



## **Exelixis Announces Fourth Quarter and Year-End 2002 Financial Results**

February 19, 2003

SOUTH SAN FRANCISCO, Calif., Feb 19, 2003 /PRNewswire-FirstCall via COMTEX/ -- Exelixis, Inc. (Nasdaq: EXEL) today reported financial results for the quarter and year ended December 31, 2002.

For the quarter ended December 31, 2002, the company reported a pro forma net loss of approximately \$19.8 million, or \$0.34 per share, excluding the restructuring charge and non-cash charges for stock compensation and amortization of intangibles. For the quarter ended December 31, 2001, the comparable pro forma net loss was approximately \$12.7 million, or \$0.26 per share. Including the restructuring charge and non-cash charges, under generally accepted accounting principles, the company reported a net loss of \$20.9 million, or \$0.36 per share, for the quarter ended December 31, 2002, compared to a net loss of \$18.3 million, or \$0.38 per share, for the quarter ended December 31, 2001.

For the year ended December 31, 2002, the company reported a pro forma net loss of approximately \$81.0 million, or \$1.43 per share, excluding discontinued operations, the restructuring charge and non-cash charges for stock compensation and amortization of intangibles. For the year ended December 31, 2001, the comparable pro forma net loss was approximately \$49.4 million, or \$1.06 per share. Including discontinued operations, the restructuring charge and non-cash charges, under generally accepted accounting principles, the company reported a net loss of \$86.1 million, or \$1.52 per share, for the year ended December 31, 2002, compared to a net loss of \$71.2 million, or \$1.53 per share, for the year ended December 31, 2001.

Our cash burn for 2002 was \$39.3 million. At December 31, 2002, cash, cash equivalents, short-term investments and restricted cash totaled approximately \$222.0 million compared to \$227.7 million at December 31, 2001.

For the quarter ended December 31, 2002, total revenues were approximately \$12.5 million, compared to \$12.8 million for the same period of 2001. The decrease in revenues for the quarter from the 2001 levels was driven primarily by the reduction of revenue from Pharmacia due to the February 2002 conclusion of our collaboration. This decrease was largely offset by revenue from our new collaboration with GlaxoSmithKline and from compound deliveries under our chemistry collaborations established with Cytokinetics, Inc., Scios Inc. and Schering Plough Research Institute, Inc. to jointly design custom high-throughput screening compound libraries.

For the year ended December 31, 2002, total revenues were approximately \$44.3 million, compared to \$41.0 million for the same period of 2001. The increase in revenues from the 2001 levels was driven primarily by the impact of our corporate collaborations with GlaxoSmithKline, Bristol-Myers Squibb and Protein Design Labs and from compound deliveries under our chemistry collaborations established with Cytokinetics, Elan Pharmaceuticals, Scios and Schering-Plough Research Institute. This increase was partially offset by reduction of revenue from Pharmacia due to the February 2002 conclusion of our collaboration.

Research and development expenses for the quarter ended December 31, 2002 were \$27.5 million, excluding stock compensation expense of \$200,000, compared to \$21.8 million, excluding stock compensation \$1.1 million, for the equivalent period of 2001. Research and development expenses for 2002 totaled approximately \$110.5 million, excluding stock compensation expense of \$1.6 million, compared to \$77.7 million, excluding stock compensation expense of \$5.0 million, for 2001. The increase in both periods was driven primarily by personnel costs and related lab supplies expenses to support new collaborative arrangements and Exelixis' internal proprietary research efforts and licenses and consulting expenses. The increase in consulting costs is associated with the manufacturing of the rebeccamycin analog to ensure adequate clinical supply, costs associated with data analysis of the ongoing NCI-sponsored phase II trials and planning for the implementation of pivotal trials in the first half of 2003. Also contributing to R&D expenses were costs associated with advancing XL 784, the company's lead IND candidate, through preclinical toxicology testing in anticipation of filing an IND early in 2003.

General and administrative expenses for the quarter ended December 31, 2002 were \$4.9 million, excluding a reversal of previously recorded stock compensation expense of \$50,000 due to the Company's lower stock price, compared to \$4.1 million, excluding stock compensation \$400,000, for the equivalent period of 2001. General and administrative expenses for 2002 totaled approximately \$17.9 million, excluding stock compensation expense of \$900,000 compared to \$16.8 million, excluding stock compensation expense of \$2.4 million, for 2001. The increase in both periods was driven primarily by costs associated with personnel and facilities to support expansion in our research and development operations.

During the fourth quarter of 2002 Exelixis implemented a restructuring plan, which resulted in a reduction in force of approximately 8% of the company's North American operations. Accordingly, the company recorded a restructuring charge of \$700,000, comprised primarily of involuntary termination benefits. The restructuring plan was implemented in order to facilitate the company's evolution into a fully integrated drug discovery company and reallocation of resources to permit greater focus on building the company's expanding portfolio of development programs.

"In 2002, we executed well against all of our strategic, financial and product-related goals and delivered a very strong performance for the year," said George A. Scangos, Ph.D., president and chief executive officer. "We are on track to initiate next development steps leading to registration with our rebeccamycin analogue around mid-year, pending discussions with the FDA concerning trial design. We are confident that clinical supplies of the compound will be adequate for conducting our clinical program as well as continuing to support the NCI's ongoing Phase II program. Our proprietary compound, XL 784, continues to progress through regulatory toxicology studies and we are on track to file that IND near the end of the first quarter. We are also making progress in moving other promising preclinical programs forward.

Continued Dr. Scangos: "Exelixis excelled in the area of managing and building strategic alliances in 2002. We met or exceeded all of our goals with

existing partners including Bayer, Bristol-Myers Squibb, Protein Design Labs and Dow AgroSciences, and we renewed our mechanism of action collaboration with BMS for an additional two years. Early in the year, we established a fifth combinatorial chemistry collaboration when we finalized our deal with Merck. In the agrochemicals arena, through Agrinomics, our joint venture with Bayer CropScience, we established an exciting collaboration with Renessen to improve the seed oil content of commercially important crops. Clearly, the major accomplishment of the year was our landmark discovery and development collaboration with GlaxoSmithKline. The deliverables in this innovative collaboration are Phase IIa compounds, deriving from Exelixis' own discovery and development efforts, which GSK can elect to take through late-stage development, registration and commercialization. Not only does the GSK relationship provide strong validation for our gene-to-drug capabilities and substantial committed funding, milestones and royalties, it has profound strategic importance, enabling us to fuel our pipeline growth for years to come and at a significantly faster pace than we could have achieved independently."

#### Outlook

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially. Except as expressly set forth below, these statements do not include the potential impact of any mergers, acquisitions or other business combinations that may be closed or entered into after December 31, 2002.

With respect to financial expectations for 2003, we have assumed the closing of one or two new collaborations during the year and an increase in clinical expenses by approximately \$10 million in 2003. As a result, we anticipate that revenues will increase in the range of 30 to 40% from 2002, and that operating expenses excluding non-cash charges will increase in the range of 18 to 25%. For 2003, our anticipated cash burn is expected to be in the range of \$80 to 84 million, including approximately \$13 to 18 million in capital expenditures worldwide. The increase in cash burn is principally related to advancing our rebeccamycin analogue into our own studies and the preparation for and filing of an IND for XL 784 and another small molecule candidate, as well as investments in drug discovery, clinical development and manufacturing and facilities expansion. The Company's cash and investments balance at the end of 2003 is expected to exceed \$165 million, not including the proceeds of any loans under our facility with GlaxoSmithKline.

Stock compensation expense for the year is anticipated to total approximately \$1 million.

With respect to financial expectations for the first quarter of 2003, we expect our revenues to remain relatively flat, and our operating expenses, excluding non-cash charges, to increase by 12 to 19% from fourth quarter 2002 levels.

For reference, "cash burn" is the sum of the net cash used in operating activities; plus purchases of property and equipment, net of proceeds from sale-leaseback of equipment and bank obligations; plus principal payments on capital lease obligations, notes payable and bank obligations, as derived from our Consolidated Statements of Cash Flows.

Exelixis, Inc. is a leading genomics-based drug discovery company dedicated to the discovery and development of novel therapeutics. The company is leveraging its fully integrated gene-to-drug platform to fuel the growth of its proprietary drug pipeline. Exelixis has established broad corporate alliances with major pharmaceutical and biotechnology companies, including SmithKlineBeecham (GlaxoSmithKline), Bristol-Myers Squibb, and Protein Design Labs. The company has also established agricultural research collaborations with Bayer CropScience, Dow Agrosciences and Renessen. Other partners include Merck, Schering-Plough Research Institute, Cytokinetics, Elan and Scios. For more information, please visit the company's web site at [www.exelixis.com](http://www.exelixis.com).

Exelixis' management will discuss the company's fourth quarter and year-end 2002 financial results and outlook during a conference call beginning at 5:00 p.m. U.S. ET today, Wednesday, February 19, 2003. To participate in the conference call, log onto [www.exelixis.com/ir](http://www.exelixis.com/ir) and click on the webcast link to access the live call.

This press release contains forward-looking statements, including without limitation the matters discussed in the "Recent Developments" and "Outlook" sections. These forward-looking statements are based upon Exelixis' current expectations. Forward-looking statements involve risks and uncertainties. Exelixis' actual results and the timing of events could differ materially from those anticipated in its forward-looking statements as a result of many factors, including Exelixis' ability to enter into new collaborations, continue existing collaborations such as the existing relationship with Protein Design Labs which is scheduled to expire in 2003 unless renewed, and receive milestones and royalties derived from future products developed from our research efforts under collaborative agreements; the rate of growth, if any, in license and contract revenues; the timing and level of expenses associated with the growth of proprietary programs and the new GlaxoSmithKline collaboration; the ability to successfully identify and develop compounds against proprietary cancer targets; the amount and timing of investments in manufacturing and clinical development of our rebeccamycin analogue currently in phase II clinical studies; and the timing of the filing of an IND for and investment in our initial proprietary small molecule IND. These and other risk factors are discussed under "Risk Factors" and elsewhere in Exelixis' Annual Report on Form 10-K for the year ended December 31, 2001 and other SEC reports. Exelixis expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

NOTE: Exelixis and the Exelixis logo are registered U.S. trademarks.

EXELIXIS, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except per share amounts)

| Three Months Ended |      | Year Ended   |      |
|--------------------|------|--------------|------|
| December 31,       |      | December 31, |      |
| 2002               | 2001 | 2002         | 2001 |
| (unaudited)        |      | (unaudited)  |      |
|                    |      |              | (A)  |

Revenues:  
Contract and

|   |            |            |            |            |
|---|------------|------------|------------|------------|
| government grants   | \$9,713    | \$9,869    | \$34,981   | \$33,518   |
| License   | 2,741      | 2,924      | 9,341      | 7,488      |
| Total revenues  | 12,454     | 12,793     | 44,322     | 41,006     |
| Operating expenses:   |            |            |            |            |
| Research and development  | 27,514     | 21,797     | 110,455    | 77,696     |
| Selling, general and administrative   | 4,856      | 4,129      | 17,860     | 16,806     |
| Impairment of goodwill  | --         | 2,689      | --         | 2,689      |
| Amortization of goodwill (2001) and intangibles   | 167        | 1,419      | 666        | 5,092      |
| Acquired in-process research and development  | --         | --         | --         | 6,673      |
| Stock compensation expense  | 150        | 1,507      | 2,457      | 7,364      |
| Restructuring charge  | 708        | --         | 708        | --         |
| Total operating expenses  | 33,395     | 31,541     | 132,146    | 116,320    |
| Loss from operations  | (20,941)   | (18,748)   | (87,824)   | (75,314)   |
| Other income (expense):   |            |            |            |            |
| Interest income and other (net)   | 1,219      | 1,205      | 6,175      | 6,314      |
| Interest expense  | (795)      | (726)      | (2,885)    | (2,186)    |
| Total other income  | 424        | 479        | 3,290      | 4,128      |
| Loss from continuing operations before income tax   | (20,517)   | (18,269)   | (84,534)   | (71,186)   |
| Provision for income taxes  | 345        | --         | 345        | --         |
| Loss from continuing operations   | (20,862)   | (18,269)   | (84,879)   | (71,186)   |
| Loss from operations of discontinued segment Genomica Corporation (including loss on sale of \$795) | --         | --         | (1,251)    | --         |
| Net loss  | \$(20,862) | \$(18,269) | \$(86,130) | \$(71,186) |
| Loss per share from continuing operations   | \$(0.36)   | \$(0.38)   | \$(1.50)   | \$(1.53)   |
| Loss per share from discontinued operations   | --         | --         | (0.02)     | --         |
| Net loss per share, basic and diluted   | \$(0.36)   | \$(0.38)   | \$(1.52)   | \$(1.53)   |
| Shares used in computing basic and diluted net loss per share                                       | 58,170     | 48,394     | 56,615     | 46,485     |

Pro Forma Net Loss and Net Loss Per Share Excluding Discontinued Operations, Restructuring Charge and Non-Cash Items(B)

|  |            |            |            |            |
|--|------------|------------|------------|------------|
| Proforma net loss<br>excluding discontinued<br>operations,<br>restructuring charges<br>and non-cash charges<br>for stock compensation,<br>amortization of<br>goodwill and intangibles,<br>impairment of goodwill<br>and acquired in-process<br>research and<br>development | \$(19,837) | \$(12,654) | \$(81,048) | \$(49,368) |
| Pro forma basic<br>and diluted<br>net loss per share   | \$(0.34)   | \$(0.26)   | \$ (1.43)  | \$(1.06)   |
| Shares used in<br>computing pro forma<br>basic and diluted<br>net loss per share   | 58,170     | 48,394     | 56,615     | 46,485     |

(A) Derived from the audited consolidated financial statements

(B) These pro forma amounts are intended to illustrate the company's operating results excluding the discontinued operations of Genomica Corporation, restructuring charge and non-cash charges, including (a) amortization of deferred stock compensation, (b) amortization of goodwill and intangibles related to our acquisitions of Genomica Corporation, Artemis Pharmaceuticals GmbH and Agritope, Inc., (c) impairment of goodwill, and (d) acquired in-process research and development related to our acquisition of Artemis Pharmaceuticals GmbH. These measures are not in accordance with, or an alternative for, generally accepted accounting principles and may be different from pro forma measures used by other companies.

Exelixis, Inc.  
CONSOLIDATED BALANCE SHEET DATA  
(in thousands)

|   | Dec. 31,<br>2002<br>(unaudited) | Dec. 31,<br>2001<br>(A) |
|---|---------------------------------|-------------------------|
| Cash, cash equivalents, short-term<br>investments and restricted cash | \$221,987                       | \$ 227,700              |
| Working capital   | 173,153                         | 194,242                 |
| Total assets  | 339,113                         | 346,614                 |
| Stockholders' equity  | 175,920                         | 237,220                 |

(A) Derived from the audited consolidated financial statements

Exelixis, Inc.  
CASH BURN CALCULATION (A)  
Year Ended December 31, 2002  
(in thousands)

|   |            |
|---|------------|
| Net cash used in operating activities                         | \$(30,924) |
| Purchases of property and equipment                           | (5,851)    |
| Proceeds from sale-leaseback of equipment and bank obligation | 5,658      |
| Principal payments on capital lease obligations               | (6,427)    |
| Principal payments on notes payable and bank obligation       | (1,758)    |
| Total cash burn   | \$(39,292) |

(A) Cash burn amounts are intended to illustrate the Company's use of cash, cash equivalents, short-term investments and restricted cash during the period for operating activities and other recurring items directly related to operations, such as capital expenditures. Cash burn is the sum of the net cash used in operating activities; plus purchases of property and equipment, net of proceeds from sale-leaseback of equipment and bank obligations; plus principal payments on capital lease obligations, notes payable and bank obligations, as derived from our consolidated statements of cash flows prepared in accordance with generally accepted accounting principles.

SOURCE Exelixis, Inc.

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