

ExonHit Therapeutics reports 2009 annual results

- Delivery of key 2009 milestones
- Dynamic pursuit of value adding opportunities in 2010

2009 Key product milestones

Therapeutics

- Positive Phase 2a results for EHT 0202, ExonHit's lead candidate in Alzheimer's disease
- Successful completion of Phase 1 safety studies for EHT/AGN 0001

Diagnostics

- Successful completion of clinical validation for AclarusDx™ Alzheimer's test
- First product launch with AclarusDx™ Alzheimer's test as a "research use only" product
- In-licensing from Institut Gustave Roussy of EHT Dx14, a novel breast cancer diagnostic

2009 Key events

- Strengthening of cash position through equity funding, with € 30 million at year end
- Appointment of a new CFO with a strong biotech experience

2010 Outlook

Therapeutics

- Out-licensing of EHT/AGN 0001 program
- Agreement with a partner in 2H 2010 for further development of EHT 0202
- Signing of new R&D collaborations

Diagnostics

- Acquisition of a revenue-generating US molecular diagnostic company by Q3 2010
- CE marking of AclarusDx™ Alzheimer's test in Q4 2010, and launch in Europe in Q1 2011
- Launch EHT Dx14 in Q3 2010 as a "research use only" product
- First commercial revenues out of the Diagnostics portfolio

Key figures

	2009 (million EUR)	2008 (million EUR)
Total revenues	4.9	4.2
R&D expenses	9.0	9.9
Operating result	(9.7)	(11.4)
Net result	(7.7)	(8.9)
Cash burn from operations*	(6.7)	(9.6)
Consolidated cash & cash equivalents at December 31	30.2	21.1

*including research tax credit

Paris, France – March 10, 2010 – ExonHit Therapeutics (Alternext: ALEHT) today announced its consolidated financial results for the year ending December 31, 2009.

Commenting on the results, Loïc Maurel, M.D., President of the Management Board of ExonHit Therapeutics, said: *“In 2009, we made significant progress in our Alzheimer’s programs. We successfully completed first patient dosing with EHT 0202, our lead candidate in Alzheimer’s in therapeutics and in diagnostics, we launched our first product, AclarusDx™ Alzheimer’s test.”* He added: *“We are starting 2010 with a strong cash position that will allow us to make the acquisition of a US molecular diagnostic company and to prepare for the launch of AclarusDx in the IVD market.”*

Hervé Duchesne de Lamotte, ExonHit’s Chief Financial Officer since November 2009, became a member of the Management Board in March 2010.

Overview of ExonHit’s business activities

ExonHit Therapeutics intends to remain active in both therapeutics and diagnostics. These two fields have distinct risks and returns on investment, and provide opportunities for synergistic value creation.

The Company has a specific approach for each domain.

In Therapeutics:

- For its internal programs, the strategy of the Company is to bring drug candidates through proof-of-concept studies, and then partner the programs to accelerate product development. The milestone payments received will allow ExonHit to finance the development of other drug candidates and advance its diagnostics programs.
- ExonHit is looking for additional research collaborations to further leverage its discovery capabilities and expand its sources of financing and revenues.
- Starting in 2010, the company will focus its internal therapeutic activities on cancer projects to take advantage of shorter development timelines and earlier partnering opportunities than for neurodegenerative diseases. Work in neurodegeneration will continue with partners as demonstrated by the February 23, 2010 announcement that proprietary ExonHit lead compounds from an internal neuro-related program were being included into the Allergan collaboration.

In Diagnostics:

- ExonHit intends to become recognized as a player in molecular diagnostics which is a particularly attractive market with more rapid development timelines than for therapeutics.
- To strengthen its commercial portfolio, generate revenues rapidly and hence, reach break-even faster, the Company announced it is planning to acquire a revenue-generating US-based diagnostics company specializing in molecular diagnostics with a focus in oncology and/or neurodegeneration.

2010 will be a year of change for ExonHit. Assuming completion of the planned diagnostic acquisition in the US in the second half of 2010, the new global entity will have a commercial product portfolio and an increased presence in the United States.

2009 consolidated financial results

- **Income Statement**

Consolidated revenues amounted to € 4.9 million, an increase of 16% compared to the € 4.2 million achieved in 2008. These increased revenues mainly relate to the collaboration with Allergan under which more activities were performed in 2009, combined with a stronger dollar against the euro, all payments from Allergan being made in US dollars.

Research and Development expenses decreased by 9% to € 9.0 million in 2009 compared to € 9.9 million in 2008. The reduction is linked to a € 0.8 million loan that was forgiven by OSEO, a French government organization dedicated to financing innovative R&D projects. Excluding this loan, R&D expenses remained stable compared to 2008.

Marketing and Sales expenses amounted to € 1.2 million, an increase of 8% as compared to € 1.1 million in 2008, mainly driven by expenses for market studies.

General and Administrative costs decreased by 6% to € 4.3 million in 2009, compared to € 4.6 million for the same period in 2008. This decrease is linked to lower salary expenses subsequent to the CFO leaving the company, partially offset by an increase in legal fees.

As a result, the group's operating expenses decreased by 7% to € 14.6 million in 2009 compared to € 15.6 million in 2008. In 2009, 62% of these expenses were allocated to R&D compared to 63% for the same period in 2008.

Consequently, the company posted an operating loss of € 9.7 million for 2009, a decrease of 15% compared to € 11.4 million for 2008.

Financing income decreased to € 0.34 million in 2009 from € 0.38 million in 2008. While financing costs decreased by 47%, following the conversion of convertible bonds and the ensuing reduction in interest payments, revenues also decreased by 22% due to lower cash reserves and lower interest rates in 2009 compared to 2008.

The estimated research tax credit amounted to € 1.6 million in 2009, compared to € 2.1 million in 2008. This decrease is essentially due to the deduction of the forgiven OSEO loan.

As a consequence, ExonHit recorded a consolidated net loss of € 7.7 million in 2009, compared to € 8.9 million in 2008.

- **Balance sheet**

On December 31, 2009, the cash position of the Company amounted to € 30.2 million, compared to € 21.1 million at the end of 2008. ExonHit cash is only invested in high quality funds which liquidity is reasonably guaranteed.

Three financings took place in 2009, namely the conversion of more than half of outstanding convertible bonds, the partial exercise of 08/09 warrants, and the December 2009 capital increase; in addition free shares were granted in 2009 and stock-options were exercised during the second half of 2009. As a result, total shareholder's equity increased to € 25.5 million on December 31, 2009 against € 9.7 million on December 31, 2008.

- **Cash flow statement**

In 2009, ExonHit's net cash utilized by operating activities was € 6.7 million compared to € 9.6 million in 2008. This decrease is mainly related to the amount of the research tax credit reimbursed in cash to the company during 2009. In order to help finance businesses, the French Government changed R&D tax credit reimbursement rules and ExonHit received a payment of € 3.6 million corresponding to the tax credit due for the years 2005 to 2008.

Convertible bonds conversion is reflected by both a reduction of the corresponding loan and a capital increase of € 7.0 million. In addition, on December 18, 2009, the company issued 4,161,075 new common shares in the context of a capital increase for € 15.6 million. As a result, financing activities generated € 16.3 million in 2009, compared to € 0.2 million in 2008.

Product Update

- **Therapeutics**

Following the review of its internal therapeutic portfolio, ExonHit decided to focus on oncology and to only pursue additional neuro-related programs with partners. As a result, further development of the EHT 207 program in epilepsy and the EHT 206 program in Alzheimer's disease are being discontinued; however development of the EHT 206 sister program EHT 101 in cancer is maintained. ExonHit will refocus resources towards the new **EHT 107 program**, whose current lead has demonstrated broad low to sub-nanomolar activity across a panel of more than 70 cancer cell lines and is entering *in vivo* preclinical testing.

EHT 0202, ExonHit's lead candidate in Alzheimer's disease and potentially first in a new class of disease modifying therapies, which stimulate the α -secretase pathway, has successfully completed Phase 2a testing. The clinical results communicated in September 2009 showed that EHT 0202 is safe and generally well tolerated in patients and that it could potentially enhance cognition in patients suffering from Alzheimer's disease. Discussions are ongoing to find a partner in 2H 2010.

EHT/AGN 0001, the lead compound from the most advanced program in the Allergan collaboration, as well as **EHT/AGN 0002 and its associated back-up compounds** were out licensed by Allergan to Bristol-Myers Squibb in March 2010. ExonHit continues its collaboration with Allergan dedicated to the identification, development and commercialization of drugs for the treatment of ophthalmology, pain and neurodegenerative diseases.

- **Diagnostics**

AclarusDx™ Alzheimer's test is a blood-based biomarker identifying patients suffering from Alzheimer's disease (AD). This test is designed to discriminate AD patients from healthy individuals and is intended to be used in association with standard methods of assessment.

As first market entry, it was launched in December 2009 as a "research use only" product, to improve patient selection for clinical trials, thus targeting pharmaceutical companies and leading academic centers performing clinical research.

ExonHit is anticipating a CE marking in Q4 2010, and is preparing the launch of **AclarusDx™** in the clinical *in vitro* diagnostic (IVD) market with laboratory partners for a European launch in Q1 2011. Regarding US marketing approval, discussions have been initiated with the FDA to define the exact regulatory pathway to meet IVD requirements.

EHT Dx14, a novel breast cancer diagnostic biomarker developed using ExonHit's SpliceArray™ platform, was licensed from Institut Gustave Roussy in May 2009. This test is intended to facilitate the reading of samples obtained by fine-needle aspiration (FNA) after a suspicious mass is discovered during mammography. Current methods are core needle biopsy or exploratory surgery. Performing EHT Dx14 could reduce the use of these invasive procedures and would shorten time to result. The molecular signature has been confirmed in a pilot study and ExonHit is proceeding with a large cohort for full validation. ExonHit plans to launch the test as a "research use only" product for oncology centers in Q3 2010.

The collaboration with **bioMérieux** to develop blood-based biomarkers for the detection of prostate cancer is ongoing. Collaborations on breast and colon cancer programs were discontinued. The technology was demonstrated to be robust and reproducible, however the clinical results did not reach the performance criteria set for the programs.

IP/Legal update

The lawsuit between ExonHit and Jivan Biologics Inc (Jivan) has been resolved by Consent Judgment entered by the Court against Jivan for infringement of ExonHit's US Patent 6,881,571 ('571 Patent). Jivan has been held to infringe the '571 Patent and is enjoined from further infringement. ExonHit agreed to release Jivan from claims for damages for Jivan's infringing devices sold prior to the Consent Judgment.

License agreements have been signed with Sigma Aldrich and Tocris allowing both companies to commercialize **EHT 1864** for research use only, ExonHit's proprietary and widely tested Rac 1/Rac 1b inhibitor.

A meeting for institutional investors, analysts and journalists will be held by ExonHit's management board today, Wednesday, March 10, 2010 at 10:00 am CET.

About ExonHit Therapeutics

ExonHit Therapeutics (Alternext: ALEHT) is a fast-emerging healthcare player active in both therapeutics and diagnostics. The company is applying its proprietary technology, based on the analysis of alternative RNA splicing, to develop innovative molecular diagnostic tests and therapeutics for neurodegenerative and cancer indications. ExonHit has a balanced investment strategy with internal development programs and strategic collaborations, in particular with bioMérieux and Allergan.

ExonHit is headquartered in Paris, France and has U.S. offices in Gaithersburg, Maryland. The company is listed on Alternext of NYSE Euronext Paris. For more information, please visit <http://www.exonhit.com>.

Disclaimer

This press release contains elements that are not historical facts including, without limitation, certain statements on future expectations and other forward-looking statements. Such statements are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those anticipated.

In addition, ExonHit Therapeutics, its shareholders, and its affiliates, directors, officers, advisors and employees have not verified the accuracy of, and make no representations or warranties in relation to, statistical data or predictions contained in this press release that were taken or derived from third party sources or industry publications, and such statistical data and predictions are used in this press release for information purposes only.

Lastly, this press release may be drafted in the French and English languages. In an event of differences between the texts, the French language version shall prevail.

Contacts

ExonHit Therapeutics

Corinne Hoff
+33 1 58 05 47 04
corinne.hoff@exonhit.com

Alize RP

Caroline Carmagnol
+ 33 6 64 18 99 59
caroline@alizerp.com

EXONHIT THERAPEUTICS S.A.

CONSOLIDATED INCOME STATEMENT* (in thousands of euros, except per share data)

	Fiscal Year 2009	Fiscal Year 2008
Research and development revenues	4 892	4 211
Research and development grants	-	9
Total revenues	4 892	4 219
Research and Development expenses	(8 984)	(9 878)
Marketing and Selling expenses	(1 239)	(1 144)
General and Administrative expenses	(4 329)	(4 592)
Total operating expenses	(14 552)	(15 614)
Loss from operations	(9 659)	(11 394)
Interest expense	(277)	(525)
Interest income	690	888
Exchange gain (loss)	(70)	16
Loss before tax	(9 317)	(11 015)
Tax benefit	1 616	2 089
Net income (loss)	(7 701)	(8 925)
Weighted average number of shares outstanding	28 135 020	26 780 441
Net loss per share	(0,27)	(0.33)
Net loss by share (diluted)	(0,27)	(0.33)

*audited

EXONHIT THERAPEUTICS S.A.

CONSOLIDATED BALANCE SHEET* (in thousands of euros)

ASSETS	Dec. 31, 2009	Dec. 31, 2008
Intangible assets, net	187	556
Property and equipment, net	1 784	2 220
Other long term assets	336	269
Total long-term assets	2 307	3 046
Accounts and grants receivable	1 106	1 057
Other short term assets	2 890	4 696
Cash and cash equivalents	30 245	21 049
Total short-term assets	34 242	26 802
TOTAL ASSETS	36 549	29 847
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	524	430
Additional paid-in capital	94 230	70 650
Accumulated deficit	(70 052)	(62 351)
Other	756	1 011
Shareholders' equity	25 458	9 739
Convertible bonds	6 522	13 522
Provisions for risks	344	443
Long-term debt less current portion	81	210
Long-term portion of deferred income	119	243
Total long-term liabilities	200	453
Current portion of long-term debt	107	920
Current portion of capital lease obligations	129	124
Accounts payable	1 302	2 070
Accrued liabilities	1 375	1 425
Deferred income short-term	1 111	1 150
Total short-term liabilities	4 024	5 689
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	36 549	29 847

*audited

EXONHIT THERAPEUTICS S.A.

CONSOLIDATED CASH FLOW STATEMENT*

(in thousands of euros)

	Fiscal year ending	
	Dec.31, 2009	Dec. 31, 2008
OPERATING ACTIVITIES		
Net loss	(7 701)	(8 925)
Less:		
Depreciation and amortization of property & equipment	633	327
Depreciation of intangible assets	126	134
Allowance for bad debts	45	-
Oseo loan forgiveness	(774)	
Retirement liability accrual and other	(99)	286
Capitalized interests on convertible bonds	36	-
Transfer of intangible assets (warrant fees)	292	
Increase (decrease) in cash from:		
Inventory	1	(106)
Accounts receivable	(96)	97
Research tax credit receivable	1 887	(1 711)
Prepaid expenses and other assets	(88)	(31)
Accounts payable and accrued expenses	(762)	959
Accrued compensation	(41)	(157)
Deferred income, short term	(39)	(375)
Deferred income, long term	(125)	(116)
Net cash used in operating activities	(6 706)	(9 618)
INVESTING ACTIVITIES		
Purchase of property and equipment	(343)	(1 177)
Payment of patent and acquisition of other intangibles		-
Net cash used in investing activities	(343)	(1 177)
FINANCING ACTIVITIES		
Issuance of shares (net of fees)	23 532	261
Proceeds from loan	(7 199)	(42)
Net cash provided by (used in) financing activities	16 333	219
Net increase (decrease) in cash and cash equivalents	9 284	(10 576)
Effects of exchange rate on cash	(89)	284
Cash and cash equivalents, beginning of period	21 050	31 342
Cash and cash equivalents, end of period	30 245	21 050

*audited