



**INNOGENETICS**  
BIOTECHNOLOGY FOR HEALTHCARE

## **Innogenetics reports results for the first quarter of 2003 in line with expectations**

**Gent, May 15, 2003** – Innogenetics today announced its results for the first quarter ending March 31, 2003.

### **First quarter 2003 highlights (versus first quarter 2002)**

- Product sales increased by 13% to 13.6 million euro
- Gross margin reached 55.1% versus 53.3% (including Therapeutics)
- R&D investments increased by 15%, driven by Therapeutics programs
- Operating loss of 4.1 million euro, with Diagnostics operations close to break-even
- Cash position at 32.2 million euro
- Diagnostics activities: results on track to meet 2003 objectives
- Therapeutics activities: positive results in pivotal preclinical study in sepsis (INNO 202); successful recruitment for the XCELLentis' phase II clinical study with LyphoDerm (treatment of chronic hard-to-heal venous leg ulcers) and new phase II studies with E1-based therapeutic vaccine (treatment of chronic hepatitis C) progressing according to plan

Philippe Archinard, CEO of Innogenetics, commented: "In the first quarter 2003, the results of the Diagnostics activities evolved in line with the 2003 plan. On the Therapeutics front, we continue to book significant progress especially in the field of sepsis with promising preclinical results, in the field of wound care with the successful completion of the patient recruitment for XCELLentis' LyphoDerm, and in the field of hepatitis C with two phase II studies ongoing."

### **Diagnostics operations: increased sales and break-even**

For the first three months of 2003, Innogenetics' Diagnostics activities operated close to break-even with an operating loss of 0.1 million euro. Diagnostics product sales reached 13.4 million euro, an all-time high. This increase occurred across all diagnostics fields: infectious diseases, neurodegeneration, and genetic testing.

Furthermore, the continued efforts to optimize productivity and control costs have resulted in a further enhancement of the gross margin to a level of 54.7%, while Diagnostics operating expenses remained in line with expectations.

### **Increased R&D investments in Therapeutics**

R&D expenses for the Therapeutics programs amounted to 4.1 million euro for the first three months of 2003 and are in line with the 2003 budget. These expenditures reflect the accelerating clinical efforts in the fields of hepatitis C and wound care, and further investments in promising preclinical programs, especially in the area of sepsis.



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### **Increased total revenues**

Total revenues, including R&D income, amounted to 16.5 million euro in the first quarter of 2003. Overall product sales, including Therapeutics, increased by 13% to 13.6 million euro.

During the first three months of 2003, royalty income was lower, mainly due to the retroactive nature of the large royalty payment during the same period in 2002. License fee income remained at the current level of 0.7 million euro.

R&D contract income and R&D grants were in line with expectations reaching a level of 2.0 million euro, reflecting the collaborations with Solvay, Bayer, and Roche as well as new grants in the field of hepatitis C.

### **Expenses under control**

Confirming the trend in productivity improvement, including Therapeutics, the gross margin for the first three months of 2003 increased to 55.1% against 53.3% for the same period in 2002.

R&D expenses reached 7.2 million euro during the first three months of 2003, representing a 15% increase compared to the same period in 2002. Diagnostics R&D efforts remained stable at a level of 3.1 million euro, while Therapeutics R&D expenses amounted to 4.1 million euro in the first quarter of 2003.

Both Sales & Marketing and General & Administrative expenses increased slightly in the first three months of 2003 compared to the same period in 2002, to reach 7.3 million euro.

### **Operating results**

For the first three months of 2003, Innogenetics posted an operating loss of 4.1 million euro, compared to 2.7 million euro for the same period of 2002. The increased operating loss mainly reflected higher R&D investments in the promising Therapeutics programs. The net loss for the first quarter of 2003 amounted to 4.4 million euro.

### **Cash position**

As of March 31, 2003, Innogenetics' cash position was 32.1 million euro compared to 51.9 million euro at the end of March 2002.

The cash flow during the first three months of 2003 was mainly influenced by expenditures for intellectual property protection, new investments in computer and laboratory equipment, and reimbursement payments for the financing of the Gent-based facilities.



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### **About Innogenetics**

Innogenetics, a Belgium-based, international biotechnology company, is pursuing a challenging twofold growth strategy, encompassing both Diagnostics and Therapeutics.

The Company is committed to becoming a worldwide leader in high value-added diagnostics (especially “theranostics”) focusing on infectious diseases, neurodegeneration, and genetic testing. With its vertically integrated diagnostics activities, Innogenetics is leveraging its intellectual property, know-how, and product offerings through strategic partnerships with leading in vitro diagnostic players such as Bayer, Roche, and Abbott. By running a profitable diagnostic business, Innogenetics can therefore support the development of new therapeutics.

At present, the Company’s therapeutics portfolio consists of innovative candidates in the fields of hepatitis C, immune disorders, and wound care (the latter through its wholly owned subsidiary XCELLentis). Its clinical development program for a hepatitis C therapeutic vaccine is currently in phase II. A phase II clinical trial is ongoing in the field of chronic venous leg ulcers. Finally, preclinical programs are also underway for the treatment of pulmonary edema and sepsis, as well as for a hepatitis C prophylactic vaccine.

Founded in 1985, Innogenetics is listed on NASDAQ Europe and Euronext Brussels. The Company has its headquarters in Gent, Belgium, with sales affiliates located in France, Germany, Italy, the Netherlands, Spain, and the USA. It employs over 600 people worldwide.

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### **SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION**

*This press release contains forward-looking statements that involve risks and uncertainties, including but not limited to projections of future revenues, operating income, and other risks. Prospective investors should be aware that these statements are estimates, reflecting only the judgment of our management, and they should not place undue reliance on any forward-looking statements.*



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## Unaudited Consolidated Profit and Loss Account for the three months ended March 31

*In thousands of euro*

	3 months ended	
	March 2003	March 2002
<b>Revenues</b>		
Product sales	13.596	12.006
Royalty income	213	1.082
License fee income	<u>690</u>	<u>900</u>
	<b>14.499</b>	<b>13.988</b>
<b>Cost of sales</b>	<b><u>(6.100)</u></b>	<b><u>(5.611)</u></b>
<b>Gross income (loss)</b>	<b>8.399</b>	<b>8.377</b>
<b>Research and development</b>		
R&D grants received	595	457
R&D contract income	1.427	1.606
R&D expenses	<u>(7.213)</u>	<u>(6.272)</u>
	<b>(5.191)</b>	<b>(4.209)</b>
<b>Operating expenses</b>		
Sales and marketing expenses	(4.442)	(4.104)
General and administrative expenses	<u>(2.899)</u>	<u>(2.788)</u>
	<b>(7,341)</b>	<b>(6.892)</b>
<b>Operating income (loss) from operations</b>	<b>(4.133)</b>	<b>(2.724)</b>
<b>Other income / (expenses)</b>		
Interest expenses	(319)	(337)
Interest income	215	477
Investment income and other	<u>(30)</u>	<u>(11)</u>
	<b>(134)</b>	<b>129</b>
<b>Income (loss) before taxes</b>	<b>(4.267)</b>	<b>(2.595)</b>
<b>Taxes – (payable) / adjustment</b>	<b>(83)</b>	<b>(65)</b>
<b>Net income (loss)</b>	<b>(4.350)</b>	<b>(2.660)</b>



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## Unaudited Consolidated Profit and Loss Account for the three months ended March 31 Continued

*In thousands of euro*  
*(except per share data and share amounts)*

	3 months ended	
	March 2003	March 2002
Net income (loss) per share - basic	(0.17)	(0.10)
Shares used in computing per share amount - basic	25,374,804	25.372.547
Net income (loss) per share - diluted	(0.17)	(0.10)
Shares used in computing per share amount - diluted	25,374,804	25.372.547

## Notes to the unaudited consolidated financial statements

*In thousands of euro*

	3 months ended	
	March 2003	March 2002
<b>Total Revenues</b>		
Product sales	13.596	12.006
Royalty income	213	1.082
License fee income	690	900
R&D grants received	595	457
R&D contract income	<u>1.427</u>	<u>1.606</u>
	<b>16.521</b>	<b>16.051</b>



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## Unaudited Consolidated Balance Sheet as at March 31

*In thousands of euro*

	31 March 2003	31 March 2002
Cash	32.189	51.934
Trade receivable	16.643	15.551
<u>Other receivable</u>	<u>4.654</u>	<u>6.191</u>
Accounts receivable, total	21.297	21.742
Inventories	8.434	6.660
Investments in marketable securities	1.502	2.501
<u>Prepaid expenses and deposits</u>	<u>887</u>	<u>813</u>
<b>Total current assets</b>	<b>64.309</b>	<b>83.650</b>
<b>Property, plant and equipment, net</b>	<b>28.738</b>	<b>31.670</b>
Intangibles	3.633	3.174
<u>Goodwill</u>	<u>2.484</u>	<u>2.484</u>
<b>Total intangibles, net</b>	<b>6.117</b>	<b>5.658</b>
<b>Total assets</b>	<b>99.164</b>	<b>120.987</b>



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## Unaudited Consolidated Balance Sheet as at March 31 Continued

*In thousands of euro*

	31 March 2003	31 March 2002
Current installments of long-term obligations	2.563	2.590
Notes payable to bank	1.302	1.226
Trade accounts payable	8.037	7.410
Research and Development advances	955	1.779
Accrued payroll	5.260	3.886
Deferred income	2.880	2.768
<u>Other current liabilities</u>	<u>13.353</u>	<u>12.472</u>
<b>Total current liabilities</b>	<b>34.350</b>	<b>32.131</b>
Deferred income	7.888	10.656
<u>Bank loans &amp; lease commitments</u>	<u>20.128</u>	<u>22.252</u>
<b>Total long-term obligations</b>	<b>28.016</b>	<b>32.908</b>
Common stock	15.943	15.940
Additional paid-in capital	96.050	96.048
Accumulated surplus (deficit)	(75.985)	(57.227)
<u>Comprehensive income</u>	<u>790</u>	<u>1.178</u>
<b>Total shareholders' equity</b>	<b>36.798</b>	<b>55.939</b>
<b>Total liabilities and shareholders' equity</b>	<b>99.164</b>	<b>120.978</b>



## Unaudited Consolidated Statements of Cash Flows for the three months ended March 31

*In thousands of euro*

3 months ended  
March 2003      March 2002

### Cash flows from operating activities

Net income (loss)	(4.350)	(2.660)
<b>Adjustment to reconcile net income (loss) to net cash used in (provided by) operating activities</b>		
Depreciation and amortization	1.511	1.589
Gain on sale of marketable securities	(59)	0
Gain on disposal of property, plant and equipment	0	(7)
Accounts receivable	(677)	(3.422)
Inventories	(652)	448
Prepaid expenses and deposits	208	(56)
Accounts payable	(843)	(51)
Research and development advances	(118)	1.101
<u>Accrued, deferred income, and other liabilities</u>	<u>499</u>	<u>(837)</u>
<b>Total adjustments</b>	<b>(131)</b>	<b>(1.235)</b>
<b>Total net cash provided by (used in) operating activities</b>	<b><u>(4.481)</u></b>	<b><u>(3.895)</u></b>

### Cash flows from investing activities

Proceeds from sale of marketable equity securities	90	0
Purchase of property, plant and equipment	(770)	(918)
<u>Purchase of intangibles</u>	<u>(363)</u>	<u>(520)</u>
<b>Total net cash provided by / (used in) investing activities</b>	<b><u>(1.043)</u></b>	<b><u>(1.438)</u></b>





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## Unaudited Consolidated Statements of Cash Flows For the three months ended March 31 Continued

*In thousands of euro*

	3 months ended	
	March 2003	March 2002
<b>Cash flows from financing activities</b>		
Proceeds from financing sale & lease back	0	537
Payments on long-term obligations	(686)	(446)
Proceeds from long-term obligations	(544)	(584)
Payments on notes payable to bank	(360)	(687)
Proceeds from notes payable to bank	0	19
Proceeds from issuance of common stock (net of issue costs) & currency translation on equity	<u>233</u>	<u>680</u>
<b>Total net cash provided by (used in) financing activities</b>	<b><u>(1.357)</u></b>	<b><u>(481)</u></b>
<b>Net increase / (decrease) in cash</b>	<b>(6.881)</b>	<b>(5.814)</b>



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## Unaudited Segment Information For the three months ended March 31

### The consolidated statement of operations

*In thousands of euro*

	3 months ended March 31, 2003		
	Diagnostics	Therapeutics	Consolidated
<b>Revenues</b>	<b>14.283</b>	<b>216</b>	<b>14.499</b>
<b>Gross income</b>	<b>8.220</b>	<b>179</b>	<b>8.399</b>
<b>Research and development</b>			
R&D income	1.116	906	2.022
R&D expenses	<u>(3.124)</u>	<u>(4.089)</u>	<u>(7.213)</u>
	<b>(2.008)</b>	<b>(3.183)</b>	<b>(5.191)</b>
<b>Operating expenses</b>	<b>(6.317)</b>	<b>(1.024)</b>	<b>(7.341)</b>
<b>Operating income (loss) from operations</b>	<b>(105)</b>	<b>(4.028)</b>	<b>(4.133)</b>