Initiation Coverage

Coverage initiated February 7th, 2013

Diaxonhit

NYSE EURONEXT PARIS: ALTERNEXT ALEHT
[FR0004054427]

Aurgalys

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FEBRUARY 7TH, 2013

Estimated price: €1.56

Estimated Market Cap: M€ 86.3

Share price as of Feb 7th, 2013 (€)	0.87
High/Low since 01.01.13 (€)	1.13/0.85
Market Cap (€m)	48.2
Estimated Cash Position (€m)	10.0
EV (€m)	86.3
Number of Shares (m)	55.4
EV per Share (€)	1.56
Volume since Jan 1st 2013 – daily average	213,220
Free Float	59.9%
Dividend Forecast 12 months (€)	0.0

Diaxonhit focuses on diagnostics

Diaxonhit was launched late 2012 as the result of the merger of two diagnostic players, Exonhit and Ingen Biosciences, combining their expertise ranging from discovery and clinical development, to marketing and sales.

A dual business model

First, Diaxonhit distributes a large and specialized portfolio of diagnostic products whose proforma turnover almost reached €28 million in 2011, and second, they own a pipeline of products currently under development that could be the main value driver of the company in the months or years to come. Ingen Biosciences mainly brought its commercialized product portfolio together with a well-established sales force in France, Switzerland and Belgium, while Exonhit brought new diagnostic products targeting highly valued markets mainly in neurosciences and oncology. We expect that Diaxonhit envisions marketing its products directly within Europe in order to maximize revenues and enter into licensing/ distribution deals in other territories.

Undervalued

Diaxonhit's risk profile has been substantially lowered with the acquisition of Ingen Biosciences which brought in its marketed products, sales expertise and established revenues. The analysis which follows takes into account two valuation methods. Firstly, we used risk-adjusted net present value (rNPV) calculations for the products in development, i.e. Aclarus Dx to diagnose Alzheimer's disease, BJI Inoplex to detect post orthopedic surgery infections, and the Tétanos Quick Stick test. Second, we used earn-out / discount cash flow methods to estimate the value of the Ingen Biosciences subsidiary.

Using the DCF and rNPV methods on the Ingen marketed products and the three major products under development respectively, we have estimated that the current company market value is €86.3 million, giving a price per share of €1.56 (79.3% upside). Forecast for 2015 shows a market capitalization of €105.7 and a price per share of €1.91 (NB: please note that valuation of upcoming new products such as EHT Dx15 should significantly increase the 2015 value).

2013	Value (M€)	% Value	value/share
Aclarus Dx*	37.1	43.0	0.67
BJI Inoplex*	21.5	24.9	0.39
TQS*	5.3	6.2	0.10
Ingen Products**	22.4	26.0	0.41
Total	86.3	100.0	1.56

*calculated using the rNPV method
**calculated using a DCF analysis

diaxonhit
Specialty Diagnostic Solutions

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Company Description

1. History

Exonhit was renamed Diaxonhit on December 19th, 2012, following the acquisition of Ingen Biosciences. Diaxonhit has been listed since November 2005 on NYSE Euronext Paris – Alternext [FR0004054427-ALEHT], also listed within Alternext Allshare, Next Biotech and OSEO Innovation indices.

Exonhit was founded in November 1997, in Paris, based on its genomic technology to screen gene variability. Their successful results allowed the company to sign significant partnerships with bioMérieux, mostly for cancer diagnostics, and with Allergan for therapeutic products. Note that the Allergan partnership is still ongoing. To optimize the development of its diagnostic products, the company secured in 2005 specific partnerships with the two major microarray companies, Affymetrix and Agilent. In 2005, the company shares were introduced to the Paris Stock Exchange on the Alternext market. Through its initial public offering, the company raised 7.9M€. During the 2006-2011 period, several clinical trials were launched for therapeutic products, strengthening the Allergan-Exonhit collaboration, CE marking was obtained for the first diagnostic product Aclarus Dx (Alzheimer) and EHT Dx14 was clinically validated in breast cancer diagnosis. Corporate governance evolved with the appointment of Dr Loïc Maurel as CEO in 2008 and Hervé Duchesne de Lamotte as CFO (2009). Recently, the company focused its resources on the development of its diagnostic product line, pursuing the development of its therapeutic products only through pharma partnerships. Since its IPO, the company further raised €49 million either through public offering or equity lines.

Established in 2001, InGen BioSciences was one of the leading independent distributor of *in-vitro* diagnostics in the French market. It develops and markets innovative *in-vitro* diagnostic products and medical devices (IVDMD) to public and private clinical laboratories. Almost two thirds of its workforce (65 employees) were engaged in commercial activities. InGen BioSciences is the market leader in France (65% market share) for distribution of HLA tests (Human Leukocyte Antigen) that assess the compatibility between donors and recipients for organ and bone marrow transplants. These diagnostic tests are distributed exclusively for One Lambda, a global leader of HLA and now an affiliate of Thermo Fischer. InGen BioSciences also distributes immunoassay tests for European and American partners as well as its own test, TQS (Tétanos Quick Stick), used in emergency departments for evaluation of patient protection against tetanus. It also services a large base of diagnostic equipment, in particular equipment developed by Luminex and installed in hospital laboratories and private medical biology laboratories. In addition, InGen BioSciences developed BJI Inoplex, an innovative proprietary diagnostic test to detect infections associated with prosthetic joints. Since 2007, InGen BioSciences revenues have increased at an average growth rate of 14% per year. In 2011, its revenues amounted to €23.3 million, with an EBITDA of €1.4 million. These revenues were derived exclusively from distribution activities in which HLA sales amounted to 71% of total sales.

With a total number of employees of approximately 115, Diaxonhit group has expertise in all the diagnostic areas: R&D, preclinical, clinical, regulatory, intellectual property, business development, marketing and sales.

Timeline

- 1997: Founding of Exonhit
- 2001: Founding of Ingen Biosciences
- 2002: Exonhit signed strategic collaboration with Allergan
- 2003: Ingen Biosciences raised €2.0 million from SGAM private equity (Amundi)
- 2005: Exonhit went public raising €7.9 million. Ingen Biosciences raised €6.0 million from Innoven Partenaires (Private Equity)
- 2011: Ingen Biosciences revenues amounted to €23.3 million, with an EBITDA of €1.4 million
- 2012: Exonhit renamed Diaxonhit following merger with Ingen Biosciences

Pending newsflow

- Q2 2013: BJI Inoplex CE Marking
- Q3 2013: Results of the Dialog study for Aclarus Dx and US clinical trial
- Q1 2014: BJI Inoplex product launch in Europe
- 2014: Clinical validation of EHT Dx15

2. Management team

As a result of the Exonhit and Ingen Biosciences merger, the new group Diaxonhit set up a new executive committee led by CEO Loïc Maurel, formerly CEO of Exonhit.

The executive committee oversees a staff of about 115, whose expertise spans the entire spectrum of diagnostic development, ranging from discovery to validation, from clinical development to regulatory approval, from marketing & sales to business development, from finances to human resources.

Loïc Maurel, MD, Chief Executive Officer

Dr. Maurel is Chief Executive Officer of Diaxonhit, also member of the board. He has served as CEO of Exonhit since July 2008. After holding various sales and marketing positions at Rhône-Poulenc and Novartis in France, he moved to Novartis' headquarters in Switzerland in 1992 to lead global marketing for cardiovascular, metabolism and respiratory franchises. He orchestrated the worldwide launch of the flagship brand Diovan. In 1999, he became Novartis' Vice President of Marketing and Specialty Business in Canada. From 2001 to 2008 he was President and CEO of Debiovision Inc., a Canadian specialty pharmaceutical company. Dr. Maurel has extensive experience in marketing, business development, licensing, clinical studies, regulatory requirements and product launches in North America, Europe and Asia. Dr. Maurel served as Chairman of the Board of Oncomab GmbH and Board member of Debiovision Inc., Avance Pharma Inc. and the BIOQuebec Association. Dr. Maurel graduated with an M.D. from the University of Bordeaux in 1985. He also serves as Vice-President of the France Biotech association.

Hervé Duchesne de Lamotte, MBA, Chief Finance Officer

Mr. Duchesne de Lamotte is Chief Financial Officer of the Diaxonhit group and member of the board. He was appointed chief financial officer of Exonhit on November 2009 and has been a member of the Board since 2010. Mr. Duchesne de Lamotte has over 25 years of international financial experience, including 20 years within the biotechnology industry. After having held a variety of project management positions in consultancy firms in France and the United States between 1981 and 1989, Mr. Duchesne de Lamotte took up a senior position at a Paris-based asset management firm. In 1991, he moved into pharma and biotechnology by joining the IDM group, where he served as CFO for 10 years in France, Canada, and the United States. He was subsequently appointed Chief Operating Officer, France, at IDM Paris from 2006 to 2008. Prior to joining Exonhit then Diaxonhit, Mr. Duchesne de Lamotte managed Cirrus Finance Management, a consultancy firm specializing in business and organizational strategies. He served as Board member of IDM and France Biotech. Mr. Duchesne de Lamotte has an MBA in finance and a Master of Science from MIT (US). His first degree was in aeronautical engineering (SupAero, Toulouse, France).

Matthew Pando, PhD, Vice President R&D, Chief Scientific Officer

Dr. Pando is Chief Scientific Officer of the Diaxonhit group and member of the executive committee. He was named Executive Vice President, Therapeutics of Exonhit in April 2008. He joined Exonhit as a research scientist in 2002 and has played a key role in the development of several internal and external programs of the Company. Dr. Pando is currently responsible for all therapeutic discovery and development activities at Exonhit. His areas of expertise are discovery and development in neurodegenerative diseases and oncology, and he is the author of numerous scientific publications. After receiving a Bachelors of Science in Microbiology from Colorado State

University, Dr. Pando went on to complete his PhD in Molecular Biology at the University of California, San Diego and The Salk Institute where he studied transcriptional activation mechanisms involved in oncology, inflammatory and infectious diseases. He completed a neurology focused postdoctoral fellowship at the Institut de Génétique et de Biologie Moléculaire et Cellulaire in Strasbourg, France.

Patrick Mollet, Vice President Commercialization and Customer Services, InGen Chief Executive Officer

Mr. Mollet is Chief Executive Officer of InGen, subsidiary of Diaxonhit Group, and member of the executive committee. Mr. Mollet has 40 years experience in the *in-vitro* diagnostic field. He began his career in the Akzo group in the diagnostic branch of the pharmaceutical company Organon, Organon Technika, as Technical Sales Representative; he left this company as a Commercial Director. Mr. Mollet was involved in the creation of InGen, of which he became General Manager.

Jacques Martin, PhD, Vice President Marketing, InGen Chief Operating Officer

Dr. Martin is Chief Operating Officer of InGen, subsidiary of Diaxonhit Group, and member of Executive committee. Dr. Martin has more than 28 years experience in diagnostics. With extensive R&D experience in infectious diagnostics, then in marketing gained at Clonatec (1984-1993); he joined InGen and has been part of the company's development since. He is now in charge of operations and marketing, including 6 product managers and the reagents. Dr. Martin oversees the strategic marketing committee within the Diaxonhit group. He has completed an engineering degree from ESITPA, a Postgraduate Diploma in Biotechnology from the College of Pharmacy and a PhD in virology, both from Tours University (France).

Esteban Elorga, InGen Chief Finance Officer

Mr. Elorga, is Chief Financial Officer of InGen, subsidiary of Diaxonhit Group, and member of the executive committee. Mr. Elorga joined InGen Biosciences in 2011. He is also in charge of the external growth projects, the relationships with financial institutions, logistics and administration. Prior to joining the group in 2011 and in collaboration with his brother, Mr. Elorga created his own business in the Province of Navarre (North of Spain) in the retail sector. The company now employs more than 50 workers. He began his career at Arthur Andersen where he was Senior VP and then Director from 1997 to 2006. He conducted missions of audits and financial Council on behalf of industrial groups of the NYSE EuroNext CAC 40. Mr. Elorga completed his post-graduation from ESCP (Ecole Supérieure de Commerce de Paris, France).

3. Board of Directors

Laurent Condamine, MBA, Chairman of the Board

Mr. Condamine has been in the chemical and pharmaceutical industry for 34 years, with the ICI Group. He was head of strategy at Zeneca before the merger with Astra. Then, from 1999 to 2008, he served as Vice President of Business Development and Corporate Strategy within AstraZeneca. Mr. Condamine has also been appointed chairman of the supervisory board of Nanobiotix since April, 2011. He holds a Masters degree in Economics from HEC (Hautes Etudes Commerciales, Jouy en Josas, France) and an MBA from INSEAD (Fontainebleau, France).

Patrick Langlois, Vice-Chairman of the Board

Mr. Langlois started out at Banque Louis Dreyfus as an Equity Research Analyst. He then joined Rhône-Poulenc where he stayed for 25 years and became Chief Financial Officer. He moved on to Aventis S.A. as Group Executive Vice President and Chief Financial Officer and Vice-Chairman of the Management Board. He has been the General Partner of PJL Conseils since 2005. He has been Chairman of the Board of Directors of BioAlliance (2011), also of Stallergene 2012). He is also a

Director of Shire (2005), Scynexis (2006), Newron Spa (2008) and member of the supervisory Board of Innate Pharma (2010). Mr. Langlois holds a postgraduate diploma in Economics from the University of Rennes and a postgraduate diploma in Banking.

Christophe Jean, MBA, Board Member

Mr. Jean worked for Ciba Geigy AG and Novartis Pharma AG before becoming Chief Executive Officer of Pierre Fabre Medicament in 2000. He has been Executive Vice President of Ipsen since 2003, in charge of world-wide operations and strategic planning. Mr. Jean holds an MBA from Harvard University, USA.

Deborah Smeltzer, MSc, MBA, Board Member

Ms. Smeltzer has over 30 years experience in the biotechnology industry, as a venture capitalist and investment banker. She began her career in 1985 as a partner in an investment bank. Two years later she became a general partner of the Grotech Capital Group, a Mid-Atlantic-based venture capitalist group, where she was responsible for all life science investments. From 1996 to 1999, Ms. Smeltzer was Chief Financial Officer and Vice President of Genset SA, a Paris-based global genomics company. From 1999 to 2004, she had several executive roles at Applied Biosystems including General Manager of Genetic Analysis and Vice-President of Finance & Business Development. From 2005 to 2009, she served as Vice President, Operations and Chief Financial Officer of Dynavax Technologies Corporation, a California-based therapeutics and vaccine development company. She is currently an independent consultant and also serves on the Board of Andrea's Voice foundation, a not-for-profit organization. Ms. Smeltzer has a BSc in biological sciences and an MSc in medical microbiology from the University of California, Irvine and an MBA from Stanford University Graduate School of Business.

Michel Picot, Board Member

Mr. Picot began his career as an auditor at Peat Marwick Mitchell before moving to the SCOA, a Paribas affiliate. He moved to ECS Germany before joining Eunetcom as Senior Vice President of Finance. He was Deputy Chief Executive Officer at Vivendi Telecom International for almost 10 years. He has been President of Advest SAS since 2005. He has also been Chairman of the Supervisory Board of Elektrion Telekomunikaeja since 2001, and has been a Director of Keyyo since 2005. Mr. Picot is a graduate of HEC (Hautes Etudes Commerciales, Jouy en Josas, France).

Jean-Pierre Hermet, Board Member

Mr. is also Chairman of the Board of Directors for InGen BioSciences. Mr Hermet started his career in pharmacy (Schering-Plough) and was then quickly appointed CEO at Wyeth Healthcare for France. Next he became Marketing President and then European President of a young American pharmaceutical company listed on the Amex stock exchange (Bentley Pharmaceuticals). On his return to France, he created several biotechnology companies: Peptide Immune Ligands then Hybrigenics. He later founded Hemosystem, focused on developing and marketing rapid detection of bacteria in blood; raising €8 million through venture capital and lodging 26 patents.

Jean-Jacques de Jaegher, Board Member

Previously a board member of the group InGen BioSciences, Mr. de Jaegher has worked in the healthcare sector for 35 years. He spent 25 years in the Diagnostics division of Abbott Laboratories where he held several General Management posts in Europe and the USA. He was CEO at Applied NanoSystems, a Dutch venture capital company specialized in drug delivery systems, Vice-President of Commercial Operations for Europe, Middle East and Africa at Chiron, and Vice-President International at Immucor. Mr. de Jaegher is a graduate of the Institute of Nuclear Physics in Brussels, Belgium.

4. Strategy/Business Model

The Diaxonhit business model is based on a dual approach, first bringing its proprietary products to the market, and second, developing its product catalog through new distribution agreements (figure 1).

Proprietary product launch should occur in 2013 and 2014 for at least three products, Tétanos Quick Stick for new territories, Aclarus DX (Alzheimer's disease diagnostic) and BJI Inoplex (diagnosis of post-orthopedic surgery infection). While we know the group's capabilities to market these products directly in France, Belgium and Switzerland, we should expect efforts from Diaxonhit to oversee direct sales in the rest of Europe, probably through acquisition of local sales force. Alternatively, the company may seek distribution agreements on non-directly covered territories. As we know, Europe is very complex from a regulatory, pricing and marketing & sales perspective. Furthermore, we should expect various distribution or licensing-out agreements for the rest of the world. Proprietary products should be the company's value drivers, since both product pricing and margins are expected to be much higher than those from the distributed/ non-proprietary products.

InGen, the sales subsidiary of the Diaxonhit group, has gained experience in marketing & sales. Their catalog includes more than 1,700 products from 37 suppliers for which they have obtained exclusive and/or distribution rights at least in France, positioning the company as the leader in *in-vitro* diagnostics. Ingen distributes these products to approximately 900 clients, mainly public hospitals but also blood banks and private labs. We understand that Diaxonhit intends to renew and further increase its product catalog through new distribution agreements, i.e. improving its sales force efficiency and increasing yearly revenues in line with the previous years which displayed double-digit growth.

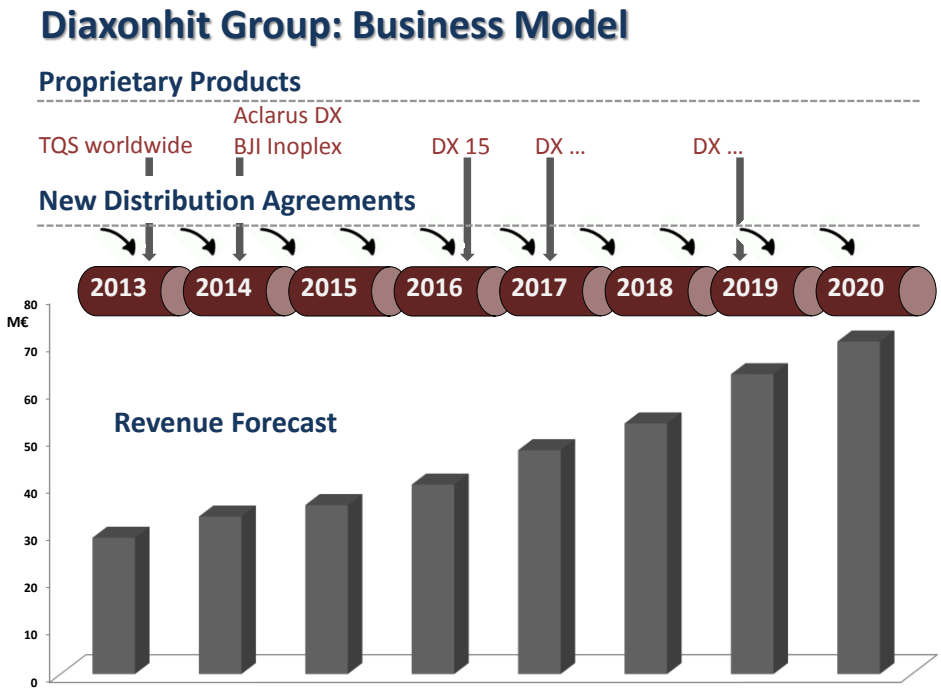


Figure 1: Diaxonhit business model. Both revenue lines, proprietary products and distribution agreements, should provide the company with a sustained growth in the forthcoming years

Technology

The technology of Diaxonhit consists in the identification of the molecular signature of a particular disease.

Biological organisms are composed of billions of cells whose characteristics are determined by proteins. The instructions for the synthesis of these proteins are coded in the DNA which is divided into approximately 20,000 genes. Each gene is transcribed into an intermediary molecule, the messenger RNA (mRNA) before being translated into a protein (Figure 2).

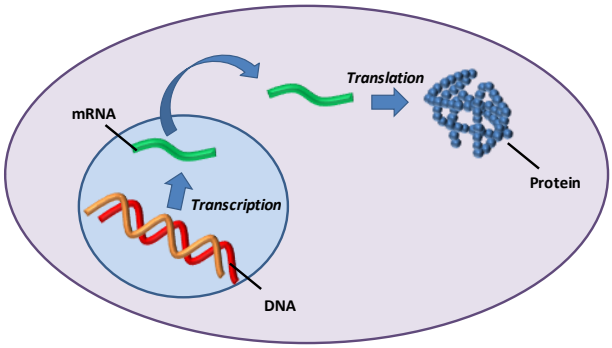


Figure 2: Protein synthesis. The DNA is located in the nucleus of the cells. Genes contained in the DNA are transcribed into mRNAs later transported to the cytoplasm of the cells. mRNAs are then translated into proteins that have many different functions (enzymes, cell structure, hormones, etc.)

Each individual cell only synthesizes the proteins it needs. Therefore, a blood cell, a brain cell or a muscle cell would not produce the same proteins. The expression of the genes and thus the proteins can be influenced by the environment, a lifestyle, or a disease. Studying the expression of the genes of a particular disease would allow differentiating those that are expressed in a healthy patient and those that are abnormally expressed in a patient affected by disease. The expression of the genes is measured at the mRNA level (the intermediary molecule) with a microarray. This technique uses individual probes that attach to the mRNAs present in the cells, discriminate them and measure their level in the cells, thus giving an indication of which mRNA are expressed and in which quantity.

The identification of the molecular signature of a disease would permit the discovery of biomarkers and thus allow the development of a diagnostic tool or a therapeutic target for this disease.

With a mechanism called alternative splicing, one gene transcribed into one pre-mRNA (a precursor of the mRNA) can lead to the synthesis of many different proteins (Figure 3). This mechanism is responsible for the production of 100,000 proteins from only 20,000 genes. Alternative splicing can also be deregulated by pathologies and can lead to the synthesis of proteins not normally occurring in healthy patients and whose altered function and role can be detrimental.

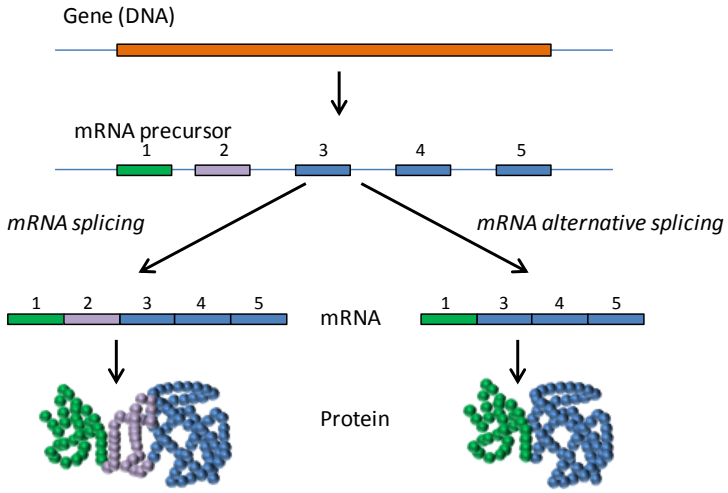


Figure 3: Alternative splicing. A gene is transcribed into an mRNA precursor composed of exons (represented by colored boxes). In this diagram, the precursor is spliced leading to an mRNA with exons 1 to 5. Alternative splicing lead to the same mRNA but with exon 2 truncated. The resulting proteins from those two distinct mRNAs are different and can have different roles in the cells or organisms. In some cases alternative splicing can produce proteins with impaired functions and responsible for pathologies.

Diaxonhit has developed a microarray called the human Genome-Wide Splice Array (hGWSA) that not only identify the mRNA expressed in the cells but also discriminate alternative splicing of mRNAs, increasing the amount of information acquired in such an analysis. The hGWSA technology is protected by numerous patents worldwide. The hGWSA technology and the tools developed to analyze the information gathered by the array represent the core abilities of Diaxonhit's R&D teams. Diaxonhit's know-how resides in its expertise in molecular biology, bioinformatics and biostatistics.

Not only is the hGWSA useful for the determination of a disease signature, it also has the ability to identify the genes that could be responsible for a pathology. Diaxonhit can then develop within its lab, chemical entities targeting these genes.

Product Portfolio

1. Diagnostics

As seen in Figure 4, Diaxonhit's pipeline is composed of 4 products in late stage development and another 5 in early development. TQS is already commercialized and is a diagnostic test utilized for the determination of tetanus immunization status. Aclarus Dx for Alzheimer's disease is currently being tested in real clinical conditions to determine its positioning in line of diagnostic tools already available for Alzheimer's disease. Another two products have completed or are about to finish their validation step. BJI Inoplex, used to detect prosthetic joint infections is about to get CE marking while EHT Dx14 has shown a strong performance in the diagnostic of breast cancer. The know-how acquired through the development of EHT Dx14 is currently being applied to EHT Dx15 for thyroid cancer (still an early stage product).

For the early stage products, EHT Dx23 aims to identify the biomarkers of patients at the pre-dementia stage that would develop Alzheimer's disease. This project results from collaboration with Pfizer in 2012. Through the TEDAC and RESPONSIFY consortia, Diaxonhit is also developing companion diagnostic products for breast cancer and resistant cancers respectively. Such collaborations allowed Diaxonhit to receive more than €2 million in financing.

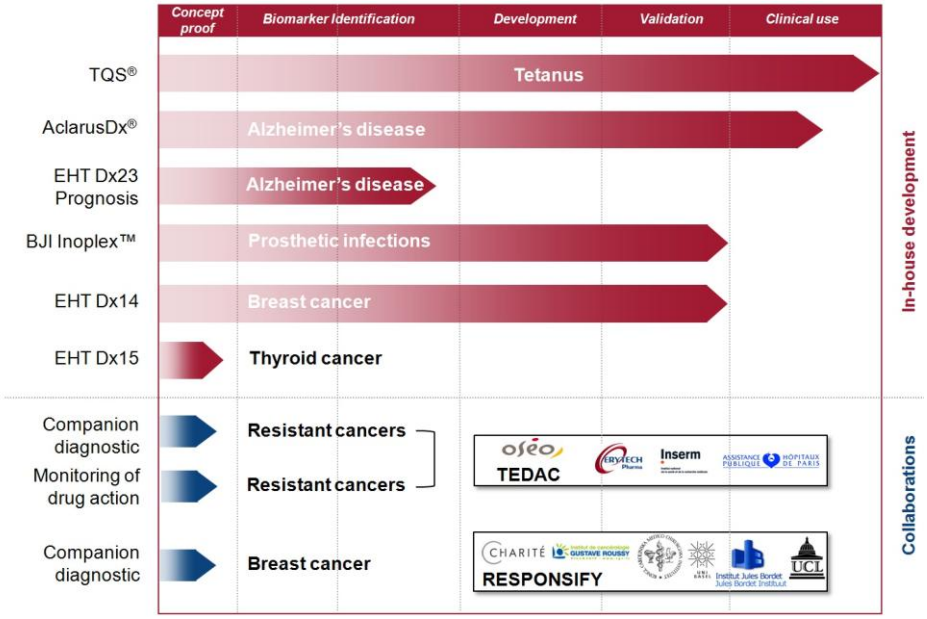


Figure 4: Diaxonhit's Diagnostic product portfolio

A. Aclarus Dx for Alzheimer's Disease

Alzheimer's disease and Epidemiology

Alzheimer's disease (AD) is a pathology that mostly occurs in a population above 60 years old. This neurodegenerative disease – meaning that neurons are progressively lost with time – results in impaired brain functions such as memory loss and behavior change. At the early stage of the disease, AD patients usually suffer from short term memory loss and difficulties to acquire new information, symptoms that can be mistakenly associated with ageing or stress. As the disease progresses, symptoms worsen while others emerge such as speech problems, difficulties recognizing people, colors or objects (agnosia), and loss of the ability to execute movements (apraxia). At this stage patients are still autonomous in the execution of daily activities but may require assistance for more complex tasks. The disease later evolves to the point where patients are progressively losing their independence because of the exacerbation of the symptoms. Changes in

behavior start to appear with irritability, aggressiveness, confusion… At the advanced stage of AD, patients have completely lost their independence and require constant monitoring. Language is limited to simple phrases or words and patients cannot move or feed themselves. Most of AD patients die from an external cause such as pneumonia or infections resulting from pressure ulcers.

There is currently no cure for AD and available drugs are solely treating the cognitive symptoms of the disease (Aricept from Eisai/Pfizer, Reminyl from Janssen, Exelon from Novartis or Namenda from Forest Laboratories). Although these drugs have no effect on the progression of the disease, they have turned out to be efficient in delaying the loss of cognitive functions such as memory, reasoning or communication in patients with mild to moderate AD.

Since AD patients progressively lose their independence, they usually require assistance for their daily activities and must rely on caregivers whose burden often results in psychological, physical and social pressure. The cost of AD is also high with yearly expenditures per patient ranging from €7,200 to €27,600 in France depending whether they are cared for at home or in specialized institutions. In the US where healthcare costs are much higher these figures can range from $25,000 to $70,000 per year per patient.

In their 2009 report, Alzheimer's Disease International published their estimates for AD prevalence. In 2010, the number of patients with dementia (AD being the main cause of dementia) was estimated to be 35 million worldwide, a number which is expected to reach 65 million and 115 million people in 2030 and 2050 respectively. The aging population is clearly a contributing factor to the increase in patients suffering from dementia.

It is important to note that the evolution of the disease is very different from one patient to another resulting in a very heterogeneous population and making AD diagnosis very difficult.

Why a diagnostic test for Alzheimer's disease?

With no cure for AD, one can wonder whether an *in-vitro* diagnostic (IVD) test is relevant for the diagnosis of AD. In their 2011 World Alzheimer Report, Alzheimer's Disease International indicates that there is evidence that early intervention on AD patients can improve the cognitive functions and delay their institutionalization. Also, patients who know they have AD can better plan their future in terms of who will take care of them, how they want to be taken care of (at home or in a specialized institution) and make the necessary financial arrangements for such care. In a survey published by Alzheimer Europe, it is indicated that more than 85% of patients would see a doctor if they had symptoms of AD and that 94% of the people surveyed would want to know whether they have AD.

When patients with cognitive impairment are suspected to have dementia, AD is diagnosed with neuropsychological tests (copy simple drawings, remember words, etc.) and imaging techniques of the brain such as single photon emission computed tomography (SPECT) and positron emission tomography (PET). These imaging techniques help in ruling out other treatable causes associated with dementia. Sampling the cerebrospinal fluid can also be helpful in determining the level of β-amyloid and phosphorylated tau proteins whose elevated levels are associated with AD.

However, despite the range of diagnostic tests currently available, only 1 in 2 patients are properly diagnosed with AD and it has been reported that it takes more than 2 years to diagnose this disease in France, one of the highest rates in Europe. In the US, depending on the availability of the diagnostic tools, it can take from 3 months to a year to reach the same conclusion.

Development of Aclarus Dx

With the whole diagnostic process, the sensitivity in detecting AD reaches 90 to 95% but these figures are usually obtained at the later stage of the disease. Aclarus Dx would help in the identification of AD patients at an earlier stage of the disease which as indicated in the previous section, is critical for the well-being of the patients and their caregivers. In France, there were 107,000 new patients admitted in memory centers in 2008 that suffered from impaired cognitive abilities.

Aclarus Dx is a product that capitalizes on the hGWSA technology. A transcriptomic signature from blood samples was determined using 90 AD patients and 87 controls without signs of cognitive impairment. After the validation of the test, the sensitivity of Aclarus Dx is 81.3% and its specificity is 67.1%. The heterogeneity of the AD population explains these results. Aclarus Dx obtained its CE marking in March 2011, a prerequisite for its commercialization in Europe. In June 2011, a partnership was signed with Almac Laboratories making it the reference laboratory for the Aclarus Dx test. Memory centers would send blood samples to Almac which will then perform the analyses. A study called Dialog (DIagnostic ALzheimer cOGnitif) was initiated in December 2011 and uses Aclarus Dx in real life settings to determine its positioning in the diagnostic process of AD. As of today, the 600 patients planned for the study have been recruited and results are expected in September 2013.

In parallel, Diaxonhit is conducting a clinical trial in the USA where the regulations for IVD tests are more stringent. The study will analyze the performance of Aclarus Dx and will determine its clinical usefulness in the US diagnostic process of AD. Aclarus Dx is the first non-invasive diagnostic test for Alzheimer's Disease.

B. BJI Inoplex for prosthetic joint infections

Joint replacement and epidemiology of prosthetic joint infection

It is estimated that 3.5 million hip and knee replacements are performed every year worldwide. This number is expected to grow in the coming years due to an aging population and increased obesity. A major complication that can occur after surgery is infection of the prosthesis resulting in pain and bone damage. It is estimated that the incidence of joint infection is 1 to 2% in the hip and 2 to 3% in the knee. The incidence increases from 5 to 10% in case of a revision of the prosthesis. The cost of a joint replacement is estimated at €9,000 with patients remaining about 8 days at the hospital. In case of the revision of prosthesis after an infection has occurred, the cost can reach €25,000. The patients are also required to remain more than 30 days at the hospital.

Interest of a diagnostic test

There are currently no routinely clinical or laboratory tests for the diagnosis of prosthetic joint infection (PJI) that provide good sensitivity and specificity. Therefore, diagnosis relies on a combination of laboratory and imaging techniques. The early detection of PJI is critical to ensure that adequate measures are implemented to salvage the joint, prevent morbidity, and reduce the costs associated with the replacement of the joint prosthesis.

Development of BJI Inoplex

BJI Inoplex is a non-invasive diagnostic test using blood samples that detects the presence of antibodies targeting bacteria commonly found in PJI. It employs the widely used Luminex technology which allows the detection of multiple antigens in one assay. The first version of this test detects *Staphylococcus* antibodies that represent more than 60% of the bacteria found in such infections. This product was launched in May 2011 as an "early access" program. The new generation of the BJI Inoplex diagnostic test aims at targeting more than 90% of the bacteria usually involved in prosthetic joint infection. This new version will be able to detect *Staphylococci*, *Streptococci*, *Propionibacterium acnes* and Gram negative bacteria in a single assay, thus improving the performance of the version 1 of BJI Inoplex. Completion of the validation study is expected at Q1 2013 and CE marking in Q2 2013 for a product launch in 2014. BJI Inoplex would be first introduced in reference centers for prosthetic replacement (8 in France).

BJI Inoplex would be the first diagnostic test able to detect BJI in a single assay. Results can be obtained in 2 hours, compared to other techniques such as joint aspiration bacterial cultures requiring 2 to 10 days.

C. Tétanos Quick Stick

Tetanus

Tetanus is an infectious disease caused by the bacteria *Clostridium tetani* that live in the outside environment as spores and that will develop only in an environment deprived of oxygen. Infection by *C.tetani* usually occurs through wound contamination (cut or puncture) which leads to the development of the bacteria in the infected site. *C.tetani* releases a toxin responsible for the tetanus. Symptoms include muscle spasms, first in the jaw then in the face, neck, and back. Spasms subsequently spread to other muscles such as upper and lower limbs. Muscles contractions are painful and can cause fractures. Other symptoms include fever, sweating, and elevated blood pressure. If left untreated, tetanus results in the death of the patients. Tetanus can be prevented through vaccination.

Tetanus affects people everywhere in the world but is rare in developed countries especially with the wide vaccination of infants and boosters administered to adults every 10 years. Cases reported occur in unvaccinated populations or those without adequate immunization. However, it is still a major health problem in developing countries where hygiene practices are poor.

Interest of a diagnostic test for Tetanus immunization status

Most of the cases of tetanus occur in patients that have not been vaccinated against tetanus or whose immunization is inadequate. Vaccination status is determined after questioning the patients but such a method has limitations. For instance, patients may not recall when they received their last booster vaccination, may say they are vaccinated although they are not, or may not be able to respond at the time they are admitted (unconscious, etc.).

If the patient vaccination status is unclear and if the wound is at risk, the patient may receive tetanus prophylaxis which consists of an injection of the tetanus vaccine, human immunoglobulin against tetanus, or a combination of both.

However, if the patient is already immune to tetanus, such prophylaxis therapy would not be appropriate and results in higher costs (human immunoglobulin cost approximately €30 in France and tetanus vaccine €2.80). A rapid test to detect the vaccination status of such patients would help avoid unnecessary treatment with a blood product (human immunoglobulin) or over-vaccination.

Tétanos Quick Stick

Tétanos Quick Stick (TQS) is a proprietary diagnostic test of Diaxonhit (Ingen acquired this product in 2011) that determines the tetanus vaccination status of patients subjected to the test. It is a rapid test whose results can be obtained in 10 minutes from a sample of blood. This test is an immune-chromatography test that works more or less like a pregnancy test. A positive result indicates that the patient would be sufficiently and adequately protected against tetanus and therefore would not require any prophylactic treatment. This test is very effective with a sensitivity of 98.1% and a specificity of 100% on whole blood.

D. Dx14 for breast cancer and Dx15 for thyroid cancer

EHT Dx14

Dx14 was developed through a partnership with the Institut Gustave Roussy (IGR). Diaxonhit identified a signature for breast cancer from tissue obtained through fine-needle aspiration (FNA) provided by the IGR. The validation of the test resulted in a specificity of 91.5% and a sensitivity of 97.9%. More interestingly, Dx14 was also proven useful to determine the malignant status of FNA samples characterized as undetermined. For such samples, the specificity of Dx14 was 81.8% and the sensitivity was 78.2%, indicating that 4 out of 5 undetermined samples could be identified as malignant or benign.

FNA is less invasive than biopsies for the diagnosis of breast cancer but requires the presence of a cytopathologist for the interpretation of data. In the US, this technique has been less utilized for the benefit of core-needle biopsy, which is more effective in diagnosing breast cancer. A similar trend in France is observed. According to the Institut de Veille Sanitaire, the number of FNA has been decreasing. In 2005, 5,223 FNA interventions were performed in France following mammography against 3,831 in 2009. Due to the limited market potential in Europe and the US, Diaxonhit's strategy is to capitalize on its technology and experience acquired during the development of Dx14 to further advance other projects in the diagnostic portfolio.

EHT Dx15

Diaxonhit wants to use its know-how to develop a diagnostic test for thyroid cancer. For instance, with the strong performance obtained with Dx14 but due to the limited usage of FNA for breast cancer, Diaxonhit decided to identify a signature for thyroid cancer on samples obtained through FNA which is the standard diagnostic method for this pathology. As of today, Diaxonhit is collecting samples to determine the signature of thyroid cancer on FNA.

2. Therapeutics

Figure 5 shows the products in the therapeutic product portfolio. Among the most advanced products, EHT 0202 for the treatment of Alzheimer's Disease has completed its phase IIa. Diaxonhit is currently trying to find a partner to pursue the development of the drug. EHT/AGN-0001 is a product for the treatment of neuropathic pain and results from the collaboration with Allergan. This product is currently in Phase II and has been licensed to Bristol-Myers Squibb since 2010 along with EHT/AGN-0002 which is in preclinical trials. However, on February 6th 2013, Diaxonhit announced that Bristol-Myers Squibb decided not to pursue the development of the product, returning worldwide rights to Allergan. EHT/AGN-0003, also resulting from a collaboration with Allergan, is at the preclinical phase for the treatment of neurodegeneration. The other proprietary products in preclinical are DYRK for Alzheimer's disease and EHT 107 which aim to target various types of cancer thanks to its anti-angiogenic and anti tumoral activities.

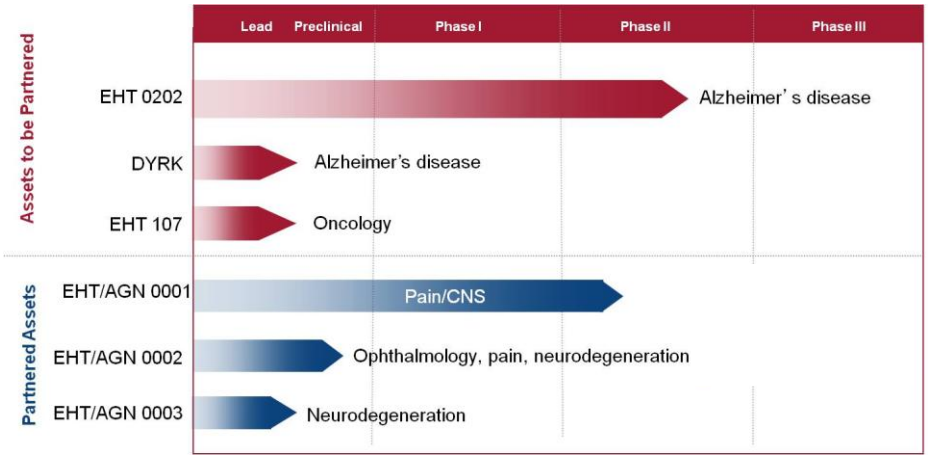


Figure 5: Diaxonhit's Therapeutic product portfolio

A. EHT/AGN-0001

Diaxonhit has been collaborating with Allergan since 2002. This collaboration has been renewed 4 times and is currently in force until December 2013. Many drug candidates have emerged from these joint efforts and EHT/AGN-0001 is the most advanced entity in the pipeline. This compound aims to treat neuropathic pain.

Neuropathic pain

Neuropathic pain occurs after damage to the nerves responsible for feeling pain. This results in patients experiencing stabbing pain, burning sensation, or electric shocks. These pains can be divided into three main categories, lumbar pain, pain associated with diabetes, and pain originating from the nervous system. According to a Business Insights market study, the total number of people suffering from such conditions is 20.4 million in Europe and 19.7 billion in the US.

The market is currently dominated by Pfizer with its blockbuster drug Lyrica (pregabalin), launched in 2004. The 2012 sales for Lyrica were above $4.0 billion although it is important to mention that Lyrica is not only indicated to treat neuropathic pain, but also, epilepsy and fibromyalgia (the first drug approved by the FDA for this particular indication).

Diabetic Peripheral Neuropathic Pain and epidemiology

The prevalence of diabetes is quite high in developed countries. In 2010, it was estimated that about 27 million people in the US had diabetes. In the European top 5 countries in terms of population (Germany, France, United Kingdom, Italy and Spain), 21 million people were suffering from this disease. With increasing obesity in western cultures, the number of diabetic people is expected to grow rapidly. Developing countries have not been spared and this is likely due to increased sensitivity to the western lifestyle.

Diabetic Peripheral Neuropathic Pain (DPNP) is a complication of diabetes where patients would have burning, tingling or aching sensation that can intensify at night. Such patients have their quality of life substantially reduced, especially patients over 60 among which 50% experience constant pain on a daily basis. Moreover, DPNP also impairs daily activities such as exercise or walking which are important for the management of diabetes.

It is estimated that 10 to 20% of diabetic patients suffer from this debilitating condition. BMS-954561 completed its phase II (results pending) in DPNP and was tested against Lyrica to demonstrate superiority.

Post Herpetic Neuralgia and epidemiology

Post herpetic neuralgia occurs after an episode of herpes zoster or zona. Herpes zoster is a viral disease caused by the same virus responsible for chicken pox (varicella zoster virus). After an episode of chicken pox, the virus remains dormant and can then re-emerge as herpes zoster. This disease is characterized by painful skin rashes, accompanied with fever and headache. Skin rashes later evolve to form painful vesicles that usually heal within a week but sometimes leave scars. The incidence of herpes zoster is about 3.5/1,000 people.

Post herpetic neuralgia is a complication of herpes zoster causing pain more than 3 months after the herpes zoster episode. In people less than 60, post herpetic neuralgia usually wears off within a couple of months but for patients over 60, symptoms can persist for years, interfering with their quality of life.

The prevalence of post herpetic neuralgia is about 20% among the patients suffering from herpes zoster.

Development of EHT/AGN-0001

EHT/AGN-0001 is a chemical entity that resulted from a collaboration with Allergan and was synthesized by Diaxonhit. Phase I clinical trials were successfully completed in 2009. In March 2010, Allergan licensed this product and its back-up compounds (along with EHT/AGN-0002) to Bristol-Myers Squibb. This licensing deal allowed Diaxonhit to received $4 million upfront.

EHT/AGN-0001, identified as BMS-954561 in Bristol-Myers Squibb's pipeline, entered phase II clinical trials at the beginning of 2011 in two indications: diabetic peripheral neuropathic pain and post

herpetic neuralgia. These two clinical trials were completed in November 2012 (source clinicaltrials.gov). However, on February 6th 2013, Diaxonhit was notified that Bristol-Myers Squibb would not continue the development of this compound without communicating the reasons of this decision. The rights were returned to Allergan. This setback in the development of EHT/AGN-0001 does not necessarily mean the end of the project since Allergan/Diaxonhit could find another partner to pursue the development of the drug candidate.

French company Nicox experienced a similar situation with its drug candidate against Glaucoma. On August 25th 2008, Pfizer announced it would not pursue the development of drug candidate PF-03187207 previously licensed from Nicox after Phase II clinical trials did not meet the primary endpoint (on a limited trial taking place in Japan). After regaining the rights in August 2009, Nicox licensed the product to Bausch + Lomb at the beginning of 2010. This compound renamed NCX116 successfully completed its phase II trials in 2012 and Nicox announced on January 29th 2013 that Bausch + Lomb had initiated Phase III trials for the drug candidate.

A similar scenario is possible for EHT/AGN-0001 although Allergan who owns the rights of this product, has not yet communicated its strategy for its development.

B. EHT 0202

EHT 0202 is a drug candidate for the treatment of AD (see section 1.A above). As indicated earlier, there is currently no cure for AD and the number of patients is expected to grow in the coming decades due to ageing population. AD is associated with increased levels of β-amyloid which forms deposits in the brain and is thought to be responsible for AD. The mechanism of action of EHT 0202 is to prevent the formation of β-amyloid while producing a compound with the ability to protect neurons. EHT 0202 has been well tolerated in healthy volunteers (young and old). In a phase IIa trial, two doses of EHT 0202 (40 mg and 80 mg twice a day during 3 months) displayed good tolerability in AD patients aged between 60 and 90 years old. More importantly, this trial also showed indications of cognitive function improvements as measured by the ADAS-Cog test, a test used to evaluate AD patients. Although these phase IIa results are not statistically sufficient to demonstrate the effectiveness of EHT 0202 in preventing the loss of cognitive functions, they open the possibility of further testing the drug candidate in phase IIb trial on a larger population and for a longer time.

Diaxonhit has been trying to license this product since the completion of the phase IIa study. For instance, conducting clinical trials for phase IIb studies require large population in order to obtain proof that the drug is effective. As of today, Diaxonhit does not have the financial resources to conduct such a study but is looking for a partner who is able to finance the study.

However, it is important to note that the context for drug development in AD may render this task difficult. For instance, in the past few years, clinical trials for AD have failed to meet their primary end point, leading large pharmaceutical groups to reduce their efforts in neuroscience. Pfizer could not show any benefit in its trial with candidate Dimebon and also failed to demonstrate any impact on symptoms with bapineuzumab, a drug partnered with Johnson & Johnson. Eli Lilly's semagacestat also showed disappointing results as it actually worsened the symptoms of AD patients compared to placebo. Another candidate from Eli Lilly, solanezumab did not show any improvement in moderate to severe AD patients but may have a modest impact on patients with mild AD. Since large pharmaceutical groups have failed to get FDA approval for AD drugs targeting the β-amyloid pathway (also targeted by Diaxonhit's EHT 0202), it may be complicated for Diaxonhit to find a pharmaceutical partner that would pursue the development of EHT 0202.

Ingen Biosciences

Ingen Biosciences is in the top 15 companies in the French IVD market based on sales. According to the European Diagnostic Manufacturer Association (EDMA), the European IVD market represented €10.8 billion in 2011. However, in its 2011 report, the EDMA anticipated a 2-3% decline in the IVD market for 2012 due to the economic crisis in Europe. For instance, the reduction in healthcare spending would lead to a decrease in the number of reimbursed tests.

Germany is the largest market with an IVD market representing €2.2 billion, followed by France (€1.8 billion), Italy (€1.7 billion), Spain (€1.0 billion) and the UK (€0.8 billion). The French IVD market has declined 0.4% between 2010 and 2011. This is mainly attributed to a reduction in the number of private laboratories. Also the decrease in the reimbursement of high volume tests contributed to this decline.

Ingen Biosciences has a portfolio of more than 900 clients, mainly in France, but also Switzerland and Belgium and has an offer of more than 1,700 IVD products and devices provided by 37 suppliers. Most of Ingen's commercial agreements involve exclusive distribution of the products in France.

The product portfolio includes a wide range of diagnostic tests for infectious diseases, auto-immune diseases, hormone level detection, histocompatibility (HLA) and quality control-related products. Ingen also distributes devices for high-throughput analyses (ELISA tests, Luminex technologies, immunofluorescence). Ingen provides customer and technical support for these devices with engineers dedicated to their installation and maintenance. As seen in Figure 6, HLA tests represented 67% of Ingen's sales, followed by microbiology-related products (21%).

The customers of Ingen Biosciences (Figure 7) are public hospitals (52%), blood banks (26%) and public laboratories (18%). The strong contribution of the public hospitals is explained by the high proportion of HLA tests in Ingen's revenues, test which are required for organ transplants.

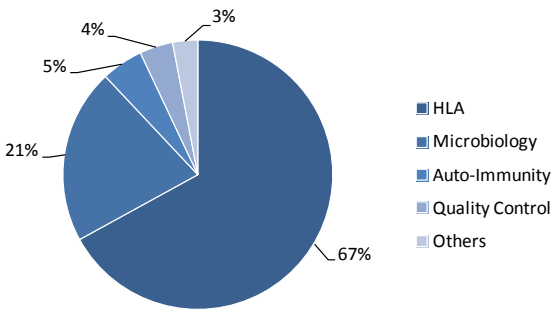


Figure 6: Ingen's Revenues

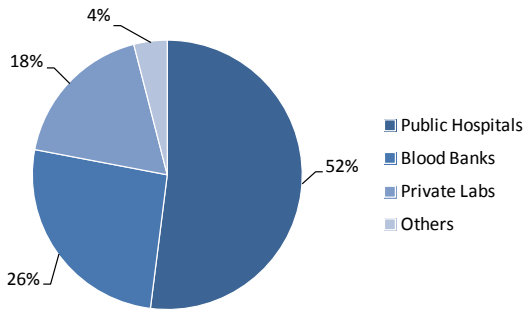


Figure 7: Ingen's Customers

Valuation of Diaxonhit

The valuation of Diaxonhit was performed using two methods. For the products under development, the risk-adjusted Net Present Value (rNPV) method was utilized. The valuation of these products was based on assumptions of products' probability of success, pricing, launch date, and market penetration.

Only the most advanced products in development were taken into consideration: Aclarus Dx whose performance is being evaluated in real clinical conditions, BJI Inoplex whose product launch is expected early 2014, and TQS which is already marketed. The product EHT Dx14 for breast cancer was not evaluated since the market for this product is limited. Should Diaxonhit find commercial partners for EHT Dx14 in regions where FNA is widely used, this would significantly improve the value of the company.

No products in the therapeutic portfolio were taken into account for the valuation of Diaxonhit. For instance, Bristol-Myers Squibb notified it would not pursue the development of EHT/AGN-0001 (February 6th 2013), licensed by Allergan/Diaxonhit in 2010. It was decided not to account for EHT/AGN-0001 since there is no information as of today whether Allergan would pursue the development of the product or find another partner. Also, it was decided not to value the EHT 0202 product for Alzheimer's disease which completed its phase IIa in 2010. This choice was based on the fact that Diaxonhit does not have the resources to pursue the development on its own and finding a partner for this drug would be difficult, considering the numerous setbacks large pharmaceutical groups have recently faced while attempting to develop AD treatments. Moreover, the other products in the pipeline are still at early stage of development and their contribution would not be significant.

The second method used is a Discounted Cash Flow (DCF) model that was applied to Ingen Biosciences, recently acquired by Diaxonhit and which was profitable at the time of acquisition.

The main hypotheses used for the valuation of Diaxonhit are shown in the table below.

	Development Stage	Peak penetration	Launch date	Pricing
Aclarus Dx	Clinical use	5-10%	2014	€750/test
BJI Inoplex	Validation	10-20%	2014	€200/test
TQS*	Marketed	5-10%	2013	€4 - €5/test

*for TQS, the regions where TQS is already marketed were not taken into account since the revenues generated are already accounted for in the valuation of the Ingen subsidiary

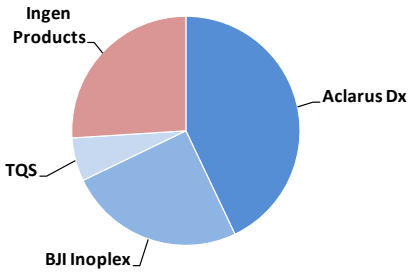
A discount rate of 12% for the products under development was applied and 10% for the Ingen products (DCF method). An overhead of 10% and a tax rate of 33% were applied to revenues.

With these assumptions, we obtain a valuation for Diaxonhit of €86.3 million in 2013 which represents €1.56 per share (table and pie chart below). This represents a 79.3% upside. The new diagnostic product portfolio represents 74% of Diaxonhit's value while the Ingen product catalog accounts for 26% of the value. Aclarus Dx for Alzheimer's disease is the main contributor with 43% of the value on its own. This is explained by its high selling price and time to market in a year from now.

2013	Value (M€)	% total	rNPV/share
Aclarus Dx*	37.1	43.0%	0.67 €
BJI Inoplex*	21.5	24.9%	0.39 €
TQS*†	5.3	6.2%	0.10 €
Ingen Products**	22.4	26.0%	0.41 €
Total	**86.3**	**100.0%**	**1.56 €**

*calculated using the rNPV method
**calculated using a DCF analysis
†for TQS, the regions where TQS is already marketed were not taken into account since the revenues generated are already accounted for in the valuation of the Ingen subsidiary

Product contribution to Diaxonhit's value 2013



The valuation of Diaxonhit has been calculated for 2015. We obtain a value of €105.7 million or €1.91 per share (calculated using the number of shares as of today). This valuation only takes into account the Aclarus Dx, BJI Inoplex, TQS and Ingen product catalog and can be considered as conservative. For instance, no other products have been incorporated in the 2015 valuation although it is important to mention that by then, other tests in the diagnostic portfolio, and more particularly EHT Dx15 for thyroid cancer, would have advanced in their development. This would therefore contribute significantly to Diaxonhit's 2015 value.

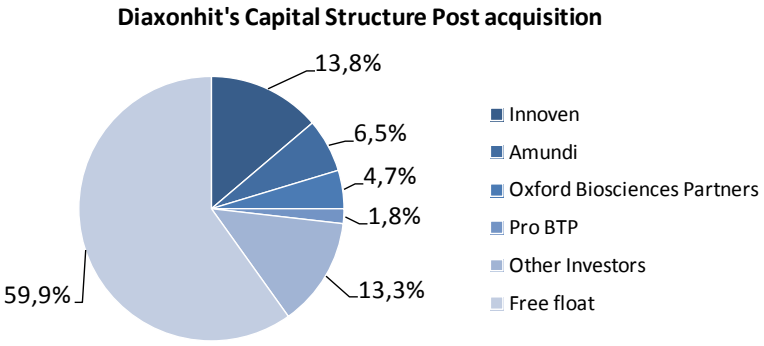
Financials

1- Capital Structure

The capital structure of Diaxonhit post acquisition of Ingen Biosciences is shown in the table and chart below.

After the acquisition of Ingen Biosciences, the number of shares outstanding reached 55,373,100. The main shareholders account for 40.1% of the capital. Oxford Biosciences Partners (4.7%) and Pro BTP (1.8%) were Exonhit's historical shareholders while Innoven (13.8%) and Amundi (6.5%) were Ingen Biosciences's largest shareholders. The shares held by Diaxonhit's management and employees represent less than 1% of the capital. The free float of the company is around 60%.

Shareholders	Number of shares
Innoven	7,628,643
Amundi	3,620,415
Oxford Biosciences Partners	2,597,802
Pro BTP	1,000,000
Other Investors	7,384,719
Total for main shareholders	**22,231,579**
Free float	33,141,521
Total	**55,373,100**



2- Share information

Diaxonhit's stock closed at €0.87 on February 7th 2013, with an average daily volume of 170,925 shares in the past 3 months (0.31% of Diaxonhit's capital). At the beginning of 2012, Diaxonhit benefited from the positive dynamics of the biotech sector, reaching a yearly high of €2.29 on March 21st 2012 (Figure 8). However, the release of the 2011 earnings the next day resulted in an 11.8% drop in the share price (€1.79) indicating that the market penalized Diaxonhit heavily for the €7.1 million loss recorded for 2011. However, despite a 40% decrease in revenues from 2010 to 2011 (due to exceptional revenues obtained through licensing of EHT/AGN-0001 to Bristol-Myers Squibb in 2010), Diaxonhit significantly reduced its operating expenses (-14.9%), resulting in an improvement of the net loss (-7.8%) compared to 2010.

This decrease in the share price was later exacerbated with the economic downturn following fears of Greece leaving the Eurozone. Similar to other stocks in the sector, Diaxonhit's share declined and stabilized around €1.20 at the beginning of May 2012. Diaxonhit's stock then remained stable around €1.12 until the acquisition of Ingen BioSciences was announced on November 6th 2012. The capital increase of €4.4 million to finance the acquisition led to an 8.3% drop in the price from €1.09 to €1.00. Diaxonhit's share price fell below €1.00, dropping to €0.84 on December 11th 2012 before recovering at the beginning of January 2013.

Since the beginning of the year, Diaxonhit's stock has remained stable although it experienced a 3.33% decline since January 2nd 2013, mainly due to the decision from Bristol-Myers Squibb not to pursue the development of EHT/AGN-0001.

In terms of volume, the 2012 daily average volume for Diaxonhit was 115,683 shares, representing 0.2% of the capital.

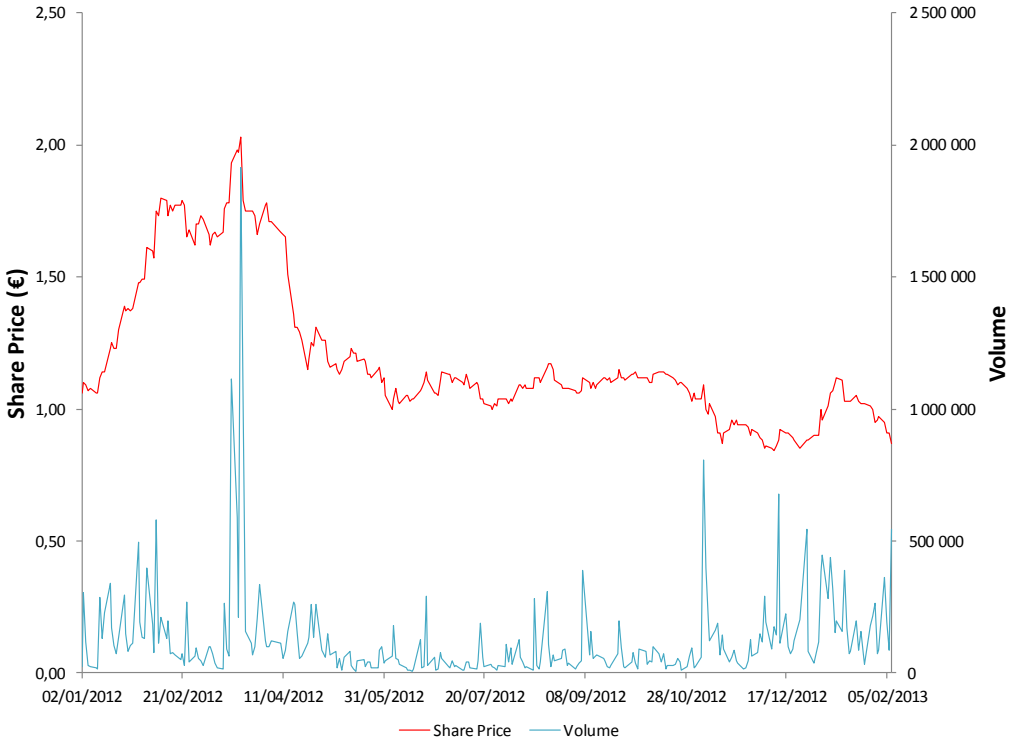


Figure 8: Diaxonhit's share price and volume exchanged since January 2nd 2012.

Figure 9 shows the share price of Diaxonhit since January 2nd 2013 compared to the CAC 40 index as well as the other indices it belongs to: Next Biotech, CAC Pharma&Bio and Alternext Allshares (all the indices have been rebased).

Diaxonhit's share has been outperformed by all the indices. The high performance of the Next Biotech index can be attributed to the strong increase of the AB Sciences share price in 2012.

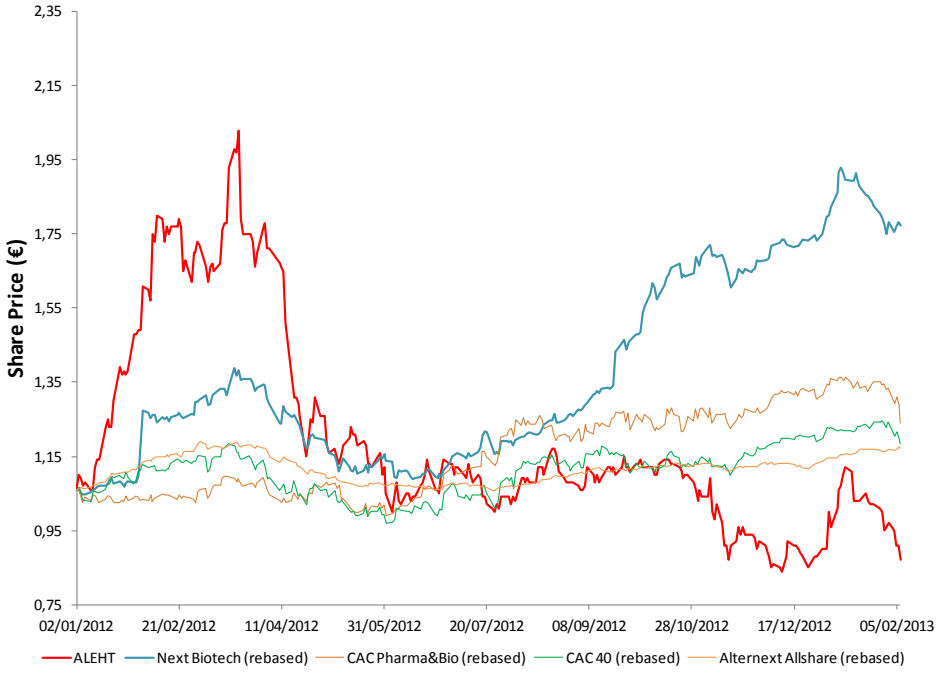


Figure 9: Diaxonhit's share price compared to the Next Biotech, CAC Pharma&Bio, CAC 40 and Alternext Allshare since January 2nd 2012.

3- Financial Statements

The financial data of the Exonhit and Ingen Biosciences for 2010 and 2011 are presented in the following sections. The Diaxonhit consolidated financial data for 2012 have yet to be published by the company.

Exonhit

Exonhit's cash reserves and cash equivalents have been significantly reduced from €25.6 million to €12.9 million (-49.6%). This is mainly attributed to the reimbursement of its long term liabilities and more specifically of the convertibles bonds issued in 2006 of which 734,402 were not converted into shares. In 2010, the long term liabilities represented €8.1 million compared to €0.6 million in 2011 (a 92.6% decrease).

Balance sheet as of	31/12/2011	31/12/2010
Assets		
Non-current assets		
Intangible assets	6 000 €	142 000 €
Tangible assets	655 000 €	1 282 000 €
Financial assets	0 €	0 €
Other non-current assets	379 000 €	347 000 €
Total non-current assets	**1 040 000 €**	**1 772 000 €**
Current assets		
Inventories and work in-progress	203 000 €	195 000 €
Account receivables	1 031 000 €	1 173 000 €
Other receivables	2 404 000 €	2 515 000 €
Marketable securities	5 331 000 €	20 445 000 €
Cash	7 594 000 €	5 162 000 €
Total Current assets	**16 563 000 €**	**29 490 000 €**
TOTAL ASSETS	**17 603 000 €**	**31 261 000 €**
Liabilities and Equity		
Shareholders' equity		
Share capital	546 000 €	533 000 €
Additional paid-in capital	96 783 000 €	95 432 000 €
Reserves	-77 800 000 €	-70 053 000 €
Other	1 138 000 €	1 027 000 €
Net income/(loss) for the year	-7 099 000 €	- 7 748 000 €
Total Shareholders' equity	**13 567 000 €**	**19 191 000 €**
Non-current liabilities		
Bond debt	0 €	6 522 000 €
Provisions	632 000 €	1 534 000 €
Other liabilities	0 €	15 000 €
Total non-current liabilites	**632 000 €**	**8 071 000 €**
Current liabilities		
Short-term debt	15 000 €	173 000 €
Account payables	905 000 €	904 000 €
Other liabilities	2 485 000 €	2 921 000 €
Total current liabilities	**3 404 000€**	**3 999 000 €**
TOTAL LIABILITIES AND EQUITY	**17 603 000 €**	**31 261 000 €**

Exonhit's revenues were reduced from €8.4 million in 2010 to €5.0 million in 2011 (-40%). This is attributed to exceptional revenue perceived by Exonhit in 2010 through the licensing of the EHT/AGN-0001 and EHT/AGN-0002 by Allergan to Bristol-Myers Squibb. The transaction led to an upfront payment of $4.0 million (€3.0 million) to Exonhit. As indicated earlier, despite having recorded a €7.1 million loss in 2011, Exonhit significantly reduced its operating expense, especially with the restructuring of the American laboratory in Maryland.

Income Statement	2011	2010
Net sales	**4 993 000 €**	**8 418 000 €**
R&D Expense	7 717 000 €	8 480 000 €
Marketing Expense	1 508 000 €	1 334 000 €
SG&A	3 863 000 €	5 578 000 €
Operating Expense	**-13 088 000 €**	**-15 392 000 €**
EBIT	**-8 095 000 €**	**-6 974 000 €**
Financial Income	384 000 €	-2 103 000 €
Exceptional Income	-491 000 €	0 €
Tax Credit/(Income Tax)	1 103 000 €	1 329 000 €
Net income/(loss)	**-7 099 000 €**	**-7 748 000 €**

Ingen Biosciences

Ingen Biosciences has increased its cash position with cash and cash equivalents amounting €5.6 million in 2011, a 36.6% increase from 2010. The table below shows the consolidated balance sheet of Ingen Biosciences and Gamma, acquired at the end of 2011.

Balance sheet as of	31/12/2011	31/12/2010
Assets		
Non-current assets		
Intangible assets	7 849 737 €	5 497 043 €
Tangible assets	549 358 €	552 639 €
Financial assets	125 264 €	104 781 €
Other non-current assets	0 €	0 €
Total non-current assets	**8 524 358 €**	**6 154 463 €**
Current assets		
Inventories and work in-progress	994 974 €	1 087 888 €
Account receivables	3 745 813 €	3 588 820 €
Other receivables	638 623 €	684 831 €
Prepaid expense	112 361 €	217 767 €
Marketable securities	3 000 000 €	2 616 669 €
Cash	2 577 907 €	1 469 816 €
Total Current assets	**11 069 678 €**	**9 665 791 €**
Currency Change	82 690 €	26 558 €
TOTAL ASSETS	**19 676 728 €**	**15 846 810 €**
Liabilities and Equity		
Shareholders' equity		
Share capital	922 347 €	922 347 €
Additional paid-in capital	7 208 663 €	7 208 021 €
Reserves	2 056 653 €	1 460 782 €
Other	95 043 €	103 478 €
Net income/(loss) for the year	953 674 €	592 373 €
Total Shareholders' equity	**11 236 380 €**	**10 287 001 €**
Non-current liabilities		
Provisions	311 416 €	70 510 €
Other liabilities	3 042 618 €	1 949 716 €
Total non-current liabilites	**3 354 034 €**	**2 020 226 €**
Current liabilities		
Short-term debt	650 000 €	49 084 €
Account payables	2 758 253 €	3 471 523 €
Other liabilities	1 674 308 €	9 095 €
Total current liabilities	**5 082 561€**	**3 529 702 €**
Currency Change	3 753 €	9 881 €
TOTAL LIABILITIES AND EQUITY	**19 676 728 €**	**15 846 810 €**

Ingen's net sales increased from €21.0 million in 2010 to €23.3 million in 2011, an 11% increase. Ingen's turnover has been increasing steadily since 2006 at CAGR of 15% (2006-2010 period). Before its acquisition by Exonhit, Ingen Biosciences was a profitable company, recording a net income of €953 674 in 2011, a 61% increase from 2010 (€592 373). Ingen has demonstrated its ability to generate high revenues and has confirms its position as leader in the distribution of diagnostic products.

Income Statement	2011	2010
Net sales	**23 337 964 €**	**21 010 611 €**
COGS	13 133 873 €	12 476 033 €
SG&A	8 241 678 €	7 457 626€
EBITDA	**1 962 413 €**	**1 076 952€**
Depreciation/Amortization	666 061 €	592 558 €
EBIT	**1 296 352 €**	**484 394€**
Financial Income	-297 232 €	-127 229 €
Exceptional Income	-150 187 €	60 775 €
Tax Credit/(Income Tax)	104 741 €	174 433 €
Net income/(loss)	**953 674 €**	**592 373 €**

Notes

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