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Insmmed Incorporated Reports Year-End and Fourth Quarter Financial Results

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RICHMOND, Va., Feb 3, 2003 (BUSINESS WIRE) -- Insmmed Incorporated (NASDAQ:INSM) today announced financial results for the year and fourth quarter ended December 31, 2002.

Full Year Results

Insmmed reported a net loss for the year ended December 31, 2002 of \$36.4 million, or \$1.10 per share, compared with a net loss of \$37.2 million, or \$1.13 per share, for the year ended December 31, 2001. Insmmed also reported \$27.3 million in cash and cash equivalents as of December 31, 2002.

The \$0.8 million improvement in the Company's net loss as compared to 2001 is the result of several key variances. Lower expenses and recognition of more deferred revenue in 2002 lowered the net loss in 2002 by approximately \$21.1 million compared to 2001. These positive variances were partially offset by a goodwill write-off, restructuring charges and lower interest income totaling approximately \$20.3 million. The Company's expenses on clinical trials related to INS-1, and manufacturing costs related to both INS-1 and SomatoKine were \$17.5 million less than the prior year's expenses on the same items. Support expenses also declined by \$1.9 million, while the Company recognized \$1.7 million more deferred revenues from Taisho Pharmaceuticals Co., Ltd. Partially offsetting these lower expenses and increased revenues in 2002 were a \$15.4 million goodwill write-off, \$2.5 million of restructuring charges associated with the previously announced discontinuation of the Company's INS-1 development program and \$2.4 million in lower interest income resulting from lower interest rates and a lower average cash balance.

Fourth Quarter Results

The net loss for the three month period ended December 31, 2002 was \$18.5 million, or \$0.56 per share, compared with a net loss of \$9.9 million, or \$0.30 per share, for the corresponding period in 2001.

The main reason for the increased loss in the fourth quarter of 2002 was the write-off of \$15.4 million of goodwill relating to the Celtrix acquisition in 2000. In accordance with Statement of Financial Accounting Standards (SFAS) No. 142, the Company tested the goodwill being carried on its balance sheet relating to the Celtrix acquisition for impairment by comparing the carrying amount of the goodwill to its fair value. In accordance with Generally Accepted Accounting Principles (GAAP), the Company adopted the current market value of its stock as the basis for supporting the fair value of its goodwill. Since the announcement of the Company's decision to discontinue the development of INS-1, the Company's stock price has traded at a level which does not reflect the value of goodwill carried on the Company's balance sheet. As a result, under GAAP, there had been impairment to the goodwill and the entire remaining amount of unamortized goodwill of \$15.4 million was written off. Partially offsetting the goodwill write-off was a reduction in both research and development expenses and general and administrative expenses in the fourth quarter of 2002 as compared to the corresponding period in 2001. The Company's research and development spending declined by \$6.7 million to \$2.4 million in the fourth quarter of 2002, as compared to \$9.1 million in the corresponding period in 2001, as a result of the wind-up of the clinical trials associated with INS-1 and the elimination of INS-1 manufacturing costs, which were significantly higher in the fourth quarter of 2001. General and administrative expenses declined by \$0.3 million to \$0.9 million in the fourth quarter of 2002, as compared to \$1.2 million for the corresponding period in 2001, as a result of lower expenses across all major support services.

Conference Call

The Company will host a conference call on Tuesday, February 4 at 8:00 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: 283427. A web replay of the call will be available through the corporate website beginning at 10:00 a.m.

About Insmmed

Insmmed Incorporated develops pharmaceutical products for the treatment of metabolic and endocrine diseases with unmet medical needs. The Company's most advanced product candidate, SomatoKine® (rhIGF-I/rhIGFBP-3), is a novel delivery composition of IGF-I that regulates essential metabolic and anabolic (growth promoting) processes, such as glucose uptake and tissue regeneration. Insmmed is developing SomatoKine® for the treatment of Growth Hormone Insensitivity Syndrome (GHIS) and both type 1 and type 2 diabetes. The Company's second product candidate, rhIGFBP-3, is a recombinant protein that is being developed as an anti-cancer agent targeted towards the inhibition of solid tumor growth. Further information is available at the company's corporate website: 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.

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