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Zacks Small-Cap Research

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Interleukin Genetics (ILIU-OTC)

ILIU: 2014 Not A Revenue Highlight But Saw Major Progress w/ PerioPredict

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	03/28/2011
Current Price (03/20/15)	$0.17
Target Price	**$0.45**

OUTLOOK

Key UofM PST (periodontal disease) test study results were overwhelmingly positive and published in June 2013. Dental plans are now covering cost of test. PerioPredict launched in early 2014 and indications are that feedback from dental providers and patients is positive. Game plan is to broaden commercial footprint and increase number of patients enrolled in plans covering the test. Company talking with other insurers, dental groups and employers about adopting the test. ILIU has been very active in building awareness and in sales/mktg while conserving resources. Recent $10M capital raise should help catalyze PerioPredict roll-out.

New iron in the fire with collaboration with ISIS Pharma for use of Heart Health test. Another high potential pipeline test, for OA, also addresses increasing demand for personalized medicine and companion diagnostics. Game plan is to collaborate with a partner to bring the test to mrkt - discussions have already been initiated.

SUMMARY DATA

52-Week High	**$0.46**
52-Week Low	**$0.05**
One-Year Return (%)	**-52.78**
Beta	**1.36**
Average Daily Volume (sh)	**88,942**
Shares Outstanding (mil)	**178**
Market Capitalization ($mil)	**$30**
Short Interest Ratio (days)	**3.49**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**27**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**5.0**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2015 Estimate	**N/A**
P/E using 2016 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**N/A**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(in '000s of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	488 A	529 A	472 A	322 A	1,810 A
2015	329 E	381 E	442 E	427 E	1,579 E
2016					4,421 E
2017					9,581 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	-$0.01 A	-$0.01 A	-$0.01 A	-$0.01 A	-$0.05 A
2015	-$0.01 E	-$0.01 E	-$0.01 E	-$0.01 E	-$0.04 E
2016					-$0.03 E
2017					-$0.02 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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Q4 / Full-Year 2014: *ILIU Continues Transition From WM to PerioPredict. Plus New Irons in the Fire…*

Interleukin reported financial results for the fourth quarter and full-year ending December 31, 2014. Revenue, which remains highly concentrated with the company's Weight Management test, continues to slide. Revenue fell 52% in Q4 and 26% for the full year compared to the respective year-earlier periods. Revenue began to soften shortly following Amway's decision to include the Weight Management test as a promotional bundle, which took effect in early 2013. We continue to expect little to no growth in revenue coming from the Amway channel.

But, as we have detailed in the recent past, ILIU has been diligent in fitting expenses for their revenue base which has included right-sizing headcount and streamlining processing capacity and related overhead. So despite the 26% contraction in revenue and a 1,210 basis point narrowing of gross margin from 2013 to 2014, operating loss actually improved by $270k (4%) over that period.

And the company continues to prepare for the anticipated next wave of growth – at the forefront of which is their high-potential PerioPredict test for periodontal disease. While there has yet to be a meaningful financial contribution from PerioPredict, early success has been achieved in building awareness about the product, educating dental practices in use of the test, gaining valuable feedback from industry professionals and substantive discussions with and progress towards closing deals with corporate accounts and additional insurers. Management clearly remains enthusiastic about the potential demand for PerioPredict and we agree. We believe this early and ongoing groundwork, while more involved and drawn out longer then we had initially anticipated, will eventually pay dividends. The recent financings provide more fuel to further these efforts and should provide a long enough runway to where we see some revenue contribution coming from PerdioPredict test processing.

We also view current trends in healthcare, aimed at reducing costs and increasing efficiency, as providing another potential significant catalyst to uptake of PerioPredict, as well as other of ILIU's genetic tests. Obamacare, shifts in reimbursement from pay-per-procedure to pay-for-performance and greater demand for companion diagnostics and personalized medicine all play in favor of use of ILLU's genetic tests. PerioPredict provides an obvious example of a tool that can increase treatment efficiency and lower cost with no compromise to the patient.

And in the same vein as efficient healthcare and companion diagnostics – something that has been at the heart of ILIU's vision for long-term growth, the company recently took another meaningful step in that direction with the recently announced agreement with ISIS Pharmaceuticals (more on this below). Use of the company's tests in clinical trial recruitment or as a companion diagnostic for commercialized drugs has the potential to be a significant area of (as-yet) largely untapped potential for the company. Their cardiovascular disease test, which is being used in the ISIS relationship, is only one of many that the company has IP around. As we have detailed in our ongoing coverage of ILIU, we believe their osteoarthritis test could eventually have massive appeal as a companion diagnostic.

On the awareness-building front, ILIU has been tireless in attending and presenting at industry events, which we have detailed in our updates throughout 2014. The most recent of which was a presentation by ILIU's CEO, Dr. Ken Kornman, titled The Role of Inflammation in Periodontal Disease and other Chronic Disease at the Polish Society of Periodontology's Spring Seminar in March.

Also in March, ILIU made a presentation at the 2015 Int'l Association for Dental Research titled IL1 Genotype and Obesity Characteristics Interact to Influence Periodontitis Progression. This is a potential important finding as it provides additional insight into risk of progression of periodontal disease based not only on functional variants of the IL-1 gene but also with obesity.

We reiterate that we believe awareness-building such as these presentations, additional clinical data and articles in industry publications (such as the recent article in Genome Magazine) are important and potentially very effective means to facilitation in building demand for PerioPredict and in scoring corporate accounts and additional insurance customers. As such, we expect management will remain highly committed to these activities.

Revenue

Q4 revenue of $322k was down 32% sequentially and 52% yoy. Included in the revenue is $67k in "breakage" – related to an accounting change that ILIU began to recognize in Q4 2013 and allows for the recognition of years-earlier deferred revenue from test kits that have yet to be sent back to ILIU for processing (i.e- given that it s unlikely these test kits will ever be returned for processing which is when ILIU typically recognizes revenue - ILIU can go ahead and recognize this as revenue).

For the full-year, revenue was $1.8 million, including $309k of breakage. Revenue fell 26% from 2013.

GM / Operating Expenses / EPS
Q4 and full-year GM were 0.5% and 21%, down from 42% and 33% in the year-earlier periods. The contraction in GM we attribute to less revenue to cover fixed costs in the most recent periods. OpEx were $1.6 million and $6.6 million in Q4 and FY 2014, down from $7.3 million and $2.2 million in the year-earlier periods – as noted, the decrease relates to efficiency and cost-cutting efforts.

Despite the decrease in revenue, net loss and EPS improved in both Q4 and the full year. Q4 and full year 2014 net loss and EPS were ($1.6)M / ($0.01) and ($6.3)M / ($0.05) compared to the comparable periods of ($1.9)M / ($0.02) and ($0.08) / ($7.1)M.

Cash
Cash used in operating activities was $4.9 million in 2014, compared to $3.3 million in 2013. Ex-changes in working capital 2014 cash used in operating activities was $4.2 million, compared to $4.6 million in 2013.
ILIU exited 2014 with $2.6 million in cash and equivalents.

Subsequent to year-end the company raised an additional $10 million from equity and debt. $5 million of which comes via the sale of 50.1 million shares of common stock (at $0.1003/share) with 100% warrant coverage and $5 million from a 45-month loan. Bay City Capital, a major life sciences investment firm with approximately $1.3 billion in committed capital, was the majority investor in the $5 million equity raise taking 53% (26.5M shares). The loan comes from Horizon Technology Finance Corporation, is payable in 45 monthly installments (interest only for first 15 months) and bears interest at 1-month LIBOR plus 8.50%. ILIU expects the current cash balance to fund the company for at least the next 12 months.

Operational Update

ILIU Building Out Companion Diagnostics Portfolio…
Interleukin Genetics'(ILIU) Heart Health Genetic Test was used in a clinical trial to assess whether interleukin-1 (IL-1) genotype status can help predict risk of coronary artery disease and cardiovascular events. A manuscript of the study, titled *Pro-Inflammatory Interleukin-1 Genotypes Potentiate the Risk of Coronary Artery Disease and Cardiovascular Events Mediated by Oxidized Phospholipids and Lipoprotein (a)*, was published in the May 2014 issue of the Journal of the American College of Cardiology.

IL-1 genotypes oxidized phospholipids (OxPLs) and lipoprotein (Lp)(a) levels were measured in 499 patients. OxPLs and Lp(a) are inflammatory mediators, higher levels of which are associated with a higher risk of cardiovascular events. Results of the study showed a link between IL-1 genotype status, as measured by Interleukin's Heart Health Genetic Test, OxPLs, LP(a) and risk of coronary artery disease (CAD).

Success of this study apparently resulted in a relationship with Isis Pharmaceuticals (ISIS) whereby ILIU will provide genetic testing using a panel of its genetic tests for two separate studies, a phase I study and a phase II study. The phase II study is for Isis' ISIS-APO(a), which is being developed for the treatment of patients with high lipoprotein ((LP)(a)).

While Interleukin's major focus remains with commercialization of its PerioPredict genetic test for periodontal disease, the company has been very vocal about looking to expand its companion diagnostics platform. We view this relationship with Isis as a significant step in that direction.

Interleukin also has other high potential products, including an osteoarthritis (OA) genetic test, that could hold substantial promise in companion diagnostic/personalized medicine. A paper with findings of the company's (in collaboration with Univ of North Carolina) 1,154-patient study validating the test as a predictor of progression of knee osteoarthritis was published in the online version of Osteoarthritis and Cartilage in 2013. The study found that a specific gene pattern was indicative of increased risk of progression of knee osteoarthritis to a severe state. This was particularly true for individuals with high body mass index. Interleukin has indicated in the recent past that their game plan with the OA test includes looking for a commercialization partner. We think the test could potentially have enormous potential value as a companion diagnostic in enrollment selection of clinical studies for the development of drugs to treat osteoarthritis, currently a huge unmet need.

PerioPredict…

All eyes and ears continue to be on details of the roll-out of PerioPredict. While management has not provided specifics in terms of patient enrollment numbers in plans covering the cost of the test nor the number of tests shipped to-date, more qualitative comments on the last several earnings calls have us encouraged that the initial launch is meeting or exceeding expectations. Importantly, management has indicated that utilization of the test by dentists has been strong.



SOURCE: Interleukin Genetics

The test officially became covered by dental insurance when plans from Renaissance Health were introduced on January 1, 2014 marking a significant milestone for Interleukin. ILIU has structured the roll-out into multiple phases. Dentists with patients covered by these Right-Sized Dental policies in the initial roll-out began to receive letters in November 2013 informing them that certain of their patients are covered by these plans. This initial phase also included bringing on training staff to ensure dental practices know how to properly use the test. ILIU noted on the Q4 2013 call that in January 2014 they shipped PerioPredict test kits to approximately 600 dentists (mostly in Michigan) with patients covered by Right-Sized policies. The company subsequently noted that they were engaged with 650 dental offices. ILIU has already begun receiving tests back for processing and has been reimbursed for the tests that they have received. Anecdotal feedback from both patients and dental providers has been positive.

Follow-on phases of the roll-out encompass Renaissance (RHSC) enrolling patients in plans that come up for renewal in January 2015. It also involves expansion to insurance carriers besides Renaissance. As a reminder, in November 2013 ILIU and Renaissance amended the terms of their agreement. Included in the amendment was removal of a provision that ILIU would only offer the test exclusively to RHSC affiliates for one year following the date that RHSC affiliates first offered these plans.

On the recent conference calls management noted that they have been in active discussions with other insurance carriers in their quest to expand reimbursement of the test and have recently ramped up these efforts. ILIU has recently broadened their scope and is talking with benefits brokers and self-insured regional dental groups, along with insurance carriers about using PerioPredict. And while RHSC/Delta Dental is the largest dental insurance provider, with approximately 58 million covered lives, the dental insurance market is highly consolidated - with only six companies (including Delta) owning about 70%+ of all covered lives. This potentially affords ILIU a captive audience to market to, particularly as payers look for competitive differentiation. The potential for PerioPredict to lower costs for both payers and employers offers a compelling marketing message.

And ILIU's marketing efforts are not just targeted at payers but also has a significant focus on large employer groups as well. With employers having become ever-more concerned with rising healthcare costs but perhaps loath to compromise employee health coverage, PerioPredict could offer a particularly attractive option. ILIU has clearly recognized the opportunity that this could present and is active in marketing directly to employer groups.

We expect an ongoing effort on the part of ILIU in terms of building awareness about the test and the benefits to patients, dentists, insurance carriers and employers. As we have reported in the recent past, the company has been very active on this front which we think likely benefitted the initial launch of the test. Key will be to maintain this momentum and broaden the message as ILIU looks to expand their commercialization footprint. While this, along with additional marketing, sales and training resources will almost certainly keep operating expenses

somewhat elevated over the near term, the expectation is that these investments will recouped in fairly short order with a steepening in the revenue growth rate.

Management has been very active on awareness-building activities related to PerioPredict since its launch and the last few months were no exception. And while gauging the success of awareness-building may be somewhat subjective, there have been some clear objective results that point towards real traction in spreading the word about PerioPredict to the dental community. Over the recent past these have included the published clinical trial data of PerioPredict in the Journal of Dental Research and the Journal of Periodontal Research and management presentations at a long list of major industry conferences and events.

ILIU further bolstered these efforts over the year and scored additional significant recognition. This included receiving the 2014 DrBiscupid Dental Excellence Award for PerioPredict as the "Best New Hygienist Product" in October and the authors (including ILIU's own Dr. Ken Kornman and Dr. Lynn Doucette-Stamm) of the PerioPredict manuscript that was published in the Journal of Dental Research receiving the Clinical Research Award at the American Academy of Periodontology (AAP) Annual Meeting. DrBiscupid is widely followed and recognized in the dental industry and has the highest readership blog in the industry. The Clinical Research Award is given for a published manuscript that has direct clinical relevance to periodontics.

In addition to these awards, Dr. Kornman was chosen a keynote panelist at the AAP meeting for a session related to the future of periodontology. And in March 2015 Dr. Kornman made a presentation titled The Role of Inflammation in Periodontal Disease and other Chronic Disease at the Polish Society of Periodontology's Spring Seminar. Also in March, ILIU made a presentation at the 2015 Int'l Association for Dental Research titled IL1 Genotype and Obesity Characteristics Interact to Influence Periodontitis Progression. This is a potential important finding as it provides additional insight into risk of progression of periodontal disease based not only on functional variants of the IL-1 gene but also with obesity.

We think these awareness-building efforts are a key component of the company's marketing and sales efforts. And these early successes with gaining recognition at key-opinion-leader levels indicate that there is real interest in PerioPredict from the high-level knowledge base in dentistry and periodontology. This, we believe, has real potential to influence decision-making at the clinical and payor levels and to drive adoption of PerioPredict.

As the majority of the ~600+ practices that ILIU has already shipped test kits reside in just Michigan, geographic expansion via new RHSC policies and through agreements with other insurance carriers/brokers/dental groups could potentially ramp the covered patient base fairly rapidly (although we continue to expect the roll-out to be a progression with the initial focus on awareness-building). In April 2014 ILIU received approval from the NYS Department of Health to offer and process PerioPredict - with this approval ILIU can now offer the test in all 50 states.

As we noted in our previous updates, while we now do not expect significant revenue related to processing of the PerioPredict test in the near-term, the fact that policies covering the test are in place and the roll-out is now underway (and seemingly successful) are important milestones and indicative that meaningful progress has been made over the last several months.

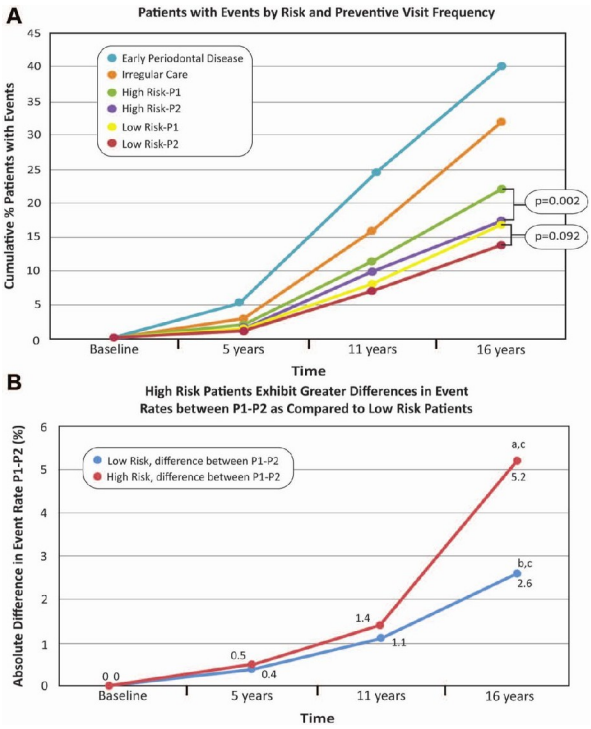
University of Michigan PST Study *(a refresher)*
In August 2010 Interleukin announced an agreement with the University of Michigan for a large study to test whether certain risk factors, including genetic variations, can help guide better medical intervention of periodontal disease and improve patient outcomes. Funding for the study was provided by Renaissance Health Service, parent company of a large and diverse set of insurance companies focused on dental health. A new version of Interleukin's PST test was used in the study for identification of predictive risk factors of periodontal disease to confirm results of earlier studies. The prospective study examined 16 years worth of data from over 5,000 patients taken from a large dental claims database. The hypothesis for the study was to determine whether more than one dental cleaning per year is value-added for low risk patients and how many cleanings are optimal for high risk patients. Primary endpoint of the study was tooth loss at 10 and 15 years. The study was the largest ever done to evaluate the application of genetic information for the prevention of periodontal disease.

The study commenced in late 2010 and top-line data was released in August 2012. The data showed exactly what Interleukin had hoped, that high risk patients are likely to benefit from more than one cleaning per year while low risk patients are not. Specifically the data showed that there was no significant difference between two dental cleanings and one dental cleaning in reducing the number of tooth extractions in the low-risk patient population (13.8% vs. 16.4%, 95% CI, p=0.092). By contrast there was a significant difference between two dental cleanings

and one dental cleaning in reducing the number of tooth extractions in the high-risk patient population (16.9% vs. 22.1%, p=0.002).

Per the trial protocol, high risk were categorized as having one or more of the following risk factors; smokers, diabetic or interlukin-1 genotype (ie - PST test positive). Low-risk was categorized has having none of these risk factors. Of particular interest is that the data also shows a highly significant (p<0.001) correlation between the number of positive risk factors and extractions - implying that all risk factors (i.e. - including PST) are indicative of risk of tooth loss.

In early June 2013 the study, titled, *Patient Stratification for Preventive Dental Care,* was published in the online version of the Journal of Dental Research.



Add'l Data Published in Journal of Periodontal Research

Additional positive data relative to the utility of PerioPredict was published in the online edition of the Journal of Periodontal Research in early April. The data relates to evidence that PerioPredict can stratify the risk of periodontal disease in multiple ethnicities. The study, titled *Association of interluekin-1 gene variations with moderate to severe chronic periodontitis in multiple ethnicities* included over 1,700 patients of different ethnicities including Caucasians, African Americans, Hispanics and Asians (Chinese). Results of the study indicated that PerioPredict has predictive utility between variations in the IL-1 gene and risk of moderate to severe periodontitis, regardless of ethnicity. In addition the study demonstrated that PerioPredict was able to identify a significant percentage of patients that were at increased risk of periodontitis yet would not have been classified as such had they not been tested with PerioPredict.

This study supplements the pivotal UofM study, results of which were published in June 2013 in the Journal of Dental Research. That study, which included data from over 5,000 patients, showed that the presence of the IL-1 gene is a risk factor for developing periodontitis and that the PerioPredict test has utility in determining the optimal number of dental cleanings a particular patient should have each year (based on the presence of IL-1). The UofM study was instrumental in gaining reimbursement of PerdioPredict from Renaissance Health and has facilitated the launch of the test. We expect the recent data from the ethnicity study to provide additional significant support for use of the test as it indicates that PerioPredict has utility across multiple ethnicities.

PST Test market:. Approximately 200 million Americans go to their dentist every year, representing about 400 million total visits with 75% related to regular exams and cleanings. Based on the large market size, the prevalence and potential seriousness of periodontal disease, support from clinical studies that the PST test works, vast distribution (via Renaissance) and support from significant use in clinical practice we think that the test may offer a

multi-million dollar opportunity for Interleukin. Using rough estimates the periodontal disease market could be worth as much as $8 billion to Interleukin (assumes 200MM tests at $40 net (our estimate) to Interleukin per test). ILIU has noted that since the initial roll-out that total reimbursement per test is in the range of $125-$200. Capturing just 10% of this (which might be very conservative) equates to an $800 million potential market. Renaissance Health alone, through its family of companies including Delta Dental, touches as many as 58 million covered lives, which is a great start.

The amended agreement with RHSC, which became effective November 2013, allows ILIU to also immediately shop the test to other insurance carriers, which instantly expanded the potential geographic commercial footprint for PerioPredict.

We note that ILIU already had a similar PST test commercialized but that the cost of the test (~ $150) was borne by the consumer, which limited its use (ILIU recently discontinued sale of that first-gen PST test). Reimbursement from dental insurers could be a huge catalyst to driving demand and adoption for the test - as such, this agreement with RHSC (as well as potential similar agreements with other carriers) could be the beginning of a new inflection point for ILIU. Periodontal disease is preventable and treatable and if diagnosed earlier, the better likelihood of improved outcomes. The test has already been used over 10,000 times in clinical practice. Interleukin notes in their literature that its PST test is one of the top ten genetic tests in terms of volume and one of the first of a new generation of predictive genetic tests for common diseases in medicine.

Product Update

While the main and most important focus right now is with the ongoing roll-out of the PerioPredict test, the Heart Health (i.e. – cardiovascular) test, which we detailed above, and the osteoarthritis test could have enormous potential, particularly (at least initially) as a companion diagnostics in drug development clinical trials. We think this area may be next in-line as a revenue driver for ILIU.

> Osteoarthritis (OA) Test: the game plan continues to be to collaborate with a partner to bring the test to market. A paper with findings of the company's (in collaboration with Univ of North Carolina) 1,154-patient study validating the test as a predictor of progression of knee osteoarthritis was published in the online version of Osteoarthritis and Cartilage. The study found that a specific gene pattern was indicative of increased risk of progression of knee osteoarthritis to a severe state. This was particularly true for individuals with high body mass index. While ILIU continues to be intently focused on commercialization of PerioPredict, their current game plan with the OA test includes looking for a commercialization partner. The test could have enormous potential value as a companion diagnostic in enrollment selection of clinical studies for the development of drugs to treat osteoarthritis, currently a huge unmet need.

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Success of this study apparently resulted in a relationship with Isis Pharmaceuticals (ISIS) whereby ILIU will provide genetic testing using a panel of its genetic tests for two separate studies, a phase I study and a phase II study. The phase II study is for Isis' ISIS-APO(a), which is being developed for the treatment of patients with high lipoprotein ((LP)(a)).

While Interleukin's major focus remains with commercialization of its PerioPredict genetic test for periodontal disease, the company has been very vocal about looking to expand its companion diagnostics platform. We view this relationship with Isis as a significant step in that direction.

OUTLOOK / RECOMMENDATION

We continue to believe that the major near and mid-term growth driver of the company lies with PerioPredict. We think the Weight Management test (the prior major growth driver and current most significant revenue contributor)

will experience continued contraction during 2015. We have yet to model any contribution from other pipeline products including the OA test, which could provide some upside to our longer-dated estimates.

While we expect to see additional revenue from processing of PerioPredict in 2015, we continue to model only modest contribution from this test during the year. We expect a greater rate of revenue growth to materialize in 2016 as ILIU begins to realize benefits of increased patient enrollments from mid and year-end plan renewals. We also could see some incremental revenue from the ISIS relationship although we have yet to include that in our forecasts – this will be updated if and when we feel it is appropriate.

We look for revenue and EPS of $1.6 million / ($0.04) and $4.4 million / ($0.03) in 2015 and 2016, respectively. We have updated our financial model and related discounted cash flow model to account for the additional interest expense and significant increase in the share count from the recent stock sale (while we had modeled an expected increase, we did not anticipate this level of share increase). Our model has also pushed back material revenue contribution from PerioPredict given the longer than anticipated sales and adoption cycle. This has had the effect of moving the valuation from $0.60/share to $0.45/share. We are maintaining our Outperform rating.

FINANCIAL MODEL

Interleukin Genetics, Inc.

	2014 A	Q1E	Q2E	Q3E	Q4E	2015 E	2016 E	2017 E	2018 E
Genetic testing	$1,641.5	$305.0	$353.0	$409.0	$395.0	$1,462.0	$4,292.0	$9,302.0	$11,349.0
YOY Growth	*-24.3%*	*-27.4%*	*-26.9%*	*-6.9%*	*32.3%*	*-10.9%*	*193.6%*	*116.7%*	*22.0%*
Other	$168.8	$24.4	$28.2	$32.7	$31.6	$117.0	$128.8	$279.1	$340.5
Total Revenues	$1,810.3	$329.4	$381.2	$441.7	$426.6	$1,579.0	$4,420.8	$9,581.1	$11,689.5
YOY Growth	*-25.5%*	*-32.4%*	*-27.9%*	*-6.4%*	*32.5%*	*-12.8%*	*180.0%*	*116.7%*	*22.0%*
Cost of Revenues	$1,435.4	$263.5	$305.0	$335.7	$315.7	$1,219.9	$2,767.4	$5,518.7	$6,429.2
Gross Income	$375.0	$65.9	$76.2	$106.0	$110.9	$359.1	$1,653.4	$4,062.4	$5,260.3
Gross Margin	*20.7%*	*20.0%*	*20.0%*	*24.0%*	*26.0%*	*38.0%*	*37.4%*	*42.4%*	*45.0%*
R&D	$843.1	$182.0	$188.0	$194.0	$185.0	$749.0	$1,001.0	$1,218.0	$1,141.0
% R&D	*46.6%*	*55.3%*	*49.3%*	*43.9%*	*43.4%*	*47.4%*	*22.6%*	*12.7%*	*9.8%*
R&D QTDP Grant	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
SG&A	$5,767.2	$1,415.0	$1,443.0	$1,461.0	$1,457.0	$5,776.0	$6,107.0	$6,745.1	$7,200.7
% SG&A	*318.6%*	*429.6%*	*378.5%*	*330.8%*	*341.5%*	*365.8%*	*138.1%*	*70.4%*	*61.6%*
Amortization	$94.1	$23.5	$23.5	$23.5	$23.5	$94.0	$165.0	$165.0	$165.0
Operating Income	($6,329.4)	($1,554.6)	($1,578.3)	($1,572.5)	($1,554.6)	($6,259.9)	($5,619.6)	($4,065.7)	($3,246.5)
Operating Margin	*-349.6%*	*-472.0%*	*-414.0%*	*-356.0%*	*-364.4%*	*-396.5%*	*-127.1%*	*-42.4%*	*-27.8%*
Total Other income	($6.3)	($120.0)	($120.0)	($120.0)	($120.0)	($480.0)	($500.0)	($500.0)	($360.0)
Pre-Tax Income	($6,335.7)	($1,674.6)	($1,698.3)	($1,692.5)	($1,674.6)	($6,739.9)	($6,119.6)	($4,565.7)	($3,606.5)
Taxes	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Net Income	($6,335.7)	($1,674.6)	($1,698.3)	($1,692.5)	($1,674.6)	($6,739.9)	($6,119.6)	($4,565.7)	($3,606.5)
YOY Growth	*-10.2%*	*0.6%*	*7.7%*	*16.2%*	*2.2%*	*6.4%*	*-9.2%*	*-25.4%*	*-21.0%*
Net Margin	*-350.0%*	*-508.4%*	*-445.5%*	*-383.2%*	*-392.5%*	*-426.9%*	*-138.4%*	*-47.7%*	*-30.9%*
EPS (continuing ops)	($0.05)	($0.01)	($0.01)	($0.01)	($0.01)	($0.04)	($0.03)	($0.02)	($0.02)
YOY Growth	*-34.4%*					*-24.7%*	*-21.4%*	*-33.0%*	*-24.4%*
Diluted Shares O/S	123,768	172,750	174,100	175,223	177,402	174,869	202,000	225,000	235,000

Brian Marckx, CFA

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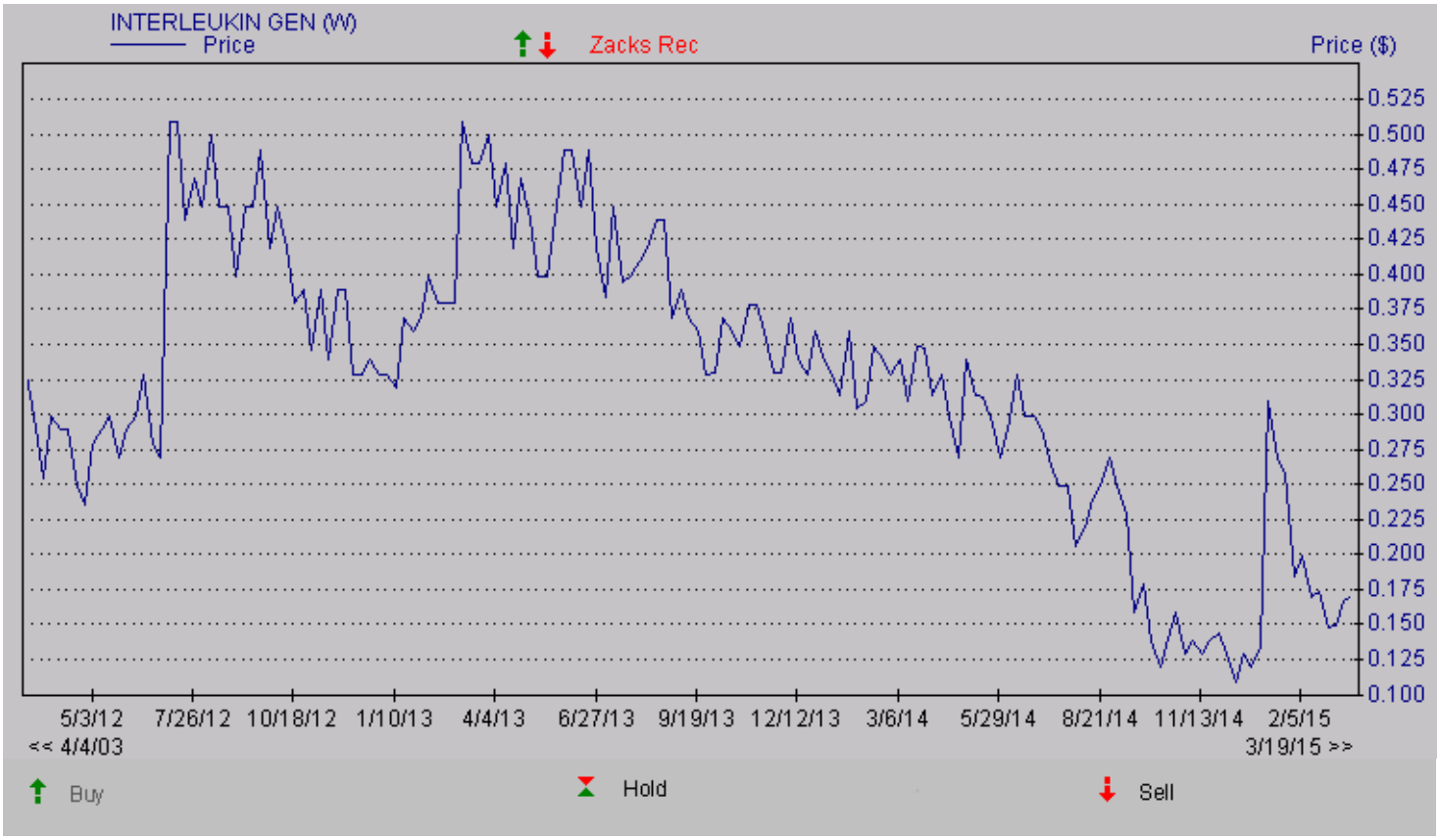

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