



## **PALADIN ANNOUNCES RECORD FINANCIAL RESULTS IN 2002**

*- Company reports strong growth in revenue and earnings for 2002 -*

**Montreal, Canada, February 6, 2003** – Paladin Labs Inc. (TSX: PLB), a Canadian specialty pharmaceutical company focused on marketing and selling urology, endocrinology and women's health products, today announced record financial results for the fourth quarter and year ended December 31, 2002.

### **Highlights of 2002 include:**

- Total revenues increased 31% to \$23.4 million
- Net income increased to \$5.2 million or \$0.36 per diluted share
- Ten new products launched, including Dostinex<sup>®</sup>, Estring<sup>®</sup>, Androderm<sup>®</sup> in a 5 mg format, Rogitine<sup>®</sup> and the Locacorten<sup>®</sup>-Vioform<sup>®</sup> line of products
- In-licensing of late-stage products from Hydro Med Sciences and Novo Nordisk
- New Drug Submissions filed with Health Canada for Statex<sup>®</sup> SR and Circadin<sup>®</sup>
- Application to Health Canada to change Plan B<sup>™</sup> from prescription-only to non-prescription status

“With record revenue in our fourth quarter, we ended a great year with strong sales momentum,” said Jonathan Ross Goodman, President and CEO of Paladin Labs. “During 2002, we launched ten new products, in-licensed two promising late-stage products, and filed for regulatory approval of two additional brands. We enter 2003 well positioned to continue strengthening our competitive position and our revenue growth potential through an expansion of our sales and marketing activities.”

### **Financial Results**

Revenues for the fourth quarter of 2002 were \$6.2 million, an increase of \$1.3 million or 26%, compared to \$4.9 million in the fourth quarter a year ago. For the year ended December 31, 2002, revenues increased \$5.6 million or 31% to a record \$23.4 million, from \$17.8 million in 2001. Gross profit, as a percentage of revenues, improved to 73% for 2002, compared to 67% in 2001.

Net income for the fourth quarter of 2002 was \$788,000 or \$0.05 per diluted share, compared to a net loss of \$1.5 million or \$0.12 per diluted share in the same period a year ago. For the year ended December 31, 2002, net income increased to \$5.2 million or \$0.36 per diluted share from \$1.5 million or \$0.12 per diluted share for the year ended December 31, 2001.

In the fourth quarter of 2002, the Company recorded a \$427,000 charge (\$326,000 after tax) related primarily to the write-down of intellectual property associated with the carrying value of its license for Rogitine<sup>®</sup>. In the fourth quarter of 2001, Paladin recorded a \$2.5 million charge (\$2.2 million after tax) related to the write-down of intellectual property associated with the acquisitions of licenses for ConXn<sup>™</sup> (relaxin), SYNSORB CD<sup>®</sup>, and DepoCyt<sup>™</sup>.

Selling and administrative expenses for 2002 increased to \$9.3 million from \$7.0 million in 2001. This increase was primarily due to increased sales and marketing spending associated with new product launches and higher staffing costs related to growth of the Company's product line during 2002. Amortization expense for 2002 increased to \$1.7 million from \$652,000 in 2001. This increase reflects the impact of amortization expense related to the Company's acquisition of licenses, rights and intellectual property during fiscal 2001 and 2002.

At December 31, 2002, Paladin's cash, cash equivalents and investments in marketable securities totalled \$45.6 million, compared to \$22.4 million at December 31, 2001.

### **2002 Product Developments**

Paladin is focused on acquiring or in-licensing innovative pharmaceutical products for the Canadian market. The Company then submits these products for regulatory approval and once approved, launches them in the market, thereby, leveraging its specialized sales and marketing capabilities to drive sales growth. In 2002, Paladin made solid progress in each of these areas:

- Paladin acquired the Canadian distribution rights to GlucaGen<sup>®</sup>, indicated for treatment of hypoglycemia in insulin-dependent diabetics, from Novo Nordisk Canada Inc., and in-licensed Histrelin Hydrogel Implant, a once yearly therapy for advanced prostate cancer, from Hydro Med Sciences, Inc.
- Paladin filed New Drug Submissions with Health Canada for the approval of: i) Statex<sup>®</sup>SR (sustained-release morphine sulfate tablets), a twice-daily morphine product used for the relief of severe pain; and, ii) Circadin<sup>®</sup>, a controlled release melatonin tablet indicated for the treatment of sleep disorders in the elderly.
- In addition, the Company submitted an application to Health Canada to have Plan B<sup>™</sup> granted non-prescription status. Plan B<sup>™</sup> is the first progestin-only pill indicated to prevent pregnancy after a contraceptive failure or unprotected sex.
- Paladin launched ten new products in the Canadian market in 2002, including: Dostinex<sup>®</sup>, Estring<sup>®</sup>, Androderm<sup>®</sup> 5 mg format, the Locacorten<sup>®</sup> - Vioform<sup>®</sup> line of products and Rogitine<sup>®</sup>.

### **2003 Financial Guidance**

Paladin reiterates its previously announced guidance for revenues of \$26 million and net income of \$2 million in 2003. This projection excludes the impact of acquisitions that may be made by the Company during the year.

### **Conference Call Notice**

Paladin will host a conference call to discuss its fourth quarter and year-end results on Thursday, February 6, 2003, at 11:00 a.m. EST. The dial-in number for the conference call is 1-877-295-2825 or 416-405-8532 and the reference number is 1368541.

The call will be audio-cast live and archived for 90 days at [www.financialdisclosure.ca](http://www.financialdisclosure.ca) and [www.paladinlabs.com](http://www.paladinlabs.com)

**About Paladin Labs Inc:**

Paladin Labs Inc., headquartered in Montreal, Quebec, is a rapidly growing pharmaceutical company focused on acquiring or in-licensing innovative pharmaceutical products for the Canadian market. With this strategy, a focused national sales team and proven marketing expertise, Paladin has evolved into one of Canada’s leading specialty pharmaceutical companies. Paladin’s shares trade on the Toronto Stock Exchange under the symbol *PLB*. For more information about Paladin, please visit the Paladin Web Site at [www.paladinlabs.com](http://www.paladinlabs.com).

*This news release may contain forward-looking statements or predictions. These statements represent our judgement as of this date and are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed in such forward-looking statements. Potential risks and uncertainties include, without limitation, those associated with product development, clinical trials, future revenues and profitability, and obtaining marketing approval and other factors that are discussed in the Management Discussion and Analysis published in the Company's annual report.*

**For more information, please contact:**

Samira Sakhia  
Chief Financial Officer

**Paladin Labs Inc.**

Tel: (514) 340-5067

email: [info@paladin-labs.com](mailto:info@paladin-labs.com)

Website: [www.paladinlabs.com](http://www.paladinlabs.com)

Bruce Wigle  
Investor Relations

**The Equicom Group Inc.**

Tel: (416) 815-0700 ext. 228

email: [bwigle@equicomgroup.com](mailto:bwigle@equicomgroup.com)

# BALANCE SHEET

[In thousands of Canadian dollars]

	December 31	December 31
	2002	2001
	\$	\$
	(audited)	(audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	2,020	1,978
Short-term marketable securities	36,572	20,470
Accounts receivable and other assets	2,586	2,067
Inventories	21	50
Income tax credits recoverable	325	487
Future income tax assets	1,221	2,275
<b>Total current assets</b>	<b>42,745</b>	<b>27,327</b>
Long-term marketable securities	7,020	—
Property, plant and equipment	72	33
Intangible assets	12,703	12,497
Deferred charges	1,515	—
Investments, at cost	2,771	2,771
Future income tax credits receivable	470	347
Future income tax assets	1,359	2,216
	<b>68,655</b>	<b>45,191</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	3,658	3,924
Income taxes payable	109	181
Balance of sale payable	597	—
Deferred credit	1,113	1,638
<b>Total current liabilities</b>	<b>5,477</b>	<b>5,743</b>
Balance of sale payable	—	544
Deferred credit	—	935
Future income tax liability	—	133
	<b>5,477</b>	<b>7,355</b>
<b>Shareholders' equity</b>		
Capital stock	57,334	37,154
Contributed surplus	87	87
Other paid-in capital	23	23
Retained earnings	5,734	572
<b>Total shareholders' equity</b>	<b>63,178</b>	<b>37,836</b>
	<b>68,655</b>	<b>45,191</b>

## STATEMENTS OF INCOME AND RETAINED EARNINGS

[In thousands of Canadian dollars except for share and per share amounts]

	Three-month period ended December 31		Twelve-month period ended December 31	
	2002	2001	2002	2001
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(audited)	(audited)
Revenues	6,237	4,937	23,355	17,795
Cost of sales	1,624	1,675	6,387	5,788
<b>Gross profit</b>	<b>4,613</b>	<b>3,262</b>	<b>16,968</b>	<b>12,007</b>
Selling and administrative	2,778	1,771	9,343	7,040
Research and development	292	502	1,084	994
Amortization	439	182	1,710	652
Interest income, net	(355)	(180)	(1,065)	(1,009)
Other income	—	—	(695)	—
<b>Income before under noted items</b>	<b>1,459</b>	<b>987</b>	<b>6,591</b>	<b>4,330</b>
Write-downs and gain on disposition of intellectual property	427	2,510	427	2,402
<b>Income before income taxes</b>	<b>1,032</b>	<b>(1,523)</b>	<b>6,164</b>	<b>1,928</b>
Provision for income taxes				
Current	21	26	102	41
Future	223	(52)	900	402
	244	(26)	1,002	443
<b>Net income</b>	<b>788</b>	<b>(1,497)</b>	<b>5,162</b>	<b>1,485</b>
<b>Earnings per share</b>				
Basic	0.05	(0.12)	0.37	0.12
Diluted	0.05	(0.12)	0.36	0.12
<b>Weighted average number of shares outstanding</b>				
Basic	14,778,597	12,482,098	13,989,832	12,428,188
Diluted	14,795,212	12,581,315	14,160,630	12,496,356

## STATEMENTS OF CASH FLOWS

[In thousands of Canadian dollars]

	Three-month period ended December 30		Twelve-month period ended December 30	
	2002 \$ (unaudited)	2001 \$ (unaudited)	2002 \$ (audited)	2001 \$ (audited)
<b>Operating activities</b>				
Net income	788	(1,498)	5,162	1,485
Add items not affecting cash				
Amortization	445	186	1,733	661
Write-down of intellectual property	427	2,510	427	2,402
Future income taxes	179	(129)	195	242
Imputed interest on balance of sale	13	12	53	49
Expenses related to options issued to consultants	—	23	—	23
	<b>1,842</b>	1,104	<b>7,560</b>	4,862
Net change in non-cash balances relating to operations	(178)	805	1,064	292
Cash flows from (used in) operating activities	<b>1,674</b>	1,909	<b>8,634</b>	5,154
<b>Investing activities</b>				
Additions to pharmaceutical product licenses and rights intellectual property and deferred charge	(707)	(4,500)	(4,496)	(9,627)
Accounts payable related to the acquisition of intellectual property deferred charge	(3,428)	2,250	(1,731)	2,250
Acquisition of property plant and equipment	(29)	(5)	(62)	(16)
Purchase of short-term marketable securities	(11,426)	(6,165)	(46,350)	(22,655)
Maturities of short-term marketable securities	7,807	5,550	30,248	23,666
Purchase of long-term marketable securities	—	—	(7,020)	—
Proceeds from disposal of pharmaceutical license	639	—	639	—
Net increase in investment	—	—	—	(211)
Cash flows (used in) from financing activities	<b>(7,144)</b>	(2,870)	<b>(28,772)</b>	(6,593)
<b>Financing activities</b>				
Common shares issued for cash	7	322	219	539
Issuance of special warrants	—	—	20,952	—
Share issue costs, net of tax	46	—	(1,011)	—
Repayment of share purchase loan	—	—	20	20
Cash flows from financing activities	<b>53</b>	322	<b>20,180</b>	559
<b>Net increase (decrease) in cash and cash equivalents during the year</b>	<b>(5,417)</b>	(639)	<b>42</b>	(880)
Cash and cash equivalents, beginning of period	7,437	2,617	1,978	2,858
<b>Cash and cash equivalents, end of period</b>	<b>2,020</b>	1,978	<b>2,020</b>	1,978
Cash and cash equivalents	2,020	1,978		
Short-term investments	36,572	20,470		
Long-term investments	7,020	—		
	<b>45,612</b>	22,448		