



# REGULATING GENE EXPRESSION TO TREAT DISEASE

Corgentech is focused on transcription factor decoys initially for the treatment of **cardiovascular disease, cancer** and **inflammatory disease.**



## LETTER TO STOCKHOLDERS



### To Our Stockholders,

At Corgentech Inc. (Nasdaq: CGTK), we are proud of the remarkable scientific, clinical, business and financial achievements we have made over the past 12 months. Our lead therapeutic candidate, E2F Decoy, is in late-stage clinical development for an important cardiovascular indication, prevention of bypass graft failure, which is a significant unmet medical need and market opportunity. During 2003, we completed a significant collaborative agreement with Bristol-Myers Squibb for the joint development and commercialization of E2F Decoy worldwide. Furthermore, we concluded an initial public offering in February 2004, raising more than \$100 million of net cash proceeds, which was well received by the marketplace.

### Innovative Technology and Experienced Leadership

Corgentech is a biopharmaceutical company focused on discovering, developing and commercializing therapies that regulate gene expression to treat serious diseases characterized by large unmet medical needs. Our robust and versatile platform technology, Transcription Factor (TF) Decoys, is a potentially powerful new class of therapeutics that blocks the activity of multiple genes linked to a disease. Because abnormal gene expression is a fundamental cause of many diseases and because many diseases involve multiple genes, controlling the regulators of functionally related genes — the transcription factors — offers an attractive therapeutic approach. While our technology is capable of treating multiple diseases, our initial focus is on cardiovascular disease, inflammatory disease and cancer.

As of December 31, 2003, we had 37 issued patents, 37 pending patent applications and exclusive trade secrets covering our TF Decoy and delivery technology.

Our seasoned management team, experienced in successfully discovering, developing, registering, manufacturing and commercializing pharmaceuticals, biological therapeutics and medical devices, was enhanced with the additions of Dr. Daniel Gennevois as vice president of medical affairs, Thomas Yonker as vice president to manage product development and oversee our relationship with Bristol-Myers Squibb, and Nancy Donahue as vice president of cardiovascular marketing. Renowned thought-leaders and highly respected cardiovascular and vascular surgeons comprise our scientific and clinical advisory boards. During 2003, we moved to our new headquarters in South San Francisco, a larger facility at approximately 50,000 square feet at a lower cost per square foot than our previous building.

### Advancing Clinical Development of E2F Decoys for Cardiovascular Indications

Our innovative lead product candidate, E2F Decoy, is being studied in two pivotal Phase 3 clinical trials for preventing vein graft failure in patients undergoing coronary artery bypass grafts (CABG) in the heart and peripheral bypass grafts (PBG) in the leg. E2F Decoy therapy is a one-time treatment that occurs

during bypass surgery. The therapy binds to and inhibits the E2F transcription factor, which is responsible for turning on genes that cause proliferation of smooth muscle cells. The build up of smooth muscle cells and cholesterol leads to arterial blockage and failure of bypass vein grafts.

Our program for E2F Decoy has strong preclinical and Phase 1 and Phase 2 clinical data on feasibility during cardiovascular and vascular surgery, as well as on safety and efficacy. For example, a statistically significant reduction of graft blockage was observed in a Phase 2 trial of E2F Decoy in CABG patients. Moreover, a Phase 1 trial of E2F Decoys in peripheral bypass graft patients showed significant inhibition of smooth muscle cell proliferation that leads to vascular graft failure.

Both of our large pivotal Phase 3 trials of E2F Decoy to prevent vein graft failure were fully enrolled in 2003 and are currently in the 12-month follow-up period. The PREVENT III trial is a Phase 3 study of E2F Decoy to prevent PBG failure in 1400 patients. The PREVENT IV trial is a Phase 3 study of E2F

## CORGENTECH'S PRODUCT PIPELINE



	Preclinical	Phase I	Phase II	Phase III
<b>CARDIOVASCULAR</b>				
<b>E2F Decoy</b>				
Peripheral Bypass Graft				
Coronary Bypass Graft				
Arterio-Venous Graft				
<b>INFLAMMATORY</b>				
<b>NF-κB Decoy</b>				
Rheumatoid Arthritis				
Dermatitis				
<b>ONCOLOGY</b>				
<b>HIF Decoy</b>				
Solid Tumors				

Decoy for the prevention of CABG failure in 2400 patients; an additional 600 CABG patients were enrolled as part of a post-approval follow-up study. Corgentech has received Fast Track status from the U.S. Food and Drug Administration (FDA) for E2F Decoys for the prevention of bypass graft failure. The Fast Track status affords expedited review by FDA.

In October 2003, we entered a world-wide collaborative agreement with Bristol-Myers Squibb for the development and commercialization of E2F Decoy. Under the terms of the arrangement, Bristol-Myers Squibb paid Corgentech \$45 million (\$25 million in cash and \$20 million in equity), with the potential for an additional \$205 million in clinical and regulatory milestone payments and up to \$320 million in milestone payments for attainment of agreed upon sales levels of E2F Decoy. In addition, Bristol-Myers

Squibb agreed to fund a majority of the development expenses associated with E2F Decoy. Corgentech and Bristol-Myers Squibb will co-develop and co-promote E2F Decoy in the U.S., sharing profits equally. Bristol-Myers Squibb will register and sell E2F Decoy outside the U.S.

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### **Progress in Developing TF Decoys for Cancer and Inflammatory Diseases**

Corgentech has a pipeline of TF Decoys rapidly emerging from our proprietary technology and for which we have retained the rights. Our growing Decoy Bank enables us to identify target TFs, and design and optimize additional TF Decoys.

In 2003, Corgentech began preclinical study of HIF Decoys for treatment of cancer and continued preclinical investigation of NF-kB Decoy for inflammatory diseases, such as rheumatoid arthritis and dermatitis.

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### **Outlook on the Future**

The next year promises to be an exciting time for Corgentech, particularly in the area of advancing the clinical development and commercialization of E2F Decoy. We expect results from the pivotal Phase 3 trials of E2F Decoy for prevention of failure of bypass graft by early 2005. During 2004, we will initiate Phase 1/2 trials of E2F Decoy to prevent arterio-venous (AV) graft failure. These grafts are the physical connections between patients with end-stage renal disease and the dialysis machines required to cleanse their blood. Preclinical data suggests that E2F Decoy treatment can also reduce the high failure rate in AV grafts. Our clinical trial will initially enroll approximately 60 patients.

Our R&D plans for 2004 include preparing for clinical development of NF-kB Decoy for inflammatory diseases; demonstrating proof of concept of HIF Decoy for cancer; and utilizing the Decoy Bank to design and optimize more TF Decoys. In addition, we will pursue business development partnerships for our TF Decoys for inflammatory diseases and in-licensing opportunities for hospital-based and specialty therapeutics in cardiovascular, inflammation and oncology markets.

The innovation, expertise and dedication of our employees have made profound contributions to our swift progress. We want to thank our private stockholders for their support in the past and welcome all of our new public stockholders. We appreciate your continued support and look forward to this exciting year at Corgentech.

Sincerely,



John P. McLaughlin  
*President and Chief Executive Officer*

**MANAGEMENT**

John P. McLaughlin  
*President and Chief Executive Officer,  
Director*

Nancy E. Donahue  
*Vice President of  
Cardiovascular Marketing*

Daniel J. Gennevois, M.D.  
*Vice President of Medical Affairs*

James Z. Huang  
*Vice President of  
Business Development and  
Commercial Operations*

Todd J. Lorenz, M.D.  
*Chief Medical Officer*

Leslie M. McEvoy, Ph.D.  
*Vice President of Research*

Patricia A. Oto, R.Ph.  
*Vice President of Regulatory Affairs  
and Quality Assurance*

Richard P. Powers  
*Vice President and  
Chief Financial Officer*

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*Vice President of Manufacturing*

B. Lynn Seely, M.D.  
*Vice President of Clinical Research*

Thomas C. Yonker  
*Vice President of Project and  
Alliance Management*

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*General Partner  
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Five Palo Alto Square  
3000 El Camino Real  
Palo Alto, CA 94306

**INDEPENDENT ACCOUNTANTS**

Ernst & Young LLP  
1001 Page Mill Road  
Building 1, Suite 200  
Palo Alto, CA 94304

**ANNUAL STOCKHOLDERS MEETING**

Annual report and proxy statement are mailed about April 15, 2004. Corgentech's annual meeting of stockholders will be held at 9:00 a.m. on Thursday, May 13, 2004 at:

The Westin San Francisco Airport Hotel  
1 Old Bayshore Highway  
Belmont Suite  
Millbrae, CA 94030

**COMMON STOCK INFORMATION**

Corgentech's stock is traded on the Nasdaq National Market System under the symbol: CGTK.

**COMPANY CONTACT**

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Chief Financial Officer*  
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**QUARTERLY REPORTING AND OTHER INFORMATION**

Corgentech's Form 10-K and other SEC filings, news releases and other information regarding the company and its technology are available on the Internet:

www.corgentech.com

**FORM 10-K**

A copy of Corgentech's Form 10-K, which is filed with the SEC, is available upon request, free of charge. Write to:

Corgentech Inc.  
650 Gateway Boulevard  
South San Francisco, CA 94080

**FORWARD-LOOKING STATEMENT**

This annual report contains forward-looking statements, including without limitation all statements related to our clinical trials and product candidates. Words such as "believes," "anticipates," "plans," "expects," "intend," "will," "slated," "goal" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are based upon our current expectations. Forward-looking statements involve risks and uncertainties. Our actual results and the timing of events could differ materially from those anticipated in such forward-looking statements as a result of these risks and uncertainties, which include, without limitation, risks related to the progress, timing and results of our clinical trials, intellectual property matters, difficulties or delays in obtaining regulatory approval, manufacturing our lead product candidate, competition from other pharmaceutical or biotechnology companies, our ability to obtain additional financing to support its operations and other risks detailed in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2003. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this annual report. All forward-looking statements are qualified in their entirety by this cautionary statement, and Corgentech undertakes no obligation to revise or update any forward-looking statements to reflect events or circumstances after the date hereof.



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