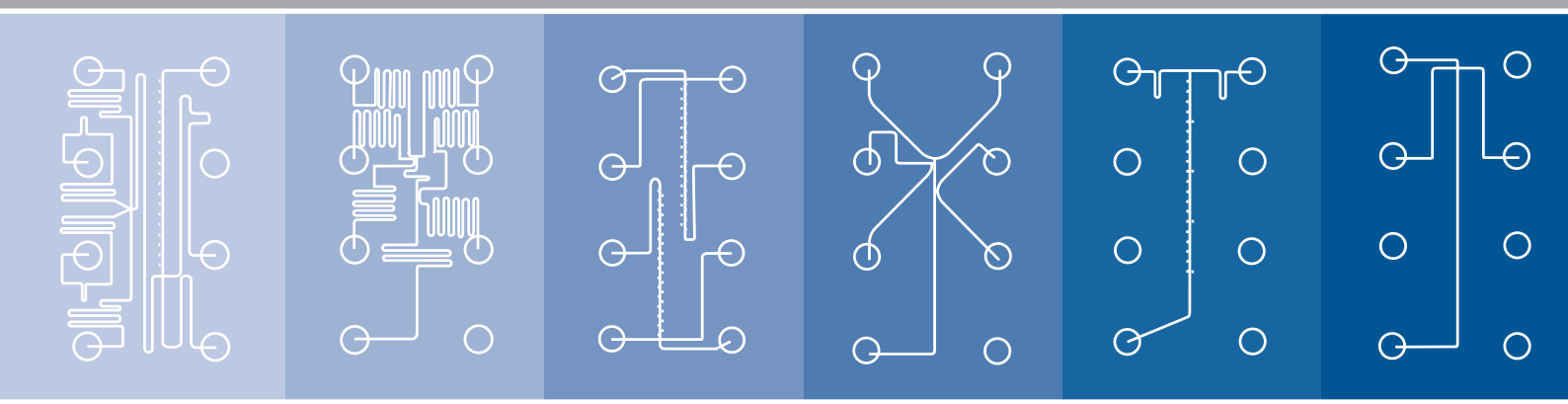
CALIPER TECHNOLOGIES CORP. 2002 ANNUAL REPORT



caliper®

Caliper Technologies Corp. (NASDAQ: CALP) is a leader in microfluidic lab-on-a-chip technology.

Caliper designs, manufactures, and commercializes LabChip® devices and systems that enable experiments which ordinarily require laboratories full of equipment and people to be conducted on a chip. The chip contains a network of microscopic channels through which fluids and chemicals are moved in order to perform the experiment. The LabChip system is designed to streamline and accelerate laboratory experimentation and has potential applicability in many areas, including the pharmaceutical, genomic, chemical, and diagnostic industries. Caliper has established multiple strategic and commercial alliances and has built a leading intellectual property estate in microfluidic technology.

2002 Highlights

- Introduced a new RNA 6000 Pico LabChip kit for the 2100 Bioanalyzer, bringing the menu of applications for RNA, DNA, proteins, and cells to nine.
- Launched the AMS 90 SE, our automated instrument platform for DNA separations, allowing scientists to analyze large volumes of DNA fragments quickly and efficiently.
- Improved yields across all LabChip types, while significantly increasing the number and variety of chips manufactured.
- Enhanced the Cell Fluorescence LabChip kit, also for the 2100 Bioanalyzer, by incorporating cell staining into the chip.
- Expanded our intellectual property portfolio. Caliper was granted 51 U.S. patents, bringing our U.S. patent count to 127. Filed 65 new U.S. patent applications, increasing the total number of U.S. patents in prosecution to 214.
- Partnered with Ambion, Inc., an established leader in RNA-based research products, to develop a microfluidic RNA amplification system.
- Significantly increased Caliper 250 usage by customers doing production screening of pharmaceutical compound libraries.
- Increased Business Development activities in order to pursue additional commercial partnerships. A core element of our business strategy is to broaden our network of corporate partners, thereby accessing new applications and new markets.
- Introduced on an "early release" basis the Calcium Flux LabChip device for use with the Caliper 250 drug discovery screening system.

Forward-looking Statement

The statements in this annual report including, without limitations, the future introduction of new products and applications and their timing, the addition of new customers, our expectations regarding our commercial partnerships, our intentions on managing our cash burn, the timing of these events and other statements regarding future events or expectations are forward-looking statements. We have attempted to identify these forward-looking statements with words such as "will," "expect," "estimate," "believe," "intend," "plan," "anticipate," and other similar words. Actual results may differ materially as a result of risks and uncertainties, including: we may encounter unanticipated technological difficulties in the development of our technologies and products; our expected commercial partners may not be willing to enter into commercial relationships with us on terms that are financially advantageous to us, or at all; customers may not perceive the benefits of the products to be the same as we do; competitors may develop better or more cost-effective technologies; the current weak economy may cause potential customers to postpone investing in our products until economic conditions improve; as well as those risks set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors Affecting Operating Results" in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2002, which is filed with the SEC and included with this annual report.

Michael R. Knapp, Ph.D.
Chief Executive Officer and Co-founder

Dear Fellow Stockholders,

In 2002, Caliper's total annual revenue decreased by 13 percent in comparison to 2001. This was a disappointing financial performance. In our public discussions with the investor community over the last six months, we have ascribed this decrease to three factors: the challenges associated with commercializing novel technology in the face of established conventional solutions; a weak economy; and sector-specific factors, such as the widely reported decrease in R&D spending by pharmaceutical companies.

Although our top line fell short, in 2002 we also saw a number of positive developments in our business enterprise that bode well for the future. In 2002, commercial products based on Caliper's microfluidic LabChip® technology were used worldwide and delivered real benefits to users. We saw: an 18 percent annual increase in product revenue from unrelated parties; a 48 percent annual increase in product revenue from sales to Amphora Discovery Corp., a related party; an 84 percent growth in the number of chips that we manufactured and shipped; and a 27 percent gain in instrument placements. These are important indicators that our customers are perceiving the value that products based on microfluidic lab-on-a-chip technology can provide. With our tremendous technical expertise, manufacturing experience, and intellectual property portfolio, we believe we are the leader in this important new category of products. Nonetheless, our major task remains bridging the gap between technical excellence and sustainable business success.

Our commercialization strategy incorporates two distribution channels – one in which we sell directly to customers and another that relies on corporate partners to sell to end-users. This latter approach, which we call our OEM channel, allows us to extend the commercial potential of our technology without the investment that selling directly involves. In the pursuit of this partnership business, we are fortunate that we have a proprietary technology with profound depth, exploitable in a broad range of industries and applications.

Displacing conventional methodologies with novel technology in a cautious market is not easy. At the same time, we believe that innovative technology and products will ultimately wean customers from traditional product solutions. In the meantime, we are monitoring costs carefully, making sensible investments, and executing a business strategy that reduces risk and conserves cash.

Building Direct Sales

During 2002, many of our customers experienced successes with our LabChip systems, and they are sharing their results with colleagues throughout the industry. What are they saying? That the Caliper 250 Drug Discovery system delivers superior data quality with fewer false negatives and false positives than are observed with other technologies, and that this high-quality data can lead to improvements in their drug discovery process. Based on customer feedback, we continue to refine our products to provide a clear set of differentiating and competitive features.

In 2002, we introduced -- on an "early release" basis -- the Calcium Flux LabChip, which is valuable in the study of G-protein coupled receptors (GPCRs) and is used with the Caliper 250. In addition, we anticipate several product events in 2003 that we believe will positively impact our future performance. Two new products for the Caliper 250 system are becoming available now. These include a 12-sipper chip that has more than 2.5 times the throughput of our current 4-sipper chip. The second new product, available on an "early release" basis, allows on-chip mobility shift assays, valuable for important enzyme targets such as kinases. This chip complements our off-chip version, already on the market, and together they give the researcher more flexibility in configuring experiments. These are important line extensions, as many of our current customers are using the Caliper 250 primarily for kinase screening. Kinases are one of the largest focus areas of drug discovery efforts today, and since there are over 500 human kinases, they represent a sizable group of potential drug targets.

Expanding Commercial Partnerships

Our OEM business development activities are core to our commercial strategy. By extending the reach of our technology into new applications and new industries, we can leverage the commercial potential of microfluidics in ways that would be difficult for us as a young company to do alone. This strategy allows us to combine our proprietary technical expertise with a partner offering complementary capabilities. These types of collaborations diminish our risk and reduce our costs, while leveraging the strengths of larger, more established partners to penetrate new markets.

We have had discussions with multiple potential OEM partners. The possible scope of the deals under discussion is significant and includes diagnostic tests, new instrument systems, and high-value research applications. Additionally, we are exploring commercial partnerships to support the further development of the LibraryCard™ Reagent Array and the SNP genetic analysis chip, two programs that we had previously planned to commercialize ourselves.

Growing Our Collaborative Business with Agilent

The Agilent 2100 Bioanalyzer was the first commercialized product line based on our proprietary LabChip technology, demonstrating the value of microfluidics for analytical separations applications. Since its introduction in late 1999, the installed base of 2100 Bioanalyzers has grown to more than 1800 units. Product revenue from the Agilent collaboration grew 52 percent in 2002, as compared to 2001, driven by a 27 percent increase in instrument placements and an 83 percent increase in LabChip kits.

In May 2002, we notified Agilent that we wanted to expand our OEM opportunities and therefore would end our collaboration agreement with them in May 2003. Our principal motivation in terminating the formal agreement with Agilent is to give us more flexibility in developing new applications with other OEM customers. We highly value our relationship with Agilent and will work to continue to grow our business with them. We expect that the immediate effect of terminating the Agilent agreement will be to convert Agilent from our exclusive research products partner to one of our most important OEM customers.

Advancing New Commercial Partnerships

Though Agilent is the most established of our current OEM relationships, we also have some smaller collaborations. For example, our partnership with Bacterial BarCodes, Inc., or BBCI, combines their proprietary rep-PCR technology with our microfluidics expertise to generate DNA fingerprints of bacteria for microbial typing and identification applications. The system, which includes the Caliper 1000 Analyzer and associated LabChip kit, is now in the final stages of field-testing, and customer response has been enthusiastic. We currently estimate a product rollout in 2003 targeting laboratories involved in epidemiological testing.

We are also making progress in our collaboration with Ambion, Inc. to develop a microfluidic RNA amplification system. Since announcing the partnership in the fourth quarter of 2002, we have developed a first-generation LabChip device for this application and have made progress on feasibility experiments. In 2003, we anticipate making further progress toward an integrated LabChip RNA amplification system.

Managing Financial Resources

We posted total revenue of $25.8 million in 2002, compared to $29.6 million in 2001. In 2002, we faced the challenge of selling new technology to a customer base that was -- at least on an interim basis -- decreasing research spending. As a result, we did not establish traction through our direct sales channel with the Caliper 250 drug discovery products as quickly as we had originally hoped. However, during the same period product sales to unrelated parties increased 18 percent, to $10.4 million in 2002 from $8.8 million in 2001, and product sales to Amphora Discovery Corp., a related party, increased 48 percent, to $5.3 million in 2002 from $3.5 million in 2001.

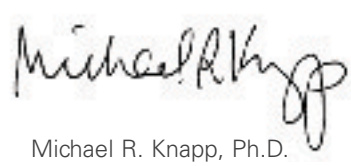
In this difficult economic environment, we continue to closely examine our cash burn and our investments in specific programs. In September 2002, we completed a restructuring that resulted in a 10 percent downsizing of our workforce. We ended the year with $154.3 million in cash equivalents and short-term marketable securities. With the intention of reducing our cash burn in 2003 to $35 million or less, we have made managing our cash resources a critical management priority.

Moving Ahead

While the challenges we face are not trivial, the expertise we have assembled at Caliper is second to none. Microfluidic lab-on-a-chip systems are the first real innovation in laboratory fluidics since the test tube. Now our challenge is to demonstrate their effectiveness to a broader range of customers.

In summary, we are managing the company through a challenging time in our corporate development and in the overall economy. Although we see signs of our progress in many facets of our business, we also believe that the difficult times are not yet completely behind us. Therefore, we will continue to monitor and modify our business plan to manage our cash resources in the manner best designed to secure our long-term success. That said, we think that the biggest commercial applications are still in front of us. We have been able to demonstrate the viability of the technology and our ability to develop and manufacture products. And there is a vast range of applications yet to be explored.

We are a company that is still very much in the process of building itself; it is being created every single day by the talents and hard work of our employees. They are an incredibly talented and competent team, and they have a rich, proprietary technology platform with which to build value. We are enthusiastic about the future as we prepare to meet today's challenges.



Michael R. Knapp, Ph.D.

James L. Knighton
President and
Chief Financial Officer

From the President

Caliper has made solid progress over the last several years, yet the stock market is currently assigning the company a market capitalization (share price multiplied by the number of shares outstanding) that is significantly less than our cash value. This apparent contradiction is happening at a time when, in my opinion, the fundamentals of the company are stronger than ever. I have seen substantial advances since our initial public offering – we have advanced our commercialization efforts; we are making and selling more chips and instruments than ever before; our chip yields are higher; we are improving our products and extending our offerings; and increasing numbers of customers are using our products. So, paradoxically, at a time when the market is assigning the company less value than before, the fundamentals of the company are as good as or better than they have ever been. What are the reasons for this inconsistency, and what is management doing to correct this misperception?

Investor Focus Today: Profitability

One reason for the depressed stock price relates to the general systemic problem with the economy, fueled by worries about the war, the hangover of overvaluations from the last few years, and a general sense of investor mistrust. I think the market is trying to absorb and work through these issues independent of any single company's performance. A second reason, somewhat related to the first, is that investors' priorities have shifted. A few years ago, and as late as last year, many investors were attracted to the promise of technology-based companies. Now the pendulum has swung the other way, and, for many, immediate profitability is the single most important metric. While this is a critical yardstick, Caliper is not yet profitable. And that leads me to the third major reason for Caliper's depressed stock price. We anticipated that market acceptance of our products would be faster than it has been. While we expected a challenging transition as we shifted from a technology-access model to a commercial products business, we did not assume it would be this challenging, or this protracted. As a result, investor confidence diminished, and a generalized concern that Caliper could run out of money before it reached profitability has materialized. The decline in total revenue in 2002 over 2001 and an annual cash consumption of more than $40 million exacerbated the situation.

So what does the convergence of all these elements mean for Caliper's long-term viability? The annual revenue decline was due to a general belt-tightening in research spending by pharmaceutical companies, as well as our transition to a commercial products business model. While the lack of total revenue growth in 2002 was disappointing, product sales year-over-year increased. Furthermore, we are seeing signs of increasing market acceptance that bode well for our products and our technology.

Strategic Directives to Achieve Profitability

Management has four key objectives that every Caliper employee is focused on achieving in order to accelerate the time to profitability. These include:

- **Growing Direct Product Revenue**
  We are continuing to expand the existing line of Caliper 250 Drug Discovery products and develop new products that leverage our unique microfluidic capabilities. Two new products have been introduced so far in 2003 and more are anticipated in subsequent months. The products in development are intended to enhance and speed drug discovery research, particularly with regard to kinase testing. We are also focusing our marketing efforts on areas where the significantly improved data quality generated by our products will be best understood and appreciated. Remember, we are only going into our second full year of commercialization with products that incorporate novel technology and must displace conventional methodologies. We see market development as a critical priority over the next 12 to 18 months and are dedicating the time and resources to make that happen. We have some visibility, however, as we see continuing signs of growing awareness and interest in our products among new customers, along with increased use of chips and instruments by existing customers.

- **Increasing the Number of Commercial Partnerships**
  We are actively engaged in expanding the number, types, and fields for our commercial partnerships. The company currently has three partnerships. One encompasses the multi-million dollar 2100 Bioanalyzer business that Caliper shares with Agilent Technologies. I believe that the success of this business provides compelling evidence of the first real microfluidics franchise. In fact, just last month the 500,000th LabChip device was sold. We plan to build on that achievement in multiple markets. For example, later in the year we expect to launch, with another corporate partner, a new microfluidic molecular diagnostic product. Another collaboration is focused on the development of a new microfluidics-based RNA amplification system. Conversations with multiple additional partners are ongoing. The short-term impact from newer agreements will have only a modest effect on our top line until we develop and launch new products, but in the meantime they will help absorb our research costs and heighten the profile for LabChip solutions.

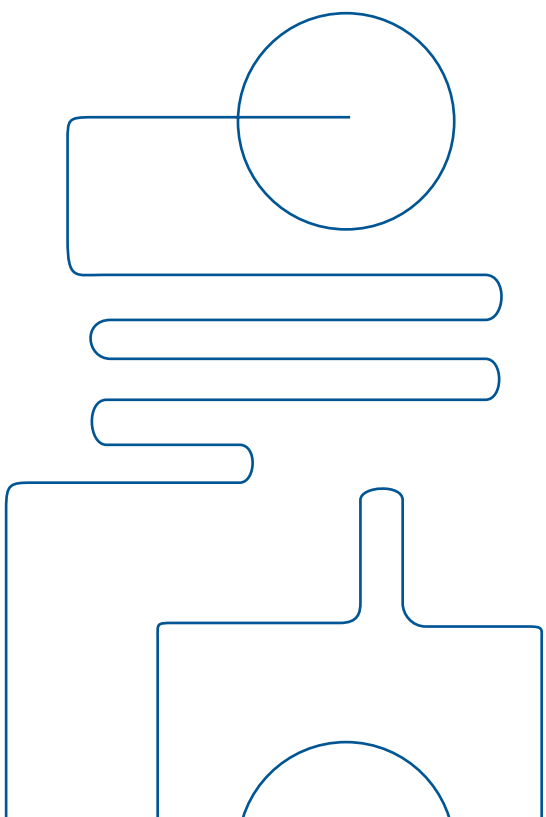
- **Managing Annual Cash Consumption to $35 Million or Less**
  Expense reduction is a critical component of our plan. We did have a relatively small reduction in force last year as we focused our corporate structure and commercial efforts towards specific activities and decreased a number of discretionary expenses. Though historically cash expenditures have been highest in the first quarter of the year, we intend to manage our cash consumption to $35 million or less in 2003. At that rate, we will have sufficient funds to operate for a multi-year period. Our goal is to get to profitability sooner, but the last couple years have taught us all that it is better to plan conservatively. Managing our cost structure in this way has the added benefit of lowering our profitability breakeven point and gives us the benefit of a very important asset – time.

Selectively Investing in R&D

- Product development scientists are expanding our existing product line and conducting new products research. For example, in-house scientists are developing a high throughput, nanoliter-scale genetic analysis system. Compared to conventional methods, which take about 60 minutes, our system can do a complete PCR (polymerase chain reaction) in about nine minutes. We are actively pursuing collaborations with other companies in order to commercialize this technology, which has significant potential in multiple diagnostic and research applications.

Caliper has a number of valuable and foundational assets to build out our business. Our microfluidics expertise and our experience translating our technology into viable products continue to grow. Our intellectual property position is strong and broad. Our balance sheet is solid. We are focused on developing the market for microfluidic products in order to grow the top line. What Caliper is experiencing today is a challenging but normal phase of corporate development for a company commercializing new technology. While there are no guarantees, I believe the trends are positive. We are striking a balance between pragmatic, organic growth and investment in valuable new applications with significant markets. We appreciate your support and patience as we continue to build a business based on our LabChip technology leadership and innovation.

James L. Knighton



Corporate Directory

Board of Directors

Daniel L. Kisner, M.D.
Chairman
Former Chief Executive Officer,
Caliper Technologies Corp.

David Milligan, Ph.D.
Vice Chairman
Vice President,
Bay City Capital;
Former Chief Scientific Officer,
Abbott Laboratories

Robert C. Bishop, Ph.D.
President and Chief Executive
Officer, AutoImmune, Inc.

Anthony B. Evnin, Ph.D.
Managing General Partner,
Venrock Associates

Michael R. Knapp, Ph.D.
Chief Executive Officer
and Co-founder,
Caliper Technologies Corp.

Regis McKenna
Marketing Consultant
and Author

Robert T. Nelsen
Managing Director,
ARCH Venture Partners

Management

Michael R. Knapp, Ph.D.
Chief Executive Officer

James L. Knighton
President and
Chief Financial Officer

Richard C. Butts
Vice President,
Human Resources

Anthony T. Hendrickson
Vice President, Finance
and Chief Accounting Officer

Anne R. Kopf-Sill, Ph.D.
Vice President,
New Products

William C. Kruka
Vice President,
Business Development

Bruce E. MacMillan
Vice President and
General Counsel

Michael Merion, Ph.D.
Vice President,
Sales and Marketing

Robert E. Nagle
Vice President,
Product Development

William Wright III
Vice President,
Partnership Operations

Corporate Headquarters

Caliper Technologies Corp.
605 Fairchild Drive
Mountain View, CA 94043-2234
650.623.0700 Tel
650.623.0500 Fax
www.calipertech.com

Financial Information

For any additional company information, including copies of the Form 10-K as filed with the Securities and Exchange Commission, please contact Caliper's Corporate Communications Department.

Independant Auditors

Ernst & Young LLP
Palo Alto, CA

Corporate Counsel

Cooley Godward LLP
Palo Alto, CA

Stock Transfer Agent

Wells Fargo Shareowner Services
161 North Concord Exchange
South St. Paul, MN 55075-1139
800.468.9716 Tel
651.450.4033 Fax
stocktransfer@wellsfargo.com
www.wellsfargo.com/shareownerservices

Annual Meeting

The Annual Meeting of Stockholders will be held on June 5, 2003 at 2:00 p.m. at the Company's headquarters.

Market Information

Caliper's Common Stock trades on the NASDAQ Stock Market under the symbol CALP. The Company's Common Stock began trading on December 15, 1999.

Caliper Technologies Corp.
605 Fairchild Drive
Mountain View, CA 94043-2234
650.623.0700 Tel
650.623.0500 Fax
www.calipertech.com

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