



Quarterly Review

Volume 1, No. 2 - July 15,
2004

The investor newsletter with the latest news and views from Crucell

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Latest News

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- [Crucell - DSM Biologics Alliance Announces Development Milestone](#)
- [GlaxoSmithKline Renews PER.C6® License Agreement with Crucell](#)
- [Crucell Discovers Human Monoclonal Antibody that Protects Against SARS](#)
- [Crucell and DSM Announce PER.C6® Licensing Agreement with Chiron for Monoclonal Antibody Production](#)
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Upcoming Events

We keep a current listing of important news to shareholders and events on www.crucell.com, section Investors. Here are just a few of note in the third quarter:

- Investor Day, September 14, 2004 at our Leiden headquarters
- Crucell will appear at the Euronext Small and Midcap Event in Paris, September 23, 2004
- Crucell will attend the 4th Annual Sachs-Bloomberg Biotech in Europe Investor Forum in Zurich, October 5-6, 2004

In perspective

The second quarter of 2004 produced Crucell's best financial results to date. A solid increase in revenues was coupled with a lowering of our cash burn expectations for 2004 from our original forecast of € 20-25 million to € 15-20 million. Significant progress was also made in all core programs during the first half of the year, including major partnerships announced for influenza and malaria, market authorization for our West Nile veterinary vaccine with the Israeli Kimron Institute and successful preclinical trials with the NIH for our Ebola vaccine. Further, the first milestone was achieved in our protein production alliance with DSM, while the first antibody based on PER.C6® entered the clinic in the US. New initiatives also emerged as Crucell's discovery of an antibody that protects against SARS was detailed in *The Lancet*, and a partnership was forged with Aeras for the development of candidate TB vaccines. In ChromaGenics, we acquired a novel technology to improve protein production yields and stability. Looking forward to the second half of the year we can expect continued prospects for strong revenue growth, and also the announcement of new antibody product leads for infectious diseases. Meanwhile, of course, all our vaccine programs will be progressing steadily towards the clinic. As such, there should be much of interest to look forward to in the third issue of Crucell's Quarterly review.

Ronald Brus
President and CEO

Leon Kruimer: second quarter success

Crucell released its second quarter earnings results on July 9. CQR asked Leon Kruimer, Chief Financial Officer, if he could give some insight into the results achieved and what can be expected over the coming quarters.

Financial snapshot

Key Figures Second Quarter 2004 (€ million, except net loss per share)

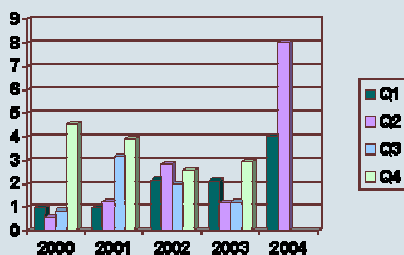
	Q2 2004	% change	Q2 2003
Revenues	8.0	627%	1.1
Net loss	(2.0)	(67%)	(6.2)
Net loss per share (basic and diluted)	(0.06)	(67 %)	(0.17)

Cash and cash equivalents on:

June 30, 2004	86.3
December 31, 2003	87.2

Revenues per quarter

(€ million)



CQR: Congratulations Leon on the great results. Could you please explain why your revenues increased so dramatically this quarter?



LK: The increased revenues are a result of meeting our milestone agreement with DSM, meeting criteria for revenue recognition in our product programs, licensing agreements and government grants.

CQR: For early stage companies in the Biotechnology industry, significant investment and progress in research and development usually goes hand in hand with a high rate of cash burn, but for the second quarter in a row Crucell has barely touched its cash reserves. How has this been achieved?

LK: We're certainly not holding back on our R&D efforts, as the progress made on all our major programs has demonstrated so far in 2004. Quite simply, Crucell began to focus on vaccines and antibodies against infectious diseases last year. Since then we have been able to attract strong partners where that made sense, and these partners have provided funding for our development. Based on this selective financing strategy we have been able to make great strides forward while leaving our cash virtually untouched. We believe this is a strong business model that delivers success.

CQR: But how long can you keep this up?

Almost all programs have partners already.

LK: Crucell is very pleased with the agreements we have made and the results we have achieved, such as the collaboration with DSM Biologics and the NIH/USAMRIID efforts on Ebola. We believe that the progress we have achieved in all our programs will only stimulate further and better cooperation in the future. Our partnership announced in March with Aeras for a TB vaccine is one example of how we're continuing to bolster our pipeline while maintaining our strong financial position, and our PER.C6[®] protein production program with DSM is really beginning to pick up speed.

CQR: Recent articles in the Dutch press have questioned the worth of investment in Biotechnology, projecting that the industry has few prospects for profitability. How might you

counter these claims?

LK: Certainly, the majority of early stage biotech firms tend to report losses as resources obviously need to be poured into efforts aimed at achieving the holy grail: a successful product to market. It's a long-term investment. However, what we're seeing now, especially in the US where the industry is starting to mature, is that those investments are beginning to pay off. A recent industry report by Ernst and Young¹ forecast that industry-wide net profit will be achieved as early as 2008 – something of a watershed for Biotech. Revenues are steadily increasing and market capitalization is heading back to year 2000 levels. With 300 experimental compounds in late-stage trials and new drug approvals surging, biotechnology is definitely shifting from a promising technology to a product industry. Crucell's focus mirrors that shift and, for us, reaching and sustaining profitability is the key objective of management and board. This requires up-front investment, but our business model and the strength of our programs puts us in an enviable position as we attack our goals.

¹*Resurgence: The America's Perspective – Global Biotechnology Report 2004.* Ernst & Young

The significance of SARS

Crucell published encouraging results for its human monoclonal antibody against SARS in *The Lancet* medical journal in June, sparking considerable media and industry attention. We asked Chief Scientific Officer Jaap Goudsmit to move beyond the hype and outline what this discovery really means for Crucell.



CQR: While SARS was big news in 2003, it now seems to be under control. Is there really a market for a SARS antibody or vaccine?

JG: There have been over 8000 probable cases and more than 700 deaths since the first cases of SARS emerged in late 2002. After the end of the epidemic in June 2003 several sporadic cases, some laboratory acquired and others linked to animal contacts, have occurred in

Singapore, Taiwan and China. The last cases, in April 2004, were laboratory acquired and led to further infections in Southern China. While it's difficult to make any estimate of the market for a SARS antibody at present, as the disease is just too new, the fact is there is still no treatment for SARS and there can be no guarantee that another epidemic or a new strain of the virus will not emerge in the future.

CQR: In the event of a product successfully making it to market, to whom will the drug be targeted?

JG: The antibody could first be used as prophylaxis for people likely to be exposed to the SARS virus, such as hospital personnel taking care of suspected SARS patients. It could also be beneficial if given very early after the onset of SARS symptoms to avoid severe SARS disease and to lower the chance of spreading the virus to exposed individuals.

CQR: Is Crucell looking for partners to boost the ongoing development of the antibody?

JG: At this point Crucell is still evaluating where we might go with this potential product lead. We've recently forged a number of beneficial strategic partnerships, most notably with Aventis for our influenza program and the NIH for our malaria and Ebola vaccines. These alliances have placed us in a very strong position as we move these programs through the preclinical phase, and the funding they provide considerably reduces the risk profile of the company as a whole. We would certainly be open to the possibility of collaboration on SARS.

CQR: How significant are these results for the Company, given that it has only been shown that Crucell's antibody protects ferrets from SARS?

JG: Certainly it's early days and this antibody would still need to enter the clinical phase, but the ferret model used in these preclinical trials stands as the best available to mimic human SARS infection. As such, these results could pave the way for the development of this antibody for human use. Perhaps more importantly for Crucell at this point, these results represent the first demonstration of the success of our Antibody Discovery Group's shift away from oncology to a focus on infectious diseases. We hope their rapid success in generating an effective SARS antibody will be repeated for other infections and emerging threats.

Questions from the Quarter

Q: Could you please give some background on ChromaGenics and explain why Crucell has acquired another technology?

A: ChromaGenics is a biotechnology company founded as a spin-off from the University of Amsterdam. ChromaGenics has discovered a technology, called STAR™ technology, that has the potential to improve industrial production of proteins and antibodies on both PER.C6® and other mammalian cell lines, most notably CHO and NS/O. It promises to allow significantly improved production levels in terms of yield and stability, and at more competitive prices. The potentially broad application of STAR™ technology could also lead to additional licensing revenues for Crucell, particularly in the highly attractive and lucrative biogenerics market.

Q: The press release sent out on June 1 covered study results for the use of the Ebola vaccine in monkeys. How is this study different from the one published in August 2003?

A: The August 2003 announcement referred to a successful experimental Ebola vaccine developed together with the NIH. The June 1 announcement confirms the results of the previous study, with vaccinated monkeys completely protected from Ebola. However, thanks to the scalability and production capacity of PER.C6® cells, this is the first time these results were achieved using a vaccine that can be produced on a large scale. The results of this study could pave the way for clinical studies.

Questions, Suggestions, Remarks? Please contact Crucell

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