



## **PALADIN ANNOUNCES RECORD FIRST QUARTER REVENUES**

***Quarter marked by a 73% increase in revenues and a 172% increase in net income***

**Montreal, Canada, May 9, 2002** – Paladin Labs Inc. (“Paladin”) (TSE: PLB) today announced its financial results for the first quarter ended March 31, 2002.

### **Highlights of the quarter include:**

- Total revenues increased 73% for the first quarter to \$6.0 million
- Net income increased 172% for the first quarter to \$1.4 million
- Acquisition of a portfolio of products from Pharmacia Canada Inc.
- Closed a \$21 million special warrant private placement

“Our record revenues underscore the merit of our strategy of acquiring innovative products or already commercialized products and increasing their value through a focused marketing program,” said Jonathan Goodman, President and CEO of Paladin Labs.

Revenues for the quarter ended March 31, 2002 totaled \$6.0 million, representing an increase of 73% from \$3.5 million for the same time period in 2001. This growth was balanced between a steady climb in sales of existing products such as Androderm<sup>®</sup>, Plan B<sup>™</sup>, Muse<sup>®</sup>, Tapazole<sup>®</sup>, and Propyl-Thyracil<sup>®</sup> as well as first time revenues from products acquired from Novartis Pharmaceuticals Canada Inc. and Pharmacia Canada Inc.

Net income for the quarter ended March 31, 2002 was \$1.4 million compared to \$0.5 million for the same period in 2001, an increase of 172%.

### **Product Acquisitions & In-Licensing**

During the quarter, Paladin strengthened its portfolio and position in the Canadian endocrinology and women’s health market by entering into an agreement with Pharmacia Canada Inc. (NYSE:PHA) to be the exclusive Canadian distributor of a portfolio of five marketed brands. These products include Dostinex<sup>®</sup>, Estring<sup>®</sup>, Dalacin<sup>®</sup> Vaginal Cream, Prepidil<sup>®</sup> and Prostin<sup>®</sup>. All products are currently being sold in Canada, with combined sales of approximately \$5.0 million in 2001.

### **Product Developments**

Also during the quarter, Paladin announced that, on behalf of Women's Capital Corporation, it submitted an application to Health Canada to change Plan B<sup>™</sup>, an emergency contraceptive pill, from prescription-only to non-prescription status. Plan B<sup>™</sup> is the first progestin-only pill indicated to prevent pregnancy after a contraceptive failure or unprotected sex.

The Therapeutic Products Directorate of Health Canada has accepted United Therapeutics Corporation's (Nasdaq: UTHR) New Drug Submission for Remodulin™ (treprostinil sodium) Injection and confirmed that it will receive Priority Review. Formerly referred to as UNIPROST™, Remodulin™ is indicated for the treatment of pulmonary arterial hypertension.

### **Private Placement**

On March 21<sup>st</sup>, Paladin announced the closing of a \$21 million special warrant private placement. Paladin received receipt for the final prospectus on May 3<sup>d</sup> from the Securities Commission in the provinces of Quebec, Ontario and British Columbia.

### **2002 First Quarter Results – Conference Call Notice**

The Company will host a conference call to discuss the first quarter 2002 results on Thursday, May 9 at 4:30 pm EST. The dial in number for the conference call is 1-800-478-9326 or 1-416-695-5801 and the reference number is 1159946.

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, 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 most profitable publicly-traded 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.*

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## BALANCE SHEET

As at March 31  
[In thousands of Canadian dollars]

	March 31 2002 \$	December 31 2001 \$
	(unaudited)	
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	11,581	1,978
Temporary investments	31,755	20,470
Accounts receivable	2,209	2,067
Inventories	50	50
Income tax credits receivable	512	487
Future income tax assets	2,275	2,275
<b>Total current assets</b>	<b>48,382</b>	<b>27,327</b>
Capital assets	14,203	12,530
Investments, at cost	2,771	2,771
Future income tax credits receivable	347	347
Future income tax assets	2,221	2,216
	<b>67,924</b>	<b>45,191</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	5,678	3,924
Income taxes payable	142	181
Deferred credit	1,638	1,638
<b>Total current liabilities</b>	<b>7,458</b>	<b>5,743</b>
Balance of sale payable	557	544
Deferred credit	553	935
Future income tax liability	133	133
	<b>8,701</b>	<b>7,355</b>
<b>Shareholders' equity</b>		
Capital stock	37,245	37,154
Special warrants	19,895	—
Contributed surplus	87	87
Other paid-in capital	23	23
Retained earnings	1,973	572
<b>Total shareholders' equity</b>	<b>59,224</b>	<b>37,836</b>
	<b>67,924</b>	<b>45,191</b>

## STATEMENTS OF INCOME AND RETAINED EARNINGS

Three month period ended March 31

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

	2002 \$ (unaudited)	2001 \$ (unaudited)
Revenues	6,038	3,485
Cost of sales	1,609	1,291
<b>Gross profit</b>	<b>4,429</b>	2,194
Selling and administrative	2,060	1,595
Research and development	383	125
Amortization	427	154
Interest income, net	(77)	(294)
<b>Income before income taxes</b>	<b>1,636</b>	614
Provision for income taxes		
Current	21	5
Future	214	94
	235	99
<b>Net income</b>	<b>1,401</b>	515
<b>Retained earnings (deficit), beginning of period</b>	<b>572</b>	(913)
Retained earnings (deficit), end of period	1,973	(397)
<b>Earnings per share</b>		
Basic	0.11	0.04
Diluted	0.11	0.04
<b>Weighted average number of shares outstanding</b>		
Basic	12,549,760	12,394,038
Diluted	12,833,496	12,459,373

## STATEMENTS OF CASH FLOWS

Three month period ended March 31  
 [In thousands of Canadian dollars]

	2002 \$	2001 \$
	(unaudited)	(unaudited)
<b>OPERATING ACTIVITIES</b>		
Net income	1,401	515
Add items not affecting cash		
Amortization	427	154
Future income taxes	(387)	70
Imputed interest on balance of sale	13	12
	<b>1,454</b>	751
Net change in non-cash balances relating to operations	<b>369</b>	27
<b>Cash flows from operating activities</b>	<b>1,823</b>	778
<b>INVESTING ACTIVITIES</b>		
Additions to pharmaceutical product licenses and rights and intellectual property	(2,089)	(2,569)
Accounts payable related to the acquisition of intellectual property	1,179	—
Acquisition of capital assets	(11)	(7)
Net increase (decrease) in temporary investments	(11,285)	11,088
<b>Cash flows from investing activities</b>	<b>(12,206)</b>	8,512
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares	91	—
Issuance of special warrants	20,952	—
Share issue costs	(1,057)	—
<b>Cash flows from financing activities</b>	<b>19,986</b>	—
<b>Net change in cash and cash equivalents during period</b>	<b>9,603</b>	9,290
Cash and cash equivalents, beginning of period	1,978	2,858
<b>Cash and cash equivalents, end of period</b>	<b>11,581</b>	12,148
Cash and cash equivalents	11,581	12,148
Temporary investments	31,755	10,394
	<b>11,581</b>	12,148