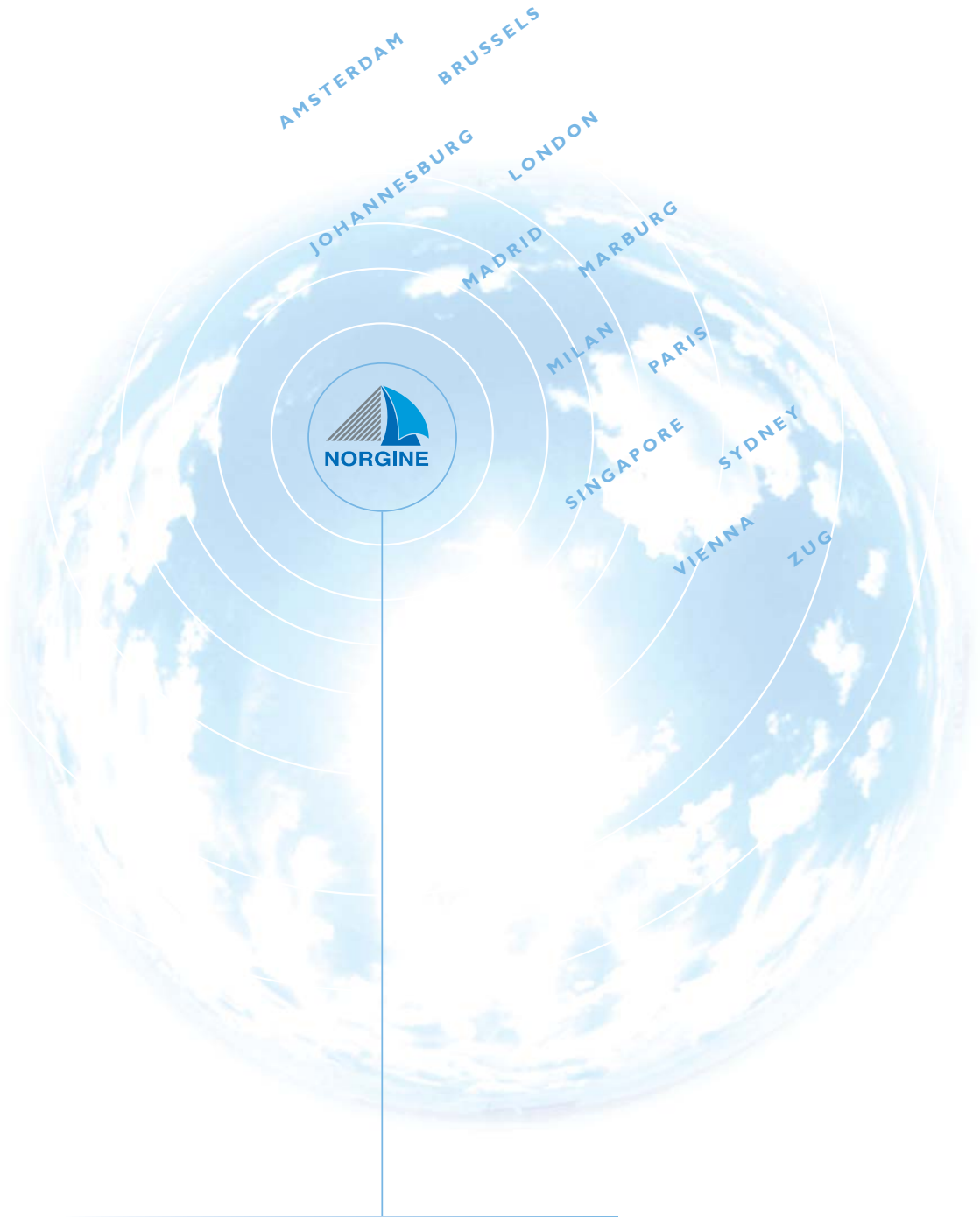




# Financial Report 2001

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# Annual Report 2001



# Research and Development

## Research and Development

Norgine seeks to initiate, or license in, research and development projects which address significant unmet medical needs for the benefit of patients. Before being added to Norgine's pipeline, particular emphasis is placed upon the completion of proof of concept studies to provide a solid foundation for future development.

As noted elsewhere in this report, Norgine's commitment to R&D is expanding as the pipeline proceeds through the stages of development. Major milestones achieved in 2001 included the following:

### Project

- |   |   |
|---|---|
| <b>NRL972</b>   | This novel quantitative liver function test initiated its first phase II trial in cirrhotic patients. Further phase II trials will be initiated in 2002.  |
| <b>NRL981</b>   | The proprietary drug delivery technology was applied to successfully synthesise a second novel compound for the treatment of primary hepatocellular carcinoma.  |
| <b>NRL994</b><br><small>(indication confidential)</small> | Two phase IIb trials involving 60 patients were completed. Phase III trials will be initiated in 2002 with the objective of completing the registration dossier in 2003.  |
| <b>NRL011</b>   | Norgine acquired intellectual property owned by Klinge Pharma (Fujisawa) related to the use of enteric-coated methylnaltrexone for the treatment of opiate-induced constipation and post-operative ileus. A development project has been initiated on the basis of this work. |

# Chairman's Report

## Chairman's Report



I am pleased to report that Norgine continued to deliver extraordinary results in 2001. Norgine achieved double digit sales growth for the fifteenth consecutive year and made substantial progress in each of the Company's strategic priorities.

For many years, we have stressed the importance of building a truly pan-European sales and marketing capacity built upon a local knowledge of each national market. This infrastructure is required to maximise the value of Norgine's existing portfolio of products as well as making Norgine an attractive licensing partner for new products. In 2001, we further reinforced our sales and marketing team and ended the year with almost 300 medical representatives. Norgine is one of the only speciality pharmaceutical companies with a pan-European structure.

In parallel, we invested in the future through an intensive programme of R&D projects. The first of Norgine's new products will enter the final stage of clinical testing in 2002. In addition to their obvious importance to Norgine's growth in Europe, these new products should also allow Norgine to expand its horizons to include other major pharmaceutical markets.

Norgine must continually invest in expanding manufacturing capacity to support the growing sales base of its unique products and ensure the highest standards. In 2001, Norgine invested a further 5.2 million in its manufacturing units in France and the United Kingdom.

Finally, to adapt to the increased size and complexity of the business, Norgine reinforced its central support functions in 2001. Nonetheless, Norgine remains committed to having the majority of its resources within its local European affiliates and keeping the entrepreneurial culture which has attracted so many excellent professionals to the Company.

Norgine is confident that it has the right strategy for success. In 2002, Norgine will continue to develop its pan-European structure while further increasing investment in R&D. Norgine will also continue to be reliant upon the dedication and enthusiasm of the almost 700 members of the Norgine team who are the true foundation of the Company's success.

A handwritten signature in blue ink, appearing to read "Peter M. Stein". The signature is fluid and cursive, written over a white background.

# Sales Performance

Movicol®

Klean-Prep®

Normacol®

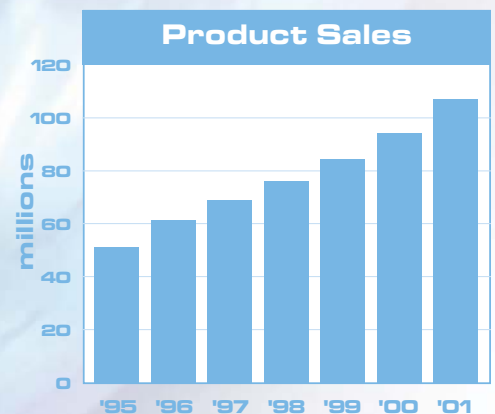
Pyralvex®

Spasmonal®

Transacalm®

Product sales increased by 13% to reach 108 million, the fifteenth consecutive year of double digit growth. 85% of Norgine's product sales were made in Norgine's historic base in Europe. Norgine continued to reinforce its infrastructure in Europe by expanding its sales and marketing team. This has remained a consistent priority over the past decade.

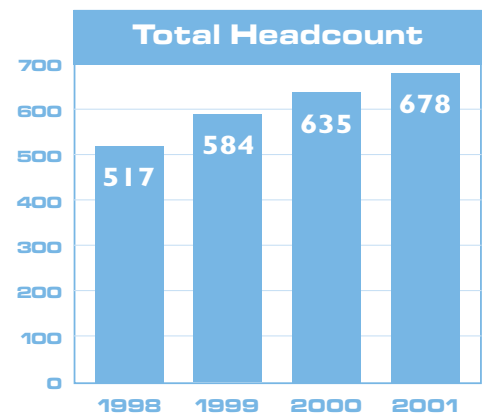
MOVICOL achieved sales of 35.5 million, one third of the Company's total sales and an increase of 45% over 2000. Norgine is actively working on further improvements to the product to extend the MOVICOL franchise.



# Personnel and Investments

Norgine's total number of employees increased by 43 over 2000, with approximately half of the increase related to the sales and marketing team.

Norgine is committed to maintaining the highest quality standards and supplying the growing demand for its products. During 2001, the Company invested a further 5.2 million in fixed assets. The majority of this investment was part of a multi-year programme to increase MOVICOL manufacturing capacity to 3,750 tonnes of product. In order to target investments more efficiently, Norgine ceased production at the small Marburg (Germany) facility at the end of 2001 and transferred certain activities to the larger manufacturing units in Dreux (France) and Hengoed (UK).



# Corporate Profile

Norgine is a research based pharmaceutical company with a direct presence throughout Western Europe. Norgine is developing a pipeline of innovative pharmaceutical products addressing serious unmet medical needs,

with a focus on gastroenterology and hepatology. Norgine is well positioned to commercialise the results of its research in Europe, as well as products licensed in or developed in collaboration with other companies.

# Mission

Norgine seeks to help patients by developing, manufacturing and marketing unique prescription products which satisfy a real clinical need and improve quality of life. Norgine seeks to apply the highest standards of conduct appropriate to the pharmaceutical industry in working with

all stakeholders, in particular patients, healthcare professionals, Norgine's staff and our partners. Norgine seeks to foster entrepreneurship and co-operation both within the Company and with Norgine's partners around the world.

# Income Statement

	2001 ? 000	2000 ? 000	+/-
Net Revenue	107,716	95,168	+ 13%
Cost of Sales	41,884	36,355	+ 15%
Gross Margin	65,831	58,813	+ 12%
Sales, General and Admin. Costs	51,499	47,764	+ 8%
Research and Development Costs	5,856	5,161	+ 13%
Earnings Before Interest and Taxes	8,476	5,887	+ 44%
Net Financing Cost	1,764	1,546	+ 14%
Ordinary Earnings Before Taxes	6,712	4,342	+ 55%
Tax Expense	2,701	1,426	+ 89%
Net Income	4,011	2,916	+ 38%

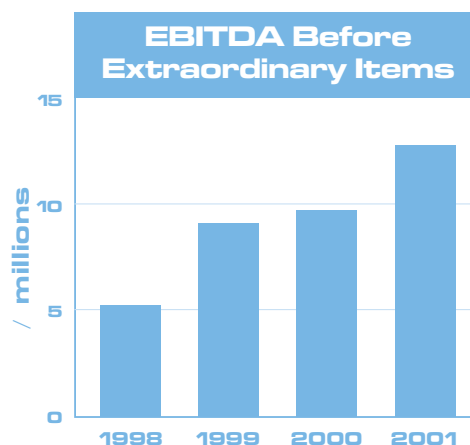
Net revenue increased by 13%, driven by a 45% growth of MOVICOL sales. Norgine's gross margin percentage declined slightly to 61% as a result of strong sales in certain lower margin markets.

SG&A expenses increased by 3.6 million, largely as a result of the continued expansion of the sales and marketing team. Norgine also strengthened its central administrative functions, in particular through the creation of a global IT team in late 2001.

The significant increase in R&D expenses reflects Norgine's ongoing commitment to invest in its pipeline of new products. Two development projects entered phase II clinical studies

during the year and Norgine added two new R&D programmes. Further increases in R&D expenses are projected in 2002 as the clinical programme expands.

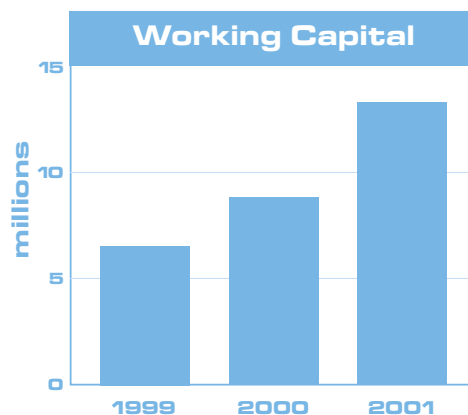
In spite of the increased investment in R&D, ordinary EBITDA increased by 31% and net income by 38%.



# Balance Sheet

## Balance Sheet

<b>Assets</b>	<b>2001 '000</b>	<b>2000 '000</b>
Net Cash and Equivalents	4,312	859
Other Current Assets	31,191	27,065
Tangible Fixed Assets	24,710	21,056
Intangible and other Fixed Assets	5,387	5,623
<b>Total</b>	<b>65,600</b>	<b>54,604</b>



## Equity and Liabilities

	<b>2001 '000</b>	<b>2000 '000</b>
Current Liabilities	22,805	20,126
Long Term Liabilities and Provisions	17,822	12,505
Shareholders' Equity	24,973	21,973
<b>Total</b>	<b>65,600</b>	<b>54,604</b>

