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Insmmed Incorporated Reports Financial Results for Third Quarter 2003 and Nine-Months Ended September 30, 2003

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RICHMOND, Va.--(BUSINESS WIRE)--Nov. 5, 2003--Insmmed Incorporated (Nasdaq/NMS: INSM), a developer of pharmaceutical products for the treatment of metabolic and endocrine diseases with unmet medical needs, today announced results for the three and nine months ended September 30, 2003. The net loss and cash used in operating activities were significantly improved from both the third quarter and nine months ended September 30, 2002.

Here are the highlights of today's report:

- The net loss for Q3 2003 was reduced by almost half -- 49% -- year-over-year.
- The net loss for the nine months ended September 30, 2003 was cut by 56% from the net loss for the nine months ended September 30, 2002.
- The cash used in operating activities in Q3 2003 was down 45% from Q3 2002.
- The cash used in operating activities for the nine months ended September 30, 2003 was down 60% from the equivalent period in 2002.
- Cash on hand as at September 30, 2003 is \$32.2 million

Revenues for the three months ended September 30, 2003 were \$27,000, compared with revenues of \$1,757,000 for the equivalent period in 2002. The net loss for the three months ended September 30, 2003 was (\$2.4 million), or (\$0.06) per share, compared with a net loss of (\$4.7 million), or (\$0.14) per share, in the corresponding period of 2002.

For the nine months ended September 30, 2003, revenues were \$123,000, compared to \$1,929,000 for the same period in 2002. Net losses for the nine months ended September 30, 2003 were (\$7.8 million), or (\$0.23) per share, compared to a net loss of (\$17.9 million), or (\$0.54) per share, for the nine months ended September 30, 2002.

Cash used in operating activities for the three-month and nine-month periods ended September 30, 2003 dropped substantially in comparison with the corresponding periods in 2002.

For the third quarter of 2003, the cash used in operations was \$2.8 million, a reduction of \$2.3 million or 45%, from the cash used in operations during the third quarter of 2002.

For the nine months ended September 30 2003, the cash used in operations was \$8.1 million, a drop of \$12.1 million or 60% from the cash used in operations during the same nine months period in 2002.

As of September 30, 2003, Insmmed reported cash and cash equivalents of \$32.2 million.

Discussion of Revenue and Expense Items

The reduction in revenues of \$1.7 million for the third quarter 2003 compared to the corresponding period in 2002 was due to the elimination of a \$1.7 million up-front international license fee for INS-1 from Taisho Pharmaceuticals, which was recognized in 2002 following the discontinuation of Insmmed's INS-1 program in September 2002. The \$4.1 million improvement in operating expenses for the third quarter 2003 compared to the corresponding period in 2002 is due to the elimination of a one-time operational restructuring charge of \$2.5 million which was made in 2002 to cover the costs associated with the discontinuance of Insmmed's INS-1 program, together with lower research and development costs of \$1.6 million as the Company refocused its clinical trial activity to proceed with the pivotal Phase III trial of rhIGH-I/rhIGFBP3 in GHIS. These savings were partially offset by a \$73,000 increase in general and administrative expenses. Interest income fell by \$36,000 quarter on quarter reflecting the impact of lower interest rates. The overall net loss for the third quarter ended September 30, 2003 was (\$2.4 million), a

reduction of \$2.3 million from the (\$4.7 million) net loss reported for the same period of 2002.

Comparing the nine-months ended September 30, 2003 with the corresponding period for 2002, revenues were \$1.8 million lower, mainly due to the elimination of the up-front international license fee for INS-1 from Taisho Pharmaceuticals which was recognized in 2002. Research and development expenditures were \$10.1 million lower, primarily due to the substantially reduced clinical trial spending. General and administrative expenses increased by \$512,000 largely due to an increase in investor relations expenses, while the previously mentioned operational restructuring charge of \$2.5 million in 2002 was eliminated. Interest income declined \$245,000 as a result of reduced interest rates. The overall net loss for the nine months ended September 30, 2003 was (\$7.8 million), a reduction of \$10.1 million from the (\$17.9 million) net loss reported for the corresponding period of 2002.

Conference Call

The Company will host a conference call on November 5, 2003 at 11:00 a.m. Eastern Time (10:00 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: 31154 A web replay of the call will be available through the corporate website beginning at 1:00p.m.

About Insmmed Incorporated

Insmmed Incorporated is a biopharmaceutical company focused on the development of drug candidates for the treatment of metabolic diseases with unmet medical needs. For further information about Insmmed and the rhIGF-I/rhIGFBP-3 complex, please visit the company's corporate website at www.insmed.com.

Statements included within this press release, which are not historical in nature, may constitute forward-looking statements for 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. Because of these and other risks and uncertainties, actual results may differ materially from those described in this press release.

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