



## **PALADIN LABS ANNOUNCES RECORD SECOND QUARTER FINANCIAL RESULTS**

*-- Quarter Marked by Increased Revenues and Strong Earnings Performance --*

**Montreal, PQ – August 9, 2001** – Paladin Labs Inc. (“Paladin”) (TSE: PLB) today announced its financial results for the quarter ended June 30, 2001.

### **Highlights of the second quarter 2001 include:**

- ?? Increased revenues to \$4.51 million – up 47%
- ?? Increased net income to \$995,000 – up 20%
- ?? Continued the launch of Androderm<sup>®</sup> and Plan B<sup>®</sup> .

“The continued strength of established products and the contribution of recently launched products enabled the Company to achieve record results in sales and earnings this quarter,” said Jonathan Goodman, President and CEO of Paladin Labs.

Revenues for the second quarter of 2001 were \$4.5 million, an increase of \$1.45 million or 47% over the second quarter of 2000. The significant increase was primarily due to the revenues derived from new and recently launched products, including Tapazole<sup>®</sup>, Oesclim<sup>®</sup>, MUSE<sup>®</sup>, Androderm<sup>®</sup>, and Plan B<sup>®</sup>. For the six month period ended June 30, 2001 revenues increased by \$2.3 million or 39% to \$8.0 million from \$5.7 million in the first half of 2000. Gross profit as a percentage of revenues improved to 69% in the current quarter from 65% in the same quarter last year.

Net income for the quarter amounted to \$995,000 or \$0.08 per share compared to \$832,000 or \$0.07 per share in the same period last year. Net income for the six months ended June 30, 2001 amounted to \$1.5 million or \$0.12 per share, compared to \$1.1 million or \$0.11 per share in the same period last year.

Selling and administrative expenses increased to \$1.9 million from \$1.2 million in the second quarter of 2000, primarily due to increased spending on direct brand marketing support associated with new products and to higher staffing costs related to the expanded infrastructure necessitated by the Company’s product line growth during the past year. Research and development expenses amounted to \$120,000 in the current quarter, a reduction of \$29,000 from the second quarter last year. Amortization expense in the second quarter of 2001 was \$155,000, compared to \$24,000 in the corresponding quarter last year. This increase reflected the Company’s success in acquiring new products during the past year.

With over \$20 million of current assets and virtually no debt, a highly profitable pharmaceutical business and a rich pipeline of new products, Paladin is well positioned to invest in promising drugs that will provide the engine of future growth. “We have never been more optimistic about our future as we are now,” said Jonathan Goodman.

## **2001 Second Quarter Results – Conference Call Notice**

The Company will host a conference call to discuss the second quarter 2001 results on Thursday, August 9 at 10:00 am EST. The dial in number for the conference call is 1-800-273-9672 or 1-416-695-5806 and the reference number is 871152.

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

### **About Paladin Labs Inc.**

Paladin Labs, headquartered in Montreal, Quebec, is a Canadian developer, marketer and distributor of innovative pharmaceuticals. Paladin Labs Inc. is a public company whose shares trade on the Toronto Stock Exchange under the symbol *PLB*. For more information about Paladin, please visit the Paladin Web Site at [www.paladin-labs.com](http://www.paladin-labs.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.*

### **For further information please contact:**

#### **Paladin Labs Inc.**

Samira Sakhia, CFO

Tel: 514-340-5067

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

Website: [www.paladin-labs.com](http://www.paladin-labs.com)

#### **The Equicom Group Inc.**

Joanna Longo, Account Manager

Tel: 416-815-0700 ext.233

e-mail: [jlongo@equicomgroup.com](mailto:jlongo@equicomgroup.com)

**Paladin Labs Inc.**  
**Balance Sheet**

	<b>June 30</b>	December 31
	<b>2001</b>	2000
	\$	\$
	(unaudited)	
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	11,237,723	2,857,528
Temporary investments	12,454,925	21,481,436
Accounts receivable	1,384,175	1,494,527
Inventories	52,032	410,885
Income tax credits receivable	478,460	1,036,374
Income taxes recoverable	-	-
Future income tax assets	1,520,000	1,520,000
<b>Total current assets</b>	<b>27,127,315</b>	28,800,750
Capital assets, net of accumulated amortization	8,660,324	6,143,770
Investments, at cost	2,366,016	2,366,016
Future income tax assets	3,494,321	4,118,321
	<b>41,647,976</b>	41,428,857
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	783,985	1,802,581
Income taxes payable	94,574	98,413
Deferred credit	977,760	977,760
<b>Total current liabilities</b>	<b>1,856,319</b>	2,878,754
Balance of sale payable	519,500	495,000
Deferred credit	1,860,594	2,286,594
	<b>4,236,413</b>	5,660,348
<b>Shareholders' equity</b>		
Capital stock	36,727,879	36,595,379
Contributed surplus	86,513	86,513
Retained earnings (Deficit)	597,171	(913,383)
<b>Total shareholders' equity</b>	<b>37,411,563</b>	35,768,509
	<b>41,647,976</b>	41,428,857

**Paladin Labs Inc.**

**Statement of Income**  
(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2001	2000	2001	2000
	\$	\$	\$	\$
Revenues	4,514,795	3,063,901	7,999,544	5,746,976
Cost of sales	1,414,000	1,058,809	2,705,236	2,107,142
<b>Gross profit</b>	<b>3,100,795</b>	<b>2,005,092</b>	<b>5,294,308</b>	<b>3,639,834</b>
Selling and administrative	1,977,369	1,228,112	3,572,089	2,273,015
Research and development	119,648	148,648	244,434	472,195
Amortization	155,240	23,895	309,303	47,431
Interest income	(302,533)	(321,892)	(597,072)	(413,524)
<b>Income before income taxes</b>	<b>1,151,071</b>	<b>926,329</b>	<b>1,765,554</b>	<b>1,260,717</b>
Provision for income taxes				
Current	5,000	-	10,000	-
Future	151,000	94,613	245,000	130,339
	<b>156,000</b>	<b>94,613</b>	<b>255,000</b>	<b>130,339</b>
<b>Net Income</b>	<b>995,071</b>	<b>831,716</b>	<b>1,510,554</b>	<b>1,130,378</b>
<b>Earnings per share</b>				
Basic	\$ 0.08	\$ 0.07	\$ 0.12	\$ 0.11
Diluted	\$ 0.08	\$ 0.07	\$ 0.12	\$ 0.10

**Paladin Labs Inc.**  
**Statement of Cash Flows**  
(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2001	2000	2001	2000
	\$	\$	\$	\$
<b>Operating activities</b>				
Net income	995,071	831,716	1,510,554	1,130,378
Add items not affecting cash				
Amortization	155,240	23,895	309,303	47,431
Future income taxes	128,000	94,613	198,000	130,339
Imputed interest on balance of sale	12,250	-	24,500	-
	1,290,561	950,224	2,042,357	1,308,148
Net change in non-cash balances relating to operations	(22,234)	260,243	4,684	(1,970,691)
Cash flows from (used in) operating activities	1,268,327	1,210,467	2,047,041	(662,543)
<b>Investing activities</b>				
Acquisition of capital assets	(3,849)	-	(10,377)	-
Additions to patents, pharmaceutical product licenses and rights	(246,215)	(369,780)	(2,815,480)	(733,778)
Net decrease (increase) in temporary investments	(2,061,259)	(100,113)	9,026,511	(2,599,189)
Cash flows from (used in) investing activities	(2,311,323)	(469,893)	6,200,654	(3,332,967)
<b>Financing activities</b>				
Common shares issued for cash	132,500	20,300,000	132,500	20,300,000
Share issue costs	-	(1,776,628)	-	(1,892,250)
Cash flows used in financing activities	132,500	18,523,372	132,500	18,407,750
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(910,496)</b>	<b>19,263,946</b>	<b>8,380,195</b>	<b>14,412,240</b>
Cash and cash equivalents, beginning of period	12,148,219	33,822	2,857,528	4,885,528
<b>Cash and cash equivalents, end of period</b>	<b>11,237,723</b>	<b>19,297,768</b>	<b>11,237,723</b>	<b>19,297,768</b>