knowledge in question. If the parties have jointly generated foreground knowledge, they will be entitled to share the rights equally. If the control over a party to the collaboration is assigned, and such assignment leads to a conflict of interest for the other parties to the consortium, the steering group of the consortium determines whether the party in question must leave the consortium. Exiqon may terminate the collaborative agreement at twelve months' notice.

Other agreements
Agreement with Herlev University Hospital
On 23 February 2007, Exiqon signed an agreement with Herlev University Hospital. The agreement governs the parties' collaboration in connection with a research project regarding the possibility of identifying presumed biomarkers, including microRNA biomarkers for cancer by means of Exiqon's LNA-based detection technique. The agreement does not limit Exiqon's options of utilising the LNA technology. The research results generated by the collaboration and within the framework of the collaboration belongs to Exiqon, and Exiqon has an exclusive right to file a patent application. The agreement came into force on 23 February 2007 and runs over three years, and it cannot be terminated or assigned. The agreement is subject to the laws of Denmark.

Third party information, statements by experts and declarations of interest

The Company's patent adviser has submitted a declaration about the patent and IPR position of the Company, see "Patent declaration"

Documentation

The following documents are available for inspection at the Company's address, Staktoften 22D, DK-2950 Vedbæk, Denmark;

- Annual reports for the years ended 31 December 2004, 2005 and 2006
- Declaration by the Board of Directors pursuant to section 29 (2) of the Danish Public Companies Act with related auditors' report
- Memorandum of Association
- Articles of Association

Disclosure of equity investments

Exiqon holds all the shares in Exiqon Inc.

Definitions

Shares	The Company's shares including the Offer Shares with a nominal value of DKK 1 each
Board of Directors	The Board of Directors of Exiqon A/S, consisting of Thorleif Krarup (Chairman), Henrik Lawaetz (Vice Chairman), Michael Nobel, Steinar J. Engelsen and Erik Walldén
Closing Date	4 June 2007 – the date on which the Shares are expected to be delivered against payment in cash. If the Offering is closed earlier, the Closing Date will be moved forward accordingly.
Co-Lead Manager	Handelsbanken Capital Markets (division of Svenska Handelsbanken)
Danske Markets	Danske Markets (division of Danske Bank A/S), CVR no. 61126228
Danish Public Offering	A public offering to private and institutional investors in Denmark under this Prospectus
Deloitte	Deloitte Statsautoriseret Revisionsaktieselskab
Executive Management	The Chief Executive Officer, Lars Kongsbak
Existing Shares	14,280,990 Shares of DKK 1 nominal value each
Exiqon	Exiqon A/S and its subsidiary Exiqon, Inc.
Danish FSA	The Danish Financial Supervisory Authority
International Offering	A private placement to institutional investors in certain jurisdictions outside Denmark
Copenhagen Stock Exchange	Københavns Fondsbørs A/S
Lead Manager & Bookrunner	Danske Markets
Management	See Executive Management
Key Employees	Hans Henrik Chrois Christensen, Michael Kallelis, Søren Morgenthaler Echwald, Henrik Pfundheller, Søren Møller, Peter Stein Nielsen and Mette Flansmose
Option	A right conferred on the Lead Manager & Bookrunner and the Co-Lead Manager to subscribe up to a total of 1,303,500 additional new Shares at the Offer Price until 30 days after the first day of trading in the Offer Shares on the Copenhagen Stock Exchange
Prospectus	This document published by the Board of Directors and the Executive Management of Exiqon A/S
Securities Act	The United States Securities Act of 1933, as amended
Company	Exiqon A/S, company reg. (CVR) no. 18984431, Staktoften 22D, DK-2950 Vedbæk, Denmark
Major Shareholders	The shareholders defined in "Major Shareholders"
Offering	The total offering of new Shares in the Danish Public Offering
Offer Price	The offer price of the Offer Shares
Offer Price Range	Between DKK 32 and DKK 42 per Share
Offer Period	22 to 29 May 2007
Offer Shares	The new Shares offered in the Offering

Glossary

Antisense	An oligonucleotide that binds to mRNA in the cell, thereby suppressing the protein expression of the given mRNA.
ASR (Analytic Specific Reagent)	ASR is a description used by the FDA for products that may be employed in diagnostics by providers who have been approved according to the "CLIA" (Clinical Laboratory Improvement Amendments) Act. ASR reagents must be manufactured in compliance with cGMP and be registered with the FDA.
Biomarker	Biological molecule used as a marker for a given disease/condition or as a prediction in disease and/or treatment regimes.
cGMP	Current Good Manufacturing Practice: The basic principles, procedures and resources necessary to ensure the manufacture of products of the required quality.
CLIA	Clinical Laboratory Improvement Act. Denotes qualification requirements for laboratory work.
Companion diagnostics	The prescription of a given medication – based on a diagnostic test. Most often, a number of treatment options will be available.
CUP	Carcinoma of Unknown Origin. Description of a metastasis for which it is impossible to establish the origin of the cancer.
DNA	Deoxynucleic acid. A nucleic acid that carries the cell's genetic code and which is capable of creating and synthesising RNA. DNA consists of two long strands of nucleotides twisted into a double helix and joined by bonds between the strands. The order of the nucleotides determines the individual inherited characteristics.
Efficacy	The effectiveness or the ability of a drug to control or cure a given disease.
Enabled	Denotes that a given technology allows for an analysis/product that cannot be performed/developed using any other technology.
FDA (Food and Drug Administration)	US Food and Drug Administration. The US federal agency responsible for enforcing the Food and Drug laws enacted by US Congress regarding the research, manufacture and safety of food, biologics, devices, drugs and cosmetics.
Fully paid-up license	A license that does not involve future royalty payments.
Gene expression profile	Expression of the activity of one or more genes.
Home brew	Denotes that the product or the process has been manufactured by the customer.
Hybridisation	The process in which a probe identifies a complementary DNA or RNA strand.
Immunohistochemistry (IHC)	An analysis process in which an antibody is used to identify the existence of specific antigens in a tissue sample.
In situ	Analysis tissue sections, for example.
***In vitro* diagnostics (IVD)**	A broad description for diagnostics on samples taken from the body. IVD is also used to describe a market segment that includes various types of diagnostic tests.
Kit	Common term for the product we sell for research purposes.
Knock down	Technology for functional de-activation of the biological function of RNA.

Cancer	Name for a group of diseases in which the body develops abnormal cells (cancer cells) which proliferate uncontrollably. Cancer cells may invade the surrounding tissue and spread to other parts of the body via the blood and the lymphatic system.
LNA	Locked Nucleic Acid.
Oligonucleotides	Short, and most often synthetic, strands of DNA, RNA or LNA.
Meta-analysis	A meta-analysis is a statistical analysis combining the results and data from a number of studies.
MIA	Multivariate Index Assay
Microarray	An analysis platform that facilitates parallel analysis of many biomarkers – perhaps up to 100,000 biomarkers in an analysis.
miRNA	MicroRNA. Small regulatory RNA components that do not code for protein. miRNA is part of the non-coding RNA.
Molecular diagnostics	Diagnostics based on nucleic acid analyses.
mRNA	Messenger RNA. The DNA of a gene is transcribed to mRNA molecules which then act as a template for the protein synthesis.
Non-coding RNA	Non-coding RNA is RNA that does not code for protein. The function of non-coding RNA may be of a regulating character or form part of the protein synthesis device. Most RNA is of the non-coding type.
OEM	Original Equipment Manufacturer.
Oncologist	Doctor specialising in cancer therapy.
Pathologist	Doctor specialising in pathology.
Pathology	The study of the nature of disease in cells, tissue and organs.
PCR	Polymerase Chain Reaction is a method to quantify specific nucleic acid sequences (DNA and RNA).
Probe	A sequence of nucleotide bases used to identify the existence of a complementary sequence using molecular hybridisation.
Prognosis	A prediction about the expected disease course based on a diagnostic analysis.
Protein	Natural substance consisting of amino acids.
RNA	Ribonucleic acid. Found in all living cells, consisting of a long, usually single-stranded, chain of the bases adenine, guanine, cytosine and uracil bonded to ribose. The structure and base sequence of RNA determines the protein synthesis.
RNaseH	An enzyme that cleaves RNA/DNA double-stranded nucleic acid.
Royalty	License payment, typically calculated as a proportion of revenue from a marketed product
Screening	Analysis of a large number of biological samples for gene expression profiles.
siRNA	Typically synthetic double-stranded RNA molecules that ensure repression of protein expression.
SNP	Single Nucleotide Polymorphism. Single variations in the DNA sequence of chromosomes.
Splice variant	mRNA variants of different lengths.
Theranostics	Analysis describing the optimum medical treatment based on a diagnostic analysis.
Transcription	The process through which DNA expresses genes and RNA is formed.

Companies referred to in the Prospectus

Abbott Diagnostics (a division of Abbott Laboratories)
Affymetrix, Inc
Agendia B.V.
Applied Biosystems Group (Applera Corporation)
Asuragen Inc.
Celera Group (Applera Corporation)
Chugai Pharmaceuticals Co., LTD.
Cureon A/S
Digene Corporation
Fluidigm Corporation
Gene-Design, Inc.
Genomic Health, Inc.
Gen-Probe, Inc.
Illumina, Inc.
Integrated DNA Technology, Inc.
Invitrogen Corporation
ISIS Pharmaceuticals, Inc.
Luminex Corporation
Microarrays Inc.
Novo Nordisk A/S
Oxford Gene Technologies IP Limited
Qiagen GmbH
Ribotask ApS
Roche Applied Science (a division of F. Hoffmann – La Roche)
Roche Diagnostics (a division of F. Hoffmann – La Roche)
Roche Pharmaceuticals (F. Hoffmann – La Roche)
Rosetta Genomics Ltd.
Santaris Pharma A/S
Siemens Medical Solutions Diagnostics (a division of Siemens AG)
Sigma-Genosys (a division of Sigma Aldrich Co.)
Stratagene Corporation
XDx, Inc.

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II. Financial information concerning Exiqon's assets and liabilities, financial position and profits and losses

For financial information concerning Exiqon, see the F pages of the Appendix.

III. The Offering

Persons responsible for the Offering

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

Risk factors related to the Offering

For a description of risk factors in connection with the Offering, see "Risk factors".

Key information

Statement of capital resources

In Q1 2007, the Company received a commitment for an overdraft facility of up to DKK 10 million (EUR 1.333 million). On this basis, Management believes that the Company's liquidity requirement until the end of 2007.

Capitalisation and indebtedness

Management believes that the Company's capital structure and capital resources were adequate as at 31 March 2007. Table 29 below shows an overview of Exiqon's capital and debt as at 31 March 2007.

Natural and legal persons' interests in the Offering

No actual or potential conflict of interests exists between any duties of the members of the Board of Directors and Executive Management or Key Employees towards the Company, and such persons' private interests and/or duties to other persons. Prior to the Offering, certain of the existing members of the Board of Directors were appointed by certain shareholders, based on a shareholders agreement. This shareholders agreement will lapse in connection with the listing of the Company's Shares on the Copenhagen Stock Exchange, and after the Offering all our shareholders will have equal rights to elect members to the Board of Directors.

Reasons for the Offering and use of proceeds

See "The Offering".

Table 29. Overview of Exiqon's capital and debt

	As at 31 March 2007	
(DKK million)	**DKK**	**EUR**
Equity		
Share capital	7.1	1.0
Other reserves	14.6	1.9
Total equity	**21.7**	**2.9**
Debt		
Non-current liabilities	4.5	0.6
Short-term debt	29.5	3.9
Total liabilities	34.0	4.5
Total equity and liabilities	**55.7**	**7.4**

Exiqon has no guaranteed or secured debt.

Information concerning the securities offered

Type of securities, allocation time and securities identification codes

Offer Shares
The Offer Shares to be issued by Exiqon will be of the same class as the Existing Shares.

The Offer Shares will be registered under a temporary securities identification code and will be traded separately on the Copenhagen Stock Exchange until registration of the Offer Shares with the Danish Commerce and Companies Agency after which time the temporary code will be merged with the code of the Existing Shares. The codes will be merged as soon as possible after the Offer Shares have been registered with the Danish Commerce and Companies Agency.

ISIN/Securities identification code

Existing Shares	DK0060077758
Offer Shares (temporary securities identification code)	DK0060077832

Governing law and jurisdiction
The Offering is subject to Danish law. Any dispute arising out of the Offering must be brought before the Court of Lyngby.

Registration
All Offer Shares will be delivered in book-entry form by allocation to accounts with VP Securities Services through a Danish bank or other institution authorised as a custodian institution for such shares. The address of VP Securities Services is Helgeshøj Allé 61, DK-2630 Taastrup, Denmark. The Offer Shares are issued in non-certificated form. The Offer Shares may be registered in the name of the holder in the Company's register of shareholders through each shareholder's custodian institution.

Currency
The Offering will be made and trading in the Offer Shares will take place in Danish kroner. The Offer Shares are denominated in Danish kroner.

Rights attaching to the Offer Shares
When the Offer Shares have been fully paid up and registered, they will rank *pari passu* with the Existing Shares and thus have pre-emption rights to future capital increases on the same terms and to the same extent as the Existing Shares. The Company's Share is not subject to any redemption provisions except as provided by the Danish Public Companies Act. See "Information concerning the securities offered – Danish legislation concerning mandatory takeover offers, redemption of shares and information about shareholdings".

Dividend rights/Rights to share in profits
According to the Danish Public Companies Act, a company's shareholders authorise the distribution of dividends at the annual general meeting on the basis of the most recently adopted annual financial statements. Dividends may not exceed the amount recommended by the Board of Directors. The shareholders in general meeting can authorise the Board of Directors in a company to distribute extraordinary dividends. Such authorisation must be incorporated in the articles of association of the company. The Board of Directors' resolution to distribute extraordinary dividends must enclose an intermediate balance sheet reviewed by the company's auditors and showing that sufficient funds are available for the distribution, in addition to a declaration by the Board of Directors stating that the amount of the extraordinary dividends is reasonable having regard to the company's and the group's financial position. Exiqon's Board of Directors does not hold such an authorisation.

When the Offer Shares have been registered with the Danish Commerce and Companies Agency, they will carry the same right to dividends as the Existing Shares and thus be eligible for any dividends declared and payable as from the financial year ending 31 December 2007.

The Company has not previously paid dividends and is not planning to do so in the foreseeable future.

Dividends are paid in Danish kroner to each shareholder's account with VP Securities Services. No restrictions on dividends or special procedures apply to holders of Offer Shares who are not residents of Denmark. Reference is made to "Taxation" below for a description of the tax treatment of dividends under Danish law.

Voting rights
Shareholders are entitled to one vote for each share amount of DKK 1 nominal value at general meetings. As each Share has a nominal value of DKK 1, each Share carries one vote. However, shareholders who have acquired Shares by transfer are not entitled to exercise voting rights in respect of such Shares, unless the Shares have been recorded in the Company's register of shareholders, or unless the shareholder has applied for registration and substantiated his acquisition prior to the date of notice of the general meeting.

Rights on liquidation
In case of liquidation of the Company, the Shareholders are entitled to participate in the distribution of excess assets in proportion to their nominal shareholdings after the Company's creditors have been paid.

Other rights
None of the Company's Shares confer any rights of redemption or conversion or any other special rights upon their holders.

Resolutions, authorisations and approvals of the Offering
At the Company's extraordinary general meeting held on 11 May 2007, the Board of Directors was authorised until 11 May 2012 to increase the Company's share capital by up to 10,000,000 Shares of DKK 1 nominal value each. See section 37 of the Danish Public Companies Act. The capital increase will be carried out by payment in cash at the market price and without any pre-emption rights for the Company's existing shareholders and generally on the terms determined by the Board of Directors. The new Shares which are issued in accordance with the above authorisation shall be negotiable instruments made out in the name of the holder. There shall be no restrictions on the transferability of the Shares, and no shareholder shall be under an obligation to have Shares redeemed in part or in whole. The Shares shall carry the same rights as the Existing Shares. The Shares will be eligible for all dividends and other rights in the Company from the date of registration of the capital increase with the Danish Commerce and Companies Agency.

At a Board meeting in the Company held on 11 May 2007, the Board of Directors resolved to use this authorisation for issuing the Offer Shares and listing the Shares on the Copenhagen Stock Exchange.

Subscription period for the Offer Shares
Subscription of the Offer Shares will commence on Tuesday, 22 May 2007 and close on Tuesday, 29 May 2007, at 4 pm Copenhagen time. Closing of the Offering may be moved forward in whole or in part, but the Offering will not be closed before 22 May 2007, at 4 pm Copenhagen time. Listing of and trading in the Offer Shares under the temporary securities identification code is expected to commence on 31 May 2007.

Negotiability and transferability of the Shares
All Existing Shares and the Offer Shares are freely transferable and negotiable instruments under Danish law, and no restrictions apply to the transferability of the Shares.

Danish legislation concerning mandatory takeover offers, redemption of shares and information about shareholdings

Mandatory tender offers
The conditions relating to mandatory tender offers are contained in section 31 of the Danish Securities Trading Act.

Information about shareholdings
Under section 29 of the Danish Securities Trading Act, shareholders in a listed company are required to immediately notify the listed company and the Copenhagen Stock Exchange when the shareholder's stake represents 5% or more of the voting rights in the company or the nominal value accounts for 5% or more of the share capital, and when a change of a holding already notified entails that limits at intervals of 5 % from 10 % to 100 % and the limits of one-third and two-thirds of the voting rights or nominal value of the share capital are reached or are no longer reached.

As of 1 June 2007, section 29 of the Danish Securities Trading Act is amended. As of this date, shareholders in a listed company are required as soon as possible to notify the listed company and the Danish FSA when the shareholder's stake represents at least 5% of the voting rights in the company or the nominal value accounts for at least 5% of the share capital, and when a change of a holding already notified entails that the limits of 5, 10, 15, 20, 25, 50 or 90% and the limits of one-third and two-thirds of the share capital's voting rights or nominal value are reached or are no longer reached.

Mandatory redemption of shares
Under section 20b of the Danish Public Companies Act, shares in a company may be redeemed in whole or in part by a shareholder who holds more than nine-tenths of the share capital and a corresponding part of the voting rights in the Company. Such redemption can be made by the majority shareholder together with the Board of Directors by common agreement. Likewise, a minority shareholder may demand to have his or her shares redeemed by a majority shareholder who holds more than nine-tenths of the share capital.

Furthermore, a company's shareholders in general meeting may, subject to certain conditions, adopt a resolution by nine-tenths of the votes cast as well as of the voting share capital represented at the general meeting to insert provisions in the articles of association according to which shareholders may be obliged to have their shares redeemed on the terms and conditions set out in such provisions. See section 79 (2) (iii) of the Danish Public Companies Act. As at the Prospectus Date, no such provision exists in the Company's Articles of Association.

Public tender offers made by third parties for Exiqon Shares during the past or current financial years
No tender offers have been made by any third party in respect of Exiqon's Shares during the past or current calendar years.

Taxation

Introduction

The following is a summary of material Danish tax considerations relating to the acquisition, possession and sale of Shares applicable to investors who are Danish tax residents and investors who are not Danish tax residents. The summary is for general information purposes only and does not purport in any way to represent tax or legal advice.

The summary does not purport to be an exhaustive description of all of the tax considerations that may be relevant to the acquisition, ownership, or disposal of Shares.

Investors should consult their own tax advisers in order to clarify the tax consequences to them of purchasing, owning, or disposing of Shares in light of their particular circumstances, including the effect of any state, local, or other national laws.

The summary does not include a description of the tax consequences for professional investors, pension funds, etc. The summary is based on the laws, regulations, court rulings and decisions in effect in Denmark as of the Prospectus Date, all of which are subject to change, in some cases with retroactive effect.

Taxation of investors who are not residents of Denmark

Taxation of dividends

Under Danish law, withholding tax at the rate of 28% on dividends paid in respect of shares in Denmark are generally withheld by a Danish company distributing dividends, irrespective of whether the dividends are paid to residents or non-residents of Denmark, and irrespective of whether the shareholder is a private individual or a company. Non-residents of Denmark for tax purposes are not subject to additional Danish tax in respect of dividends received on shares in Denmark.

Non-resident shareholders may be eligible for a refund of part of the withholding tax where the shareholders are entitled to rely on a double taxation treaty. Shareholders who are eligible to rely on such treaty and who observe certain certification rules may apply to the Danish tax authorities for partial reimbursement of the withholding tax, which will reduce the effective Danish withholding tax rate to the withholding tax rate specified in the relevant double taxation treaty, normally 15%. The shareholder's local tax authorities must substantiate the claim for a refund on special forms prepared by the Danish tax authorities and then submit the claim to the Danish tax authorities. In practice, non-resident shareholders may normally expect to receive a refund within approximately one month from the date on which the Danish tax authorities receive the claim for the refund.

Denmark has concluded double taxation treaties with approximately 80 countries, including Switzerland, Norway, Japan, Australia, the United States, certain countries in Africa, Latin America, the Middle East and the Far East and all member states of the European Union.

A separate regime for reduction of withholding tax to the applicable tax treaty rate is available to private individuals who are tax residents of the United States, Canada, Germany, the Netherlands, Belgium, Luxembourg, Norway, Sweden, Ireland, Switzerland, Greece and the UK. In order to make use of this regime, eligible shareholders must deposit their shares with a Danish bank, and the shareholding must be registered and administered by VP Securities Services. In addition, such shareholders must provide documentation from the relevant foreign tax authority as to the shareholder's tax residence and eligibility under the relevant treaty. A special form prepared by the Danish tax authorities must be used. The shareholder may agree with the relevant deposit bank that the bank procures the relevant form.

In addition, it will be possible for the company distributing dividends or VP Securities Services to enter into an agreement with the Danish tax authorities under which the Company will solely be required to withhold tax from each shareholder at the rate provided by the relevant double taxation treaty.

Under Danish tax rules, a foreign company which

- can claim a reduction or termination of Danish withholding tax under the Parent-Subsidiary Directive (Council Directive 90/435/EEC) or pursuant to a state with which Denmark has entered into a double taxation treaty; and which
- holds more than 15% of the shares in the Danish distributing company during a period of one year within which the dividends are distributed is not liable to pay tax on dividends received from the Danish company. In such case, no tax is withheld, notwithstanding the above. The 15% ownership requirement will be reduced to 10% for 2009 and onwards.

Capital gains taxation

A non-resident of Denmark for tax purposes will not be liable to pay Danish tax on any gain realised on the sale or other disposal of shares, unless the shares were acquired as part of a professional business of buying and selling shares, and the shares are related to a permanent establishment in Denmark.

Taxation of investors who are tax residents of Denmark

Taxation of dividends for private individuals investing excess funds

Dividends to private individuals are taxed as share income. In 2007, share income is taxed at the rate of 28% for the first DKK 45,500 (the amount is subject to annual adjustment) and at the rate of 43% for share income

exceeding DKK 45,500 (for spouses a total of DKK 91,000 (2007)). Accordingly, provided that the amount of dividends received together with other share income does not exceed DKK 45,500 DKK (for spouses a total of DKK 91,000 (2007)) private individuals are not liable to pay any tax on the dividends beyond the 28% withheld.

Dividends paid to investors who are tax residents of Denmark are generally subject to a withholding tax of 28%.

Taxation of funds invested in pension savings.
Private individuals who invest pension savings are liable to pay pension return tax at a fixed rate of 15% of the aggregate net return on their pension savings, including dividends made up on a market value principle, that is the difference between the market value of the shares at the beginning and end of the income year, whereby also unrealised gains and losses on shares are included in the calculation of taxable income. Pension return tax is generally withheld and settled by the pension fund and does not affect the individual's tax return.

Dividends on shares acquired for pension savings are subject to 15% pension return tax.

Taxation of companies
A company which holds less than 15% of the shares in a company is only taxed on 66% of dividends received. As the Danish corporation tax rate is 28%, this corresponds to an effective tax rate of 18.48%. Subject to additional documentation, the rate of withholding tax can be reduced from 28% to 18.48% for companies which own less than 15% of the shares in a company.

A company which holds 15% or more of the shares in a company is not subject to tax on dividends received provided that the shares are held for a period of one year, within which period the dividends are distributed.

The ownership requirement will be reduced to 10% for 2009 and onwards.

Taxation of gains on shares for private individuals investing excess funds
The rules on taxation of private individuals were changed effective 1 January 2006. Special transition rules apply to shares which are sold on 1 January 2006 or later and which had been acquired on or before 31 December 2005. These rules are not described herein.

Gains from sales of shares acquired after 1 January 2006 are taxed as share income at the rate of 28% for the first DKK 45,500 (2007) and at the rate of 43% for income exceeding DKK 45,500 (for spouses a total of DKK 91,000 (2007)). The amounts of DKK 45,500 and DKK 91,000 include all share income deriving from the individual or married couple respectively.

Losses on listed shares may be offset against the share income for the year for listed shares, including dividends from certain listed shares acquired before 1 January 2006. Any remaining losses may be offset against the share income of a cohabiting spouse according to the same rules. Any unused losses may be carried forward and offset against tax income for listed shares in future years.

If the shares were bought on several occasions, the shares acquired first are deemed to be sold first (the FIFO principle).

Calculation of gains/losses: If shares have been bought on several occasions, the purchase price in the event of a part sale is made up according to an average purchase price (the average method).

Taxation of gains on shares for private individuals investing pension savings
Gains on shares acquired for pension savings are subject to 15% pension return tax. The pension return tax is imposed annually according to the market value principle, that is the difference between the market value of the shares at the beginning and end of the income year, whereby also unrealised gains and losses on shares are included in the calculation of income.

Taxation of gains on shares for companies
Gains realised by a company on shares held for less than three years are taxed at the rate of 28%. Losses exceeding tax-exempt dividends received on the shares in question during the period of ownership can be offset against gains from the sale of other shares held for less than three years and can be carried forward without any time restrictions.

Shares held for three years or more: Gains realised by companies on the sale of shares held for three years or more are exempt from tax. Losses are not deductible and cannot be offset against any capital gains.

Calculation of ownership period: If the shares were bought on several occasions, the shares acquired first are deemed to be sold first (the FIFO principle).

Calculation of gains/losses: If shares have been bought on several occasions, the purchase price in the event of a part sale is made up according to an average purchase price (the average method).

Share transfer tax
There is no Danish share transfer tax.

Terms and conditions of the Offering

Conditions for the Offering

The Offer Shares will be delivered in book-entry form by allocation to accounts with VP Securities Services. The Offer Shares may be settled through the facilities of Euroclear Bank S.A./N.V. as operator of Euroclear System ("Euroclear") and Clearstream Banking S.A. ("Clearstream").

Offering and proceeds

The Offering comprises up to 8,690,000 Offer Shares of DKK 1 nominal value each. In addition, an Option has been granted for up to 1,303,500 Shares of DKK 1 nominal value each, which may increase the Offering to DKK 9,993,500 Shares of DKK 1 nominal value each.

The net proceeds (gross proceeds after deduction of estimated expenses to the Company, see "Expenses") in connection with the Offering are expected to be about DKK 294 million (about EUR 39 million) if the Option is not exercised and about DKK 339 million (about EUR 45 million) if the Option is exercised in full.

We intend to use the net proceeds from the Offering to further develop our product portfolio, to expand our production capacity and to increase our marketing efforts in respect of current and future products. At the present time, we intend to use the net proceeds from the Offering and our existing cash funds as follows:

About DKK 100 to 150 million (about EUR 13 to 20 million) for expanding our activities within products for research purposes, including for financing additional product development; expanding the production capacity; classification of laboratories and processes; patent-related purposes, including acquisition of necessary licences; and for enhancing our marketing efforts and our sales organisation.

About DKK 150-200 million (about EUR 20 to 27 million) for developing our diagnostic products, including for clinical trials; acquisition of necessary licences and patents (biomarkers); regulatory approval; ensuring approved production capacity; and for sales and marketing purposes.

The remainder of the net proceeds from the Offering will be used for general corporate purposes, including for administrative purposes, including business development. The specific use of the net proceeds from the Offering depends on a range of factors, including the amount of the actual net proceeds from the Offering, the results of the Company's general development and the progress in the development of specific products. Exiqon may have to change the use of the net proceeds due to unforeseen events, including progress and results of product development, signing of collaborative and licence agreements and legislative and competitive developments. The Company will therefore keep a high degree of freedom as regards the use of the net proceeds from the Offering. Furthermore, the amount and timing of the actual expenses may differ from our estimate. Until the net proceeds from the Offering have been used, Exiqon will place the funds in short-term interest-bearing securities and other similar low-risk investments in Denmark and abroad.

Offer Period

The subscription period for the Offer Shares commences on 22 May 2007 and closes on 29 May 2007, at 4 pm Copenhagen time. Closing of the Offering may be moved forward in whole or in part, but the Offering will not be closed before 22 May 2007, at 4 pm Copenhagen time.

Expected timetable of principal events

Subscription period to begin	22 May 2007
Publication of offer price	30 May 2007
Subscription period to close on 29 May 2007 at 4 pm Copenhagen time	
Announcement of the results of the Offering	30 May 2007
Payment for the Offer Shares	4 June 2007
Registration of the Offer Shares with the Danish Commerce and Companies Agency (date of issuance)	4 June 2007
First day of trading	31 May 2007

Withdrawal or suspension of the Offering

The Board of Directors, the Lead Manager & Bookrunner and the Co-Lead Manager reserve the right to withdraw the Offering in its entirety at any time prior to delivery and payment of the Offer Shares. The underwriting agreement contains a provision entitling the Lead Manager & Bookrunner and the Co-Lead Manager to terminate the Offering (and the arrangements associated with it) at any time prior to delivery and payment of the Offer Shares in certain circumstances including force majeure and material changes in our financial position or business. If this right is exercised, the Offering and any related arrangements will lapse and any monies received in respect of the Offering will be returned to applicants without interest. Any such withdrawal will be notified immediately to the Copenhagen Stock Exchange and announced in the same Danish daily newspapers in which the Offering was announced.

The completion of the Offering is subject to no events occurring before the completion of the Offering which in the opinion of the Company, the Lead Manager & Bookrunner or the Co-Lead Manager would make it inadvisable to proceed with the Offering.

Submission of applications for subscription and allocation of Shares

Offer Period

The Offer Period is expected to commence on 22 May 2007 and close on 29 May 2007 at 4 pm Copenhagen time. The Offering will not be closed in whole or in part before 22 May 2007, at 4 pm Copenhagen time. The Offering may be closed for applications for subscription for amounts up to DKK 2 million earlier than the rest of the Offering. Such closing will be announced through the Copenhagen Stock Exchange.

Applications for subscription for amounts up to and including DKK 2 million

Applications for subscription by investors for amounts of up to and including DKK 2 million should be made by submitting the enclosed application form to the investor's own custodian institution during the Offer Period. Applications are binding and cannot be altered or cancelled. Applications may be made at a maximum price per Share in DKK. If the Offer Price exceeds the maximum price per Share stated in the application form, then no Offer Shares will be allocated to the investor. Where no maximum price per Share has been indicated, applications will be deemed to be made at the Offer Price. Applications should be made for a number of Offer Shares or for an aggregate price rounded to the nearest DKK amount.

Until expiry of the Offer Period, the custodian institutions or stockbrokers will submit the applications received to Danske Bank, Corporate Actions, fax +45 4344 1223.

Applications for subscription for amounts of more than DKK 2 million

Investors who wish to apply for subscription for amounts of more than DKK 2 million can indicate their interest to the Lead Manager & Bookrunner, fax +45 4514 9201, and to the Co-Lead Manager, fax +45 3341 8264, during the Offer Period. During the Offer Period, such investors may continuously change or withdraw their indications of interest, but they are bound by their application at the end of the Offer Period as the status of indications of interest changes to binding applications for subscription at the end of the Offer Period. Immediately following the determination of the Offer Price, investors will be allocated a number of Offer Shares at the Offer Price within the limits of the investor's most recently submitted or adjusted indication of interest. All applications made at a price equivalent to the Offer Price or a higher price will be settled following a reduction of the Offer Price, if any.

Allocation and reduction

In the event that the total amount of shares applied for in the Offering exceeds the number of Offer Shares, reductions will be made as follows:

- In respect of applications for subscription for amounts of up to and including DKK 2 million, reductions will be made pro rata. It is expected that the basis of allocation will be announced on 30 May 2007. If the Offering is closed before 29 May 2007, the announcement of allocation will be moved forward accordingly.
- In respect of applications for subscription for amounts of more than DKK 2 million, individual allocations will be made. The Lead Manager & Bookrunner and the Co-Lead Manager will allocate Offer Shares to such investors in consultation with the Company

Following the close of the Offer Period, investors will receive a statement indicating the number of Offer Shares allocated and the equivalent value at the Offer Price.

In the event that the total amount of shares applied for in the Offering exceeds the number of Offer Shares, reductions will be made, and in such case the Lead Manager & Bookrunner and the Co-Lead Manager reserve the right to demand documentation of the authenticity of all applications and the names of the applicants and to perform individual reductions if applications which are believed to derive from the same applicant appear several times.

Minimum and/or maximum subscription amount

The minimum subscription amount is one (1) Offer Share, and payment of the Offer Price.

No maximum subscription amount applies to the Offering. For further information regarding subscription, see section "Submission of applications for subscription and allocation of Shares"

Payment

The Offer Shares will be registered in book-entry form with VP Securities Services following registration of the capital increase with the Danish Commerce and Companies Agency. The Shares can only be registered with VP Securities Services through a Danish custodian institution. Investors that are not residents of Denmark may use a Danish bank directly or their own bank's correspondent Danish bank as their custodian institution or arrange for registration and settlement through Clearstream or Euroclear.

Settlement normally takes place on the third business day after the announcement of the Offer Price. Unless otherwise agreed, VP Securities Services or the custodian institution will send a notice to the account-holder showing the share amount, the number of Offer Shares allocated and the corresponding price.

Payment for the Offer Shares will be effected in Danish kroner. Payment is expected to be effected on or before 4 June 2007 against subsequent registration of the Offer Shares in the investor's account with VP Securities Services.

Announcement of the results of the Offering

The results of the Offering will be published in an announcement to the Copenhagen Stock Exchange expected to be issued on the business day after the expiry of the Offer Period; expected to be on 30 May 2007.

Procedure for exercise and trading in Subscription Rights and handling of Subscription Rights

Not applicable. The Offering does not include subscription rights.

Jurisdictions in which the Offering is made and restrictions relating to the Offering

Where the Offering will be made

The Offering comprises a public offering in Denmark and an international private placement in certain other jurisdictions outside the United States, in all cases in reliance on Regulation S of the US Securities Act of 1933 as amended (the "Securities Act") and in accordance with applicable US securities laws.

Restrictions applicable to the Offering

General restrictions

The Lead Manager & Bookrunner, the Co-Lead Manager and the Company have not taken any action and will not take any action in any jurisdiction which with the exception of Denmark may permit a public offering of the Offer Shares or possession or distribution of offer documents or changes or supplements thereto or other offer material in connection with the Offer Shares.

The distribution of this Prospectus and the offering of the Offer Shares may be restricted by law in certain jurisdictions. This Prospectus does not constitute an offer to sell or a solicitation by the Lead Manager & Bookrunner, the Co-Lead Manager or on our behalf or by or on behalf of the Lead Manager & Bookrunner or the Co-Lead Manager to subscribe or buy any of the Offer Shares in any jurisdiction in which such offer or solicitation is not authorised or to persons to whom the making of such an offer or solicitation would be illegal. The Offer Shares must not be transferred or resold unless permitted under the Securities Act and other applicable securities legislation. Persons into whose possession this Prospectus may come are required by us and the Lead Manager & Bookrunner and the Co-Lead Manager to inform themselves about and to observe such restrictions. Neither we nor the Lead Manager & Bookrunner nor the Co-Lead Manager assume any legal responsibility for any violation of these restrictions by any person, irrespective of whether such person is a potential subscriber or purchaser of the Offer Shares.

Selling restrictions in the European Economic Area

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

- to legal entities that are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43 million; and (3) an annual net revenue of more than EUR 50 million, as shown in its most recent annual or consolidated accounts;
- to less than 100 individuals or legal persons (except for "qualified investors" as defined in the Prospectus Directive) subject to the prior written consent of the Lead Manager & Bookrunner, the Co-Lead Manager or in any other circumstances which do not require the publication by the Company of a prospectus under Article 3 of the Prospectus Directive.

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

relevant implementation procedures in each Relevant Member State.

Selling restrictions in the United Kingdom
Both the Lead Manager & Bookrunner and the Co-Lead Manager, severally and not jointly, have represented and warranted that they have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of the Offer Shares in circumstances in which Section 21(1) of such Act does not apply, and it has complied and will comply with all applicable provisions of such Act with respect to anything done by them in relation to any Offer Shares in, from or otherwise involving the United Kingdom.

Selling restrictions in other jurisdictions
This Prospectus may not be sent to or in any other way be made available in the United States, Canada, Australia or Japan. For further information see the introduction to this Prospectus.

Intention of Exiqon's Major Shareholders or members of the Company's Executive Management or Board of Directors to participate in the Offering

None of the Company's Major Shareholders have undertaken to subscribe Offer Shares in the Offering.

Information on advance allocation

No advance allocation has been made in relation to the Offering.

Information on over-allocation

There will be no over-allocation in connection with the Offering.

Offer Price

The Offer Price will be determined within the Offer Price Range announced through the Copenhagen Stock Exchange on or before 30 May 2007, at 10 am.

The Offer Price will be determined by the Company in consultation with the Lead Manager & Bookrunner and the Co-Lead Manager on the basis of a bookbuilding process, which is a process whereby the Offer Price is determined by collecting indications of interest in the Offer Shares from potential investors. The Offer Price will be free of brokerage fees. The Offer Price is expected to be announced through the Copenhagen Stock Exchange on or before 30 May 2007.

Reference is made to table 26 with respect to the subscription price at which members of the Board of Directors, the Executive Management and certain employees have acquired securities in the past few years.

Paying agents

Euroclear Bank S.A./N.V.
1 Boulevard de Roi Albert II
B – 1210 Brussels
Belgium

Clearstream Banking S.A.
42 Avenue JF Kennedy
L-1855 Luxembourg
Luxembourg

Management and underwriting

The Lead Manager & Bookrunner of the Offering is:
Danske Markets (division of Danske Bank A/S),
Holmens Kanal 2-12, DK-1092 Copenhagen K
CVR no. 6112 6228

The Co-Lead Manager of the Offering is:
Handelsbanken Capital Markets (division of Svenska Handelsbanken AB (Publ)),
Amaliegade 3, DK-1007 Copenhagen K
Organisation no. 202007-7862

Underwriting
At the end of the Offer Period, Danske Markets (division of Danske Bank A/S) and Handelsbanken Capital Markets (division of Svenska Handelsbanken AB (Publ))

Table 30. Underwriting

Offer Shares (%)	Proportion
Danske Markets (division of Danske Bank A/S)	70%
Handelsbanken Capital Markets (division of Svenska Handelsbanken AB (Publ))	30%
Total	100%

are expected to sign an underwriting agreement (the "Underwriting Areement") with Exiqon agreeing subject to the satisfacion of certain conditions, severally and not jointly, to procure subscribers for, or failing which, to subscribe themselves (as the case may be) and pay for the Offer Shares indicated opposite their names below at the Offer Price. Exiqon has agreed to pay to the Lead Manager & Bookrunner and the Co-Lead Manager a commission of 6% of the Offer Price per Offer Share and to reimburse the Lead Manager & Bookrunner and the Co-Lead Manager's expenses in connection with the Offering. In addition, Exiqon may decide to pay to the Lead Managers & Bookrunner and the Co-Lead Manager a further discretionary fee of up to 1% of the Offer Price per Share. Table 30 below shows a list of the underwriters.

Exiqon has granted the Lead Manager & Bookrunner and the Co-Lead Manager an overallotment option (the "Option"), which can be exercised at any time as of the first day of trading in the Offer Shares on the Copenhagen Stock Exchange and until 30 days later, to subscribe up to a total of 1,303,500 additional new Shares at the Offer Price. Shares subscribed under the Option will be subscribed by the Lead Manager & Bookrunner and the Co-Lead Manager severally and not jointly in the proportions indicated opposite their respective names above. Exiqon has agreed to pay a similar commission on any exercise of the Option. In the Underwriting Agreement, Exiqon will make certain representations and warranties to the Lead Manager & Bookrunner and the Co-Lead Manager, and we will undertake to indemnify the Lead Manager & Bookrunner and the Co-Lead Manager of certain items pursuant to the Underwriting Agreement. The Underwriting Agreement will contain a provision entitling the Lead Manager & Bookrunner and the Co-Lead Manager to terminate the Offering (and the arrangements associated with it) at any time prior to the Closing Date in certain extraordinary circumstances including force majeure and material changes in the financial condition or business of the Company. If this right is exercised, the Offering will lapse and any monies received in respect of the Offering will be returned to applicants without interest. In case of breach on the part of a Lead Manager & Bookrunner and Co-Lead Manager, the Underwriting Agreement provides for the purchase commitments of the performing Lead Manager & Bookrunner and Co-Lead Manager to be increased in certain circumstances or for the Underwriting Agreement to be terminated.

Listing

Price stabilisation and short positions
In connection with the Offering, the Lead Manager & Bookrunner and the Co-Lead Manager may make transactions stabilising the price of the Shares for up to 30 days after the first day of listing. Such transactions consist of bids or purchases with a view to locking in or maintaining the price of the Shares. If the Lead Manager & Bookrunner and the Co-Lead Manager establish a short position in the Shares in connection with the Offering, i.e. sell more Offer Shares than stated on the front hereof, the Lead Manager & Bookrunner and the Co-Lead Manager may reduce such a short position by buying up Shares on the open market. The purchasing of securities in order to stabilise the market price or reduce a short position may have the effect that the price of the securities becomes higher than would otherwise have been the case if such purchases had not been effected.

Neither we nor the Lead Manager & Bookrunner nor the Co-Lead Manager makes any representations or forecasts about the developments or the scope of the effect which such transactions may have on the price of the Shares. Furthermore, neither we nor the Lead Manager & Bookrunner nor the Co-Lead Manager makes any representations about the Lead Manager & Bookrunner and the Co-Lead Manager intending to make such transactions or that such transactions, when initiated, will not be interrupted without notice. Such transactions may be effected on the Copenhagen Stock Exchange, in the OTC market or otherwise. The Lead Manager & Bookrunner will act as stabilising manager and stabilising agent regarding transactions on the Copenhagen Stock Exchange and other stabilising transactions in Denmark.

Subscription of Offer Shares by the Lead Manager & Bookrunner and the Co-Lead Manager
In connection with the Offering, each of the Lead Manager & Bookrunner and the Co-Lead Manager or any of their respective affiliates acting as an investor for its own account, may subscribe for or buy the Offer Shares in the Offering, and they may in this capacity for their own account keep, buy or sell such securities and other of our securities and any investments related thereto and they may offer or sell such securities or other investments in contexts other than in connection with the Offering. References herein to the Offer Shares being offered or placed should therefore be considered to comprise any offer or placement of securities to the Lead Manager & Bookrunner and the Co-Lead Manager or any of their respective affiliates acting in this capacity. The Lead Manager & Bookrunner and the Co-Lead Manager do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with legal or regulatory requirements to do so.

Lock-up agreements

Existing shareholders

None of the Company's existing Shareholders will sell Shares in connection with the Offering and the listing of the Company.

Lock-up agreements

The Company, the Board of Directors, the Executive Management, Key Employees and Major Shareholders have undertaken towards the Lead Manager & Bookrunner and Co-Lead Manager that they will not, without the prior written consent of the Lead Manager & Bookrunner (which consent shall not be unreasonabley withheld), issue, sell, offer for sale, contract to sell or in any other way, directly or indirectly, dispose of Shares or securities convertible into Shares in the Company or warrants or other rights to acquire Shares in the Company or publish that any such action will be made. This does not cover the issuance of Offer Shares and shares upon the exercise of warrants issued in the Company at the Prospectus Date.

The obligation for the Company, the Board of Directors, the Executive Management, and the Company's CFO and Major Shareholders applies for a period from the Prospectus Date until 365 days after the first day of listing of the Shares on the Copenhagen Stock Exchange. The obligation for other Key Employees applies for a period from the Prospectus Date until 180 days after the first day of listing of the Shares on the Copenhagen Stock Exchange.

Expenses

Expenses relating to the Offering.

The estimated expenses payable by the Company in connection with the Offering will total about DKK 27.2 million (about EUR 3.6 million) if the Option is not exercised and about DKK 30.6 million (about EUR 4.1 million) if the Option is exercised in full (in both cases assuming an offer price of about DKK 37 and that 8,690,00 Shares are subscribed):

DKK million	Expenses excluding the Option	Expenses including the Option
Fees and commissions to financial intermediaries	22.5	25.9
Printing	0.5	0.5
Advertising	0.3	0.3
Fees to auditors, legal advisers, etc.	3.3	3.3
Other expenses	0.5	0.5
Subscription commission to custodian institutions*	0.1	0.1
Total	**27.2**	**30.6**

* 1/4% will be passed on in the form of subscription commission to custodian institutions on subscription of the Offer Shares.

The net proceeds from the Offering after deducting the specified estimated expenses payable by the Company are expected to be about DKK 294 million (about EUR 39 million) if the Option is not exercised and about DKK 339 million (about EUR 45 million) if the Option is exercised in full (in both cases assuming an offer price of about DKK 37 and that 8,690,000 Shares are subscribed).

Only the fees and commissions to financial intermediaries and the subscription commission depend on the size of the offering.

Dilution

As at 31 March 2007 we had equity of DKK 22 million, equal to DKK 1.52 per Share. Equity per Share is calculated by dividing equity by the total number of Shares issued and outstanding. Following the issuance of 8,690,000 Offer Shares (assuming no exercise of the Option) at an offer price of DKK 37 per Share (corresponding to the midpoint of the Offer Price Range) and deduction of commission and estimated expenses, our pro forma equity as at 31 March 2007 would have been approximately DKK 316 million corresponding to DKK 13.76 per Share. This represents an immediate increase in equity per Share of DKK 12.24 to our shareholders, and an immediate dilution in adjusted equity per Share of DKK 13.24 to subscribers of the Offer Shares. The following overview illustrates the dilution that investors in the Offer Shares will experience:

Dilution is determined by subtracting equity per Share after the Offering from the Offer Price per Share.

Additional dilution will occur in connection with the exercise of the Option and outstanding warrants. See "Share capital". Additional dilution will occur if the number of Shares offered is increased.

Offer Price per Share (corresponding to the midpoint of the Offer Price Range)	DKK 37
Equity per Share at 31 March 2007	DKK 1.52
Increase in equity per Share	DKK 12.24
Equity per Share following the Offering	DKK 13.76
Dilution per Share to new investors	DKK 23.24
Percentage dilution per Share to new investors	62.82 %

Further information

Advisers

- Danish legal adviser to the Company: Bech-Bruun, Langelinie Allé 35, DK-2100 Copenhagen Ø, Denmark
- Auditor for the Company: Deloitte, Weidekampsgade 6, DK-2300 Copenhagen S, Denmark
- Danish legal adviser to the Lead Manager & Bookrunner and the Co-Lead Manager: Kromann Reumert, Sundkrogsgade 5, DK-2100 Copenhagen Ø, Denmark
- Lead Manager & Bookrunner: Danske Markets (division of Danske Bank A/S), Holmens Kanal 2-12, DK-1092 Copenhagen K, Denmark
- Co-Lead Manager: Handelsbanken Capital Markets (division of Svenska Handelsbanken AB (Publ)), Amaliegade 3, DK-1007 Copenhagen K, Denmark

How to order this Prospectus

Additional copies of the Prospectus are available at:

Danske Bank
Corporate Actions
Holmens Kanal 2-12
DK-1092 Copenhagen K
Denmark
Tel: +45 7023 0833
Fax: +45 4355 1223

Handelsbanken Capital Markets
Amaliegade 3
Box 1032
DK-1007 Copenhagen K
Denmark
Tel: +45 3341 8200
Fax: +45 3341 8264

The Prospectus can also be downloaded with certain exceptions from the Company's website: www.exiqon.com

Appendix

A-1 Articles of Association

EXIQON A/S
CVR no. 18 98 44 31

NAME, REGISTERED OFFICE AND OBJECTS

Article 1
The name of the Company is Exiqon A/S.

The registered office of the Company is situated in the municipality of Rudersdal.

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

SHARE CAPITAL

Article 3
The Company's share capital is DKK 14,280,990.00 divided into shares of DKK 1 each or multiples thereof.

The share capital has been fully paid up.

Article 3 a
At a meeting held by the Company's Supervisory Board on 18 April 2007, the Supervisory Board approved finally the issuance of 654,620 warrants (adjusted to 1,309,240) with the right to subscribe for shares of DKK 654,620 nominal value (adjusted to 1,309,240) at a price of DKK 19.00 (adjusted to 9.50) per share of DKK 1 nominal value and adopted the resulting capital increase. The terms governing such issued warrants are included in Appendix 1, which constitutes an integral part of these Articles of Association

Article 3 b
In the period until 11 May 2012, the Company's Supervisory Board is authorised through one or more issues to increase the Company's share capital by up to a nominal value of DKK 10,000,000 shares with a nominal value of DKK 1 each, see s. 37 of the Danish Public Companies Act. The capital increases may be effected through cash contributions or through non-cash contributions with or without pre-emption rights for the Company's existing shareholders and on the terms laid down by the Supervisory Board. Where the capital increase is effected through cash contribution at a subscription price which is lower than the market price, the current shareholders shall enjoy a pre-emption right in proportion to their shareholdings.

Article 3 c
In the period until 2 May 2012, the Company's Supervisory Board is authorised through one or more issues to issue warrants in accordance with s. 40(b) of the Danish Public Companies Act to members of the Company's Supervisory Board, Executive Board, employees and external consultants and advisors entitling the holders to subscribe to an amount of shares in the Company up to a total nominal value of DKK 3,500,000 shares with a nominal value of DKK 1 each without pre-emption rights for the Company's existing shareholders at a price to be determined by the Supervisory Board. However, the total number of warrants issued in accordance with this provision as well as Article 3 a cannot amount to more than 12% of the Company's nominal share capital. The Supervisory Board is also authorised to effect the related capital increase, to lay down the terms applicable to the allocation and issue as well as to determine the subscription period during which the warrants can be exercised.

Article 3 c1
At a meeting held by the Company's Supervisory Board on 11 May 2007, the Supervisory Board decided in accordance with the authorization given in Article 3c to issue 1,062,566 warrants corresponding to shares of DKK 1,062,566 nominal value and adopted the resulting capital increase. The terms and conditions for the warrants are set out in appendix 2 which constitutes an integral part of these Articles of Association. Hereinafter, the authorization in Article 3c exists for the remaining 2,437,434 warrants.

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

Article 3 e
The Supervisory Board is authorised to amend the Articles of Association in case of full or partial exercise of the granted authorisations.

Article 4
The shares shall be made out in the name of the holder and registered in the Company's Register of Shareholders.

The Register of Shareholders shall be kept and maintained by VP Investor Services A/S (VP Services A/S), Helgeshøj Allé 61, P.O. Box 20, DK-2630 Taastrup. Dividend payments etc. are subject to the rules laid down by the VP Securities Services.

The shares shall be negotiable instruments and there shall be no restrictions in the transferability of the shares.

No share shall confer any special rights. No shareholder shall be under an obligation to have his shares redeemed in whole or in part by the Company or a third party.

The shares are issued through the VP Securities Services.

GENERAL MEETINGS

Article 5
General Meetings shall be held at the registered office of the Company or in the Capital Region of Denmark.

The Annual General Meeting shall be held once a year before the end of April.

An Extraordinary General Meeting shall be held when deemed appropriate by the Supervisory Board, an auditor or a General Meeting. An Extraordinary General Meeting shall be convened within two weeks when required in writing, for the consideration of a specific issue, by shareholders owning in total at least 1/10 of the share capital.

General Meetings shall be convened by the Supervisory Board by email to each registered shareholder who has so requested, by advertisement in at least one national newspaper and through the Copenhagen Stock Exchange giving not more than four weeks' and not less than eight days' notice. The notice convening the General Meeting shall state the issues to be considered at the General Meeting. If a resolution to amend the Articles of Association is to be considered at the General Meeting, the essential contents of such proposed resolution shall be stated in the notice convening the General Meeting. A notice convening a General Meeting at which a resolution pursuant to s. 79(1) or s. 79(2) of the Danish Public Companies Act is to be considered shall contain the full wording of the proposed resolution to amend the Articles of Association.

Not later than eight days before the General Meeting, the agenda and the complete proposals and, in respect of the Annual General Meeting, also the approved annual report shall be available for inspection by the shareholders at the offices of the Company.

Any shareholder is entitled to have a particular issue considered at the General Meeting if such shareholder makes a written request to this effect to the Supervisory Board not later than one week after the Company's publication of the preliminary announcement of financial statements.

Article 6
At the Annual General Meeting, the following business shall be transacted:

1. The Supervisory Board's report on the Company's activities in the past year.
2. Presentation of the audited annual report for approval.
3. Resolution on the appropriation of profits or settlement of loss in accordance with the adopted annual report.
4. Election of members to the Supervisory Board.
5. Appointment of auditor(s).
6. Any proposals from the Supervisory Board or the shareholders.

CHAIRMAN OF THE GENERAL MEETING

Article 7
A chairman appointed by the Supervisory Board shall preside over the General Meeting and resolve any issues relating to the consideration of issues, the voting and its result.

REPRESENTATION AND VOTING RIGHTS

Article 8
All shareholders shall be entitled to attend General Meetings in person or by proxy and to take the floor, provided that they within five days before the General Meeting have notified the Company of their attendance and have obtained an admission card. Admission cards will be issued to all shareholders recorded in the Company's Register of Shareholders or against presentation of a deposit transcript from the VP Securities Services or the custodian bank, which transcript shall not be more than five days old, as documentation for the shareholding, and if so required by the Company, a written statement from the shareholder that the shares have not been and will not be transferred to any third party before the General Meeting.

A shareholder is entitled to be represented at the General Meeting by a proxy who shall present a written and dated power of attorney. The term of such power of attorney may not exceed one year.

Every share of DKK 1 shall confer one vote.

A shareholder who has acquired shares by transfer may not exercise his or her voting right on the said shares at General Meetings convened unless the shares have been registered in the Company's Register of Shareholders, or the shareholder has given the Company notice of and substantiated his or her acquisition.

Only proposed resolutions which have been included on the agenda may be adopted at the General Meeting.

Issues considered at the General Meeting shall be decided by a simple majority of votes unless the Danish Public Companies Act or the Articles of Association stipulate any special rules on representation and majority.

A summary of proceedings at the General Meeting shall be recorded in the Company's Minute Book which shall be signed by the Chairman of the General Meeting.

NOTIFICATION

Article 9
The Company uses electronic exchange of documents and electronic mail in its communication with its shareholders.

The Company shall send all notifications to its shareholders using electronic mail, including notices convening Annual and Extraordinary General Meetings as well as agenda and annual report. Documents and notifications will also be available at the Company's website www.exiqon.com.

All shareholders must notify the Company of their e-mail addresses and must keep such information updated.

Information as to system requirements and the use of electronic communication shall be provided by the Executive Board of the Company directly to the shareholders or at the Company's website www.exiqon.com.

SUPERVISORY BOARD AND EXECUTIVE BOARD

Article 10
The Supervisory Board shall be composed of five to seven members elected by the General Meeting. The Supervisory Board shall elect its own Chairman and possibly also a Vice-Chairman.

The members shall retire every year at the Annual General Meeting. Retiring members may be re-elected.

No one who have attained the age of 70 shall be eligible for election to the Supervisory Board. A member of the Supervisory Board shall, on attaining the age of 70, retire at the end of the next Annual General Meeting.

The Supervisory Board shall receive an annual fee, the total of which shall appear from the annual report for the relevant year.

The Supervisory Board may grant powers of procuration to individuals to sign either singly or collectively.

Article 11
The Supervisory Board shall be in charge of the general management of all the Company's affairs.

The Supervisory Board shall form a quorum when more than half of its members, including the Chairman, or in his absence the Vice-Chairman, are present. In the event of equality of votes, the Chairman, or in his absence the Vice-Chairman, shall have the casting vote.

The Chairman, or in his absence the Vice-Chairman, shall convene a Supervisory Board meeting when necessary or when a Supervisory Board member or an executive officer makes a request to this effect.

Article 12
To handle the daily operation of the Company, the Supervisory Board shall appoint an Executive Board consisting of one to three members, of which the Company's chief executive officer is reported as such to the Danish Commerce and Companies Agency.

POWERS TO BIND THE COMPANY

Article 13
The Company shall be bound by the joint signatures of three Supervisory Board members or the joint signatures of the Chairman of the Supervisory Board and the chief executive officer.

FINANCIAL STATEMENTS AND AUDIT

Article 14
The Company's annual report shall be audited by a state-authorised public accountant.

The auditor shall be appointed by the General Meeting for terms of one year.

Article 15
The Company's financial year shall be the calendar year.

As adopted by the Supervisory Board on 11 May 2007

Appendix 1 to the Articles of Association of Exiqon A/S (formerly Article 3 d).

Pursuant to the authorization in the Company's Articles of Association, the Supervisory Board has in May and December 2006 issued 654,620 warrants to employees and the Chairman of the Company's Supervisory Board. As a result of the bonus share issue adopted at the Company's Annual General Meeting on 2 May 2007, the amount of warrants has been adjusted to a total of 1,309,240 warrants entitling the holders to subscribe to a nominal amount of 1,309,240 shares with a nominal value of DKK 1 each at a price of 9.50, corresponding to DKK 9.50 per share of DKK 1 nominal value each.

In this connection, the Supervisory Board has laid down the following terms governing subscription and exercise of the warrants as well as the related cash capital increase:

As regards 939,212 of the warrants issued in 2006, half of these are vested for exercise now, an additional quarter is vested for exercise as from the first day of trading after listing of the Company's shares on the Copenhagen Stock Exchange and the remaining quarter is vested for exercise as from 31 December 2007.

As regards 139,812 of the warrants issued in 2006 these are vested for exercise as from the first day of trading after listing of the Company's shares on the Copenhagen Stock Exchange.

As regards the remaining 230,216 of warrants issued in 2006 these are vested for exercise from the issuance hereof.

The issued warrants are exercisable during the following periods: (i) for a period of 28 days as from the Company's publication of its quarterly and half year reports starting with the publication of the half year report for 2007; and (ii) for a period of 28 days as from the Company's publication of the preliminary announcement of financial statements.

In the event of a resolution (1) to liquidate the Company, (2) to sell not less than 2/3 of the Company's share capital, (3) to demerge the Company, (4) to merge with the Company as the discontinuing company, or (5) to exchange shares with the Company as the investing company, the holders of warrants may, irrespective of any fixed exercise periods, cf. above, exercise their warrants to subscribe for new shares in the Company immediately after the resolution on the liquidation of the Company, a collective sale of not less than 2/3 of the share capital, an exchange of shares, or the signing of the demerger or merger plan.

The Company shall notify any warrant holders in writing if a resolution of the above nature is adopted. In case a warrant holder wishes to exercise his or her warrants, notice thereof shall be given to the Company in writing within three weeks of the date of the posting of the notification by the Company.

After the expiry of this period, any warrants in respect of which no notice of exercise has been given shall lapse automatically and without notice or compensation.

In the event that (1) the Company's share capital is increased to a price below the market price, (2) the Company issues warrants, convertible instruments of debt or the like, whereby the shares in the Company may be subscribed to at a price below the market price, (3) the Company issues bonus shares to the existing shareholders, or (4) the Company's share capital is reduced by payment to the shareholders at a price above market price, then the subscription price shall be reduced and the number of shares which may be subscribed for shall be increased to such an extent that the subscriber is compensated for the relevant circumstance according to the below calculation.

In the event that (1) the Company's share capital is increased to a price above the market price, or (2) the Company's capital is reduced by payment to the shareholders at a price below the market price, then the subscription price shall be increased and the number of shares which may be subscribed for shall be reduced to such an extent as to adjust for the advantage gained by the subscriber, cf. the below calculation.

In the event that the Company distributes more than 10% of the equity, then the number of shares which may be subscribed for and the price at which the subscription may be made shall be adjusted according to the below provisions.

If one of the above circumstances occurs, the Company's auditor shall make an adjustment according to the below formula. If a distribution of more than 10 % of the equity is made, the Company's auditor shall make an adjustment, cf. below.

The exercise price shall be multiplied by the factor α, where

$$\alpha = \frac{(A \times p) + (B \times q)}{(A + B) \times p}$$

where "A" is the Company's nominal share capital prior to the capital increase, "B" is the nominal capital increase/decrease amount, "p" is the market price of the shares prior to the capital increase, and "q" is the (favorable) subscription price for the new shares.

Further, the number of shares which may be subscribed for according to the warrants shall be multiplied by the following fraction:

$$\frac{1}{\alpha}$$

If an adjustment of the subscription price and/or the number of shares which may be subscribed for according to the above formula results in the value of the warrants in the Company being increased or reduced by more than 10 % in relation to the value of the warrants prior to the adjustment, the above formula shall not be used. Instead, the number and price of the shares shall be determined according to the below provisions.

In all other cases, the Company's auditor shall adjust the price and/or the number of shares which may be subscribed for in such a way that the position of the subscriber is neutral, if possible, in relation to the changes in the Company's capital position. Accordingly, efforts shall be made to ensure that the subscriber may subscribe for shares in such a way that the subscriber obtains the same ownership share of the Company for the same payment, both before and after the changes in the Company.

In the event of any price-relevant changes in the Company of a similar nature and with a similar effect in respect of the subscriber as set out above, an equivalent adjustment of the subscription price shall be made, but see below.

In the event that the Company's share capital is reduced to cover a loss, the number of shares which the holders of warrants may subscribe for by exercising the warrants shall be reduced (rounded down) so that the position of the warrant holders in relation to units of capital in the Company is the same as if the warrants had been exercised immediately before the resolution to reduce the capital. The subscription price shall not be reduced.

In the event that (1) the Company's share capital is increased or reduced to the market price, (2) the Company resolves to merge with the Company as the continuing company, (3) the Company resolves to issue shares to the Company's employees as part of a general employee share scheme, perhaps at a price below the market price, (4) the Company makes a distribution of less than 10 % of the equity, or (5) the Company exchanges shares with the Company as the receiving company, no adjustment shall be made to the subscription price or the number of shares which may be subscribed for.

If one of the circumstances resulting in an adjustment is available prior to the exercise period, the Company's Supervisory Board shall request the Company's auditor to calculate the adjustment to be made, so that notice in writing of the result of the calculation can be forwarded to all the warrant holders not later than one week before the said exercise period begins. If a resolution to wind up etc. the Company is adopted, and circumstances requiring an adjustment of the subscription price and/or the number of shares exist, the auditor's basis of calculation shall be annexed to the notice sent by the Company to the warrant holders.

The auditor's adjustment shall be made in accordance with accepted principles. If the calculation implies the determination of the Company's market price, such determination shall be made on the basis of generally accepted principles in respect thereof. The auditor's calculation shall be final and binding on the Company and any warrant holders.

If an adjustment implies that the subscription price is below par, the warrants shall, as a general rule, not be exercisable, always provided that a warrant holder may exercise his or her warrants if he or she accepts that the price is increased to par without compensation.

With reference to ss. 32(1)(4) to 32(1)(6) and s. 32(1)(9) of the Danish Public Companies Act, cf. s. 40b(3) of the Danish Public Companies Act, the Supervisory Board has resolved that the following terms shall apply in connection with the issue of warrants and any later subscription for new shares by exercise of the warrants:

THAT the existing shareholders shall have no pre-emption rights to the warrants as the warrants are offered for the benefit of a specific circle of employees and Supervisory Board members in the Company;

THAT unless the Supervisory Board consents thereto, the warrants granted may not be levied in execution, assigned or in any other way transferred, whether in ownership or as security, always provided that the warrants may be left by will or on intestacy or be included in the case of division of matrimonial property so that the rights according to the warrants may pass to the estate or the beneficiaries of a deceased warrant holder or to his or her spouse;

THAT the existing shareholders shall have no pre-emption rights to any new shares issued on the basis of the warrants;

THAT any new shares issued on the basis of the warrants shall be paid up in cash on subscription;

THAT any new shares issued by exercise of the warrants shall be negotiable instruments;

THAT any new shares issued by exercise of the warrants shall be made out in the name of the holder and registered in the Company's Register of Shareholders;

THAT in respect of any new shares issued by exercise of the warrants, no restrictions shall apply to future capital increases;

THAT any new shares issued by exercise of the warrants shall confer the right to dividend and other rights in the Company from the financial year in which the shares are subscribed for, but not in respect of the previous financial year;

THAT in the event that prior to the exercise of the warrants changes have been made in the rights attached to the shares in the Company in general, any new shares issued by exercise of the warrants shall carry the same rights as the other shares in the Company at the time of the exercise; and

THAT the Company shall be responsible for paying the costs and expenses incurred in connection with the issue of the warrants and any subsequent increases of capital in relation thereto. The Company's costs and expenses in connection with the issue of warrants are estimated at DKK 25,000 per issue, and the expenses per issue in respect of the ensuing capital increase are estimated at DKK 25,000.

Appendix 2 to the Articles of Association of Exiqon A/S.

Pursuant to the authorization in the Company's Articles of Association, the Supervisory Board has on 11 May 2007 issued 1,062,566 Warrants, entitling the holders to subscribe for up to nominally 1,062,566 shares with a nominal value of DKK 1 each.

In this connection, the Supervisory Board has laid down the terms in clause 1 "Terms of 759,063 warrants" governing subscription and exercise of 759,063 of the Warrants issued as well as the related cash capital increase and the terms in clause 2 "Terms of 303,503 Warrants" governing subscription and exercise of the remaining 303,503 of the Warrants issued as well as the related cash capital increase.

1. Terms of 759,063 Warrants

1.1 Warrant

Each Warrant entitles (but does not obligate) the Holder to subscribe for one share with a nominal value of DKK 1.00 each.

1.2 Consideration

The Holder shall not pay any consideration for the issued Warrants.

1.3 Conditions for Exercise

The issued Warrants may only be exercised if the Company's shares are accepted for listing on the Copenhagen Stock Exchange.

1.4 Exercise Price

The Exercise Price of the issued Warrants shall be fixed by the Company's Supervisory Board at the subscription price for the Company's shares fixed in connection with the contemplated IPO of the Company's shares in 2007 on the Copenhagen Stock Exchange, which is DKK [ ] per share of DKK 1, plus 5% per year. This additional payment shall be calculated per calendar day from the time of grant of the Warrants and until the time at which the Holder's Exercise Notice is received at the Company's address for the attention of the Chairman of the Supervisory Board, cf. clause 1.7.

1.5 Exercise Date

One thirty-sixth (1/36) of the Warrants issued is vested for exercise from the first day of the calendar month following the date of issuance of the relevant Warrants. Another one thirty-sixth (1/36) of the Warrants issued is vested for exercise from the first day of each new calendar month until all of the Warrants issued have become exercisable.

1.6 Exercise windows

The vested Warrants are exercisable during the following periods (the "Exercise Period"): (i) for a period of 28 days as from the Company's publication of its quarterly and half year reports starting with the publication of the Company's half year report for 2007; and (ii) for a period of 28 days as from the Company's publication of the preliminary announcement of financial statements.

1.7 Exercise Notice

If a Holder wishes to exercise his/her Warrants, the Holder shall inform the Chairman of the Supervisory Board of the Company in writing thereof (the "Exercise Notice") so that such Exercise Notice has arrived at the Company's address (for the attention of the Chairman of the Supervisory Board) within an Exercise Period.

The Holder shall specify in the Exercise Notice how many Warrants the Holder intends to exercise.

Where the Holder does not pay the full subscription amount in accordance with clause 1.18.1 (ii) below of the shares to be subscribed for pursuant to the Exercise Notice, the Exercise Notice shall lapse automatically and shall be unenforceable. The Exercise Notice shall, however, not lapse and shall be considered received in due time irrespective of the fact that the Holder only pays in the part of the subscription amount which is not made up of the additional payment laid down in clause 1.4, where the Holder in the Exercise Notice requests the Supervisory Board for a calculation and statement of the remaining part of the subscription amount. Subsequently, the Supervisory Board shall as quickly as possible notify the Holder of such amount and the calculation hereof, and, consequently, the Holder shall pay in this amount within five (5) days from receipt of such notification.

Assuming timely submission of the Exercise Notice and timely payment of the full subscription amount to the Company in accordance with the above, the Company is required to apply for registration with the Danish Commerce and Companies Agency of the capital increase made in connection with the Holder's exercise of his/her Warrants, see section 36(3) of the Danish Public Companies Act.

1.8 Adjustment

The Exercise Price and/or the number of shares that can be subscribed for pursuant to the issued Warrants shall not be adjusted unless otherwise stipulated in this clause 1.8.

1.8.1 The number of shares that can be subscribed for upon the exercise of a Warrant shall be revised up or down (to the extent permitted by legislation) to the effect that the relevant Warrant (individually or together with other Warrants held by the Holder) entitles the Holder to subscribe for a pro rata unchanged ownership interest in the Company against the contribution of an unchanged subscription amount in the following cases:

(i) issue of bonus shares; or

(ii) reduction of the Company's share capital to cover loss.

1.8.2 The Exercise Price and/or the number of shares that can be subscribed for through exercise of a Warrant shall be revised up or down (to the extent permitted by legislation) to the effect that the Holder is compensated for the dilution, if any, of the value of the relevant Warrant if the Company resolves to:

(i) increase the Company's share capital at a price below the market price of the Company's shares at the time of the resolution hereof;

(ii) issue convertible debt instruments at a conversion price below the market price of the Company's shares at the time of the resolution hereof;

(iii) issue new Warrants (other than the Warrants issued pursuant to article 3a of the Company's Articles of Association) at an exercise price below the market price of the Company's shares at the time of resolution;

(iv) acquire shares in the Company at a price exceeding the market price of the Company's shares at the time of the acquisition; or

(v) reduce the Company's share capital through payments to the Company's shareholders, distribution of dividend or payments from a special fund pursuant to section 44a (1)(3) of the Danish Companies Act where such payments exceed 10% of the Company's equity immediately prior to the payment.

1.9 Merger and solvent liquidation

Where, during the time until the exercise of the issued Warrants, the Company resolves to dissolve the Company by merger or solvent liquidation, the Company is entitled and required, regardless of whether clauses 1.5 and 1.6 state otherwise, to move forward the vesting and exercise date of such Warrants by notifying the Holder in writing giving him/her a period of two (2) weeks to exercise the relevant Warrants before the resolution to dissolve the Company takes legal effect. The Holder's Exercise Notice shall be submitted in accordance with the procedure set out in clause 1.7. Any Warrant not exercised by the Holder before expiry of the period of two (2) weeks for giving notice shall lapse automatically without further notice, consideration and/or compensation to the Holder at the time when the resolution to dissolve the Company takes legal effect.

1.10 Demerger

Where, during the time until the exercise of the issued Warrants, the Company resolves to demerge the Company, the Company may, regardless of whether clauses 1.5 and 1.6 state otherwise, decide to

(i) move forward the vesting and exercise date of the relevant Warrants by submitting a written notice to the Holder giving him/her a period of two (2) weeks to exercise the relevant Warrants before the resolution to demerge takes legal effect. The Holder's Exercise Notice shall be submitted in accordance with the procedure set out in clause 1.7. Any Warrant

not exercised by the Holder before expiry of the period of two (2) weeks for giving notice shall lapse automatically without further notice, consideration and/or compensation to the Holder at the time when the resolution to demerge takes legal effect; or

(ii) The Holder shall be entitled to conclude a new agreement on receiving Warrants of a corresponding value in the legal unit in which the Holder is employed after the demerger.

1.11 Asset sale

Where, during the time until the exercise of the issued Warrants, the Company or a significant part of the Company's business and assets (not including the sale of individual portfolio companies, regardless of size) are sold to a third party ("Asset Sale") the Company is entitled and required, regardless of whether clauses 1.5 and 1.6 state otherwise, to move forward the vesting and exercise date of such Warrants by notifying the Holder in writing that he/she should exercise the relevant Warrants within two (2) weeks. The notice shall be submitted to the Holder within three (3) months of completion of the Asset Sale. The Holder's Exercise Notice shall be submitted in accordance with the procedure set out in clause 1.7. Any Warrant not exercised by the Holder before expiry of the period of two (2) weeks for giving notice shall lapse automatically without further notice and/or compensation to the Holder.

1.12 Controlling influence

Where, during the time until the exercise of the issued Warrants, a shareholder in the Company obtains a controlling influence in the Company as defined in section 31(1) of the Danish Securities Trading Act (individually or together with one or more entities controlling, controlled by or jointly controlled with such shareholder) ("Change of Ownership"), the Company is entitled and required, regardless of whether clauses 1.5 and 1.6 state otherwise, to move forward the vesting and exercise date of such Warrants by notifying the Holder in writing that he/she should exercise the relevant Warrant within two (2) weeks. The notice shall be submitted to the Holder within three (3) months of completion of the Change of Ownership. The Holder's Exercise Notice shall be submitted in accordance with the procedure set out in clause 1.7. Any Warrant not exercised by the Holder before expiry of the period of two (2) weeks for giving notice shall lapse automatically without further notice, consideration and/or compensation to the Holder.

1.13 Delisting

Where the Company's shares are listed on a stock exchange, a subsequent delisting of the Company during the time until the exercise of the issued Warrants, regardless of whether clauses 1.5 and 1.6 state otherwise, shall give the Company a right and an obligation, to move forward the vesting and exercise date of the Warrants by notifying the Holder in writing that he/she should exercise the relevant Warrants within two (2) weeks. The notice shall be submitted to the Holder within three (3) months of completion of the delisting. The Holder's Exercise Notice shall be submitted in accordance with the procedure set out in clause 1.7. Any Warrant not exercised by the Holder before expiry of the period of two (2) weeks for giving notice shall lapse automatically without further notice, consideration and/or compensation to the Holder.

1.14 Expiry of employment

Where the Holder terminates his/her employment or where the Company dismisses the Holder, all the Holder's non-exercised Warrants not vested for exercise in accordance with clause 1.5, shall lapse auomatically.

However, this does not apply in the following cases:

(i) the employment is terminated because the Holder (a) reaches the age of retirement fixed by the Company from time to time or (b) becomes entitled to old age pension (in Danish "Folkepension"), or

(ii) the employment expires due to the death of the Holder, or

(iii) the Holder terminates the employment as a consequence of the Company's serious breach of the contractual obligations, or

(iv) as a result of the Company's dismissal of the Holder, without such dismissal being due to the Holder's breach of his or her contractual obligations

Vested but not yet exercised Warrants shall not lapse in case of the expiry of the Holder's employment.

1.15 Auditor's report on adjustment

Where the Company resolves to implement any of the changes set out in clauses 1.8.1, 1.8.2 and 1.10, respectively, the Company's Supervisory Board shall request a report from the Company's auditor of (a) whether an adjustment of the Exercise Price and/or the number of shares that can be subscribed for pursuant to the issued Warrants is required pursuant to such provisions, and (b) if such provision prescribes adjustment, the nature and extent of such adjustment. Immediately upon receipt of the auditor's report the Company shall deliver a copy thereof to the Holder. The conclusion of the auditor's report shall be binding on the Company and the Holder and may not be the subject of objections or dispute, including without limitation, according to any agreed arbitration.

1.16 Negotiability
The issued Warrants shall be non-negotiable instruments.

The issued Warrants are personal and cannot be transferred or provided as security or otherwise be made the subject of execution. However, the issued Warrants may be left by inheritance.

1.17 Lapse
An issued Warrant shall lapse automatically immediately after the expiry of the first Exercise Period after 36 months from the first day of the calendar month following the date of issuance of the relevant Warrant, without further notice, consideration or compensation to the Holder.

1.18 Terms of the shares

1.18.1 The following terms shall apply to subscription for shares in connection with the exercise of the issued Warrants:

(ii) The Company's shareholders shall have no pre-emption rights to shares subscribed for by the exercise of Warrants.

(iii) The subscription amount must be paid in cash by the Holder of the issued Warrants within five (5) days of notification to the Company of exercise. The subscription amount may either be paid in cash, by cheque made out to the Company or by electronic transfer. In the event of the Holder's default in paying the subscription amount, the Exercise Notice shall lapse and shall be deemed not to have been submitted by the Holder.

1.18.2 The following terms shall apply to shares issued in connection with the exercise of issued Warrants:

(i) The shares shall be issued in denominations of DKK 1.00 each or multiples thereof;

(ii) The shares shall not belong to a particular class of shares;

(iii) The shares shall be issued to named holders and shall be registered by name in the Company's Register of Shareholders;

(iv) The shares shall be negotiable instruments;

(v) The shares shall carry the right to receive dividends and other rights in the Company as from the date of the registration of the capital increase with the Danish Commerce and Companies Agency; and

(vi) The same other rights and obligations shall apply to the Shares as are determined in the Company's Articles of Association

In case of an adjustment of the Exercise price and/or the number of shares that can be subscribed for pursuant to the relevant Warrants, cf. clause 1.8 and/or a change of the Company's Articles of Association prior to the exercise of a Warrant, any such changed rights and obligations shall apply to the relevant Warrant and for all shares subscribed for in connection with the exercise of such a Warrant.

1.19 Lockup
Shares issued in connection with the exercise of issued Warrants can not be sold, offered to or in any other way be assigned directly or indirectly without the prior written consent of the Company's financial advisors for a period of twelve (12) months calculated from the first day of trading in connection with listing on the Copenhagen Stock Exchange (lockup).

2. Terms of 303,503 Warrants

2.1 The provisions of clause 1 above shall apply correspondingly, besides the provisions in clause 1.14, which shall be replaced by the following:

1.14 Removal as chairman of the Supervisory Board
Where the Holder voluntarily retires as chairman of the Company's Supervisory Board or the Holder is removed as chairman of the Company's Supervisory Board, regardless of the reason hereof, all the Holder's non-exercised Warrants not vested for exercise in accordance with clause 1.5, shall lapse automatically.

Vested but not yet exercised Warrants shall not lapse in case of the Holder ceasing as chairman of the Company's Supervisory Board.

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Index to financial statements

Table of contents – financial information

Introduction to financial

On the following pages the unaudited interim financial statements for the period 1 January to 31 March 2007 are presented with comparative figures for the financial year 2006. The interim financial statements have been prepared in accordance with the recognition and measurement provisions of International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for interim financial statements of listed companies.

The audited financial statements for the financial years 2006, 2005 and 2005 are presented as well. These financial statements are derived from the Company's published annual report for the financial year 2006 with comparative figures for the financial years 2005 and 2004, subject to the exceptions described below. The published annual report for the financial year 2006 has been prepared in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for annual reports. The historical financial information contained in this Prospectus has also been prepared applying IFRS as adopted by the EU and additional Danish disclosure requirements for financial statements.

The annual report for the financial year 2006 is the first one presented applying IFRS. The comparative figures for the financial years 2005 and 2004 have therefore been restated accordingly to the effect that they vary from the published annual reports. Please refer to the accounting policies described on pages F-21 to F-26 for a more detailed description thereof. Please refer to note 30 to the annual report for the financial year 2006, as represented on page F-42, for a calculation of the effect in terms of amount on the financial statements for the financial years 2005 and 2004.

The annual report published for the financial year 2006 comprises the Management's review, the Parent's financial statements and the consolidated financial statements including notes, etc. The financial statements contained in this Prospectus do not include a Management's review as disclosed in the published annual report.

Unaudited interim financial statements for the period 1 January to 31 March 2007

Statement by Management on the interim financial statements

The Executive Management and Board of Directors have today considered and approved the interim financial statements for the period 1 January to 31 March 2007 with comparative figures for 2006. The interim financial statements are presented in accordance with the recognition and measurement provisions of IFRS as adopted by the EU and additional Danish disclosure requirements for interim financial statements of listed companies.

We consider the applied accounting policies appropriate for the interim financial statements to provide a true and fair view of Exiqon A/S' financial position at 31 March 2007 and 31 March 2006 as well as of its activities and cash flows for the financial periods 1 January to 31 March 2007 and 2006. We also consider the interim financial statements to have been presented in accordance with the Group's accounting policies as described on pages F-21 to F-26.

Vedbæk, 14 May 2007

Executive Management

Lars Kongsbak

Board of Directors

Thorleif Krarup
Chairman

Henrik Lawaetz

Michael Nobel

Steiner J. Engelsen

Erik Walldén

The independent auditor's review report on the interim financial statements for the period 1 January to 31 March 2007

To the shareholders of Exiqon A/S

Introduction
We have reviewed the interim financial statements of Exiqon A/S prepared by Management for the financial period 1 January to 31 March 2007, which comprises the statement by Management on the interim financial statements, income statement, balance sheet, cash flow statement, statement of changes in equity and notes.

Management is responsible for the preparation and fair presentation of a set of interim financial statements in accordance with the recognition and measurement provisions of International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for interim financial statements of listed companies. Our responsibility is to express a conclusion on the interim financial statements based on our review.

Scope of review
We conducted our review in accordance with the Danish Standard on Review of Interim Financial Information Performed by the Independent Auditor of the Entity (Danish Standard on Review Engagements 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Danish Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not give a true and fair view of the Group's financial position at 31 March 2007 and 31 March 2006 and of the results of their activities and cash flows for the financial periods 1 January to 31 March 2007 and 2006 in accordance with the recognition and measurement provisions of International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for interim financial statements of listed companies.

Copenhagen, 14 May 2007

Deloitte
Statsautoriseret Revisionsaktieselskab

Jens Rudkjær
State Authorised Public Accountant

Jørgen Holm Andersen
State Authorised Public Accountant

Income statement for the period

	Note	Group Q1 2007 DKK'000	Group Q1 2006 DKK'000
Revenue	2	9,353	5,118
Production costs		(3,414)	(1,466)
Gross profit		**5,939**	**3,652**
Research and development costs		(4,890)	(5,552)
Sales and marketing costs		(6,654)	(2,970)
Administrative expenses		(5,612)	(1,537)
Operating profit (EBIT)		**(11,217)**	**(6,407)**
Financial income		237	43
Financial expenses		(223)	0
Profit/(loss) before tax		**(11,203)**	**(6,364)**
Tax on profit/(loss) for the period		0	0
Profit/(loss) for the period		**(11,203)**	**(6,364)**

Balance sheet at 31 March 2007

	Group	
	31 March 2007	31 March 2006
ASSETS	DKK'000	DKK'000
Acquired patent rights	5,536	85
Acquired software licences	2,381	598
Intangible assets	**7,917**	**683**
Leasehold improvements	2,597	1,850
Production and laboratory equipment	6,193	4,117
Fixtures and fittings, tools and equipment	3,927	1,823
Property, plant and equipment	**12,717**	**7,790**
Investments in subsidiaries	-	-
Other securities and investments	-	400
Deposits	-	-
Financial assets	**-**	**400**
Total non-current assets	**20,634**	**8,873**
Inventories	**6,434**	**2,879**
Trade receivables	10,356	2,573
Outstanding from capital increase	-	21,191
Other receivables	-	386
Receivables	**10,356**	**24,150**
Cash and cash equivalents	**18,280**	**31,903**
Current assets	**35,070**	**58,932**
Total assets	**55,704**	**67,805**

Balance sheet at 31 March 2007

	Group	
	31 March 2007	31 March 2006
EQUITY AND LIABILITIES	DKK'000	DKK'000
Share capital	7,140	6,939
Other reserves	14,519	36,190
Equity	**21,659**	**43,129**
Other provisions	-	200
Finance lease liabilities	4,512	-
Non-current liabilities	**4,512**	**200**
Finance lease liabilities	2,152	3,284
Trade payables	1,541	2,189
Prepayments	13,670	745
Other payables	12,170	18,258
Current liabilities	**29,533**	**24,476**
Total liabilities	**34,045**	**24,676**
Equity and liabilities	**55,704**	**67,805**

Cash flow statement for the period

	Group	
	Q1 2007 DKK'000	Q1 2006 DKK'000
Operating profit	(11,217)	(6,407)
Depreciation	950	648
Non-cash adjustments (warrants and provisions)	434	
Change in working capital	8,365	(2,290)
	(1,468)	**(8,049)**
Net interest and value gains	(152)	(44)
Cash flows from operating activities	**(1,620)**	**(8,093)**
Acquisition of intangible assets	(97)	(153)
Acquisition of property, plant and equipment	(932)	(368)
Acquisition of financial assets	(3)	(85)
Cash flows from investing activities	**(1,032)**	**(606)**
Net proceeds from raising of lease debt	(538)	-
Proceeds from capital increase	1,074	403
Cash flow from financing activities	**536**	**403**
Cash and cash equivalents	**(2,116)**	**(8,296)**
Cash and cash equivalents at 1 January	20,396	40,199
Cash and cash equivalents at 31 March	**18,280**	**31,903**

Statement of changes in equity at 31 March 2007

	Group		
	Share capital DKK'000	Other reserves DKK'000	Total DKK'000
Equity at 1 January 2007	**7,033**	**26,940**	**33,973**
Exchange adjustments relating to foreign subsidiaries		(262)	(262)
Profit/(loss) for the period		(11,203)	(11,203)
Total recognised income and expense for the period		**(11,465)**	**(11,465)**
Proceeds from capital increase on 29 January 2007	107	967	1.074
Costs in relation to capital increase		(2,357)	(2,357)
Share-based payment		434	434
Other transactions	**107**	**(956)**	**(849)**
Equity at 31 March 2007	**7,140**	**14,519**	**21,659**
Equity at 1 January 2006	**5,958**	**46,928**	**52,886**
Effect of changes in accounting policies. See page F-42		(24,900)	(24,900)
Restated equity at 1 January 2006	**5,958**	**22,028**	**27,986**
Exchange adjustments relating to foreign subsidiaries		(88)	(88)
Profit/(loss) for the period		(6,364)	(6,364)
Total recognised income and expense for the period		**(6,452)**	**(6,452)**
Exercise of share warrants at 31 March 2006	18	385	403
Proceeds from capital increase at 10 March 2006	963	20,229	21,192
Other transactions	**981**	**20,614**	**21,595**
Equity at 31 March 2006	**6,939**	**36,190**	**43,129**

Notes to the interim financial statements

1. Accounting policies

The interim financial statements of Exiqon A/S for the period 1 January to 31 March 2007 have been presented in accordance with the recognition and measurement provisions of International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for interim financial statements of listed companies.

The accounting policies applied to the interim financial statements are consistent with those applied to the annual report for the financial year 2006.

After the annual report for the financial year 2006 was presented, the International Accounting Standards Board (IASB) has issued amendments to existing Standards as well as new Interpretations. Management does not expect these new Standards and Interpretations to have a material effect on the Company's financial statements.

Please refer to pages F-21 to F-26 for a complete description of the accounting policies applied.

	Group	
	31 March 2007	31 March 2006
	DKK'000	DKK'000
2. Revenue		
Product sales	6,849	4,080
Licence income	1,314	204
Development projects	1,190	834
	9,353	**5,118**

3. Segment information for the Group

Primary segment

The activities of the Exiqon Group all lie within the business area "Research". Therefore the primary segment comprises only of one segment.

Secondary

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

Europe	5,462	3,900
North America	3,561	820
Asia	330	398
	9,353	**5,118**

The distribution is based on the registered offices of customers.

Audited financial statements for the financial years 2006, 2005 and 2004

Statement by Management on the financial statements

On 22 March 2007, the Executive Management and Board of Directors considered and approved the annual report of Exiqon A/S published for the financial year 2006 with comparative figures for the financial years 2005 and 2004.

The financial statements for the financial year 2006 with comparative figures for the financial years 2005 and 2004 contained in this Prospectus have been prepared for the purposes of the Offering and are derived from the published annual report for the financial year 2006.

The annual report has been presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

We consider the applied accounting policies appropriate for the annual report to provide a true and fair view of the Group's and the Parent's financial position at 31 December 2006, 2005 and 2004 as well as of the activities and cash flows for the financial years 2006, 2005 and 2004.

Vedbæk, 14 May 2007

Executive Management

Lars Kongsbak

Board of Directors

Thorleif Krarup
Chairman

Henrik Lawaetz

Michael Nobel

Steiner J. Engelsen

Erik Walldén

Independent auditor's report on the financial statements for the financial years 2006, 2005 and 2004

We have audited the annual report of Exiqon A/S presented and published by Management for the financial year 2006 with comparative figures for the financial years 2005 and 2004 from which the financial statements (summarised financial statements) on pages F-15 to F-43 were derived. We conducted our audit of the annual report in accordance with Danish Standards on Auditing. In our independent auditor's report on the annual report for the financial year 2006 that was dated 22 March 2007 we expressed an unmodified opinion.

We also audited the annual report for the financial year 2005 that was dated 21 March 2006 as well as the annual report for the financial year 2004 that was dated 9 March 2005 and issued an auditor's report on those annual reports without qualifications but with an emphasis of matter paragraph as represented below.

Our independent auditor's report on the annual report for the financial year 2006 that was dated 22 March 2007 is repeated in the following:

"To the shareholders of Exiqon A/S
We have audited the annual report of Exiqon A/S for the financial year 1 January to 31 December 2006, which comprises the statement by Management on the annual report, Management's review, income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

Management's responsibility for the annual report
Management is responsible for the preparation and fair presentation of an annual report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion
Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Danish and International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the annual report is free from material misstatement.

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

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the annual report gives a true and fair view of the Group's and the Parent's financial position at 31 December 2006 and of their financial performance and the consolidated cash flows for the financial year 1 January to 31 December 2006 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports."

The emphasis of matter paragraphs in the auditor's reports for 2005 and 2004 are repeated below:

"**Emphasis of matter (from the annual report for 2005)**
We refer to the section "Outlook 2006" in the Management's review in which the Company's expectations for the operating and liquidity development and the uncertainty of budgets are mentioned."

"**Emphasis of matter (from the annual report for 2004)**
We refer to the section "Outlook 2005" in the Management's review in which the Company's expectations for the operating and liquidity development and the uncertainty of budgets are mentioned."

We did not carry out any additional audit procedures after 22 March 2007.

We checked that the financial statements for the financial years 2006, 2005 and 2004 were accurately extracted and represented from the annual report published for the financial year 2006 with comparative figures for the financial years 2005 and 2004.

The Company's Management is responsible for the presentation of the financial statements on pages F-15 to F-43. It is our responsibility to express a conclusion on the financial statements derived and represented from the published annual reports.

Basis of opinion
We planned and performed our work in accordance with the Danish Standard on Auditing 800, "The Independent Auditor's Report on Special Purpose Audit Engagements" to obtain reasonable assurance that the financial statements are consistent, in all material respects, with the published annual reports from which they were derived.

Opinion
In our opinion, the financial statements presented on pages F-15 to F-43 are consistent, in all material respects, with the annual report published for the financial year 2006 with comparative figures for the financial years 2005 and 2004 from which they were derived.

Copenhagen, 14 May 2007

Deloitte
Statsautoriseret Revisionsaktieselskab

Jens Rudkjær
State Authorised
Public Accountant

Jørgen Holm Andersen
State Authorised
Public Accountant

Income statement for 2006

Parent					Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		Note	2006 DKK'000	2005 DKK'000	2004 DKK'000
10,306	16,001	43,096	Revenue	3,4	43,096	16,001	10,306
(4,744)	(5,427)	(11,936)	Production costs	5,6,7	(11,936)	(5,427)	(4,744)
5,562	**10,574**	**31,160**	**Gross profit**		**31,160**	**10,574**	**5,562**
(16,969)	(14,194)	(27,624)	Research and development costs	5,6,7,8	(27,624)	(14,194)	(16,969)
(4,168)	(9,620)	(19,443)	Sales and marketing costs	5,6,7,8	(19,425)	(9,620)	(4,168)
(5,981)	(6,734)	(9,616)	Administrative expenses	5,6,7,8	(9,616)	(6,778)	(5,995)
(21,556)	**(19,974)**	**(25,523)**	**Operating profit/(loss) (EBIT)**		**(25,505)**	**(20,018)**	**(21,570)**
131	406	932	Financial income	9	1,159	406	131
(7,310)	(3,655)	(572)	Financial expenses	9	(572)	(3,655)	(7,310)
(28,735)	**(23,223)**	**(25,163)**	**Profit/(loss) before tax**		**(24,918)**	**(23,267)**	**(28,749)**
0	0	0	Tax on the profit/(loss) for the year	10	0	0	0
(28,735)	**(23,223)**	**(25,163)**	**Profit/(loss) for the year**		**(24,918)**	**(23,267)**	**(28,749)**
			Earnings per share				
			Earnings per share	11	(4)	(7)	(18)
			Diluted earnings per share	11	(4)	(7)	(18)
			Proposed distribution of loss				
			The Board of Directors proposes that the loss for the year be distributed as follows:				
(28,735)	(23,223)	(25,163)	Retained earnings		(24,918)	(23,267)	(28,749)

Balance sheet at 31 December 2006

Parent					Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		Note	2006 DKK'000	2005 DKK'000	2004 DKK'000
189	106	5,626	Acquired patent rights		5,626	106	189
518	490	2,431	Acquired software licences		2,431	490	518
707	**596**	**8,057**	**Intangible assets**	**12**	**8,057**	**596**	**707**
639	1,788	2,217	Leasehold improvements		2,217	1,788	639
3,497	4,504	5,611	Production and laboratory equipment		5,612	4,504	3,497
445	1,149	2,564	Fixtures and fittings, tools and equipment		2,778	1,149	445
4,581	**7,441**	**10,392**	**Property, plant and equipment**	**13**	**10,607**	**7,441**	**4,581**
1	1	1	Investments in subsidiaries	14	0	0	0
400	400	-	Other securities and investments	15	0	400	400
299	477	1,012	Deposits		1,055	478	300
700	**878**	**1,013**	**Financial assets**		**1,055**	**878**	**700**
5,988	**8,915**	**19,462**	**Total non-current assets**		**19,719**	**8,915**	**5,988**
1,303	**2,351**	**4,637**	**Inventories**	**16**	**4,637**	**2,351**	**1,303**
617	1,537	20,935	Trade receivables		20,933	1,537	617
-	61	3,642	Receivables from group companies		-	-	-
344	713	1,015	Other receivables		1,300	774	344
961	**2,311**	**25,592**	**Receivables**		**22,233**	**2,311**	**961**
1,681	**40,178**	**17,502**	**Cash and cash equivalents**		**20,396**	**40,199**	**1,681**
3,945	**44,840**	**47,731**	**Current assets**		**47,266**	**44,861**	**3,945**
9,933	**53,755**	**67,193**	**Total assets**		**66,985**	**53,776**	**9,933**

Balance sheet at 31 December 2006

Parent					Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		Note	2006 DKK'000	2005 DKK'000	2004 DKK'000
1,640	5,958	7,033	Share capital	17,18	7,033	5,958	1,640
(45,522)	22,032	27,252	Other reserves		26,940	22,028	(45,528)
(43,882)	**27,990**	**34,285**	**Equity**		**33,973**	**27,986**	**(43,888)**
1,500	200	-	Other provisions	21	-	200	1,500
-	2,571	5,275	Finance lease liabilities	22	5,275	2,571	0
1,500	**2,771**	**5,275**	**Non-current liabilities**		**5,275**	**2,771**	**1,500**
-	713	1,639	Finance lease liabilities	22	1,639	713	0
49,210	-	-	Convertible loans	19	-	-	49,210
1,279	2,262	5,800	Trade payables		5,802	2,264	1,279
-	15,957	13,343	Prepayments		13,343	15,957	-
1,826	4,062	6,851	Other payables		6,953	4,085	1,832
52,315	**22,994**	**27,633**	**Current liabilities**		**27,737**	**23,019**	**52,321**
53,815	**25,765**	**32,908**	**Total liabilities**		**33,012**	**25,790**	**53,821**
9,933	**53,755**	**67,193**	**Total equity and liabilities**		**66,985**	**53,776**	**9,933**
			Other notes	23 - 30			

Cash flow statement for 2006

Parent					Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		Note	2006 DKK'000	2005 DKK'000	2004 DKK'000
(21,556)	(19,974)	(25,523)	Operating profit		(25,505)	(20,018)	(21,570)
3,557	2,744	3,206	Depreciation and amortisation		3,255	2,744	3,557
1,500	-	4,663	Non-cash adjustments (warrants and provisions)	25	4,663	-	1,500
372	16,780	(21,454)	Change in working capital	24	(18,590)	16,845	372
(150)	(1,300)	-	Settlement of provision		-	(1,300)	(150)
(16,277)	**(1,750)**	**(39,108)**			**(36,177)**	**(1,729)**	**(16,291)**
(2)	(3,249)	360	Net interest and value gains		587	(3,249)	12
(16,279)	**(4,999)**	**(38,748)**	**Cash flows from operating activities**		**(35,590)**	**(4,978)**	**(16,279)**
(524)	(128)	(7,822)	Acquisition of intangible assets		(7,822)	(128)	(524)
(1,636)	(2,271)	(1,241)	Acquisition of property, plant and equipment		(1,484))	(2,271)	(1,636)
174	190	-	Disposal of property, plant and equipment		-	190	174
(37)	(178)	(535)	Acquisition of financial assets		(577)	(178)	(37)
(2,023)	**(2,387)**	**(9,598)**	**Cash flows from investing activities**		**(9,883)**	**(2,387)**	**(2,023)**
-	-	(925)	Repayment of lease debt		(925)	-	-
-	(49,210)	-	Repayment of convertible loans		-	(49,210)	-
-	95,313	26,595	Proceeds from capital increase		26,595	95,313	-
-	(220)	-	Costs in relation to capital increase		-	(220)	-
-	**45,883**	**25,670**	**Cash flows from financing activities**		**25,670**	**45,883**	**-**
(18,302)	**38,497**	**(22,676)**	**Cash and cash equivalents**		**(19,803)**	**38,518**	**(18,302)**
19,983	1,681	40,178	Cash and cash equivalents at 1 January		40,199	1,681	19,983
1,681	**40,178**	**17,502**	**Cash and cash equivalents at 31 December**		**20,396**	**40,199**	**1,681**

Statement of changes in equity for 2006

	Group		
	Share capital DKK'000	Other reserves DKK'000	Total DKK'000
Equity at 1 January 2006	**5,958**	**46,928**	**52,886**
Effect of changes in accounting policies, see note 30	-	(24,900)	(24,900)
Restated equity at 1 January 2006	**5,958**	**22,028**	**27,986**
Exchange adjustments relating to foreign subsidaries	-	(552)	(552)
Profit/(loss) for the year	-	(24,918)	(24,918)
Total recognised income and expense for the year	**-**	**(25,470)**	**(25,470)**
Exercise of share warrants at 10 March 2006	18	385	403
Proceeds from capital increase at 31 March 2006	963	20,228	21,191
Exercise of share warrants at 14 December 2006	94	4,906	5,000
Share-based payment, see note 6	-	4,863	4,863
Other transactions	**1,075**	**30,382**	**31,457**
Equity at 31 December 2006	**7,033**	**26,940**	**33,973**
Equity at 1 January 2005	**1,640**	**(34,272)**	**(32,632)**
Effect of changes in accounting policies, see note 30	-	(11,256)	(11,256)
Restated equity at 1 January 2005	**1,640**	**(45,528)**	**(43,888)**
Exchange differences on translation of foreign operations	-	48	48
Profit/(loss) for the year	-	(23,267)	(23,267)
Total recognised income and expense for the year	**-**	**(23,219)**	**(23,219)**
Exercise of share warrants at 23 May 2005	6	442	448
Proceeds from capital increase at 23 May 2005	4,312	90,553	94,865
Costs in relation to capital increase	0	(220)	(220)
Other transactions	**4,318**	**90,775**	**95,093**
Equity at 31 December 2005	**5,958**	**22,028**	**27,986**
Equity at 1 January 2004	**1,640**	**(13,037)**	**(11,397)**
Effect of changes in accounting policies, see note 30	-	(3,742)	(3,742)
Restated equity at 1 January 2004	**1,640**	**(16,779)**	**(15,139)**
Profit/(loss) for the year	0	(28,749)	(28,749)
Equity at 31 December 2004	**1,640**	**(45,528)**	**(43,888)**

Statement of changes in equity for 2006

	Parent		
	Share capital DKK'000	Other reserves DKK'000	Total DKK'000
Equity at 1 January 2006	**5,958**	**46,932**	**52,890**
Effect of changes in accounting policies, see note 30	-	(24,900)	(24,900)
Restated equity at 1 January 2006	**5,958**	**22,032**	**27,990**
Profit/(loss) for the year	**-**	**(25,163)**	**(25,163)**
Exercise of share warrants on 10 March 2006	18	385	403
Proceeds from capital increase on 31 March 2006	963	20,229	21,192
Exercise of share warrants on 14 December 2006	94	4,906	5,000
Share-based payment, see note 6	-	4,863	4,863
Other transactions	**1,075**	**30,383**	**31,458**
Equity at 31 December 2006	**7,033**	**27,252**	**34,285**
Equity at 1 January 2005	**1,640**	**(34,265)**	**(32,625)**
Effect of changes in accounting policies, see note 30		(11,256)	(11,256)
Restated equity at 1 January 2005	**1,640**	**(45,521)**	**(43,881)**
Profit/(loss) for the year	**-**	**(23,223)**	**(23,223)**
Exercise of share warrants on 23 May 2005	6	442	448
Proceeds from capital increase on 23 May 2005	4,312	90,554	94,866
Costs in relation to capital increase	-	(220)	(220)
Other transactions	**4,318**	**90,776**	**95,094**
Equity at 31 December 2005	**5,958**	**22,032**	**27,990**
Equity at 1 January 2004	**1,640**	**(13,045)**	**(11,405)**
Effect of changes in accounting policies, see note 30	-	(3,742)	(3,742)
Restated equity at 1 January 2004	**1,640**	**(16,787)**	**(15,147)**
Profit/(loss) for the year	0	(28,735)	(28,735)
Equity at 31 December 2004	**1,640**	**(45,522)**	**(43,882)**

Notes to the financial statements

1. Accounting policies

The annual report of Exiqon A/S for the year ended 31 December 2006, comprising the financial statements of the parent company and the consolidated financial statements, has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for the annual reports.

The annual report also complies with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

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

The annual report is presented on a historical cost basis. Otherwise, the accounting policies are as described in the following.

Changes to accounting policies

The 2006 annual report is the first annual report prepared in accordance with IFRS. For transitional purposes, IFRS 1, First-time adoption of IFRS has been applied. IFRS is applied both in the consolidated financial statements and in the parent company financial statements.

In accordance with IFRS 1, the opening balance sheet at 1 January 2004 and comparative figures for 2004 and 2005 have been prepared in accordance with the standards and interpretations in force and applicable to Exiqon at 31 December 2006. The opening balance sheet at 1 January 2004 has been prepared as if these standards and interpretations had always been applied, except for the application of the exemption provisions for share-based incentive program accrued up to 1 January 2005.

The transition to preparing consolidated and parent company financial statements in accordance with IFRS has resulted in changes to the accounting policies of the Group as well as of the parent company with respect to recognition and measurement in the following areas:

- Up-front and milestone payments in respect of licence and distribution agreements
- Development costs
- Share-based incentive program

The effect on amounts of the accounting policy changes are further detailed in note 30 to the financial statements, including explanatory reconciliations of the former accounting policies to IFRS.

The presentation and classification of certain items have also been adjusted to the requirements under IFRS.

Standards and interpretations not yet in force

At the date of the publication of this annual report, certain new or revised standards and interpretations have not yet entered into force, and are therefore not included in this annual report.

Management believes that the application of these new and revised standards and interpretations will not have any material impact on the annual report for the coming financial years.

Consolidation

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

Basis of consolidation

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

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

Foreign currency translation

On initial recognition, transactions denominated in currencies other than the Group's functional currency are translated at the exchange rate

ruling at the transaction date. Receivables, liabilities and other monetary items denominated in foreign currencies which are not settled at the balance sheet date are translated at the rate of exchange at the balance sheet date. Exchange differences between the exchange rate at the date of the transaction and the exchange rate at the date of payment or the balance sheet date, respectively, are recognised in the income statement under financial items. Property, plant and equipment and intangible assets, inventories and other non-monetary assets acquired in foreign currency and measured based on historical cost are translated at the exchange rates at the transaction date. Non-monetary items revalued at fair value are translated at the exchange rates at the revaluation date.

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

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

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

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

According to the provisions of IFRS 2, costs of grants that had already vested at 1 January 2005 are not recognised.

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

Current tax payable and receivable is recognised in the balance sheet as the tax charge on the year's taxable income, adjusted for tax paid on account.

The current tax charge for the year is calculated based on the tax rates and rules applicable at the balance sheet date.

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

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

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

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

Revenue furthermore comprises up-front and milestone payments and other income from licence and distribution agreements. Revenue is recognised when it is probable that future economic benefits will flow to the company and that these can be measured reliably. In addition,

recognition requires that all material risks and rewards of ownership have been transferred to the purchaser. If all risks and returns have not been transferred, the revenue is recognised as deferred income until all components of the transaction have been completed. Revenue from agreements with multiple components, and where the individual components cannot be separated and the fair value cannot be reliably measured, is recognised over the period of the agreement.

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

Production costs
Production costs comprise costs incurred to generate the revenue. Costs for raw materials, consumables, production staff, rent and leasing as well as maintenance and depreciation, amortisation and impairment of property, plant and equipment and intangible assets used in production are recognised in production costs.

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

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

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

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

Administrative expenses
Administrative expenses comprise expenses incurred for the management and administration of the Group, including expenses for administrative staff and management, rent, office expenses and depreciation and impairment losses on the property, plant and equipment and intangible assets used in the administration of the Group.

Financial items
Financial income and expenses comprise interest income and expenses, the interest element of finance lease payments, realised and unrealised gains and losses on transactions in foreign currencies and calculated interest costs concerning convertible debt instruments.

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

Balance sheet
Intangible assets
Development projects which are clearly defined and identifiable are recognised as intangible assets if it is probable that the project will generate future economic benefits for the Group and the development costs relating to the individual assets can be measured reliably.

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

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

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

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

Property, plant and equipment
Production and laboratory equipment and other production plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition and any preparation costs incurred until the date when the asset is available for use. In the case of assets manufactured by the company, cost includes expenses directly attributable to the manufacture of the asset, including materials, components, third-party suppliers and labour. The cost of assets held under finance leases is determined as the lower of the fair value of the assets and the present value of future minimum lease payments.

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

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

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

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

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

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

For intangible assets with indeterminable useful lives and goodwill, the recoverable amount is assessed annually, regardless of whether any indications of impairment have been found.

If the recoverable amount is assessed to be lower than the carrying amount, the assets are written down to the recoverable amount. Impairment write-downs are recognised in the income statement.

Investments in subsidiaries
Investments in subsidiaries are measured at cost in the parent company financial statements. Where the recoverable amount of the investments is lower than cost, the investments are written down to this lower value. Cost is also written down if the dividend distributed exceeds the accumulated earnings in the company since the acquisition of the investment.

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

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

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

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

Receivables
Receivables are on initial recognition measured at fair value and subsequently at amortised cost price, which usually corresponds to the nominal value less provision for bad debts.

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

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

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

Provisions are measured as the best estimate of the costs required to settle the liabilities at the balance sheet date. Provisions with an expected term of more than a year after the balance sheet date are measured at present value.

On sales of goods subject to a right of return, provision is made for the proceeds on the goods expected to be returned as well as any expenses related to the returns.

Finance lease liabilities
Finance lease liabilities regarding assets held under finance leases are recognised in the balance sheet as liabilities and measured at the inception of the lease at the lower of the fair value of the leased asset and the present value of future lease payments.

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents comprise cash and short-term securities subject to an insignificant risk of changes in value less any overdraft facilities that are an integral part of the Group's cash management.

Segment information
Exiqon's products and related services are used exclusive for research purposes, and the primary segment therefore only comprises one segment.

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

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

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

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

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

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

Share-based payment
The value of share-based payment, including grants of warrants to employees, Executive Management and Board of Directors who provide their services to the Company as consideration for the warrants received, is measured at fair value at the time of grant and recognised over the period during which the holder earns the right.

The Company has issued share-based incentive programmes under which members of the Board of Directors, members of Management and employees may choose to subscribe shares in the Company only (equity-based plans). Such plans are measured and recognised in accordance with the accounting policies, as described in note 1. The fair value at the grant date is determined using the Black & Scholes model, based among other things on the expected maturity of the warrants granted, an estimated fair value and volatility of the Company's shares. The determination of these parameters is made based on estimates.

Notes to the financial statements

Parent				Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		2006 DKK'000	2005 DKK'000	2004 DKK'000
			3. Revenue			
5,209	9,866	20,973	Product sales	20,973	9,866	5,209
2,993	6,080	18,667	Licence income	18,667	6,080	2,993
2,104	55	3,456	Development projects	3,456	55	2,104
10,306	**16,001**	**43,096**		**43,096**	**16,001**	**10,306**

4. Segment information for the Group

Primary segment
The activities of the Exiqon Group all lie within the business area "Research", therefore the primary segment comprise only of one segment.

Secondary segment
The revenue of the Exiqon group is distributed as follows on geographical segments:

	Group		
	2006 DKK'000	2005 DKK'000	2004 DKK'000
Europe	27,088	13,074	5,869
North America	15,340	2,800	4,390
Asia	668	127	47
	43,096	**16,001**	**10,306**

The distribution is based on the registered offices of customers.

The below table specifies the distribution of the Group's total assets on geographical markets and the addition for the year of property, plant and equipment and intangible assets based on the physical location of the assets.

	Addition of intangible assets and property, plant and equipment			Total non-current assets		
	2006 DKK'000	2005 DKK'000	2004 DKK'000	2006 DKK'000	2005 DKK'000	2004 DKK'000
Europe	13,617	5,683	2,161	19,505	8,915	5,988
North America	238	-	-	214	-	-
	13,855	**5,683**	**2,161**	**19,719**	**8,915**	**5,988**

Parent				Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		2006 DKK'000	2005 DKK'000	2004 DKK'000
			5. Staff costs			
240	240	195	Board of Directors' fees	195	240	240
12,663	15,985	24,788	Wages and salaries	28,580	15,985	12,663
-	-	4,863	Share-based incentive program	4,863	-	-
735	866	1,723	Other staff costs	2,269	866	735
13,638	**17,091**	**31,569**		**35,907**	**17,091**	**13,638**
			Staff costs are distributed as follows:			
778	1,542	3,935	Production costs	3,935	1,542	778
8,483	8,105	16,080	Research and development costs	16,080	8,105	8,483
1,454	3,887	6,092	Selling and marketing costs	10,430	3,887	1,454
2,923	3,557	5,462	Administrative expenses	5,462	3,557	2,923
13,638	**17,091**	**31,569**		**35,907**	**17,091**	**13,638**
30	42	50	Average number of employees	62	42	30

Group	Board of Directors			Executive Management			Other senior employees		
	2006 DKK'000	2005 DKK'000	2004 DKK'000	2006 DKK'000	2005 DKK'000	2004 DKK'000	2006 DKK'000	2005 DKK'000	2004 DKK'000
Management remuneration									
Board of Directors' fees	180	180	180	-	-	-	15	60	60
Wages and salaries	-	-	-	1,977	1,769	1,335	4,155	-	-
Share-based incentive program	353	-	-	1,618	-	-	1,696	-	-
	533	**180**	**180**	**3,595**	**1,769**	**1,335**	**5,866**	**60**	**60**

Parent	Board of Directors			Executive Management			Other senior employees		
	2006 DKK'000	2005 DKK'000	2004 DKK'000	2006 DKK'000	2005 DKK'000	2004 DKK'000	2006 DKK'000	2005 DKK'000	2004 DKK'000
Management remuneration									
Board of Directors' fees	180	180	180	-	-	-	15	60	60
Wages and salaries	-	-	-	1,977	1,769	1,335	2,995	-	-
Share-based incentive program	353	-	-	1,618	-	-	1,146	-	-
	533	**180**	**180**	**3,595**	**1,769**	**1,335**	**4,156**	**60**	**60**

6. Share-based payment

For the purpose of motivating and retaining employees and encourage the fulfilment of common goals for employees, management and shareholders, the company has set up share-based incentive programmes in the form of warrant schemes for management, senior employees and other employees. The scheme, which can only be exercised by buying the shares in question (equity-based scheme), entitles the holder to buy a number of shares in the parent company at an agreed price, corresponding to a calculated average price of the shares at the time of grant. Vesting periods range from 0 to 5 years. Warrants that remain unexercised for a period of up to five years from the time of grant will lapse. For management and senior employees, the right to exercise warrants is conditional on continuing employment at the end of the vesting period.

The table below shows movements in outstanding warrants:

	Number of warrants	Weighted average exercise prices	Number of warrants	Weighted average exercise prices	Number of warrants	Weighted average exercise prices
	2006 Number	2006 DKK	2005 Number	2005 DKK	2004 Number	2004 DKK
Outstanding warrants at 1 January	186,790		223,346		114,346	
Granted in the financial year	677,692	19.0	-	-	109,000	10.0
Forfeited due to termination of employment	(23,072)	19.0	-	-	-	
Exercised in the financial year	(17,827)	27.3	-	-	-	
Expired in the financial year	(59,963)	27.3	(36,556)	-	-	
Outstanding warrants at 31 December	**763,620**		**186,790**		**223,346**	
Number of warrants that can be exercised at the balance sheet date	491,318		186,790		223,346	

In 2006, warrants were granted in May and December respectively. The estimated fair value of the warrants granted was DKK 11 per warrant. No warrants were granted in 2005. In 2004, warrants were granted in June. The estimated fair value of the warrants granted was DKK 13 per warrant.

The estimated fair values are calculated using the Black & Scholes model for valuation of European call options. The valuation is based on the following preconditions:

	2006	2004
Share price (DKK per share)	22.0	22.0
Exercise price, range (DKK per share)	19.0	10.0
Expected volatility (%)	50.0	50.0
Risk-free interest rate (%)	3.8	3.8
Expected dividend payout ratio (%)	0.0	0.0
Period until expiry (number of years)	4.0-5.0	2.5

The expected volatility is calculated on the basis of comparable listed shares. The period until expiry is calculated on the basis of the latest possible exercise of warrants adjusted for expected termination of employment and other causes of non-exercise of warrants. The recognised share-based payment for the parent company as well as the Group amounted to DKK 4,863 thousand for 2006. For 2005 and 2004, the recognised costs were DKK 0 thousand.

Parent				Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		2006 DKK'000	2005 DKK'000	2004 DKK'000
			7. Depreciation, amortisation and impairment			
223	156	277	Software	277	156	223
84	84	84	Acquired patents and licences	84	84	84
2,176	1,871	1,019	Laboratory equipment	1,019	1,871	2,176
119	161	678	Production plant and machinery	678	161	119
798	472	1,147	Fixtures and fittings, tools and equipment	1,172	472	798
157	-	-	Gains or losses on sale of property, plant and equipment	-	-	157
3,557	**2,744**	**3,205**		**3,230**	**2,744**	**3,557**
			Depreciation, amortisation and impairment are distributed as follows:			
338	213	1,082	Production costs	1,081	213	338
2,473	2,364	333	Research and development costs	1,610	2,364	2,473
338	112	180	Selling and marketing costs	358	112	338
408	55	1,610	Administrative expenses	181	55	408
3,557	**2,744**	**3,205**		**3,230**	**2,744**	**3,557**
			8. Fees to auditors appointed by the general meeting			
			Fees to the parent company's auditors appointed by the general meeting for the financial years are specified as follows:			
75	75	80	Audit	90	80	75
75	75	229	Non-audit services	229	75	75
150	**150**	**309**		**319**	**155**	**150**
			9. Financial items			
			Financial income			
131	406	445	Interest income from bank deposits etc.	445	406	131
-	-	487	Fair value adjustment of financial assets	487	-	-
-	-	-	Foreign exchange gains	227	-	-
131	**406**	**932**		**1,159**	**406**	**131**
			Financial expenses			
7,243	3,399	155	Interest on mortgages and bank loans	155	3,399	7,243
-	-	163	Interest on financial lease obligations	163	-	-
67	256	254	Foreign exchange losses	254	256	67
7,310	**3,655**	**572**		**572**	**3,655**	**7,310**

Parent				Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		2006 DKK'000	2005 DKK'000	2004 DKK'000
			10. Tax on the profit for the year			
0	0	0	Current tax	0	0	0
0	0	0	Changes in deferred tax	0	0	0
0	**0**	**0**		**0**	**0**	**0**
			Tax on the profit for the year is explained as follows:			
(8,620)	(6,503)	(7,046)	Tax calculated at a rate of 28% (30%)	(6,977)	(6,515)	(8,624)
-	(2,960)	-	Effect of differences in tax rates in DKK	-	2,960	-
2	(60)	1,372	Permanent deviations	1,372	(60)	2
8,618	9,523	5,674	Unrecognised change in tax asset	5,605	3,615	8,622
0	**0**	**0**		**0**	**0**	**0**

	Group		
	2006 DKK'000	2005 DKK'000	2004 DKK'000
11. Earnings per share			
The calculation of earnings per share is based on the following data:			
Profit/(loss) for the year attributable to parent company shareholders for the purposes of earnings per share	(24,918)	(23,267)	(28,749)

	Group		
	2006 '000	2005 '000	2004 '000
Average number of issued shares	6,496	3,799	1,640
Average number of treasury shares	(3)	(3)	(3)
Number of shares for the purposes of earnings per share	**6,493**	**3,796**	**1,637**

In accordance with IAS 33, the dilutive effect has not been calculated for the purposes of diluted earnings per share for the continuing operations, as this would increase earnings per share.

	Acquired software licenses DKK'000	Acquired patent rights DKK'000
12. Intangible assets, consolidated and parent company financial statements		
Intangible assets 2006		
Cost at 1 January 2006	3,489	764
Additions	2,218	5,604
Disposals	(1,987)	-
Cost at 31 December 2006	**3,720**	**6,368**
Amortisation at 1 January 2006	(2,999)	(658)
Amortisation	(277)	(84)
Amortisation regarding assets disposed of	1,987	-
Amortisation at 31 December 2006	**(1,289)**	**(742)**
Carrying amount at 31 December 2006	**2,431**	**5,626**
Intangible assets 2005		
Cost at 1 January 2005	3,361	764
Additions	128	0
Cost at 31 December 2005	**3,489**	**764**
Amortisation at 1 January 2005	(2,843)	(574)
Amortisation	(156)	(84)
Amortisation at 31 December 2005	**(2,999)**	**(658)**
Carrying amount at 31 December 2005	**490**	**106**
Intangible assets 2004		
Cost at 1 January 2004	2,837	764
Additions	524	-
Cost at 31 December 2004	**3,361**	**764**
Amortisation at 1 January 2004	(2,620)	(491)
Amortisation	(223)	(84)
Amortisation at 31 January 2004	**(2,843)**	**(575)**
Carrying amount at 31 December 2004	**518**	**189**

	Production equipment DKK'000	Laboratory equipment DKK'000	Fixtures and fittings DKK'000	Leasehold improvements DKK'000
13. Property, plant and equipment				
Property, plant and equipment 2006 (Group)				
Cost at 1 January 2006	3,692	13,380	4,872	6,324
Additions	1,157	1,647	2,279	950
Transfers	-	353	(353)	-
Disposals	-	-	-	(522)
Cost at 31 December 2006	**4,849**	**15,380**	**6,798**	**6,752**
Depreciation at 1 January2006	(587)	(11,981)	(3,722)	(4,536)
Depreciation	(678)	(1,018)	(651)	(521)
Transfers		(353)	353	-
Depreciation regarding assets disposed of	-	-	-	522
Depreciation at 31 December 2006	**(1,265)**	**(13,352)**	**(4,020)**	**(4,535)**
Carrying amount at 31 December 2006	**3,584**	**2,028**	**2,778**	**2,217**
Assets held under finance leases	3,278	1,559	2,013	-
Property, plant and equipment 2006 (parent)				
Cost at 1 January 2006	3,692	13,380	4,872	6,324
Additions	1,157	1,647	2,041	950
Transfers	-	353	(353)	-
Disposals	-	-	-	(522)
Cost at 31 December 2006	**4,849**	**15,380**	**6,560**	**6,752**
Depreciation at 1 January 2006	(587)	(11,981)	(3,722)	(4,536)
Depreciation	(678)	(1,018)	(626)	(521)
Transfers	-	(353)	353	-
Depreciation regarding assets disposed of	-	-	-	522
Depreciation at 31 December 2006	**(1,265)**	**(13,352)**	**(3,995)**	**(4,535)**
Carrying amount at 31 December 2006	**3,584**	**2,028**	**2,564**	**2,217**
Assets held under finance leases	3,278	1,559	2,013	-

	Production equipment DKK'000	Laboratory equipment DKK'000	Fixtures and fittings DKK'000	Leasehold improvements DKK'000
13. Property, plant and equipment (continued)				
Property, plant and equipment 2005 (Group and parent)				
Cost at 1 January 2005	653	13,380	3,948	4,922
Additions	3,230	-	923	1,402
Disposals	(191)	-	-	-
Cost at 31 December 2005	**3,692**	**13,380**	**4,871**	**6,324**
Depreciation at 1 January 2005	(426)	(10,110)	(3,503)	(4,283)
Depreciation	(161)	(1,871)	(219)	(253)
Depreciation at 31 December 2005	**(587)**	**(11,981)**	**(3,722)**	**(4,536)**
Carrying amount at 31 December 2005	**3,105**	**1,399**	**1,149**	**1,788**
Assets held under finance leases	2,795	-	489	-
Property, plant and equipment 2004 (Group and parent)				
Cost at 1 January 2004	551	14,529	4,007	4,360
Additions	102	643	330	562
Disposals	-	(1,792)	(389)	-
Cost at 31 December 2004	**653**	**13,380**	**3,948**	**4,922**
Depreciation at 1 January 2004	(307)	(9,449)	(3,444)	(3,893)
Depreciation	(119)	(2,176)	(407)	(390)
Depreciation regarding assets disposed of	-	1,515	348	-
Depreciation at 31 December 2004	**(426)**	**(10,110)**	**(3,503)**	**(4,283)**
Carrying amount at 31 December 2004	**227**	**3,270**	**445**	**639**

Parent				Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		2006 DKK'000	2005 DKK'000	2004 DKK'000
			14. Investments in subsidiaries			
1	1	1	Cost at 1 January			
-	-	-	Additions on acquisition of investments			
1	**1**	**1**	**Cost at 31 December**			
-	-	-	Impairment at 1 January			
-	-	-	Impairment for the year			
-	**-**	**-**	**Impairment at 31 December**			
1	**1**	**1**	**Carrying amount at 31 December**			

Investments in subsidiaries comprise the following:
Exiqon Inc., US, wholly owned, selling and marketing activities.

			15. Other securities and investments			
400	400	400	Cost at 1 January	400	400	400
-	-	(400)	Disposals	(400)	-	-
400	**400**	**0**		**0**	**400**	**400**
			16. Inventories			
2,246	1,188	2,245	Raw materials and consumables	2,245	1,188	1,248
2,392	1,163	2,392	Manufactured goods and goods for resale	2,392	1,163	55
4,637	**2,351**	**4,637**		**4,637**	**2,351**	**1,303**
			17. Share capital			
1,640	1,640	5,958	No. of shares at 1 January			
-	4,308	1,075	Additions no. of shares at 1January			
1,640	**5,958**	**7,033**	**No. of shares at 31 December**			

The share capital consists of 7,033,065 shares of DKK 1 each.
The shares are paid up in full. The shares are not divided into classes, nor are any special rights attached to any shares.

	Group and parent		
	No. in '000	Nominal value DKK'000	% of share capital
18. Treasury shares			
Treasury shares at 1 January 2006	3	3	0.1
Acquisition of treasury shares	-	-	-
Sale of treasury shares	-	-	-
Treasury shares at 31 December 2006	**3**	**3**	**0.1**
Treasury shares at 1 January 2005	3	3	0.2
Acquisition of treasury shares	-	-	-
Sale of treasury shares	-	-	-
Treasury shares at 31 December 2005	**3**	**3**	**0.2**
Treasury shares at 1 January 2004	3	3	0.3
Acquisition of treasury shares	-	-	-
Sale of treasury shares	-	-	-
Treasury shares at 31 December 2004	**3**	**3**	**0.3**

Parent				Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		2006 DKK'000	2005 DKK'000	2004 DKK'000
			19. Convertible loans			
49,210	-	-	Convertible loans	-	-	49,210
49,210	**-**	**-**		**-**	**-**	**49,210**

Convertible loans were repaid in cash during the 2005 financial year.

			20. Deferred tax			
924	994	1,096	Intangible assets	1,096	994	924
4,383	4,751	5,547	Property, plant and equipment	5,547	4,751	4,383
12,944	9,245	4,653	Research and development costs	4,653	9,245	12,944
450	56	-	Provisions	-	56	450
-	4,468	3,736	Prepayments received	3,736	4,468	-
18.701	**19.514**	**15.032**	**Temporary differences**	**15.032**	**19.514**	**18.701**
29,073	31,637	36,186	Tax loss carry-forwards	36,186	31,637	29,073
47,774	**51,151**	**51,218**	**Deferred tax asset at 31 December 2006**	**51,218**	**51,151**	**47,774**

Tax losses can be carried forward perpetually.

The parent company and the Group have generated losses in the past few years. As it is still highly uncertain whether the deferred tax asset can be utilised, the asset has not been recognised in the financial statements for 2006.

Parent				Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		2006 DKK'000	2005 DKK'000	2004 DKK'000
			21. Provisions			
	1,500	200	1 January	200	1,500	-
1,500	-	-	Provided during the financial year	-	-	1,500
	(1,300)	(200)	Used during the financial year	(200)	(1,300)	-
			Reversed during the financial year	-	-	-
1,500	**200**	**0**	**31 December**	**0**	**200**	**1,500**

The current value of the fixed interest financial lease liabilities is set as the present value of future amortisation and interest payments using the current interest rate as the discount factor.

	Group and parent					
	Minimum lease payments			Present value of minimum lease payments		
	2006 DKK'000	2005 DKK'000	2004 DKK'000	2006 DKK'000	2005 DKK'000	2004 DKK'000
22. Finance lease liabilities						
Due within one year of the balance sheet date	1,925	713	-	1,639	713	-
Due in 1-5 years from the balance sheet date	5,717	2,571	-	5,275	2,571	-
	7,642	**3,284**	**-**	**6,914**	**3,284**	**-**
Amortisation premium for future expensing	(728)	-	-			
	6,914	**3,284**	**-**			

	Group and parent					
Finance lease liabilities	**Currency**	**Expiry**	**Fixed/ Floating**	**Effective interest rate (%)**	**Present value of minimum lease payments DKK'000**	**Fair value DKK'000**
Finance lease liabilities, production equipment	DKK	2009-12	Fixed	3-5	6,916	7,642
31 December 2006					**6,916**	**7,642**
Finance lease liabilities, production equipment	DKK	2009-11	Fixed	3-4	3,284	3,284
31 December 2005					**3,284**	**3,284**

Parent				Group		
2004 DKK'000	2005 DKK'000	2006 DKK'000		2006 DKK'000	2005 DKK'000	2004 DKK'000
			23. Operating lease liabilities			
			Minimum leasing payments included in the income statement.			
825	1,356	2,535	Rent commitment	2,535	1,356	825
			Total future minimum lease payments for non-terminable leases fall due as follows:			
-	1,356	1,718	Within one year of the balance sheet date	1,972	1,356	825
-	153	2,582	2-5 years after the balance sheet date	3,367	153	-
-	-	-	More than 5 years after balance sheet date	-	-	-
-	**1,509**	**4,300**		**5,339**	**1,509**	**825**
			24. Change in working capital			
186	(1,048)	(2,286)	Change in inventories	(2,286)	(1,048)	186
854	(1,350)	(22,879)	Change in receivables	(19,924)	(1,350)	854
(668)	19,178	3,711	Change in trade payables etc.	3,620	19,243	(668)
372	**16,780**	**(21,454)**		**(18,590)**	**16,845**	**372**
			25. Non-cash adjustments			
-	-	4,863	Incentive programmes	4,863	-	-
1,500	-	(200)	Provisions	(200)	-	1,500
1,500	**-**	**4,663**		**4,663**	**-**	**1,500**

26. Financial risks

The parent company manages the Group's financial risks centrally and co-ordinates the Group's cash management, including capital procurement and investment of excess cash. The Group's follows a finance policy, approved by the Board of Directors, based on a low risk profile so that currency, interest rate and credit risk arises only in connection with commercial transactions.

Currency risk

The Group's currency risks are primarily hedged by matching payments received and made in the same currency.
The Group regularly assesses the need to enter into forward exchange contracts.

Interest rate risks

The Group does not hedge interest rate risk as this is not considered financially viable.

Credit risks

The Group's policy for undertaking credit risks involves an ongoing credit assessment of all major customers and business partners.

26. Financial risks (continued)

Currency risks in respect of recognised assets and liabilities

Group	Cash and cash equivalents DKK'000	Receivables DKK'000	Financial liabilities DKK'000	Net position DKK'000
USD	4,260	6,168	(1,166)	9,262
EUR	6,422	1,781	(227)	7,976
DKK	9,693	14,284	(30,709)	(6,732)
Other currencies	21	-	(910)	(889)
31 December 2006	**20,396**	**22,233**	**(33,012)**	**9,617**
USD	1,250	619	(145)	1,724
EUR	15,353	824	(25)	16,152
DKK	23,588	868	(25,548)	(1,092)
Other currencies	8	-	(72)	(64)
31 December 2005	**40,199**	**2,311**	**(25,790)**	**16,720**
USD	185	70	(19)	236
EUR	319	182	(6)	495
DKK	1,159	709	(51,983)	(50,115)
Other currencies	18	-	(1,813)	(1,794)
31 December 2004	**1,681**	**961**	**(53,821)**	**(51,179)**

The carrying amount equals the current value of the assets.

27. Financial risks (continued)

Currency risks in respect of recognised assets and liabilities

Parent	Cash and cash equivalents DKK'000	Receivables DKK'000	Financial liabilities DKK'000	Net position DKK'000
USD	1,366	9,526	(1,062)	9,830
EUR	6,422	1,781	(227)	7,976
DKK	9,693	14,285	(30,709)	(6,731)
Other currencies	21	-	(910)	(889)
31 December 2006	**17,502**	**25,592**	**(32,908)**	**10,186**
USD	1,229	619	(122)	1,726
EUR	15,353	824	(25)	16,152
DKK	23,588	868	(25,548)	(1,092)
Other currencies	8	-	(70)	(62)
31 December 2005	**40,178**	**2,311**	**(25,767)**	**16,724**
USD	185	70	(13)	242
EUR	319	182	(6)	495
DKK	1,159	709	(51,983)	(50,115)
Other currencies	18	-	(1,813)	(1,795)
31 December 2004	**1,681**	**961**	**(53,815)**	**(51,173)**

28. Financial risks (continued)

Interest rate risks

The interest rate risk on financial assets and liabilities can be described as follows, stating the earlier of interest reset or expiry dates and effective interest rates.

Group	Within one year DKK'000	In two to five years DKK'000	In more than five years DKK'000	Total DKK'000	Of this, fixed interest DKK'000	Effective interest rate (%)
Bank deposits	20,396	-	-	20,396	20,396	2,5
Lease arrangements	(1,639)	(5,275)	-	(6,914)	(6,914)	3-5
31 December 2006	**18,757**	**(5,275)**	**-**	**13,482**	**13,482**	
Bank deposits	40,199	-	-	40,199	40,199	2,5
Lease arrangements	(713)	(2,571)	-	(3,284)	(3,284)	3-5
31 December 2005	**39,486**	**(2,571)**	**-**	**36,915**	**36,915**	
Bank deposits	1,681	-	-	1,681	1,681	2,5
Convertible loan	(49,210)	-	-	(49,210)	(49,210)	8-24
31 December 2004	**(47,529)**	**-**	**-**	**(47,529)**	**(47,529)**	

Parent	Within one year DKK'000	In two to five years DKK'000	In more than five years DKK'000	Total DKK'000	Of this, fixed interest DKK'000	Effective interest rate (%)
Bank deposits	17,502	-	-	17,502	17,502	2,5
Lease arrangements	(1,639)	(5,275)	-	(6,914)	(6,914)	3-5
31 December 2006	**15,863**	**(5,275)**	**-**	**10,588**	**10,588**	
Bank deposits	40,178	-	-	40,178	40,178	2,5
Lease arrangements	(713)	(2,571)	-	(3,284)	(3,284)	3-5
31 December 2005	**39,465**	**(2,571)**	**-**	**36,894**	**36,894**	
Bank deposits	1,681	-	-	1,681	1,681	2,5
Convertible loan	(49,210)	-	-	(49,210)	(49,210)	8-24
31 December 2004	**(47,529)**	**-**	**-**	**(47,529)**	**(47,529)**	

Other receivables, other securities and capital investment provision and other liabilities do not accumulate interest.

Credit risks

The Group's primary credit risk is related to trade receivbles. The Group's customers are mainly large companies and public research institutes in Denmark, Europe and North America. The Group is not exposed to significant risk in respect of any one customer or business partner. The Group's policy for undertaking credit risks involves an ongoing credit assessment of all major customers and business partners.

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

29. Related parties

Related parties exercising significant influence comprise Exiqon A/S' Executive Management and Board of Directors. Other related parties comprise the subsidiary Exiqon, Inc.

Remuneration etc. paid to Board of Directors, Executive Management and other senior employees

For information on remuneration paid to the Group's Board of Directors, Executive Management and other senior employees, see note 5.

Other related party transactions in 2006

The Chairman of the Board provided consultancy services, for which he was paid a fee of DKK 600 thousand.

Transactions with group companies comprised invoicing of contract work in the total amount of DKK 6.811 thousand.

Other related party transactions in 2005

The Chairman of the Board provided consultancy services, for which he was paid a fee of DKK 600 thousand.

Other related party transactions in 2004

The Chairman of the Board provided consultancy services, for which he was paid a fee of DKK 585 thousand.

30. Effects of the changed accounting policies on transition to IFRS

As mentioned in the management's review and in the accounting policies, Exiqon presents its annual report in accordance with IFRS as from 2006. Consequently, the accounting policies have been changed in a number of areas.

In accordance with IFRS 1, the opening balance sheet at 1 January 2004 and comparative figures for 2004 and 2005 have been prepared in accordance with the IFRS/IAS and IFRIC/SIC which are mandatory at 31 December 2006. The opening balance sheet at 1 January 2004 has been prepared as if these standards and interpretations had always been applied, with the exception of the exemption rule for share based incentive program accrued up to 01.01.2005.

Explanation of changes in accounting policies on transition to IFRS:

- Recognition of up-front payments received on licence and distribution agreements comprising several elements are recognised over the term of the agreement when it is not possible to reliably measure the fair value of the individual elements of the agreement in accordance with IAS 18. According to the previous policy, up-front payments on licence and distribution agreements were recognised as revenue upon receipt.

- Recognition of development costs when incurred. In accordance with industry practice under IFRS, the Company has assessed that there is insufficient certainty that the criteria for capitalisation will be met, and the development costs previously incurred are therefore recognised in the years when incurred. According to the previous policy, development costs were recognised as assets from the date when it was deemed probable that the development projects would be commercialised and that the future cash inflows would exceed the amount of costs recognised as assets.

- Recognition of share-based payment as an expense in the income statement in accordance with IFRS 2, Share-based Payment. According to the previous policy, share-based payment was not recognised in the financial statements, but only disclosed in the notes to the financial statements. In accordance with IFRS 2 share based payments accrued prior to 01.01.2005 have not been included.

The effect in amounts of the accounting policy changes, which is identical for Exiqon A/S and the Exiqon Group and therefore presented as one, is specified as follows:

	Equity 1 January 2004 DKK'000	Income statement 2004 DKK'000	Equity 31 December 2004 DKK'000
Amounts in accordance with the annual report for 2004	(11,405)	(21,220)	(32,625)
Effect of consolidation	8	(15)	(7)
Effect of changed accounting policies			
Expensing of capitalised development projects	(3,742)	(8,489)	(12,231)
Reversal of amortisation of development projects	-	975	975
Amount stated according to IFRS	**(15,139)**	**(28,749)**	**(43,888)**

30. Effects of the changed accounting policies on transition to IFRS (continued)

	Equity 1 January 2005 DKK'000	Income statement 2005 DKK'000	Equity 31 December 2005 DKK'000
Amounts in accordance with the annual report for 2005	(32,625)	(9,579)	52,889
Effects of changes to accounting policies in 2004	(11,256)	-	(11,256)
Restated amount at 1 January 2005	**(43,881)**	**(9,579)**	**41,633**
Effect of consolidation	**(7)**	**(44)**	**(3)**
Effect of changed accounting policies			
Reversal of up-front payments	-	(18,788)	(18,788)
Accrued up-front payments	-	2,831	2,831
Reversal of capitalised development projects	-	-	-
Reversal of amortisation of development projects	-	2,313	2,313
Recognition of share-based payment	-	-	-
Amount stated according to IFRS	**(43,888)**	**(23,267)**	**27,986**

Equity reconciliation at 1 January 2004 (IFRS opening balance sheet)

Parent				Group		
Previous accounting policy 1 January 2004 DKK'000	Effect of transition to IFRS 1 January 2004 DKK'000	IFRS 1 January 2004 DKK'000		Previous accounting policy 1 January 2004 DKK'000	Effect of transition to IFRS 1 January 2004 DKK'000	IFRS 1 January 2004 DKK'000
4,232	(3,742)	490	Intangible assets	4,232	(3,742)	490
6,355	-	6,355	Property, plant and equipment	6,355	-	6,355
664	-	664	Financial assets	664	-	664
11,251	**(3,742)**	**7,509**	**Total non-current assets**	**11,251**	**(3,742)**	**7,509**
1,489	-	1,489	Inventories	1,489	-	1,489
1,814	-	1,814	Receivables	1,814	-	1,814
19,984	-	19,984	Cash and cash equivalents	19,984	-	19,984
23,287	**-**	**23,287**	**Current assets**	**23,287**	**-**	**23,287**
34,538	**(3,742)**	**30,796**	**Total assets**	**34,538**	**(3,742)**	**30,796**
1,640	-	1,640	Share capital	1,640	-	1,640
(13,045)	(3,742)	(16,787)	Other reserves	(13,045)	(3,742)	(16,787)
(11,405)	**(3,742)**	**(15,147)**	**Equity**	**(11,405)**	**(3,742)**	**(15,147)**
150	-	150	Non-current liabilities	150	-	150
45,793	-	45,793	Current liabilities	45,793	-	45,793
45,943	**-**	**45,943**	**Total liabilities**	**45,943**	**-**	**45,943**
34,538	**(3,742)**	**30,796**	**Total equity and liabilities**	**34,538**	**(3,742)**	**30,796**

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