

Message

**From:** Danise Yam [/O=Theranos Organization/OU=First Administrative Group/CN=Recipients/CN=DYAM]  
**Sent:** 6/4/2012 9:57:25 PM  
**To:** Elizabeth Holmes [/O=Theranos Organization/OU=First Administrative Group/cn=Recipients/cn=eholmes]  
**Subject:** RE:  
**Attachments:** Financial Statement Analysis Template-Theranos.pdf; FS 123111.pdf

Please let me know if the fonts are too small. Just to put everyone on one page.

**From:** Elizabeth Holmes  
**Sent:** Monday, June 04, 2012 2:38 PM  
**To:** Danise Yam  
**Subject:**

See attached – pls send these to me as PDFs for the meeting

Elizabeth Holmes  
CEO  
Theranos, Inc.

Tel: 650.470.6111  
Fax: 650.838.9804

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Theranos, Inc., 3200 Hillview Avenue, Palo Alto, CA, 94304  
650-838-9292 [www.theranos.com](http://www.theranos.com)

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Company Financials Assessment						
<b>Date:</b> 5/29/2012						
<b>Company:</b> Theranos						
<b>Project:</b> 1701 Page Mill						
<b>Financial Review</b>						
<b>Financial Statements Supplied:</b> Income Statement, Balance Sheet, Statement of Cash Flows (YE 2011 and YE 2010)						
<b>Financials Audited or Reviewed:</b> Reviewed by KPMG						
<b>Financials Preparer:</b> Danise Yam, Corporate Controller						
Financial Indicators:	IS/BS/SCF	Definition	Benchmark	Most Recent Year	Prior Year	
				31-Dec-11	31-Dec-10	
Cash and Cash Equivalents	BS	sum of cash and cash equivalents on a company's balance sheet	positive	\$ 88,055,544	\$ 36,717,770	
Working Capital	BS	= current assets - current liabilities current assets: a balance sheet item -- equals the sum of cash and cash equivalents, accounts receivable, inventory, marketable securities, prepaid expenses, and other assets that could be converted to cash in less than a year. current liabilities: a balance sheet item -- equals the sum of all money owed by a company and due within one year.	positive	\$ 84,650,018	\$ 35,605,096	
Current Ratio	BS	= current assets / current liabilities	> 100%	2179.4%	1884.9%	
Quick Ratio	BS	= current assets - inventories / current liabilities	> 90%	2179.4%	1884.9%	
Owner's Equity (Including Minority Interests)	BS	= total assets minus total liabilities of an individual or company. For a company, also called net worth or shareholders' equity or net assets.	positive	\$ 5,157,904	\$ 31,779,392	
Long-term Debt/Owner's Equity	BS	= long-term debt / owner's equity long-term debt: loans and obligations with a maturity of longer than one year; usually accompanied by interest payments. owner's equity: total assets minus total liabilities (also called net worth or shareholders' equity).	< 10%	1629.3%	20.3%	
Cash from Operations	SCF	An accounting of funds related to the company's operations, reported on the cash flow statement. Calculated by adjusting net income to reflect depreciation expenses, deferred taxes, accounts payable, accounts receivable, and any extraordinary items. Shows how much money the company received from its actual business operations. Excludes cash received from other sources, such as investments.	positive	\$ 49,159,578	\$ (14,526,832)	
Revenue	IS	The total amount of money received by the company for goods sold or services provided during a certain time period. Includes all net sales and exchange of assets; interest and any other increase in owner's equity and is calculated before any expenses are subtracted.	RY > PY	\$ 518,248	\$ 1,401,305	
Pre-tax Operating Income	IS	A calculation of operating income, using only operating revenues and direct expenses related to a company's primary business. The calculation excludes investments and rents received, and other forms of non-core business income; also excludes other liabilities, including tax, possibly legal expenses, are excluded.	positive	\$ (27,739,053)	\$ (16,170,002)	
Gross Profit Margin	IS	A calculation of what remains from sales after a company pays out the cost of goods sold. gross profit margin = gross profit / total revenue = (total revenue - cost of goods sold) / total revenue	positive	99.0%	94.0%	
Operating Income Margin	IS	= operating income / total revenue	positive	-5352.47%	-1153.92%	
Net Profit Margin	IS	= net income / total revenue	positive	-5337.7%	-1157.2%	
		Definition	Comments			
Accounts Receivable Ageing		A periodic report showing all outstanding receivable balances, broken down by customer and month due.	Customers mainly prepaid. No A/R		Customers mainly prepaid. No significant AR	
Current Lawsuits/Claims History						
Unrecorded Liabilities		Any financial liabilities that do not currently appear on a company's financial statements (e.g. unused vacation time).	We do not have unrecorded liability. Our future commitment on leases was \$10.5m as of year end		We do not have unrecorded liability. Our future commitment on leases was \$10.9m as of year end	
Letter of Credit Capacity			\$30M		\$30M	
Planned Debt Issuances			N/A		N/A	
Other Comments			N/A		N/A	

## THERANOS, INC. AND SUBSIDIARY

## Consolidated Balance Sheets

December 31, 2011 and 2010

<b>Assets</b>	<b>2011</b>	<b>2010</b>
Current assets:		
Cash and cash equivalents	\$ 25,585,015	4,774,600
Marketable securities	62,470,529	31,943,170
Accounts receivable	-	54,722
Prepaid expenses and other assets	665,401	827,422
Total current assets	88,720,945	37,599,914
Property and equipment, net	4,547,845	2,630,075
Total assets	\$ 93,268,790	40,229,989
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 1,237,718	439,500
Accrued liabilities	2,803,099	1,275,208
Deferred revenue	7,169	257,169
Preferred stock warrant liability	22,941	22,941
Total current liabilities	4,070,927	1,994,818
Deferred rent	766,952	759,200
Deferred revenue	3,800,848	3,808,017
Customer Deposits	73,500,000	-
Repurchaseable shares	5,958,827	1,846,856
Noncurrent portion of capital lease obligation	13,332	41,706
Total liabilities	88,110,886	8,450,597
Stockholders' equity:		
Capital stocks	109,366,303	108,320,763
Accumulated deficit	(104,213,440)	(76,550,908)
Accumulated other comprehensive income	5,041	9,537
Total stockholders' equity	5,157,904	31,779,392
Total liabilities and stockholders' equity	\$ 93,268,790	40,229,989

**THERANOS, INC. AND SUBSIDIARY**

Consolidated Statements of Operations

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenue	\$ 518,248	1,401,305
Operating expenses:		
Research and development	22,013,855	13,594,149
General and administrative	<u>6,243,446</u>	<u>3,977,158</u>
Total operating expenses	<u>28,257,301</u>	<u>17,571,307</u>
Operating loss	(27,739,053)	(16,170,002)
Interest and other income, net	79,227	41,631
Interest expense	<u>(2,706)</u>	<u>(87,915)</u>
Net loss	<u>\$ (27,662,532)</u>	<u>(16,216,286)</u>

Theranos, Inc.  
Consolidated Statements of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
<b>Operating activities</b>		
Net loss	(27,662,532)	(16,216,286)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,024,608	770,794
Gain on property and equipment	-	(2,000)
Realized gains on investment	5,448	-
Stock-based compensation	-	479,828
Common stock warrants issued for services	-	27,008
Changes in operating assets and liabilities:		
Accounts receivable	54,722	(26,162)
Prepaid expenses and other assets	162,021	(632,309)
Inventory	-	581,395
Accounts payable	798,218	(120,129)
Accrued and other liabilities	1,526,510	307,689
Deferred rent	7,752	47,321
Customers' deposits	73,500,000	-
Deferred revenue	(257,169)	256,019
Net cash used in operating activities	49,159,578	(14,526,832)
<b>Investing activities</b>		
Purchases of marketable securities	(60,834,095)	(31,933,852)
Proceeds from sales of marketable securities	6,518,369	-
Maturities of investments	23,778,423	1,215,000
Purchases of property and equipment	(2,942,378)	(1,558,632)
Proceeds from sales of property and equipment	-	2,495
Net cash used in investing activities	(33,479,681)	(32,274,989)
<b>Financing activities</b>		
Payment under capital leases	(26,993)	(5,758)
Net proceeds from short term debt	-	(8,060,823)
Purchase of unvested shares	(488)	(18,000)
Proceeds from issuance of convertible preferred stock	-	55,441,282
Proceeds from issuance of common stock upon exercise of stock options	-	1,673,149
Proceeds from issuance of common stock upon exercise of warrants	5,157,999	72,000
Net cash provided by financing activities	5,130,518	49,101,850
Net decrease in cash and cash equivalents	20,810,415	2,300,029
Cash and cash equivalents at beginning of year	4,774,600	2,474,571
Cash and cash equivalents at end of year	25,585,015	4,774,600