



NicOx reports first quarter 2007 financial results

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NicOx S.A. (Eurolist: COX) today reported financial results for the quarter ended March 31, 2007 and provided an update on its collaboration with Axcan Pharma Inc. in chronic liver diseases (see separate press release). The Company significantly strengthened its financial position during the quarter with a capital increase which raised total net proceeds of €120.7 million and was completed on February 16, 2007. On March 31, 2007, NicOx had cash, cash equivalents and current financial instruments of €201.2 million, compared to €81.7 million on December 31, 2006.

NicOx achieved a strong increase in revenues, which reached €8.7 million in the first quarter of 2007, compared to €0.7 million for the corresponding period of 2006. This increase is primarily attributable to milestone payments from Merck & Co., Inc. and Pfizer Inc which were fully recognized during the period.

Operating expenses reached €8.2 million for the first quarter 2007. Expenses mainly relate to naproxinod, NicOx' lead product and the first compound in the CINOD class, which is in phase 3 clinical development for the treatment of the signs and symptoms of osteoarthritis. Net profit for the first quarter of 2007 was €1.8 million. NicOx expects to record a net loss for the remainder of 2007, in line with its projection that research and development expenses will increase significantly until the projected launch of naproxinod.

Key highlights - first quarter 2007

- Successful completion of a €130 million rights issue on February 16, 2007, through the issuance of 9 131 526 new ordinary shares.
- €5.0 million milestone payment from Merck linked to the initiation of Good Laboratory Practice toxicology studies for the first development candidate, recently selected by NicOx and Merck in their antihypertensive collaboration.
- Initiation of phase 2 clinical development for PF-03187207, the lead compound in the collaboration agreement with Pfizer which was signed in 2004 and focuses on the research and development of nitric oxide-donating prostaglandin F2-alpha analogs for the treatment of glaucoma.
- Progress in the collaboration agreement with Pfizer across the entire field of ophthalmology: NicOx has invoiced Pfizer for the €3.0 million in research funding due on each anniversary of the agreement signed on March 2, 2006.

Eric Castaldi, Chief Financial Officer of NicOx, declared: *"NicOx was successful in significantly strengthening its balance sheet during the first quarter of 2007, due to the completion of a rights issue for approximately €130 million. This financing should help maximize the value of naproxinod, our potential blockbuster for the treatment of the signs and symptoms of osteoarthritis. Our first quarter financial results are not expected to be representative of our full-year 2007 results; expenses are expected to increase sharply in the second half of the year, due to the ongoing 302 and the planned 303 phase 3 studies for naproxinod."*

First-quarter 2007 financial results

Revenues

On March 31, 2007 NicOx' revenues reached €8.7 million, compared to €0.7 million on March 31, 2006. This significant increase results from the following amounts that were entirely recognized as revenues during the first quarter 2007:

- €5.0 million received from Merck in January 2007 following the initiation of toxicology studies on the first development candidate pursuant to the March 2006 agreement.
- €1.0 million invoiced to Pfizer in March 2007 following the granting of an Investigational New Drug (IND) approval by the United States Food and Drug Administration (FDA) for a new experimental medicine for the treatment of glaucoma pursuant to the August 2004 agreement.

These amounts received by the Company result from a firm commitment by the other contracting party. They have been immediately recognized in revenues because the Company will not have continuing involvement in the future development of the compounds which are the subject of the collaboration agreements mentioned above.

During the first quarter 2007, NicOx also recognized the following revenues:

- €1.1 million of the initial payment of €8.0 million from Pfizer (€5.0 million as a technology exclusivity fee and €3.0 million in research funding) following the signature in March 2006 of an agreement that granted Pfizer rights to an exclusive worldwide license to develop and commercialize new drug candidates using NicOx' proprietary technology in the field of ophthalmology.
- €0.2 million corresponding to the invoice of an additional €3 million to Pfizer in March 2007 related to the funding of the second year of research collaboration pursuant to the above referenced agreement signed with Pfizer in March 2006.
- €1.3 million corresponding to the initial payment of €9.2 million from Merck following the signature of a collaboration agreement for new antihypertensive drug candidates in March 2006.
- €0.1 million corresponding to the allocation during the first quarter 2007 of the US\$ 2 million license and option payments received from Axcan partially in December 2002 and the balance in January 2003

Excluding the payments related to the funding of research activities in the context of the collaboration with Pfizer, the above sums, initially recorded as prepaid income, have been deferred from February 2003 for Axcan and March 2006 for Pfizer and Merck, over the estimated duration of the Company's involvement in the development and research programs provided for under the corresponding agreement, the duration of which are revised periodically, if necessary. The payments received from Pfizer for the funding of the research activities are deferred over a period of 12 months from the date of invoice.

Operating expenses

Consolidated operating expenses were €8.2 million on March 31, 2007, with 74 % attributable to research and development expenses and 26 % to selling and administrative expenses.

Research and development expenses amounted to €6.1 million during the first quarter 2007 (including €0.6 million allocated to cost of sales). These expenses are from development expenses primarily attributable to the cost of phase 3 development of naproxinod, such as expenses relating to external collaborations with clinical research organizations and suppliers involved in the clinical development and manufacturing activities. Research and development expenses decreased by €1.9 million during the quarter due to operational subsidies related to the research tax credit to be received by NicOx, which has increased significantly in the first quarter 2007. On March 31, 2007, the Company employed 72 people in research and development, compared to 64 people on December 31, 2006.

Administrative and selling expenses amounted to €2.1 million for the first quarter of 2007. General and administrative expenses were related primarily to personnel expenses in administrative and financial functions and to the remuneration of corporate officers. These expenses also include structural costs (leases, property service charges and maintenance costs, excluding structural costs related to research and development activities), legal and accounting fees and other external administrative costs. Selling expenses correspond to business development and communication activities.

Operating result

The operating result amounted to €0.5 million on March 31, 2007. This situation is explained primarily by the strong increase of the revenues recognized during the period as explained above.

Other results

Net financial income amounted to €1.4 million for the first quarter of 2007. Net financial income recorded during the first quarter has benefited from the increase of the Company's cash, cash equivalents and financial instruments following the capital increase completed in February 2007.

The income tax expense incurred by NicOx during the first quarter 2007 relates principally to its Italian subsidiary and amounted to €0.1 million on March 31, 2007.

Net profit

The Company made a net profit of €1.8 million on March 31, 2007. This exceptional situation is explained by the significant increase of revenues recognized over the period, by the impact on the research and development expenses of the research tax credit which has increased significantly on March 31, 2007 and by the increase of net financial income generated by investing the proceeds of the rights offering completed in February 2007. This result cannot be considered as an indication of the future results of the Company expected for 2007.

Balance sheet items

On March 31, 2007, the Company's current financial instruments, cash and cash equivalents amounted to €201.2 million compared to €81.7 million on December 31, 2006. This significant increase of cash, cash equivalents and current financial instruments is primarily attributable to the increase of capital with preferential rights completed in February 2007, for which net proceeds amounted to €120.7 million.

The €4.0 million increase of the trade receivables during the first quarter 2007 corresponds to the invoices sent to Pfizer as described in the revenues paragraph above.

The indebtedness incurred by NicOx is mainly short-term operating debt. On March 31, 2007, current liabilities amounted to €18.9 million, including notably €8.4 million of deferred revenues through payment received and invoices sent under collaboration agreements, €7.9 million in accounts payable to suppliers and external collaborators, €1.6 million in social security debts and accrued compensation for employees and €0.8 million in taxes payable.

NicOx had no loans outstanding, and financial leasing commitments amounted to €0.04 million as of March 31, 2007.

NicOx (Bloomberg: COX: FP, Reuters: NCOX.PA) is a product-driven biopharmaceutical company dedicated to the development of nitric oxide-donating drugs to meet unmet medical needs. NicOx is targeting the therapeutic areas of pain and inflammation and cardio-metabolic disease. Resources are focused on two lead compounds, naproxinod (formerly HCT 3012); in phase 3 development for the treatment of signs and symptoms of osteoarthritis, and NCX 4016, in phase 2 for type 2 diabetes.

NicOx has strategic partnerships with some of the world's leading pharmaceutical companies, including Pfizer Inc. and Merck & Co., Inc.

NicOx S.A. is headquartered in Sophia-Antipolis, France, and is a public company listed on the Eurolist of EuronextTM Paris (segment: Next Economy).



The elements included in this communication may contain forward-looking statements subject to certain risks and uncertainties. Actual results of the company may differ materially from those indicated in the forward-looking statements because of different risks factors described in the company's document de reference.

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CONSOLIDATED STATEMENTS OF OPERATIONS

	For the period ended March 31, 2007
	(in thousands of €)
Revenues	8,746
Cost of sales	(598)
Research and development expenses	(5,487)
Administrative and selling expenses	(2,152)
Operating result	509
Net financial income	1,354
Profit before income tax	1,863
Income tax expense	(68)
Net profit	1,795
Attributable to:	
- Equity holders of the Company	1,795
- Minority interests	-

CONSOLIDATED BALANCE SHEET

	For the period ended	
	March 31, 2007	December 31, 2006
	(in thousands of €)	
ASSETS		
Non current assets		
Property, plant, & equipment	2,048	1,900
Intangible assets	198	214
Government subsidies receivable	3,391	1,521
Other financial assets	143	141
Deferred income tax assets	8	11
Total non-current assets	5,788	3,787
Current assets		
Trade receivables	6,143	2,142
Government subsidies receivable	182	708
Other current assets	1,669	1,670
Prepaid expenses	1,237	1,362
Current financial instruments	37,763	27,602
Cash and cash equivalents	163,442	54,138
Total current assets	210,436	87,622
TOTAL ASSETS	216,224	91,409
LIABILITIES		
Capital and Reserves attributable to equity holders of the Company		
Ordinary shares	9,436	7,610
Other reserves	187,662	66,302
Minority interests in equity	-	-
Total Equity	197,098	73,912
Non-current liabilities		
Provisions for other liabilities and charges	130	118
Deferred income tax liabilities	110	110
Finance lease	25	34
Total non-current liabilities	265	262
Current liabilities		
Provisions for other liabilities and charges	-	17
Finance lease	19	17
Trade payables	7,866	6,188
Deferred revenue	8,355	8,102
Current income tax payable	99	209
Social security and other taxes	2,423	2,702
Other liabilities	99	-
Total current liabilities	18,861	17,235
TOTAL LIABILITIES and SHAREHOLDERS' EQUITY	216,224	91,409