Exiqon A/S

Skelstedet 16, DK-2950 Vedbæk

CVR no. 18984431

Annual report 2016

The annual report was presented and approved at the Company's annual general meeting

on 31. May 2017

chairman of the annual general meeting

FREDERIK JACOB ESTRUP
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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Exiqon A/S for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Vedbæk, 31 May 2017
Executive Board:

Kim Sørensen General Manager	Thomas Schweins General Manager

Board of Directors:

Peer Michael Schatz Chairman	Roland Sackers Deputy Chairman	Axel Backheuer

Independent auditor's report

To the shareholder of Exiqon A/S

Opinion

We have audited the financial statements of Exiqon A/S for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31 May 2017
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Benny Lynge Sørensen State Authorised Public Accountant	Henrik Kyhnauv State Authorised Public Accountant

Management's review

Financial highlights

DKK'000	2016	2015	2014	2013	2012
Gross profit	91,319	83,798	69,718	59,959	53,321
Ordinary operating loss	-44,209	2,221	-3,908	-9,720	-13,120
Loss for the year	-55,010	5,256	-3,327	-11,186	-12,807
Total assets	105,285	133,339	89,677	86,131	80,646
Investments in property, plant and equipment	11,459	11,674	11,830	4,140	2,893
Equity	-37,778	38,954	32,573	32,047	40,333
Cash flows from operating activities	-56,062	19,204	-5,706	3,095	-3,464
Cash flows from investing activities	12,885	-5,714	-4,765	-4,373	-1,460
Cash flows from financing activities	17,693	25,234	-2,859	12,900	12,590
Total cash flows	27,530	52,980	14,254	27,588	15,965
Current ratio	185%	166%	130%	138%	122%
Average number of full-time employees	80	80	72	65	59

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

Management's review

Operating review

The annual report of Exiqon A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statement Act applying to reporting class C (medium-sized) entities. The annual report of Exiqon A/S has been prepared under IFRS in the previous years.

Main activity

Exiqon operates in two business areas: Life Sciences and Diagnostics.

Exiqon is a leading supplier of flexible solutions for RNA research. Exiqon's products and services are used by researchers in academia, biotech and pharmaceutical companies around the world to make groundbreaking discoveries about the correlation between gene activity and the development of disease. Taking advantage of our proprietary LNA™ technology, our product lines offer superior specificity and sensitivity for analysis of microRNA, mRNA and long non-coding RNA. Exiqon's products and services encompass the entire workflow from sample preparation to expression analysis (Sequencing, Array and qPCR), detection and functional analysis both in vitro and in vivo. Exiqon Services offers expertise in RNA Next Generation Sequencing, microRNA profiling and biomarker discovery from clinical samples.

Exiqon Diagnostics is pioneering the area of microRNA cancer biomarker discovery in liquid biopsies (serum, plasma and urine and other biofluids). Exiqon Diagnostics collaborates with pharmaceutical companies in their effort to develop new medicines based on non-coding and coding RNA as biological markers, and novel molecular diagnostic tests to help physicians make treatment decisions based on the tools developed by Exiqon Life Sciences.

In June 2016, Exiqon was acquired by QIAGEN. In the second half of 2016, the process of integrating Exiqon's RNA technology solutions into QIAGEN's Sample to Insight portfolio was initiated.

Exiqon A/S is wholly owned by QIAGEN N.V. Please refer to our website, www.exiqon.com or www.qiagen.com for further information about the Company or the group.

Market overview

Development in the year

In 2016, gross profit increased 9% to DKK 91,319 thousand (DKK 83,798 thousand). The increased gross profit is primarily contributable to growing product sales. In 2016, loss before tax totalled DKK -51,597 thousand (DKK -1,462 thousand) reflecting one time aqusition costs. At the end of 2016, equity totalled DKK -37,778 thousand

(DKK 38,954 thousand). The negative movements in equity are primarily attributable to net loss for the year. Management expects that the negative equity will be reestablished in 2017 through earnings.

Outlook next year

In 2017, the post-merger integration process is expected to be finalised. Following the completed integration Exiqon's portfolio will be accessible through QIAGEN's global sales channels, consequently a number of activities are expected to be transferred out of Exiqon A/S to other QIAGEN companies. In the 4th quarter, the activity level is expected to drop significantly. As mentioned above, the negative equity is expected to be re-established.

The past year

Product development

Life Science Product Development, Services, and Diagnostics.

In 2016, Exiqon successfully pursued the strategy of becoming the leading provider of flexible solutions for RNA analysis by providing a more comprehensive portfolio of product offerings with a focus towards the growing market for Next Generation Sequencing (NGS).

The first innovative LNA™-enhanced kits and reagents targeting the NGS market were launched to provide improved workflows for NGS enabled research.

In support of the NGS workflow further downstream, the cloud-based NGS data analysis platform was expanded to provide solutions also for small RNA, including miRNA together with custom products for analysis of these RNA species.

In Services, new NGS analyses became available for exosomes and few cells building on Exiqon's core expertise within biofluids and other difficult samples. To enable increased throughput and traceability, NGS' workflow and processes were automated.

In diagnostics, we very importantly secured new cohorts from Spain and Sweden to enable further validation of very promising diagnostic prostate cancer biomarkers identified in urine.

Knowledge resources

Exiqon's most important asset is without doubt the talented employees. Exiqon's staff is composed of a high ratio of experts, where the majority has an educational background of PhD and / or a master's degree. During the ongoing integration process, the focus is on retaining and developing employees.

Update RNA isolation lab to ClassII.

Enabling microRNA and small RNA NGS data analysis available in XploreRNA.

Unusual circumstances

Exiqon's financial position at 31 December 2016 and the result of the Exiqon's activities for 2016 have been affected by QIAGEN's successful acquisition. This has resulted in a number of transaction related costs e.g. bonuses, legal advisers and corporate bonds settlement.

Events after the balance sheet date

No events affecting the assessment of Exiqon's financial position at 31 December 2016 have occurred after the balance sheet date.

Risk management

Exiqon is dedicated to best practices in all aspects of our business. We seek to manage risks by using IT to support operations whenever possible, by focusing on standardized processes and procedures in everything we do and by selecting and retaining the best possible people. Our risk management begins with providing relevant information in a timely manner to the people who need it. At Exiqon, real-time information is available to all decision makers across the entire value chain of the Company through integrated IT based on a Microsoft Office SharePoint® Server, a Microsoft data warehouse solution and Microsoft SQL Server® Reporting Services.

The combination of highly integrated IT systems and extensive use of business process documentation enables automated reporting of live data, early warnings to company decision-makers and a decentralized approach to risk management. Those parts of the organization that have the most knowledge of risks specific to any area of our business also have the best possibility to adequately address these without undue delay.

End-user demand drives the continued development of our IT systems and business process documentation. Data quality is assured through automated tests that run continuously to validate the data presented to end users in the form of charts and indicators in support of a 'one truth' culture for decision-making purposes.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2016	2015
Gross profit		91,319	83,798
Research and development costs	2	-32,749	-32,435
Sales and marketing costs	2	-32,821	-32,000
Administrative expenses	2+3	-69,958	-17,142
Operating loss		-44,209	2,221
Other financial income	4	23,383	38,337
Other financial expenses	5	-30,771	-42,020
Loss before tax		-51,597	-1,462
Tax on loss for the year	6	-3,413	6,718
Loss for the year	7	-55,010	5,256

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Balance sheet

DKK'000	Note	2016	2015
ASSETS			
Fixed assets			
Intangible assets	8		
Patents, licences and trademarks		0	2,693
Software licenses		5,165	6,220
Intangible assets in progress		19	1,275
		5,184	10,188
Property, plant and equipment	9		
Leasehold improvements		943	533
Production and laboratory equipment		8,585	7,148
Fixtures and fittings, tools and equipment		1,931	2,900
Property, plant and equipment under construction		0	1,093
		11,459	11,674
Investments			
Equity investments in group entities	10	0	15,051
Deferred tax assets	11	0	5,248
Deposits		1,313	1,223
		1,313	21,522
Total fixed assets		17,956	43,384
Current assets			
Inventories			
Raw materials and consumables		5,522	5,953
Finished goods and goods for resale		7,838	7,030
		13,360	12,983
Receivables			
Trade receivables		17,095	19,856
Receivables from group entities		25,477	0
Other receivables		948	1,470
Tax receivable		2,337	1,466
Prepayments	12	582	1,200
		46,439	23,992
Cash at bank and in hand		27,530	52,980
Total current assets		87,329	89,955
TOTAL ASSETS		105,285	133,339

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity			
Share capital	13	36,874	36,874
Retained earnings		-74,652	2,080
Total equity		-37,778	38,954
Liabilities other than provisions			
Non-current liabilities other than provisions	14		
Corporate Bonds		0	38,046
Payables to group entities		94,400	0
Financial lease liabilities		1,339	2,132
		95,739	40,178
Current liabilities other than provisions			
Corporate Bonds		0	15,000
Financial lease liabilities		1,280	2,491
Trade payables		9,542	12,106
Payables to group entities		0	1,283
Other payables, including tax payable		29,705	14,866
Deferred income	15	6,797	8,461
		47,324	54,207
Total liabilities other than provisions		143,063	94,385
TOTAL EQUITY AND LIABILITIES		105,285	133,339

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Statement of changes in equity

DKK'000	Share capital	Share-based payment	Retained earnings	Total equity
Equity at 1 January 2015	36,874	20,195	-24,496	32,573
Transfer at the beginning of the year	0	-20,195	20,195	0
Transferred over the profit for the year	0	0	5,256	5,256
Value adjustment of financial instruments:				
Value adjustment for the year	0	0	1,125	1,125
Equity at 1 January 2016	36,874	0	2,080	38,954
Transferred over the loss for the year	0	0	-55,010	-55,010
Value adjustment of financial instruments:				
Value adjustment for the year	0	0	-21,722	-21,722
Equity at 31 December 2016	36,874	0	-74,652	-37,778

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Cash flow statement

DKK'000	Note	2016	2015
Profit/loss for the year		-44,209	2,221
Depreciation, amortisation and impairment losses		7,385	8,468
Other adjustments of non-cash operating items	16	-174	1,125
Cash generated from operations before changes in working capital		-36,998	11,814
Changes in working capital	17	-11,760	9,528
Cash generated from operations		-48,758	21,342
Net Interest income		-8,268	-3,608
Corporation tax paid		964	1,470
Cash flows from operating activities		-56,062	19,204
Acquisition of intangible assets	8	-2,345	-3,816
Acquisition of property, plant and equipment	9	-4,266	-1,898
Disposal of property, plant and equipment		34	0
Disposal of intangible assets		4,411	0
Disposal of financial assets	10	15,051	0
Cash flows from investing activities		12,885	-5,714
External financing:			
Lease debt		-2,003	-2,692
Proceeds from corporate bonds		-53,046	37,971
Deposits		-89	-27
Proceeds from capital increase		-21,569	0
I/C loan		94,400	0
Short-term bank loan		0	-10,018
Cash flows from financing activities		17,693	25,234
Cash flows for the year		-25,484	38,724
Cash and cash equivalents at the beginning of the year		52,980	14,254
Unrealised value adjustments for the year		34	2
Cash and cash equivalents at year end	18	27,530	52,980

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Exiqon A/S for 2016 has been present in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

- Going forward, dividends from equity investments in subsidiaries recognised at cost are always recognised in the income statement. In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividend exceeds profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in the subsidiary. Previously, cost was reduced to the extent that distributed dividend exceeded accumulated earnings after the acquisition date.
- Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.
- Going forward, unlisted equity investments are measured at cost. Previously, these were measured at fair value. Pursuant to the transition provisions, the recognised fair value in the annual report for 2015 is considered deemed cost of the equity investments. Comparative figures for the income statement and balance sheet have not been restated.

The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

Changes in accounting policies

In 2016, Exiqon A/S was delisted from NASDAQ OMX Nordic and is no longer subject to the financial reporting requirements under the International Financial Reporting Standards (IFRS) as adopted by EU.

For administrative purposes, Management has decided to change accounting policies and prepare the annual report in accordance with the Danish Financial Statements Act section 51. Apart from a few minor reclassifications in the beginning of the year, the changes in accounting policies have no monetary effect on the income statement or the balance sheet.

In accordance with BEK 2011-04-12 no 312, section 4, impact from changes to accounting policies to previous years have not been included in the five-year key figures.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Upon recognition of foreign subsidiaries and associates which are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity.

Upon recognition of foreign subsidiaries which are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

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1 **Accounting policies (continued)**

Income statement

Gross profit

Revenue and production costs are aggregated in gross profit.

Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

Product sales

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

Revenue from the sale of goods where delivery has been postponed upon the buyer's request is recognised as revenue when ownership of the goods has been transferred to the buyer.

A contract is broken down by individual transactions when the fair value of the individual sales transactions may be reliably measured, and the individual sales transactions are of separate value to the buyer. Sales transactions are deemed to be of a separate value to the buyer when the transaction is individually identifiable and usually sold individually. The contract price is broken down by the individual sales transactions in accordance with the relative current cost approach. The separate sales transactions are recognised as revenue when complying with the criteria applying to the sale of goods and services.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Service sales

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

License income

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

Contract research & grants income

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

Production costs

Production costs comprise costs incurred to generate the product sales including services. Costs for raw materials, consumables, production staff, rent and leasing as well as maintenance and depreciation, amortization and impairment of property, plant and equipment and intangible assets used in production are 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. Furthermore, salaries and costs supporting direct research and development, including costs for ongoing maintenance of patents, rent, leasing and depreciation attributable to the laboratories and external scientific consultancy services, are recognised under development costs.

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

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1 Accounting policies (continued)

Sales and marketing costs

Sales and marketing costs comprise costs incurred to distribute goods sold during the year and to conduct sales campaigns, etc., including costs relating to sales staff, advertising and exhibitions as well as depreciation.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Company, including expenses for administrative staff, management, acquisition costs, office premises, office expenses and depreciation.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividends from equity investments in group entities and associates measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

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1 **Accounting policies (continued)**

Balance sheet

Intangible assets

Patents, licences and trademarks

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining life of the patent, and licences are amortised over the contract period.

Development costs are recognised in the income statement in the acquisition year.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools 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 until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Plant and machinery	5 years
Fixtures and fittings, tools and equipment	3-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

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1 Accounting policies (continued)

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as production costs, research and development costs, sales and marketing costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as production costs, research and development costs, sales and marketing costs and administration costs.

Leases

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When the net present value is calculated, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other fixed assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

Investments

Equity investments in group entities and associates are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value.

Other receivables and deposits are recognised at amortised cost.

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1 Accounting policies (continued)

Impairment of intangible and fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists.

Inventories

Inventories are measured at the lower of costs computed in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as indirect production costs. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments and deferred income

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Securities and equity investments

Other securities and equity investments included in investment comprise unlisted shares that Management considers investment securities. The equity investments are measured at cost.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to office buildings non-deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

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Notes

1 Accounting policies (continued)

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. At each statement of financial position date, it is assessed whether it is likely that there will be sufficient future taxable income for the deferred tax asset to be utilised. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Provisions

Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprises the capitalised residual lease obligation of finance leases.

Other liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments and deferred income

Deferred income comprises payments received regarding income in subsequent years.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and divestment of entities is shown separately in cash flows from investing activities. Cash flows relating to acquired entities are recognised in the cash flow statement from the date of acquisition, and cash flows relating to divested entities are recognised up to the date of divestment.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's share capital and costs in this respect as well as raising of intercompany loans, instalments on interest-bearing debt and distribution of dividend to owners.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Financial statements 1 January – 31 December

Notes

DKK'000	2016	2015
2 Staff costs and incentive schemes		
Wages and salaries	90,121	54,278
Pensions	880	846
Other social security costs	8,302	5,551
	99,303	60,675
Average number of full-time employees	80	80
Staff costs are recognised in the financial statements as follows:		
Production costs	8,558	11,683
Research and development costs	16,205	15,928
Sales and marketing costs	24,816	19,555
Administrative expenses	49,724	13,509
	99,303	60,675

Staff costs include remuneration of the Parent Company's Executive Board, DKK 36,948 thousand (2015: DKK 5,404 thousand), pensions DKK 103 thousand (2015: DKK 105 thousand), and remuneration of the Parent Company's Board of Directors, DKK 750 thousand (2015: DKK 1,450 thousand).

Incentive schemes

Following the successful completion of the tender offer by QIAGEN N.V., the Executive Management's outstanding warrant programs were all cash settled in consequence of "change of control". By the end of 2016 there are no longer employees at Exiqon A/S covered by share-based incentive schemes.

3 Administrative expenses

In 2016, administrative expenses included transaction related costs of DKK 53 million, including bonuses, warrants and legal advice.

Financial statements 1 January – 31 December

Notes

	DKK'000	2016	2015
4	**Financial income**		
	Foreign exchange gains	20,095	38,331
	Capital gain on subsidiaries	3,286	0
	Other interest income	2	6
		23,383	38,337

	DKK'000	2016	2015
5	**Financial expenses**		
	Interest expense to group entities	86	38
	Foreign exchange losses	19,911	39,295
	Other interest expense	10,774	2,687
		30,771	42,020

	DKK'000	2016	2015
6	**Tax on profit/loss for the year**		
	Current tax for the year	-1,835	-1,470
	Deferred tax adjustment for the year	5,248	-5,248
		3,413	-6,718

	DKK'000	2016	2015
7	**Proposed distribution of loss**		
	Retained earnings	-55,010	5,256
		-55,010	5,256

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8 Intangible assets

DKK'000	Patents, Licences and Trade-marks	Software	Intangible assets under construc-tion	Total
Cost at 1 January 2016	10,971	18,106	1,275	30,352
Additions	0	2,326	19	2,345
Transferred	0	1,275	-1,275	0
Disposals	-10,207	-6,954	0	-17,161
Cost at 31 December 2016	764	14,753	19	15,536
Amortisation and impairment losses at 1 January 2016	-8,278	-11,886	0	-20,164
Amortisation	-691	-2,247	0	-2,938
Reversed amortisation and impairment losses	8,205	4,545	0	12,750
Amortisation and impairment losses at 31 December 2016	-764	-9,588	0	-10,352
Carrying amount at 31 December 2016	0	5,165	19	5,184

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9 Property, plant and equipment

DKK'000	Leasehold improvements	Production and laboratory equipment	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2016	9,776	47,455	8,902	1,093	67,226
Additions	215	3,503	548	0	4,266
Transferred	463	630	0	-1,093	0
Disposals	0	0	-116	0	-116
Cost at 31 December 2016	10,454	51,588	9,334	0	71,376
Depreciation and impairment losses at 1 January 2016	-9,243	-40,307	-6,002	0	-55,552
Depreciation	-268	-2,696	-1,483	0	-4,447
Reversed depreciation and impairment losses	0	0	82	0	82
Depreciation and impairment losses at 31 December 2016	-9,511	-43,003	-7,403	0	-59,917
Carrying amount at 31 December 2016	943	8,585	1,931	0	11,459
Assets held under finance leases	0	4,144	1,064	0	5,208

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10 Investments

DKK'000	Equity investments in subsidiaries
Cost at 1 January 2016	15,051
Additions	0
Disposals	-15,051
Cost at 31 December 2016	0
Impairment losses at 1 January 2016	0
Impairment losses for the year	0
Disposals for the year	0
Impairment losses at 31 December 2016	0
Carrying amount at 31 December 2016	0

DKK'000	2016	2015
11 Deferred tax		
Deferred tax at 1 January	5,248	0
Tax loss carry-forwards	95,985	95,811
Temporary differences	5,217	619
Unrecognised tax asset	-106,450	-91,182
	0	5,248

Exiqon A/S has generated tax losses in the past few years. As it is still uncertain when the deferred tax asset can be utilised, the asset capitalised in 2015 has been reversed.

DKK'000	2016	2015
12 Prepayments		
Periodic	542	1,177
Prepayments	24	0
IT-Inventory equipment	16	23
	582	1,200

Financial statements 1 January – 31 December

Notes

13 Share capital

The share capital is distributed on 36,874,082 shares of DKK 1 and multiples hereof. All shares rank equally. The Share capital is unchanged during the last five years.

DKK'000	2016	2015
14 Non-current liabilities other than provisions		
Non-current liabilities other than provisions can be specified as follows:		
Corporate Bonds:		
0-1 years	0	0
1-5 years	0	38,046
>5 years	0	0
Group entities:		
0-1 years	0	0
1-5 years	94,400	0
>5 years	0	0
Lease obligations:		
0-1 years	0	0
1-5 years	1,339	2,132
>5 years	0	0
Total non-current liabilities other than provisions	95,739	40,178

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15 Deferred income

Deferred income of DKK 6,797 thousand (2015: DKK 8,461 thousand) comprise payments received from customers that cannot be recognised until the subsequent financial year.

	DKK'000	2016	2015
16	**Other adjustments**		
	Gains on the disposal of fixed assets	-12	0
	Other	-162	1,125
		-174	1,125
17	**Changes in working capital**		
	Change in inventories	-377	555
	Change in receivables	-14,436	-2,306
	Change in trade and other payables	11,476	8,942
	Change in loan from Group Companies	-8,423	2,337
		-11,760	9,528

18 Cash and cash equivalents

Cash and cash equivalents at 31 December comprise:

	2016	2015
Cash at bank and in hand	27,530	52,980
Cash and cash equivalents at 31 December	27,530	52,980

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19 Currency and interest rate risks and the use of derivative financial instruments

Currency risks

Currency	Cash	Receivables	Financial liabilities	Net position
	DKK'000	DKK'000	DKK'000	DKK'000
USD	8,437	28,278	-2,797	33,918
EUR	2,810	13,506	-2,347	13,969
DKK	16,274	4,107	-40,904	-20,523
Other	9	-34	-1,388	-1,413
	27,530	45,857	-47,436	25,951

20 Related party disclosures

Exiqon A/S related parties comprise the following:

Control

QIAGEN N.V.
Spoorstraat 50
NL-5911 KJ Venlo

Largest and smallest group:

QIAGEN N.V.
Spoorstraat 50
NL-5911 KJ Venlo

The consolidated financial statements of QIAGEN N.V. can be obtained by contacting the Company or at the following website: qiagen.com

Related party transactions

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.