

Palomar Medical Technologies, Inc. (Nasdaq: PMTI)
2002 Annual Report Highlights



[Letter To Shareholders](#)

[Products](#)

[Consolidated Balance Sheets](#)

[Consolidated Statements of Operations](#)

[Shareholder Information](#)

Palomar
QYAG 5™
SYSTEM



For tattoo and pigmented lesion removal and skin resurfacing.

Palomar
SUPER LONG PULSE
SLP 1000®



For high-power permanent hair reduction and vascular treatments.

Palomar
ESTELUX™
SYSTEM



For acne, permanent hair reduction and photofacial treatments on pigmented and vascular lesions.*

Palomar
MEDI LUX™
SYSTEM



For high power acne, hair removal and photofacial treatments on pigmented and vascular lesions.*

*Pending FDA clearance.



Palomar Medical Technologies, Inc., 82 Cambridge Street, Burlington, MA 01803
1-800-PALOMAR www.palmed.com E-mail: ir@palmed.com
Palomar MediLux, Lux Y, Lux R, Lux Rs, Lux G, Lux V, Lux B, Palomar Estelux, and Palomar Q-YAG 5 are trademarks, and Palomar SLP1000 is a registered trademark of Palomar Medical Technologies, Inc.

Palomar Medical Technologies, Inc. and Subsidiaries

Consolidated Balance Sheets

	December 31, 2001	December 31, 2002
Assets		
Current assets:		
Cash and cash equivalents	\$5,825,270	\$4,450,076
Accounts receivable, net of allowance for doubtful accounts of approximately \$397,000 and \$554,000 in 2001 and 2002, respectively	2,250,278	4,047,277
Inventories	3,706,828	3,847,493
Other current assets	436,752	269,940
Total current assets	12,219,128	12,614,786
Property and equipment, net	649,691	485,286
Other assets	302,024	298,268
	\$13,170,843	\$13,398,340
Liabilities and Stockholders' Equity		
Current liabilities:		
Debenture	\$500,000	\$ -
Note payable to related party	1,000,000	1,000,000
Accounts payable	1,846,155	1,320,202
Accrued liabilities	4,173,989	4,619,303
Accrued income taxes	1,400,146	1,400,000
Deferred revenue	354,684	341,084
Total current liabilities	9,274,974	8,680,589
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, \$.01 par value-		
Authorized - 1,500,000 shares		
Issued and outstanding -		
6,000 shares at December 31, 2001		
(Liquidation preference of \$8,177,717 as of December 31, 2001)	60	-
Common stock, \$.01 par value-		
Authorized - 45,000,000 shares		
Issued - 11,074,393 and 11,538,706 shares		
at December 31, 2001 and 2002, respectively	110,744	115,387
Additional paid-in capital	163,252,616	162,021,265
Accumulated deficit	(157,368,178)	(157,418,901)
Less: Treasury stock - 573,031 shares at cost at December 31, 2001	(2,099,373)	-
Total stockholders' equity	3,895,869	4,717,751
	\$13,170,843	\$13,398,340

Palomar Medical Technologies, Inc and Subsidiaries

Consolidated Statements of Operations

	Years Ended December 31,		
	2000	2001	2002
Product revenues	\$ 8,781,141	\$ 11,157,770	\$ 22,548,451
Royalty revenues	4,394,462	5,496,034	2,869,085
Total revenues	13,175,603	16,653,804	25,417,536
Cost of product revenues	8,770,931	9,153,090	11,200,077
Cost of royalty revenues	1,757,785	2,198,413	1,147,635
Total cost of revenues	10,528,716	11,351,503	12,347,712
Gross profits	<u>2,646,887</u>	<u>5,302,301</u>	<u>13,069,824</u>
Operating expenses			
Research and development	7,850,599	6,045,343	4,359,346
Sales and marketing	3,153,614	3,504,176	5,785,326
General and administrative	3,865,852	2,491,961	3,066,945
Goodwill and asset write-off	745,804	-	-
Gain from sale of subsidiary	(2,439,556)	-	-
Total operating expenses	<u>13,176,313</u>	<u>12,041,480</u>	<u>13,211,617</u>
Loss from operations	(10,529,426)	(6,739,179)	(141,793)
Interest expense	(155,323)	(98,114)	(119,379)
Interest income	1,203,496	758,938	73,647
Other income, net	<u>380,373</u>	<u>185,786</u>	<u>226,638</u>
Income (loss) from continuing operations before benefit from income taxes	<u>(9,100,880)</u>	<u>(5,892,569)</u>	<u>39,113</u>
Benefit from income taxes	<u>(226,305)</u>	<u>(422,000)</u>	<u>-</u>
Net income (loss) from continuing operations before change in accounting method	<u>(8,874,575)</u>	<u>(5,470,569)</u>	<u>39,113</u>
Cumulative effect of change in accounting method	<u>(712,359)</u>	<u>-</u>	<u>-</u>
Net income (loss)	<u>\$ (9,586,934)</u>	<u>\$ (5,470,569)</u>	<u>\$ 39,113</u>
Basic net income (loss) per share:			
Continuing operations before change in accounting method	\$ (0.90)	\$ (0.54)	\$ -
Cumulative effect of change in accounting method	(0.07)	-	-
Total basic net income (loss) per share	<u>\$ (0.97)</u>	<u>\$ (0.54)</u>	<u>\$ -</u>
Diluted net income (loss) per share:			
Continuing operations before change in accounting method	\$ (0.90)	\$ (0.54)	\$ -
Cumulative effect of change in accounting method	(0.07)	-	-
Total diluted net income (loss) per share	<u>\$ (0.97)</u>	<u>\$ (0.54)</u>	<u>\$ -</u>
Weighted average number of shares outstanding			
Basic	10,246,559	10,805,143	11,372,228
Diluted	<u>10,246,559</u>	<u>10,805,143</u>	<u>11,582,166</u>

Stockholder Information

Stock Price, Dividend and Shareholder Information
Palomar's common stock is currently traded on the National Association of Securities Dealers Automated Quotation System (NASDAQ) under the symbol PMTI. [Go to Stock Chart](#) to view historical stock prices and charts. [Go to Fundamentals](#) to view trading statistics, ratios, balance sheet highlights, cash flow highlights and income statement highlights.

As of February 28, 2003, the Company had 4,682 holders of record of common stock. This does not include holdings in street or company names.

The Company has not paid dividends to its common stockholders since its inception and does not plan to pay dividends to its common stockholders in the foreseeable future. The Company intends to retain any earnings to finance the growth of the Company.

Availability of 10-K's, Quarterly Reports and Proxies
[Go to SEC Filings](#) to view Palomar's filings with the Securities and Exchange Commission, including 10-K's, 10-Q's and proxies.

Shareholders' Annual Meeting

The Annual Meeting of Shareholders will be held on Thursday, May 15, 2003 at 10:00 a.m. at the Marriott Hotel, One Mall Road, Burlington, Massachusetts, 01803.

Directors and Officers

[Go to Management Team](#) to view the biographies and pictures of Directors, Officers, and the Scientific Advisory Committee.

Investor Relations

Palomar maintains investor and shareholder relations programs to keep shareholders and potential investors informed about Company activities. [Go to E-mail Alerts](#) to sign up and receive the latest press releases and information on Palomar as soon as they become available. [Go to Calendar](#) to view dates of upcoming shareholder events such as earnings releases and conference calls/webcasts. We welcome comments and questions from our shareholders. Any time you would like information about Palomar, we encourage you to go to [Info Request](#), email, call or write:

Paul S. Weiner
Chief Financial Officer
Palomar Medical Technologies, Inc.
82 Cambridge Street
Burlington, MA 01803
Phone: 781-993-2411
Fax: 781-993-2330
Ir@palmed.com

Stock Transfer Agent and Registrar

American Stock Transfer & Trust Co.
40 Wall Street, 46th Fl.
New York, NY 10005
800-937-5449
www.amstock.com

Independent Auditors

Ernst & Young
200 Clarendon St.
Boston, MA 02116

"Safe Harbor" Statement under the Private Securities Litigation Reform Act

With the exception of the historical information contained in this Annual Report Highlights, the matters described herein contain forward-looking statements, including but not limited to statements relating to new markets, development and introduction of new products, and financial projections that involve risk and uncertainties that may individually or mutually impact the matters herein, and cause actual results, events and performance to differ materially from such forward-looking statements. These risk factors include, but are not limited to, results of future operations, technological difficulties in developing or introducing new products, the results of future research, lack of product demand and market acceptance for current and future products, the effect of economic conditions, challenges in managing joint ventures and research with third parties, the impact of competitive products and pricing, governmental regulations with respect to medical devices, including whether FDA clearance will be obtained for future products, the results of litigation, difficulties in collecting royalties, potential infringement of third-party intellectual property rights, and/or other factors, which are detailed from time to time in the Company's SEC reports, including the report on Form 10-K for the year ended December 31, 2002 and the Company's quarterly reports on Form 10-Q. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.