



Adeza Announces 2006 Second Quarter Financial Results

Thursday August 3, 4:20 pm ET

Achieves 16th Consecutive Quarter of Profitability on Record Product Sales Company Affirms 2006 Revenue Guidance

SUNNYVALE, Calif.--(BUSINESS WIRE)--Aug. 3, 2006--Adeza (NASDAQ:[ADZA](#) - [News](#)) today announced financial results for the second quarter ended June 30, 2006.

Adeza reported record product sales of \$13.0 million for the second quarter of 2006, an increase of 23% from product sales of \$10.6 million for the second quarter of 2005. This increase was due to higher sales volume of FullTerm(TM), The Fetal Fibronectin Test.

Net income for the second quarter of 2006 was \$537,000, or diluted earnings per share of \$0.03, which included charges of \$931,000 for stock-based compensation expense. Net income for the second quarter of 2005 was \$1.8 million, or diluted earnings per share of \$0.10, which included no stock-based compensation expense related to SFAS 123R and a 5% tax rate.

Gross profit for the second quarter of 2006 was \$11.1 million, or 85.4%, and included stock-based compensation expense of \$48,000. This compares with gross profit of \$9.2 million, or 86.6%, for the second quarter of 2005.

Sales and marketing expenses for the second quarter of 2006 were \$7.4 million, including stock-based compensation expense of \$457,000, compared with \$4.8 million for the same quarter in 2005. This increase reflects expansion of the company's direct sales force and marketing programs. General and administrative expenses for the second quarter of 2006 were \$2.2 million, including stock-based compensation expense of \$352,000, compared with \$1.9 million in the comparable quarter of the prior year. Research and development expenses were \$1.6 million for the second quarter of 2006, including stock-based compensation expense of \$75,000, compared with \$1.2 million in the same quarter of the prior year. This increase was mainly due to product development efforts, including costs related to Gestiva(TM), Adeza's drug candidate for the prevention of preterm birth in women with a history of preterm delivery.

Product sales for the first half of 2006 totaled \$23.8 million, an increase of 18% from \$20.2 million for the first half of 2005. For the six months ended June 30, 2006 Adeza reported net income of \$543,000, or diluted earnings per share of \$0.03, which included \$1.8 million for stock-based compensation expense due to the adoption of SFAS 123R. This compares with net income of \$3.3 million, or diluted earnings per share of \$0.18, for the six months ended June 30, 2005, which included no employee stock-based compensation expense related to SFAS 123R and a 5% tax rate.

As of June 30, 2006 Adeza had cash and cash equivalents of \$93.4 million, an increase of \$2.8 million from \$90.5 million of cash and cash equivalents as of March 31, 2006 and an increase of \$3.6 million

since December 31, 2005. Stockholders' equity was \$100.2 million and working capital was \$99.5 million as of June 30, 2006.

"We see significant opportunity for growth in the 'signs-and-symptoms' market, while continuing marketing programs aimed at expanding FullTerm, The Fetal Fibronectin Test to women who are at risk for preterm birth," said Emory V. Anderson, president and chief executive officer.

"We are pleased with the regulatory progress of Gestiva, our drug candidate for the prevention of preterm birth in women with a history of preterm delivery," he continued. "Since announcing the submission of the Gestiva New Drug Application (NDA) in early May, the U.S. Food and Drug Administration (FDA) has accepted the NDA filing and assigned a date of August 29 for an advisory committee meeting. The FDA has also granted the NDA Priority Review designation, setting a goal to complete its review or otherwise respond to the Gestiva NDA by October 20. If approved, Gestiva will have a favorable impact on our 2007 product sales."

2006 Financial Guidance

Adeza today affirmed guidance for 2006 revenue to be in the range of \$54 million to \$57 million. It also affirmed that gross margin for 2006 is expected to exceed 80%, and has revised the full-year tax rate to a range of 48% to 52%, which is higher than the statutory tax rate primarily as a result of accounting for stock-based compensation expense under SFAS 123R.

Conference Call

Adeza's management will host an investment-community conference call today beginning at 4:30 p.m. Eastern time (1:30 p.m. Pacific time) to discuss these results and to answer questions.

Individuals interested in participating in the conference call may do so by dialing (888) 463-4383 for domestic callers, or (706) 634-5615 for international callers. A telephone replay will be available for 48 hours following the conclusion of the call by dialing (800) 642-1687 for domestic callers, or (706) 645-9291 for international callers, and entering reservation code 3584280.

The live call also will be available via the Internet on the Investor Relations section of the company's Web site at www.adeza.com. A webcast replay of the call will be available following the conclusion of the call.

About Adeza

Adeza designs, manufactures and markets innovative products for women's health. Adeza's initial focus is on reproductive healthcare using its proprietary technologies to predict preterm birth and assess infertility. Adeza's principal product is a patented diagnostic test, FullTerm, The Fetal Fibronectin Test, which utilizes a single-use, disposable cassette and is analyzed on Adeza's patented TLiIQ® System. This product is approved by the U.S. Food and Drug Administration (FDA) for use in assessing the risk of preterm birth. Adeza also markets and sells the E-tegrity® Test, an infertility-related test to assess receptivity of the uterus to embryo implantation in women with unexplained infertility. In May 2006, Adeza announced the submission of its New Drug Application (NDA) to the FDA for Gestiva, a long-acting form of a naturally occurring progesterone to prevent preterm birth in women with a history of preterm delivery. Adeza's NDA submission includes data from a clinical study conducted by the National Institutes of Health. In June 2006, the NDA for Gestiva was granted Priority Review status. More information is available at www.adeza.com.