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RICHMOND, Va., Oct 30, 2002 (BUSINESS WIRE) -- Insmmed Incorporated (Nasdaq: INSM) today announced financial results for the three- and nine-month periods ended September 30, 2002.

Revenues for the three- and nine-month periods ended September 30, 2002 were \$1.8 million and \$1.9 million, respectively, compared with revenues of \$0.1 million and \$0.2 million for the equivalent periods in 2001. The net losses for the three- and nine-month periods ended September 30, 2002 were \$4.7 million or \$0.14 per share and \$17.9 million or \$0.54 per share, respectively, compared with net losses of \$8.4 million or \$0.25 per share and \$27.3 million or \$0.83 per share for the same periods in 2001.

The increase in revenues as compared with 2001 is due to the recognition of approximately \$1.7 million of revenue from Taisho Pharmaceutical Co., Ltd. This represents revenues, previously deferred, from a cash payment made by Taisho at the inception of the Joint Development Agreement with Insmmed Incorporated, which were being recognized as revenue over the life of the corresponding patent. As Taisho recently announced the termination of this agreement, Insmmed is reporting the balance of the unrecognized revenue in the third quarter of 2002. Research and development expenses decreased to \$3.4 million and \$15.7 million, respectively, for the three- and nine-month periods ended September 30, 2002 from \$8.0 million and \$26.4 million for the comparable periods in 2001. These reductions were mainly due to the wind-down in our Phase II INS-1 clinical trials and a reduced requirement for INS-1 drug manufacture. General and administrative expenses decreased to \$0.6 million and \$2.1 million, respectively, for the three- and nine-month periods ended September 30, 2002 from \$1.0 million and \$3.6 million for the same periods in 2001, as a result of savings from all major support-services. In the third quarter 2002, the Company recorded a restructuring charge of \$2.5 million related to the previously announced discontinuation of its INS-1 development program. The components of this charge include expenses of \$1.2 million related to the anticipated payouts under lease agreements for laboratory space no longer utilized at the Company's headquarters, \$0.7 million related to the impairment of idle laboratory equipment at the Company's headquarters, and \$0.6 million related to the cost of severance benefits following the termination of approximately 55% of the Company's workforce. The reduced interest income for both the three and nine-month periods ending September 30, 2002 was a result of the lower year-on-year cash balance. Insmmed also reported \$31.2 million in cash and cash equivalents as of September 30, 2002.

Insmmed Incorporated also announced today that the Company has been formally notified by The NASDAQ Stock Market, Inc. (NASDAQ) that the price of its common stock does not meet the \$1 per share requirement for continued inclusion on the NASDAQ National Market. In accordance with Marketplace rules, the Company will be provided 90-calendar days, or until January 21, 2003, to regain compliance. If Insmmed cannot demonstrate compliance by this date, NASDAQ will provide written notification that Insmmed's stock will be delisted. At that time, the Company may appeal the decision to a NASDAQ Listing Qualification Panel.

During this grace period, Insmmed may choose to apply to transfer its stock to the NASDAQ SmallCap Market. To transfer, the Company must satisfy the continued inclusion requirements for the NASDAQ SmallCap Market, which makes available an extended grace period for the minimum \$1 bid price requirement. If the Company submits such transfer application and pays the applicable listing fees by January 21, 2003, and the application is approved, the Company will be afforded the 180-calendar day NASDAQ SmallCap Market grace period, which would expire on April 21, 2003. The Company may also be eligible for an additional 180-calendar day grace period provided that it meets certain other requirements for listing on the NASDAQ SmallCap Market. This grace period, if granted, would expire on October 20, 2003.

If, at some future date, the Company's common stock should cease to be listed on the NASDAQ National Market or the NASDAQ SmallCap Market, the common stock could publicly trade over-the-counter.

Conference Call

The Company will host a conference call on Thursday, October 31, 2002, at 8:30 a.m. Eastern Time (7:30 a.m. Central Time). To participate in the conference call dial 800-915-4836 (domestic) or 973-317-5319 (international). The call will be webcast live through Insmmed's corporate website: www.insmed.com. A telephonic replay of the call will be available for one week at 800-428-6051 (domestic) or 973-709-2089 (international), passcode: 265975. A web replay of the call will be available through the corporate website beginning at 10:00 a.m.

About Insmmed

We discover and develop pharmaceutical products for the treatment of metabolic diseases and endocrine disorders. Insmmed has two lead drug candidates --SomatoKine and IGFBP-3. We are actively developing SomatoKine to treat diabetes and growth hormone insensitivity syndrome, and are concurrently continuing pre-clinical studies on IGFBP-3 in the cancer indication as an anti-tumor agent. Further information about Insmmed may be accessed on the Internet at www.insmed.com

Statements included within this press release, which are not historical in nature, constitute forward-looking statements for the purposes of the safe harbor provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements regarding expected financial position, results of operations, cash flows, dividends, financing plans, business strategies, operating efficiencies or synergies, budgets, capital and other expenditures, competitive positions, growth opportunities for existing or proposed products or services, plans and objectives of management, demand for new pharmaceutical products, market trends in the pharmaceutical business, inflation and various economic and business trends. Such forward-looking statements are subject to numerous risks and uncertainties, including risks that product candidates may fail in the clinic or may not be successfully marketed, the Company may lack financial resources to complete development of product candidates, competing products may be more successful, demand for new pharmaceutical products may decrease, the biopharmaceutical industry may experience negative market trends and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission. As a result of these and other risks and uncertainties, actual results may differ materially from those described in this press release.
