



INNOGENETICS
BIOTECHNOLOGY FOR HEALTHCARE

Innogenetics reports results for the first half of 2003 in line with expectations

Gent (Belgium), August 19, 2003, 8:00 AM – Innogenetics today announced its unaudited results for the first half ending June 30, 2003.

First half 2003 highlights (versus first half 2002)

- Product sales increased by 16% to € 27.5 million
- Gross margin reached 54.5% versus 53.8%
- R&D expenses increased by 22%, driven by investments in the Therapeutics programs
- Operating loss of € 10.0 million, with Diagnostics operations close to break-even
- Diagnostics positive EBITDA reached € 2.0 million
- Cash position of € 27.4 million

Therapeutics activities:

- Positive results in pivotal preclinical study in sepsis (INNO 202)
- Successful recruitment for phase II clinical study with LyphoDerm (treatment of chronic hard-to-heal venous leg ulcers)
- Phase II studies with E1-based therapeutic vaccine (treatment of chronic hepatitis C) progressing according to plan, with new positive results in 9 HCV patients confirming earlier findings

Diagnostics activities: results on track to meet 2003 objectives

Philippe Archinard, CEO of Innogenetics, commented: "In the first half of this year, the progress of our Diagnostics activities was in line with our 2003 plan and we expect a significant increase in license fee income during the second half of this year. Within our Therapeutics programs, we continue to see significant progress in the field of sepsis with promising preclinical results, in the field of wound care with the successful completion of the patient recruitment for LyphoDerm Phase II study, and in the field of hepatitis C with two phase II studies ongoing. Our objectives for 2003 remain unchanged."

Diagnostics operations: increased sales, positive EBITDA and close to break-even

For the first six months of 2003, Innogenetics' Diagnostics activities operated close to break-even with a small operating loss of € 230,000 and realized a positive EBITDA of € 2.0 million. Diagnostics product sales reached € 27.3 million, an all-time high. This increase occurred across all diagnostics fields: infectious diseases, genetic testing, and neurodegeneration.

Furthermore, the continued efforts to optimize productivity and control costs have resulted in a further enhancement of the Diagnostics' gross margin to a level of 54.2%, while Diagnostics operating expenses remained in line with expectations.



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Increased R&D investments in Therapeutics

R&D expenses for the Therapeutics programs amounted to € 9.5 million for the first six 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, such as in the area sepsis.

Increased total revenues

Total revenues, including R&D income, amounted to € 33.6 million in the first six of 2003. Overall product sales, including Therapeutics, increased by 16% to € 27.5 million.

Royalty and license fee income in the first half of 2003 decreased relative to the same period in 2002 during which time Innogenetics received significant royalty and milestone payments of over € 2.0 million.

R&D contract income and R&D grants were in line with expectations reaching a level of € 4.0 million, reflecting the collaborations with Solvay, Bayer, and Roche as well as new grants in the field of hepatitis C and neurodegeneration testing.

Expenses under control

Confirming the trend in productivity improvement, the gross margin for the first six months of 2003 increased to 54.5% versus 53.8% for the same period in 2002.

R&D expenses reached € 15.7 million during the first six months of 2003, representing a 22% increase compared to the same period in 2002. Diagnostics R&D expenses remained stable at a level of € 6.2 million, while Therapeutics R&D expenses amounted to € 9.5 million in the first half of 2003.

Both Sales & Marketing and General & Administrative expenses increased in the first six months of 2003 compared to the same period in 2002, to reach € 15.3 million.

Results

For the first six months of 2003, Innogenetics posted an operating loss of € 10.0 million, compared to € 4.9 million for the same period of 2002. The increased operating loss mainly reflected higher R&D investments in the promising Therapeutics programs and the lower royalty and license fee income. The net loss for the first half of 2003 amounted to € 10.5 million.

Cash position

As of June 30, 2003, Innogenetics' cash position was € 27.4 million compared to € 46.8 million at the end of June 2002.

The cash flow during the first six months of 2003 was mainly influenced by expenditures for intellectual property protection, and new investments in computer and laboratory equipment.



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About Innogenetics

Innogenetics is an international biotechnology company building two businesses in the areas of speciality diagnostics and therapeutic vaccines. The Company's advanced therapeutic vaccine for the treatment of hepatitis C virus - a global unmet medical need - is currently considered to be ahead of the competition. In its Diagnostics Division, Innogenetics develops a large number of speciality products covering three disease areas: infectious diseases, genetic testing, and neurodegeneration. In 2002, diagnostics sales increased by 16% to € 48 million and total revenues reached € 62 million. With a strong commercially oriented management team and distinctive dual business model, Innogenetics provides a low-risk biotech investment with potentially high returns. Founded in 1985, Innogenetics is listed on Euronext Brussels. The Company's headquarters are in Gent, Belgium, with sales affiliates in France, Germany, Italy, the Netherlands, Spain, and the USA. Innogenetics employs 600 people worldwide and has a market capitalization of approximately € 330 million.

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Innogenetics

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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.



**Unaudited Consolidated Profit and Loss Account for
the three and six months ended June 30, 2003
according to U.S. GAAP**

In thousands of euro

	6 months ended		3 months ended	
	June 2003	June 2002	June 2003	June 2002
Revenues				
Product sales	27.541	23.689	13.945	11.683
Royalty income	671	1.633	458	551
License fee income	<u>1.409</u>	<u>3.651</u>	<u>719</u>	<u>2.751</u>
	29.621	28.973	15.122	14.985
Cost of sales	<u>(12.543)</u>	<u>(10.951)</u>	<u>(6.443)</u>	<u>(5.340)</u>
Gross income (loss)	17.078	18.022	8.679	9.645
Research and development				
R&D grants received	1.392	933	797	476
R&D contract income	2.632	3.097	1.205	1.491
R&D expenses	<u>(15.728)</u>	<u>(12.870)</u>	<u>(8.515)</u>	<u>(6.598)</u>
	(11.704)	(8.840)	(6.513)	(4.631)
Operating expenses				
Sales and marketing expenses	(9.275)	(8.399)	(4.833)	(4.295)
General and administrative expenses	<u>(6.065)</u>	<u>(5.659)</u>	<u>(3.166)</u>	<u>(2.871)</u>
	(15.340)	(14.058)	(7.999)	(7.166)
Operating income (loss) (EBIT)	(9.966)	(4.876)	(5.833)	(2.152)
Other income (expenses)				
Interest expenses	(631)	(666)	(312)	(329)
Interest income	376	832	161	355
Investment income and other	<u>(149)</u>	<u>(106)</u>	<u>(119)</u>	<u>(95)</u>
	(404)	60	(270)	(69)
Income (loss) before taxes	(10.370)	(4.816)	(6.103)	(2.221)
Taxes – (payable) / adjustments	(175)	(200)	(92)	(135)
Net income (loss)	(10.545)	(5.016)	(6.195)	(2.356)
EBITDA ⁽¹⁾	(6.829)	(1.534)	(4.207)	(399)

⁽¹⁾ Earnings before Interest, Taxes, Depreciation and Amortization



Unaudited Consolidated Profit and Loss Account for the three and six months ended June 30, 2003 Continued

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

	6 months ended		3 months ended	
	June 2003	June 2002	June 2003	June 2002
Net income (loss) per share - basic	(0.42)	(0.20)	(0.24)	(0.09)
Shares used in computing per share amount - basic	25,379,284	25,372,547	25,379,284	25,372,547
Net income (loss) per share - diluted	(0.42)	(0.20)	(0.24)	(0.09)
Shares used in computing per share amount - diluted	25,379,284	25,372,547	25,379,284	25,372,547

Notes to the unaudited Consolidated Profit and Loss Account

In thousands of euro

	6 months ended		3 months ended	
	June 2003	June 2002	June 2003	June 2002
Total Revenues				
Product sales	27.541	23.689	13.945	11.683
Royalty income	671	1.633	458	551
License fees income	1.409	3.651	719	2.751
R&D grants received	1.392	933	797	476
R&D contract income	<u>2.632</u>	<u>3.097</u>	<u>1.205</u>	
<u>1.491</u>	33.645	33.003	17.124	16.952



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**Unaudited Consolidated Balance Sheet
as at June 30
according to U.S. GAAP**

In thousands of euro

	30 June 2003	30 June 2002
Cash	27.375	46.772
Trade receivable	17.678	15.426
<u>Other receivable</u>	<u>4.852</u>	<u>5.423</u>
Accounts receivable, total	22.530	20.849
Inventories	7.936	6.805
Investments in marketable securities	1.846	2.872
<u>Prepaid expenses and deposits</u>	<u>1.167</u>	<u>1.167</u>
Total current assets	60.854	78.465
Property, plant and equipment, net	28.128	30.559
Intangibles	3.466	3.287
<u>Goodwill</u>	<u>2.484</u>	<u>2.484</u>
Total intangibles, net	5.950	5.771
Total assets	94.932	114.795



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Unaudited Consolidated Balance Sheet as at June 30 Continued

In thousands of euro

	30 June 2003	30 June 2002
Current installments of long-term obligations	2.628	2.427
Notes payable to bank	2.111	873
Trade accounts payable	8.653	6.042
Research and Development advances	1.011	983
Accrued payroll	5.575	4.281
Deferred income	2.880	2.768
<u>Other current liabilities</u>	<u>14.160</u>	<u>12.001</u>
Total current liabilities	37.018	29.375
Deferred income	7.196	10.044
<u>Bank loans & lease commitments</u>	<u>19.902</u>	<u>21.630</u>
Total long-term obligations	27.098	31.674
Common stock	15.943	15.940
Additional paid-in capital	96.050	96.048
Accumulated surplus (deficit)	(82.180)	(59.791)
<u>Comprehensive income</u>	<u>1.003</u>	<u>1.549</u>
Total shareholders' equity	30.816	53.746
Total liabilities and shareholders' equity	94.932	114.795



**Unaudited Consolidated Statements of Cash Flows
for the three and six months ended June 30, 2003
according to U.S. GAAP**

In thousands of euro

	6 months ended		3 months ended	
	June 2003	June 2002	June 2003	June 2002
Cash flows from operating activities				
Net income (loss)	(10.545)	(5.016)	(6.195)	(2.356)
Adjustment to reconcile net income (loss) to net cash used in (provided by) operating activities				
Depreciation and amortization	3.137	3.342	1.626	1.753
Gain on sale of marketable securities	(59)	0	0	0
Gain on disposal of property, plant and equipment	0	(26)	0	(19)
Accounts receivable	(1.910)	(2.529)	(1.233)	893
Inventories	(154)	303	498	(145)
Prepaid expenses and deposits	(72)	(410)	(280)	(354)
Accounts payable	(227)	(1.419)	616	(1.368)
Research and development advances	(62)	305	56	(796)
Accrued, deferred income, and other liabilities	<u>1.702</u>	<u>(913)</u>	<u>1.203</u>	<u>(76)</u>
Total adjustments	2.355	(1.347)	2.486	(112)
Total net cash provided by (used in) operating activities	(8.190)	(6.363)	(3.709)	(2.468)
Cash flows from investing activities				
Proceeds from sale of marketable equity securities	109	0	19	0
Purchase of property, plant and equipment	(1.501)	(1.248)	(731)	(330)
<u>Purchase of intangibles</u>	<u>(480)</u>	<u>(930)</u>	<u>(117)</u>	<u>(410)</u>
Total net cash provided by (used in) investing activities	(1.872)	(2.178)	(829)	(740)



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Unaudited Consolidated Statements of Cash Flows For the three and six months ended June 30, 2003 Continued

In thousands of euro

	6 months ended		3 months ended	
	June 2003	June 2002	June 2003	June 2002
Cash flows from financing activities				
Proceeds from financing of sale & lease back	0	537	0	0
Payments on long-term obligations	(1.351)	(1.250)	(665)	(804)
Proceeds from long-term obligations	(733)	(1.178)	(189)	(594)
Payments on notes payable to bank	(822)	(1.077)	(462)	(390)
Proceeds from notes payable to bank	1.271	61	1.271	42
Proceeds from issuance of common stock (net of issue costs)	<u>2</u>	<u>472</u>	<u>(231)</u>	<u>(208)</u>
Net cash provided by (used in) financing activities	(1.633)	(2.435)	(276)	(1.954)
Net increase / (decrease) in cash	(11.695)	(10.976)	(4.814)	(5.162)



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**Unaudited Segment Information
For the six months ended June 30
according to U.S. GAAP**

The consolidated statement of operations

In thousands of euro

	6 months ended June 30, 2003		
	Diagnostics	Therapeutics	Consolidated
Revenues	29.351	270	29.621
Gross income	16.863	215	17.078
Research and development			
R&D income	2.289	1.735	4.024
R&D expenses	<u>(6.261)</u>	<u>(9.467)</u>	<u>(15.728)</u>
	(3.972)	(7.732)	(11.704)
Operating expenses	(13.121)	(2.219)	(15.340)
Operating income (loss)	(230)	(9.736)	(9.966)
EBITDA⁽¹⁾	1.957	(8.786)	(6.829)

⁽¹⁾ Earnings before Interest, Taxes, Depreciation and Amortization