

Care

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annual { 20 } report
02

IN THIS ISSUE

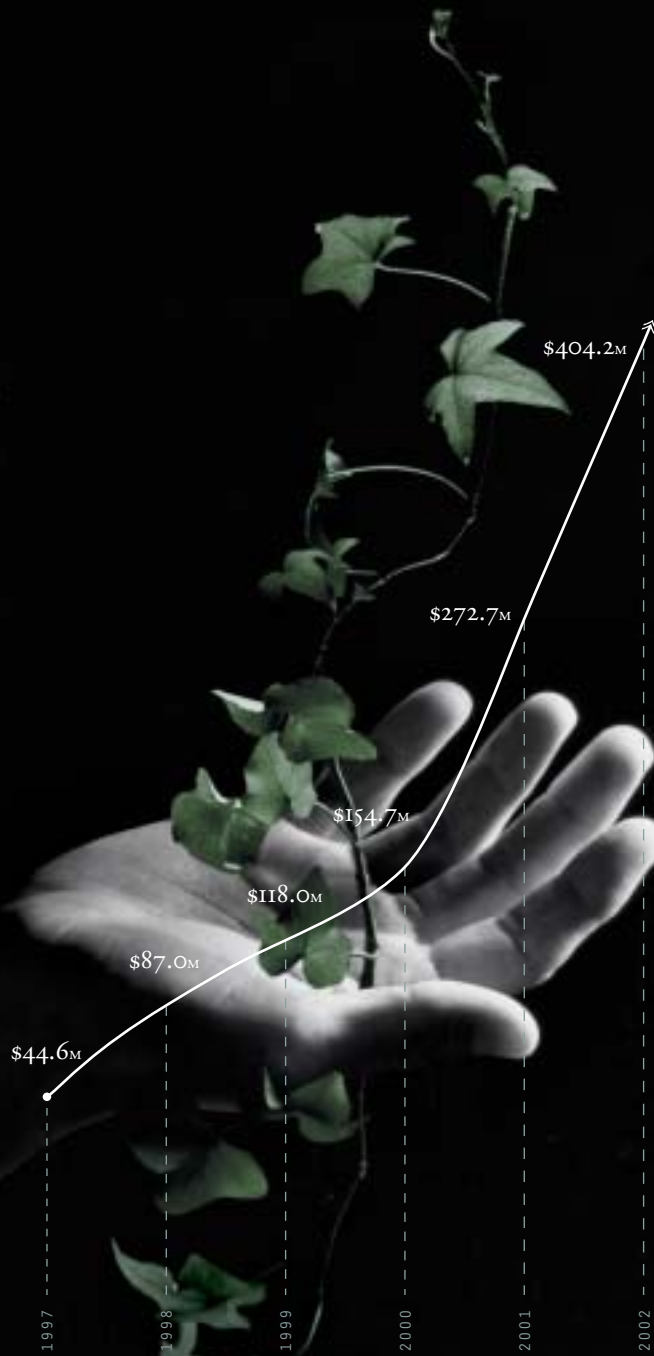
▶ trust & integrity

RITUXAN'S CONTINUING SUCCESS

clinical development: Rituxan in arthritis

IDEC AND THE COMMUNITY

Total Revenues (millions)



Honesty, integrity and quality breed trust. This truth is a keystone of IDEC's Core Values. It stands at the heart of our interactions with patients and caregivers, our dealings with shareholders, employees, partners and vendors. It is central to our interactions with society as a whole. Our actions, both as a company and as individuals, are founded in these ideals as IDEC strives to fulfill the trust of each of its constituencies. Our aim: to provide the highest quality products for patients with cancer and autoimmune and inflammatory illnesses while contributing value to our shareholders and our community.

care

A publication of
IDEC Pharmaceuticals

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In this issue of **care** we profile some key leaders, managers and other employees at IDEC Pharmaceuticals. These individuals represent many different areas of the company, from the research lab to the clinic, from manufacturing to the sales team, and beyond. Their collective efforts have helped make IDEC the company it is today.

meet IDEC:

Letter to Our Shareholders
Building on the success of
previous years, IDEC attained
major milestones in 2002.



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Rituxan in RA Rituxan finds
a potential new use, showing
promising activity against
the crippling disease,
rheumatoid arthritis.

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Zevalin IDEC's second
product for the treatment
of non-Hodgkin's lymphoma
builds on the standard of
care established by Rituxan.



Our R&D Team IDEC's chief
scientific officer, Nabil Hanna,
Ph.D., talks about building
the research side of R&D.



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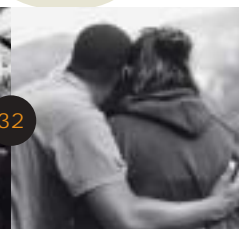
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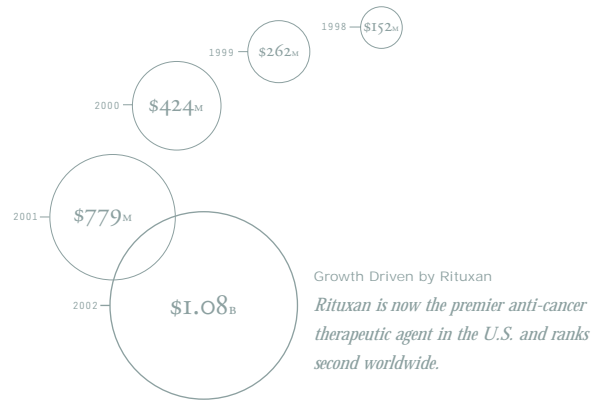
Please visit our
website for even
more information on
our products, our
science, our business
and our people.



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IDEC in the Community
IDEC supports a broad range of
community activities to further
the goals of local charities and
organizations.





DEAR SHAREHOLDERS: Building on the success of previous years, IDEC Pharmaceuticals attained major milestones in 2002.

Record Sales Achieved Our growth continued to be generated largely by our first product Rituxan® (rituximab), which we copromote with our partner Genentech, Inc. in the United States. Last year's U.S. net sales of Rituxan totaled \$1.08 billion, compared to \$779 million for 2001, an increase of 39 percent. Rituxan is now the premier anti-cancer therapeutic agent in the U.S. and ranks second worldwide.

Annual revenues totaled \$404.2 million, a \$131.5 million or 48 percent increase over 2001. IDEC reported net income of \$148.1 million or \$0.85 per share on a diluted basis in 2002, compared to net income of \$101.7 million or \$0.59 per share on a diluted basis for the same period in 2001.

Second Drug Launched We obtained approval of our second, first-in-class therapeutic agent from the U.S. Food and Drug Administration (FDA). On February 19, 2002, the FDA approved the Zevalin® (ibritumomab tiuxetan) therapeutic regimen, which is indicated for the treatment of relapsed or refractory low-grade, follicular or transformed, B-cell non-Hodgkin's lymphoma (NHL) including patients with Rituxan-refractory follicular NHL.

Like Rituxan five years ago, Zevalin's approval advances the standard of care in the treatment of patients with NHL. In 2002, total U.S. net sales of Zevalin, which was launched in April 2002, were \$13.7 million.

highlights of 2002 >>

U.S. net sales of Rituxan totaled \$1.08 billion, an increase of 39 percent from the prior year. Rituxan is now the premier anti-tumor therapeutic agent in the U.S. and ranks second worldwide.

FDA approved the Zevalin therapeutic regimen for the treatment of relapsed or refractory low-grade, follicular or transformed, B-cell non-Hodgkin's lymphoma including patients with Rituxan-refractory follicular

NHL. This is the first radioimmunotherapy approved for the treatment of cancer.

Convertible debt offering raised \$714 million.

Construction began on NIMO, our new large-scale manufacturing facility in Oceanside, California.

Drug Pipeline Bolstered One doesn't plan the future by looking at the past. You must begin to imagine a time beyond the next five or ten years. We're planning for our future, in part, through our clinical development programs. In 2002, we made great progress with these programs as we:

- Filed an Investigational New Drug (IND) application with the FDA for Rituxan in rheumatoid arthritis, following positive Phase II clinical trial data from our development partner F. Hoffmann-LaRoche.
- Filed an IND with the FDA for IDEC-152 in chronic lymphocytic leukemia (CLL) and extended the development agreement for IDEC-152 with our partner Seikagaku.
- Initiated a Phase II clinical trial of IDEC-152 in allergic rhinitis.
- Licensed IDEC-160 (HMN-214) from Nippon Shinyaku for advanced or metastatic cancers.
- Initiated a Phase II clinical trial with IDEC-114 in combination with Rituxan in NHL.
- Initiated a Phase III confirmatory trial with Zevalin to extend the findings of the pivotal Phase III randomized trial.

Preclinical Programs Advanced Winston Churchill said, "The empires of the future will be the empires of the mind." One of the newest "empires of the mind" in drug discovery is proteomics (the study of proteins). This information-based technology allows researchers to generate and analyze massive amounts of data in the rational search for new drugs and new drug targets.

In 2002 IDEC signed a collaboration agreement with Caprion Pharmaceuticals to identify tumor-specific antigens through proteomic targeting. IDEC's goal is to develop antibody therapies against these targets.

In addition, we signed an agreement with the National Cancer Institute to identify cell surface targets in ovarian cancer.

Positive Phase II data on Rituxan in rheumatoid arthritis prompted IDEC and Genentech to join Roche in global development.

Filed an IND application with the FDA for IDEC-152 in chronic lymphocytic leukemia (CLL) and extended the development agreement in IDEC-152 with our partner Seikagaku.

Initiated a Phase II clinical trial of IDEC-152 in allergic rhinitis.

Licensed IDEC-180 (HMN-214) from Nippon Shinyaku for advanced or metastatic cancers.

Initiated a Phase II clinical trial with IDEC-114 in combination with Rituxan.

Initiated a Phase III confirmatory trial in Zevalin.

New Construction Has Begun To become an industry leader we have sought to build a community that is united by innovation, collaboration and employee development. In the past five years, we've expanded from one to five buildings — four in San Diego and one in Carlsbad, California. During this same period, the number of IDEC employees has grown from around 200 to 1,000 by the end of last year.

To manage growth and maintain our strong culture we began construction on the new IDEC Research and Corporate Campus in late 2002. Phase I consists of approximately 350,000 square feet of office and lab space for more than 1,000 employees. We are scheduled to move in during the summer of 2004.

Our other two facilities' projects — New IDEC Clinical Operation (NICO) and New IDEC Manufacturing Operation (NIMO) — are moving ahead on schedule. The NICO facility, adjacent to the NIMO facility, is where IDEC will manufacture drug material for various clinical trials and possibly Zevalin. Currently, it is undergoing process and equipment validation. Startup is scheduled for later this year.

In May 2002, construction began on NIMO in Oceanside, California, about 30 miles north of our corporate headquarters in San Diego. Construction on all five NIMO buildings — manufacturing, central utility, lab/office, operations and the warehouse — began in the summer and fall of 2002. We're scheduled to occupy three of the buildings in early 2004 and the other two in early 2005.

Financing for all three projects is being provided by cash from operations and proceeds from the sale in April 2002 of 30-year zero-coupon senior notes, convertible into shares of IDEC common stock. Proceeds from these notes, which have a yield-to-maturity of 1.75 percent, raised our cash and cash equivalents to approximately \$1.4 billion last year.

THE DISCUSSION OF OUR BUSINESS CONTAINED IN THIS ANNUAL REPORT MAY CONTAIN CERTAIN PROJECTIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS THAT INVOLVE A NUMBER OF RISKS AND UNCERTAINTIES WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY. WHILE THIS OUTLOOK REPRESENTS MANAGEMENT'S CURRENT JUDGMENT ON THE FUTURE DIRECTION OF THE BUSINESS, THESE RISKS AND UNCERTAINTIES COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY. FOR A DISCUSSION OF CERTAIN RISKS AND UNCERTAINTIES THAT MAY AFFECT OUR ACHIEVEMENT OF EVENTS IN THE FUTURE, PLEASE REFER TO OUR ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2002, FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FORM 10-K, AS WELL AS OTHER REPORTS ON FILE WITH THE SEC.

At Every Turn Employees Excelled "The secret of success," said Benjamin Disraeli, "is constancy of purpose." In 2002, I witnessed, time and again, the steady purposefulness of our employees to create new standards of care in all aspects of our business.

Zevalin was a decade-long project, enlisting the creativity, character and constancy of purpose of hundreds of IDEC employees across almost every division. The steps and obstacles between discovery to commercialization are too numerous to recount, but the efforts of our employees were nothing short of heroic. And the rewards? There are many, but perhaps none more satisfying than knowing that we've made a difference in the lives of NHL patients.

In November 2001, NICO was a 43,000-square-foot empty shell when IDEC purchased it. Eleven months later it had been transformed into a 70,000-square-foot, state-of-the-art, biopharmaceutical manufacturing facility. How? Through careful planning and attention to detail, our NICO team choreographed every aspect of this complex project. At its peak, NICO employed 115 tradespeople; more than 250,000 work hours were required for mechanical completion.

Teamwork and constancy of purpose were reflected in another successful project begun last year — the collaboration to co-develop three oncology therapeutic agents from Biogen's pipeline of early-stage development candidates. The Biogen collaboration involves 30 IDEC employees from 11 departments.

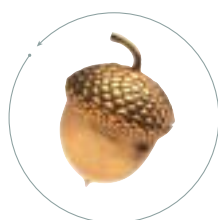
Values to Live By In the past year there have been disturbing accounts in the media of corporate and financial malfeasance by a handful of corporations and executives. What should one draw from these lapses in honesty and integrity?

In a nutshell, dishonesty is not only wrong, it's bad business, and will destroy even the largest, most powerful companies and organizations. Honesty and integrity are not only the best policy, they are IDEC policy—one of our five Core Values. We believe they are foundational to good business, though not always a guarantee of business success.

IDEC wouldn't be where it is today were it not for the trust, honesty, integrity and quality exemplified everyday by devoted employees, business partners, clinical investigators, doctors and nurses. I wish to thank them and our investors for the contributions they have made on behalf of IDEC in the past year.



WILLIAM H. RASTETTER, PH.D.
Chairman and Chief Executive Officer





THE ELLEN COHEN AWARD

This year's Ellen Glesby Cohen Leadership Award honors patient advocate and Lymphoma Research Foundation (LRF) board member, William Hawley, M.D. While chief of cardiac surgery at Integris Medical Center in Oklahoma City, Dr. Hawley was diagnosed with follicular lymphoma. After talking with oncologists nationwide, he opted for "watchful waiting" to see whether his disease would turn aggressive before undergoing treatment. Dr. Hawley's interest in patient advocacy began when he was introduced to a Florida lawyer who had followed the "watchful waiting" approach. Through that contact and the emotional support he gained, he became active with the LRF, volunteering as a patient advocate. Dr. Hawley today chairs the LRF's Education and Support Committee. He is a resource for 60 to 70 patients each year through the Partners Against Lymphoma (PAL) program, which allows patients to share their experiences and offer support. Dr. Hawley has served as a media resource on lymphoma, and has joined with other patients in advocating to Congress the passage of key legislation on blood cancers. In addition, he has participated in public advocacy efforts aimed at implementing recommendations of the National Cancer Institute on research opportunities and challenges in blood cancers.



1985...1981...1997...2002...*

IDEC is founded to develop and commercialize anti-idiotype monoclonal antibodies, in the treatment of non-Hodgkin's lymphoma.

A monoclonal antibody, dubbed IDEC-C2B8, is produced that demonstrates anti-cancer activity.

FDA approves Rituxan for the treatment of certain types of B-cell non-Hodgkin's lymphoma.

FDA approves Zevalin for the treatment of certain types of B-cell non-Hodgkin's lymphoma.

Since Rituxan's approval in late 1997 for the treatment of relapsed or refractory, low-grade or follicular, CD20-positive B-cell non-Hodgkin's lymphoma, use of this monoclonal antibody has soared. Clinical data have supported Rituxan use in a variety of treatment regimens against NHL, both on its own and combined with other cancer drugs. Moreover, research by IDEC and its partners, Genentech, Inc., F. Hoffmann-LaRoche Ltd. and Zenyaku Kogyo Co. Ltd., have continued to explore Rituxan's use against NHL and other hematologic cancers. Today, Rituxan is not only the leading product used to treat NHL, but the leading anticancer therapy in terms of U.S. sales. On February 19, 2002, Zevalin joined Rituxan in the therapy arsenal against NHL. This new product—the first to combine the targeting ability of a monoclonal antibody with the cancer-killing power of a radioisotope—offers a new treatment option for patients who no longer respond to standard therapies, including Rituxan alone.

Our successful cancer therapies

FULFILLING OUR MISSION successful treatments for non-hodgkin's lymphoma



{ John }

[JOHN'S STORY] Retired pediatrician and avid connoisseur of Southwestern art, John Murray, M.D., age 74, was diagnosed in August 2000 with small cleaved cell lymphoma, a form of NHL. After nearly five months of chemotherapy, he achieved a remission. A rash appeared on Dr. Murray's leg in February 2001. Unfortunately, a biopsy in July revealed a recurrence of his lymphoma. He received a second course of treatment using Rituxan and CHOP chemotherapy from August through November, followed by high-dose chemotherapy and a stem cell transplant in February 2002. His skin lesions cleared, but in mid-April 2002 the rash recurred and a biopsy revealed large cell (B-cell) lymphoma. At the end of May, Dr. Murray underwent treatment with the Zevalin therapeutic regimen. The radioimmunotherapy quickly cleared his lymphoma-related rash, while causing his blood cell and platelet counts to drop within a month following treatment. Consequently, he required transfusions over the next four months before his blood cell and platelet counts returned to normal. Today, Dr. Murray says no signs of his disease remain, and he is back to enjoying travel and his interests in art and archeology.

{ JOHN MURRAY, M.D. }
diagnosis: non-Hodgkin's lymphoma: 2000... [ZEVALIN] ... treatment: began 2000... * * * today: disease in remission: * * * * *

ZEVALIN (IBRITUMOMAB TIUXETAN) IS THE FIRST RADIOIMMUNOTHERAPY TO BE APPROVED FOR MARKETING BY THE U.S. FOOD AND DRUG ADMINISTRATION. USED WITH RITUXAN, ZEVALIN IS INDICATED FOR THE TREATMENT OF RELAPSED OR REFRACTORY LOW-GRADE, FOLLICULAR OR TRANSFORMED NHL, INCLUDING PATIENTS WITH RITUXAN-REFRACTORY FOLLICULAR DISEASE. ZEVALIN CONSISTS OF A MONOCLONAL ANTIBODY LINKED TO THE RADIOISOTOPE YTTRIUM-90. THE ZEVALIN ANTIBODY TARGETS THE CD20 ANTIGEN ON THE SURFACE OF MATURE B CELLS AND B-CELL TUMORS, WHERE ITS YTTRIUM-GENERATED RADIOACTIVITY DAMAGES THE BOUND CELLS ALONG WITH NEIGHBORING CANCER CELLS. LIKE RITUXAN, ZEVALIN DOES NOT TARGET IMMATURE B CELLS, WHICH LACK THE CD20 ANTIGEN, AND SO NORMAL B CELLS REGENERATE WITHIN MONTHS. THE PRIMARY SIDE EFFECT OF ZEVALIN IS REDUCED BLOOD CELL COUNTS DUE TO DECREASED BLOOD CELL PRODUCTION BY THE BONE MARROW. HOWEVER, FOR MOST PATIENTS, THESE TOXICITIES ARE MANAGEABLE.

Unlike most chemotherapies, which require patients to undergo treatment over a period of months, the Zevalin treatment regimen is completed in about one week. Zevalin therapy consists of a low dose of Rituxan followed by an imaging dose of Indium-111 Zevalin. Seven to nine days later, the patient receives a second infusion of Rituxan followed by a treatment dose of Yttrium-90 Zevalin. Patients receive treatment on an outpatient basis, without the need for hospitalization or special precautions to minimize the exposure of medical personnel or family members to radiation. To date, research has shown Zevalin to produce the highest response rate for the shortest course of therapy of any available treatment for NHL.

IDEC began commercial shipment of Zevalin in late March 2002. In June, the Centers for Medicare and Medicaid Services (CMS) announced that Zevalin would receive Medicare reimbursement but noted it would not recognize the first payments for Zevalin until October. Once CMS began reimbursement for the therapy, access to Zevalin became more widely available to patients with relapsed or

refractory NHL who are appropriate candidates for treatment. U.S. net sales of Zevalin in 2002 totaled \$13.7 million.

Clinical development efforts with Zevalin continue, aimed at further defining the use of this regimen in patients with NHL and other B-cell cancers. As a requirement of product registration for Zevalin, IDEC is conducting two additional clinical trials of the Zevalin therapeutic regimen in patients with NHL. The first is a large, randomized trial in relapsed follicular lymphoma comparing the use of Rituxan alone with the combined Zevalin/Rituxan regimen followed by Rituxan consolidation. The second trial is studying the Zevalin therapeutic regimen in patients with transformed NHL.

Additional clinical trials aimed at investigating broader uses for Zevalin are also planned or underway. Over 30 pilot clinical studies have begun at major academic medical centers. These trials are studying retreatment with the Zevalin therapeutic regimen, as well as its use in relapsed large cell lymphoma and in children. Moreover, studies are



underway to evaluate this therapy in other B-cell malignancies including chronic lymphocytic leukemia (CLL), mantle cell lymphoma, and in conjunction with bone marrow transplantation.

Efforts to obtain market registration for Zevalin in Europe also continue, under the direction of IDEC's development partner, Schering AG in Germany. Pending approval by the European regulatory authorities of our manufacturing facilities and fill/finish provider, Schering hopes to receive final approval in the second half of 2003.

[INTERVIEW] *William R. Rohn, President and Chief Operating Officer of IDEC, has played a leading role in helping to build IDEC's lymphoma franchise, as well as in guiding IDEC's evolution as a growing commercial enterprise. We spoke with him regarding the marketing launch*

Q *of Zevalin. What does the approval of Zevalin mean*

A *for IDEC and the company's business? The FDA approval of Zevalin is significant for several reasons. As the second IDEC product to successfully reach the market, Zevalin's approval demonstrates our ability to perform consistently as a developer of innovative, first-in-class drugs. IDEC is marketing Zevalin on its own within the United States. As Zevalin use builds, revenues from its sale should add considerably to our bottom line, greatly enhancing shareholder value over the coming years. Additionally, we are using the marketing approval of Zevalin to build out the commercial infrastructure of the company. This year we added infrastructure to handle logistical and product support functions that will serve IDEC well as the company grows, matures and brings subsequent products to market. With the delay in receiving the Medicare*

Q *Reimbursement Codes for Zevalin, what did IDEC do to help prepare the way for Zevalin's wider availability?*

A *The delay in Medicare Reimbursement Codes did slow our initial ability to make Zevalin broadly available—approximately 45-50 percent of all NHL patients are Medicare recipients, and most initially could not get Zevalin. Consequently, we spent much of the first six*

months of the Zevalin product launch talking to physicians about the new treatment regimen and educating them on its use. During that time, we also helped to establish the overall systems and procedures for Zevalin use at nearly 600 hospitals. When Medicare reimbursement became broadly available in October, these facilities were well prepared to begin making this new therapy available to NHL patients in need.

Q *What are the challenges in introducing a new class of therapeutic like Zevalin? Any new class of therapy faces challenges of educating health care providers on its use and establishing a treatment standard. Zevalin, in particular, requires coordination between the community-based medical oncologist and the hospital-based nuclear medicine physician, both of whom are involved in Zevalin therapy. IDEC is working to facilitate that coordination, providing patient scheduling tools and holding regional meetings and workshops aimed at promoting communication between these physician groups. It is simply a learning process. We find that after the first patient goes through the system in each treatment center, treatment scheduling for subsequent patients quickly becomes*

Q *routine. What do you see as the role and opportunity for Zevalin therapy in the treatment of NHL?*

A *Results of clinical trials to date demonstrate very significant patient responses with this new treatment regimen. Currently, Zevalin therapy is primarily being used as a relatively safe and effective alternative to combination chemotherapy in patients requiring immediate therapy and rapid onset of disease remission. Over time, we expect Zevalin will play a vital role in managing the health of many lymphoma patients over the course of their disease, perhaps in some cases displacing chemotherapy. Ultimately, we would like to see Zevalin plus Rituxan replace chemotherapy plus Rituxan regimens, which are widely used to treat lymphoma today. Of course, this must be established by conducting the appropriate clinical trials.*



[ZEVALIN]

[EARL'S STORY] In 1997, unusual episodes of numbness, night sweats and pain after urination caused retired home improvement contractor Earl Braud to seek medical advice. After a month's treatment with antibiotics produced no improvement, Earl saw a second urologist who recommended testing that led to a diagnosis of non-Hodgkin's lymphoma. He initially received CHOP chemotherapy followed by interferon maintenance. While the CHOP produced a good remission, the extreme fatigue produced by the interferon caused Earl to quit that drug after three months. After about a year, Earl's disease returned. He first received a four-week course and then an eight-week course of Rituxan, but each treatment only produced remissions lasting approximately six months. In August 2002, Earl was given the chance to try the Zevalin therapeutic regimen. He says the scheduling of his therapy went smoothly and, in fact, he went on to win a golf championship on the day he received the imaging dose. Following treatment with Zevalin, his blood counts dropped rapidly, but quickly returned to normal with no transfusions required. Now, three months after therapy, Earl's disease is in remission, and the active, 67-year-old sportsman is back to hunting and enjoying life.

...treatment:began August 2002...today: disease in remission...
...diagnosis: non-hodgkin's lymphoma: 1999...
...{ EARL BRAUD }
...{ ZEVALIN }



{ Earl }



{ Mary Lou }

RITUXAN SINCE THE FDA GRANTED MARKETING APPROVAL FOR RITUXAN IN LATE 1997, USE OF THIS MONOCLONAL ANTIBODY HAS GROWN TO MAKE IT ONE OF THE LEADING ANTICANCER TREATMENTS WORLDWIDE. IN FACT, SALES OF RITUXAN IN 2002 EXCEEDED \$1 BILLION, MAKING IT THE LARGEST SELLING ANTI-CANCER DRUG IN THE UNITED STATES AND THE SECOND LARGEST GLOBALLY.

< 1997 > fda approved >>

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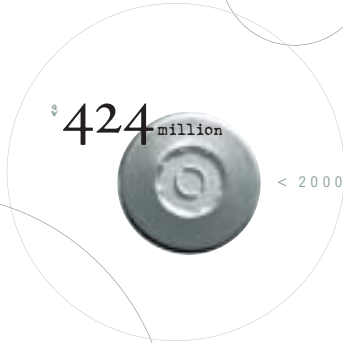
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< 1999 sales



< 2000 sales



< 2001 sales



< 2002 sales

[RITUXAN]

Rituxan originally gained approval for single-agent use in the treatment of relapsed or refractory low-grade, or follicular, CD20-positive B-cell non-Hodgkin's lymphoma.

Oncologists are also studying the value of Rituxan maintenance use to deepen their patients' response to therapy compared to the standard four-infusion Rituxan regimen. Investigators from the Swiss Group for Clinical Cancer Research reported data at the American Society of Hematology in December 2002 demonstrating that extended single-agent Rituxan therapy—consisting of eight doses over a nine-month period—reduced the risk of disease progression or relapse by 55 percent for responding patients. Moreover, this maintenance regimen nearly doubled survival without disease relapse or progression for patients with indolent NHL receiving Rituxan as their first treatment. At the same time, patients receiving extended Rituxan treatment experienced no clinically significant increase in adverse events or infections compared to those receiving only the standard treatment. Larger, randomized Phase III studies of extended or maintenance Rituxan therapy are currently underway

by the U.S. Cooperative Cancer Study Groups. These clinical trials are evaluating the safety and efficacy of additional Rituxan therapy (four doses every six months for two years) following induction with a Rituxan-containing regimen.

Rituxan in other blood cancers IDEC and its partners, Genentech and F. Hoffmann-LaRoche, continue to explore the use of Rituxan in other blood cell cancers. Investigators throughout the United States and abroad are conducting studies with Rituxan in other B-cell malignancies such as chronic lymphocytic leukemia (CLL), post-transplant lymphoproliferative disease and pediatric lymphoma, as well as other forms of NHL.

Rituxan beyond cancer Data increasingly suggest that Rituxan may have value for patients outside the realm of cancer, in the treatment of autoimmune and inflammatory diseases. IDEC and its partners are exploring Rituxan use, both alone and in combination with other drugs, in the treatment of rheumatoid arthritis as well as other autoimmune diseases.

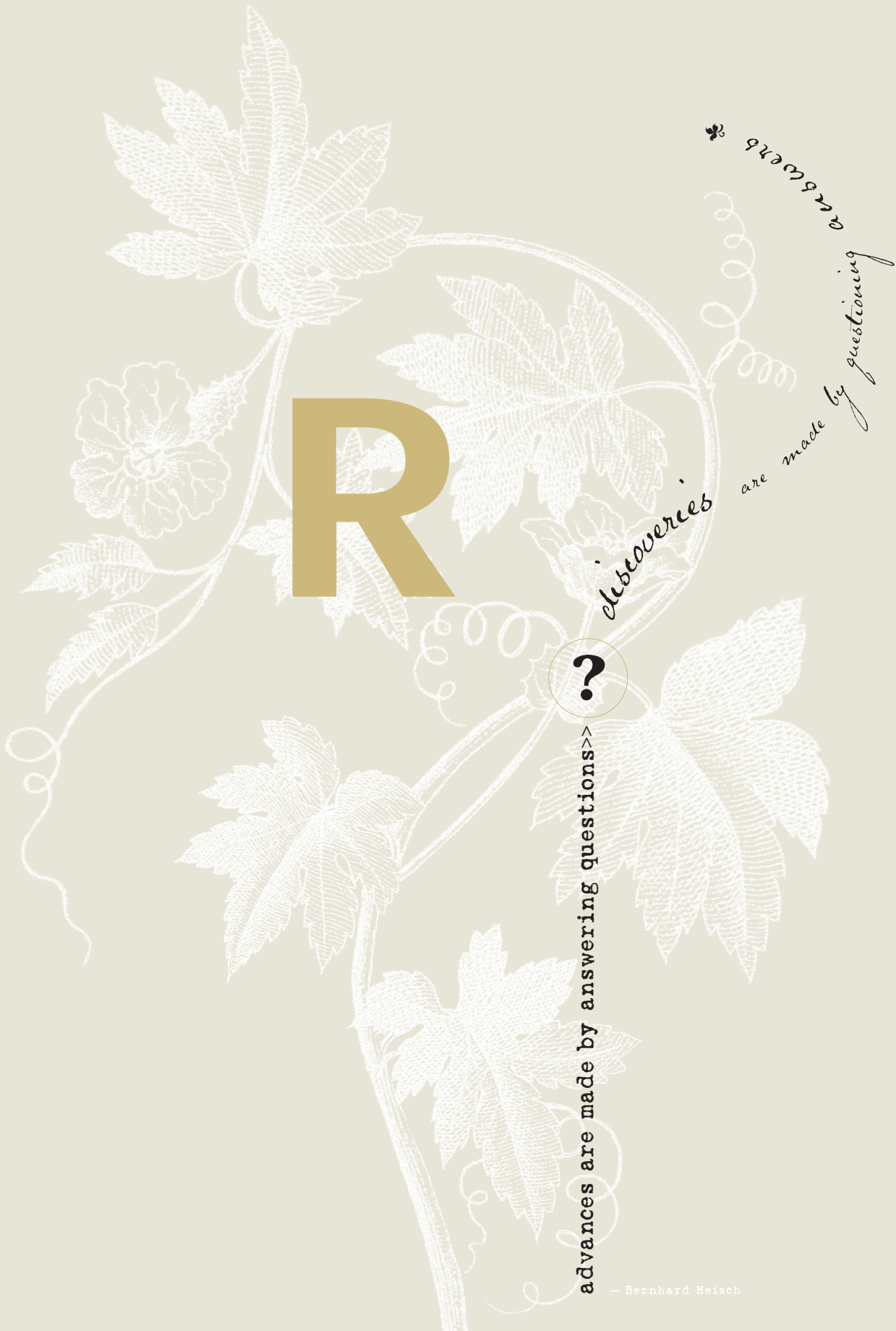
[RICK'S STORY] "Flying is a huge part of my life," says Rick Kurner, age 50, who earned his first pilot's license at age 15 and has been a commercial pilot since the mid-1980s. The Southern California native was nearly sidelined, however, when he was diagnosed in 1999 with non-Hodgkin's lymphoma. According to Rick, many of the chemotherapies commonly used against NHL were associated with adverse effects on the peripheral nerves and heart that would prevent him from receiving medical clearance from the Federal Aviation Association to keep flying. Fortunately, his doctor had been an investigator in clinical trials with Rituxan, and suggested treatment with that therapy — which the FAA also authorized for Rick's use without restrictions on his ability to fly. After four infusions of Rituxan, Rick's tumor burden had shrunk by 60 percent and, following another eight weeks of Rituxan therapy combined with cytoxin and prednisone, he achieved a complete remission. Rick says that he experienced no significant side effects from his Rituxan therapy and he remains cancer-free today, more than three years after treatment.

{ RICK KURNER }
... ..diagnosis: non-hodgkin's lymphoma: 1999... ..
[RITUXAN]
... ..treatment began... 1999... ..
... ..today: disease in REMISSION... ..



{ Rick }

RHEUMATOID ARTHRITIS (RA) IS A CRIPPLING DISEASE THAT AFFECTS ALMOST ONE PERCENT OF THE U.S. ADULT POPULATION, OR APPROXIMATELY 2.5 MILLION PEOPLE. AN AUTOIMMUNE DISEASE, RA CAUSES INFLAMMATION IN THE LINING OF THE JOINTS, RESULTING IN PAIN, STIFFNESS AND SWELLING. OVER TIME, RA CAN RESULT IN PERMANENT JOINT DAMAGE, DEFORMITIES AND LOSS OF FUNCTION. A SYSTEMIC DISEASE, RA CAN ALSO AFFECT OTHER TISSUES SUCH AS THE LUNGS, EYES AND BONE MARROW. FEWER THAN 50 PERCENT OF PATIENTS WHO HAVE HAD RA FOR OVER 10 YEARS CAN CONTINUE TO WORK OR FUNCTION NORMALLY ON A DAY-TO-DAY BASIS. MEDICAL COSTS AND INDIRECT EXPENSES DUE TO LOST WAGES FOR RA TOTAL MORE THAN AN ESTIMATED \$3 BILLION ANNUALLY. EXPERTS BELIEVE THAT MULTIPLE GENETIC AND ENVIRONMENTAL FACTORS INTERACT TO TRIGGER THE ONSET OF RA. THERE IS NO CURE. CURRENTLY AVAILABLE TREATMENTS INCLUDE A VARIETY OF STEROIDAL AND NON-STEROIDAL ANTIINFLAMMATORY DRUGS, IMMUNOSUPPRESSIVE AGENTS, AND DISEASE-MODIFYING MEDICATIONS. ALL OF THESE TREATMENTS TARGET THE IMMUNE SYSTEM'S T CELLS OR CERTAIN IMMUNE SIGNALING MOLECULES KNOWN TO PLAY A ROLE IN INFLAMMATION.



R

advances are made by answering questions >



discoveries

are made by questioning assumptions

IN OCTOBER, IDEC AND ITS PARTNERS, GENENTECH AND F. HOFFMANN-LAROCHE, ANNOUNCED PRELIMINARY POSITIVE DATA FROM A RANDOMIZED, DOUBLE-BLIND, PLACEBO-CONTROLLED PHASE II STUDY INVESTIGATING THE USE OF RITUXAN IN THE TREATMENT OF RHEUMATOID ARTHRITIS. DATA FROM THAT TRIAL SUGGEST THAT TARGETING B CELLS WITH RITUXAN MAY OFFER A COMPLETELY NEW AND WELL-TOLERATED APPROACH TO TREATING PATIENTS WITH THIS CRIPPLING AUTOIMMUNE DISEASE. AS A RESULT, PLANS ARE UNDERWAY TO INITIATE A GLOBAL CLINICAL DEVELOPMENT PLAN FOR RITUXAN IN RA DURING THE FIRST HALF OF 2003, INCLUDING POTENTIAL REGISTRATION-DIRECTED PHASE III TRIALS AND ADDITIONAL PHASE II STUDIES. A GROWING BODY OF DATA ADDITIONALLY SUPPORTS THE USE OF RITUXAN IN OTHER IMMUNE DISORDERS WHERE B CELLS PLAY A ROLE. NUMEROUS CLINICAL TRIALS WITH RITUXAN ARE PLANNED OR ALREADY UNDERWAY FOR DISEASES SUCH AS HEMOLYTIC ANEMIA AND LUPUS, AMONG OTHERS.

RITUXAN IN Rheumatoid Arthritis

The concept of targeting B cells with Rituxan as a potential treatment for RA was pioneered by Jonathan C.W. Edwards, M.D. of University College, London. Dr. Edwards is also the principal investigator for the Phase II study investigating Rituxan in this indication.

Why did you believe that Rituxan might be useful for the treatment of RA? In autoimmune conditions such as RA, the body

produces antibodies to its own tissues. These “autoantibodies” can collect in certain tissues—like the lining of a joint—and trigger inflammation that results in tissue damage. Autoantibodies can first arise by chance, but then set up a vicious cycle so their production continues. We theorized that removing the body’s antibody-generating B cells should break this cycle. As Rituxan offers a well-tolerated way to temporarily remove

most antibody-producing B cells from the bloodstream, we decided to investigate its use as a possible treatment for

RA. What were the initial results of

that trial? We recruited 161 patients with active RA and tested the effects of substituting

Rituxan for current standard therapy (methotrexate) or adding Rituxan to that regimen. We measured each patient’s improvement after 24 weeks based on a standard measure of RA symptom improvement, called the ACR score.


In December, we reported results from the first 120 patients. Adding Rituxan to standard treatment enabled 80 percent of patients to reach ACR 20, 50 percent ACR 50, and 23 percent ACR 70.

Substituting Rituxan for methotrexate, 58 percent of patients achieved ACR 20, 32 percent ACR 50, and 13 percent ACR 70.



Q

A



IDEC's understanding of how immune system cells communicate to fight or, in some cases, produce disease has led to a pipeline of potential antibody-based therapies. Designed to intervene in the interactions between T cells and B cells, these antibodies target specific receptors expressed on the cells' surfaces. By binding these receptors, the antibodies may help block key inflammatory processes,

Examining new therapies

potentially offering treatments for serious autoimmune or inflammatory diseases. More recently, IDEC has discovered that—just as Rituxan may play a role in the treatment of autoimmune diseases like RA—these investigational antibodies may offer useful treatments for certain cancers.

FOR EXAMPLE, IDEC-I14 TARGETS THE CD80 RECEPTOR. THIS RECEPTOR PLAYS A KEY ROLE IN ACTIVATING THE INFLAMMATORY RESPONSE, SUGGESTING POTENTIAL USES OF IDEC-I14 FOR THE TREATMENT OF AUTOIMMUNE DISEASES. WHILE RESULTS OF A PHASE II CLINICAL STUDY IN MODERATE TO SEVERE PSORIASIS DID NOT SUPPORT FURTHER DEVELOPMENT IN THAT INDICATION, IDEC WAS ENCOURAGED BY THE ANTIBODY'S SAFETY PROFILE AND PLANS TO STUDY IT IN OTHER IMMUNE DISORDERS. IDEC RESEARCH SHOWING LOW-LEVEL EXPRESSION OF THE CD80 RECEPTOR ON THE SURFACE OF FOLLICULAR LYMPHOMAS AND OTHER LYMPHOID CANCERS FURTHER SUGGESTED USE OF IDEC-I14 IN TREATING NHL. IN DECEMBER, RESEARCHERS REPORTED DATA FROM A PHASE I/II DOSE-ESCALATING STUDY OF IDEC-I14 IN PATIENTS WITH RELAPSED OR FOLLICULAR NHL. THE DATA SHOWED THAT IDEC-I14 WAS BOTH WELL TOLERATED AT THE DOSE LEVELS STUDIED AND CLINICALLY ACTIVE, ESPECIALLY AT THE HIGHER DOSES. MOREOVER, SEVERAL PATIENTS ACHIEVED COMPLETE RESPONSES TO IDEC-I14 IN THE MONTHS FOLLOWING THEIR TREATMENT. IDEC IS CONTINUING TO CLINICALLY STUDY HIGHER DOSES OF IDEC-I14 AND COMBINATIONS OF IDEC-I14 WITH RITUXAN.

Monoclonal antibodies offer opportunities for the development of highly selective therapies because they recognize and bind to a single receptor target on the surface of a cell. IDEC is developing monoclonal antibody therapies for cancer and autoimmune diseases that work through immune mechanisms, binding to targeted immune system cells in the patient's blood or lymphatic system.

Small molecule drugs are pharmaceutical compounds that enter cells and target specific biochemical events that result in disease or otherwise offer avenues to disease treatment. Because of their ability to reach cancerous cells deep within tumors, such drugs are often better suited than antibodies as treatments against solid tumors.



MONOCLONAL ANTIBODY

CANCER AUTOIMMUNE DISEASES	PROPOSED INDICATIONS	TARGETED RECEPTOR	PRECLINICAL	PHASE	1	2	3	FDA APPROVAL	4
	Non-Hodgkin's Lymphoma Rheumatoid Arthritis	CD20							
	Non-Hodgkin's Lymphoma	CD20							
	Non-Hodgkin's Lymphoma	CD80							
	Autoimmune Diseases	CD154							
	Autoimmune Diseases	CD4							
	Chronic Lymphocytic Leukemia Allergic Asthma/Rhinitis	CD23							
	Solid Tumors								

Rituxan

Zevalin

IDEC-114

IDEC-131

IDEC-151

IDEC-152

SMALL MOLECULE

new
IDEC-160

on hold

IDEC-114 binds the CD80 receptor on B cells. This target offers strategies for the treatment of both autoimmune diseases and B-cell cancers like NHL, where research suggests IDEC-114 has synergistic anti-cancer activity with Rituxan. Clinical studies in both NHL and autoimmune indications are underway.

IDEC-131 binds the CD154 receptor on T cells, inhibiting their ability to stimulate B-cell antibody production. This strategy may help restore a more normal immune response in patients with autoimmune diseases. Studies with IDEC-131 are currently on clinical hold while safety results to date are better understood.

IDEC-151 binds the CD4 receptor on helper T cells that direct the immune response, potentially offering a longer-acting and less toxic alternative to current treatments for inflammatory disease. IDEC has decided to focus on Rituxan as a treatment for rheumatoid arthritis instead of IDEC-151.

IDEC-152 binds the CD23 receptor on B cells, selectively regulating IgE production and inhibiting allergic inflammation. IDEC-152 has also shown preclinical activity against chronic lymphocytic leukemia (CLL), a B-cell cancer. Early clinical trials are ongoing in allergic asthma and allergic rhinitis, as well as CLL.

IDEC-160, an orally active, small molecule drug, has shown anti-tumor activity against various cell lines in preclinical testing. Two dose-escalating Phase I trials are underway in the United States. This recently licensed compound expands IDEC's oncology development beyond blood cell cancers to solid tumors including colorectal, non-small cell lung, and prostate cancer.



Nabil Hanna, Ph.D. is IDEC's chief scientific officer. He tells how IDEC is building its discovery capabilities both internally and through strategic collaborations aimed at generating a stream of new drug candidates for the company's development pipeline.



IDEC has built a considerable reputation in the area of drug development. How is the company now strengthening its earlier-stage research

efforts to continue to add to its product pipeline? Q

We have long been a leader in antibody discovery, with past research efforts generating multiple product entries for both blood cell cancers and autoimmune diseases. Now, we are shifting from development-only to a blend of discovery and development aimed at helping IDEC meet the challenges of its future growth. As we have seen with the expansion of Rituxan's potential use beyond NHL, and even beyond cancer, IDEC has the ability to add substantial value to its existing products by extending their use to other diseases. This

ability is based in understanding the mechanisms by which these antibodies work, and so we have instituted research efforts aimed at supporting future oncology uses for our development-stage autoimmune products.

For example, IDEC-152, an antibody we are developing for the treatment of allergic asthma, binds to the CD23 antigen. Chronic Lymphocytic Leukemia (CLL) cells also express this antigen at high levels on their surface. We have shown the ability of IDEC-152 to induce programmed cell death in both CLL cells taken from patients and CLL cell lines, as well as in animal models of leukemia with CD23-positive cells. As this antibody appears to have synergistic activity with Rituxan, we plan to study

IDEC-152 in patients with CLL in combination with both Rituxan and with other chemotherapies. Are you also leveraging IDEC's

experience in developing Zevalin to the development of other radioimmunotherapeutics? Yes, we are working to apply our Yttrium-

targeting technology to prostate, colon and ovarian cancers. We have created novel Yttrium-labeled "domain-deleted" antibodies whose small size may enable them to better penetrate and destroy solid tumors. In addition, these engineered antibodies are more rapidly cleared from the body than conventional monoclonal antibodies, reducing their potential for adverse side effects. How are you

identifying the appropriate targets for these new cancer treatments? We are addressing cancer antigen discovery in several ways. First,

we are looking at the differential expression of various gene products in cancer cells to identify new surface antigens that may be unique to or selectively overexpressed in cancer. We are also using a proteomics-based approach to identify

unique protein targets on cell membranes. To support this effort, we have been adding significant internal capabilities and staff in the areas of molecular biology, cell biology and tumor biology over the past

year. Are you also working with outside collaborators? Yes, our internal antigen discovery efforts are

still at an early stage. We are complementing our own efforts with research partnerships

while we build expertise. In particular, we have established a significant research

collaboration with Caprion Pharmaceuticals, aimed at identifying unique antigens and antigen variants associated with cancer. Caprion

Pharmaceuticals employs a proprietary proteomics discovery platform to identify tumor-specific proteins on the

surface of colon cancer cells. In addition, we

signed an agreement with the National

Cancer Institute to identify

cell surface targets in

ovarian cancer.

ROBERT PEACH, PH.D. >>

As director of antibody discovery, Robert Peach leads internal research efforts to generate and characterize the function and distribution of new antibodies that selectively bind to cancer-specific antigens on the surface of tumor cells. He also plays a key role in managing IDEC's outside research collaborations with noted academic research laboratories and in identifying promising early or late-stage opportunities for product in-licensing.



<< MARILYN KEHRY, PH.D.

Marilyn Kehry, director of cell biology, established IDEC's capabilities for cell sorting and analytical flow cytometry, key technologies used at IDEC to help validate potential new therapeutic targets. The efforts of Marilyn and her colleagues established the rationale for studying IDEC-152 in oncology, and they further support research aimed at finding potential new uses for Rituxan and other IDEC products.



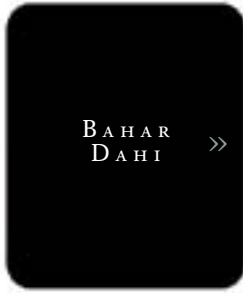
WHO'S BEHIND THE RESEARCH?

PAUL CHINN, PH.D. >>

Paul Chinn, senior scientist, exemplifies one of the company's "hidden heroes." At a time when IDEC was focusing nearly all its emphasis and resources on Rituxan's approval, he steadfastly championed Zevalin. His quiet, heroic efforts enabled IDEC to overcome enormous technical challenges and transform Zevalin from an "interesting concept" into a real product opportunity as the first radioimmunotherapy for cancer.

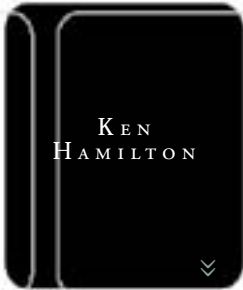
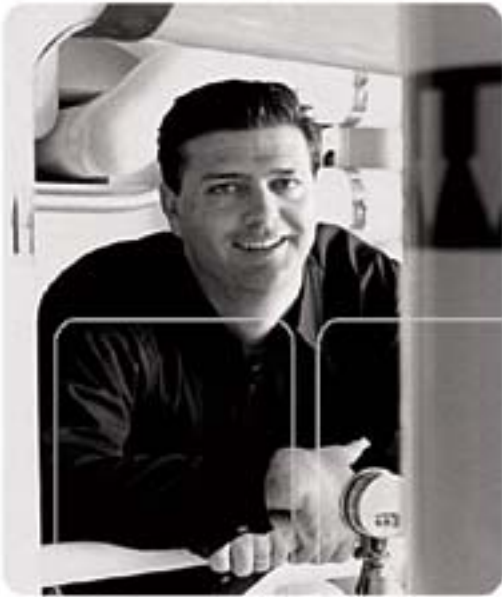


{ manufacturing }



As a process engineer on NICO, Bahar Dahi and her team have worked long hours and weekends to keep construction of the new NICO facility on schedule. First engaged with the engineers and contractors to ensure the proper design, ordering and installation of equipment for NICO, they are now validating its proper performance prior to initiating manufacturing of investigational products for IDEC's clinical trials.

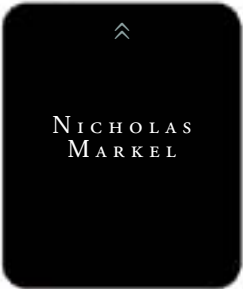
WHO'S BEHIND OUR EXPANSION?



Director of Engineering, Ken Hamilton, served as the project leader on the design and construction of NICO. Under his leadership, the IDEC manufacturing, QA/QC and environmental health and safety teams worked closely with the facility designers, builders and equipment manufacturers on every aspect of the new facility. As a result, construction on NICO, begun in January 2002, was completed by October 2002—on schedule.



Senior project manager, Nicholas Markel, who will direct manufacturing at IDEC's new NICO facility, notes that it is a replica in scale of IDEC's original Torreyana production plant. However, he says that IDEC was able to apply the lessons learned in operating that existing site to make NICO a more efficient and automated facility capable of producing up to 40 lots or 23,000 gallons of material for clinical trials each year.



IDEC's manufacturing needs have increased rapidly with the growing number of the company's devel-

opment-stage products in human clinical testing. To meet the need for clinical supplies of product, the company, in 2001, acquired a 40,000-square-foot building adjacent to the New IDEC Manufacturing Operation (NIMO) site in Oceanside, California. There, IDEC has been creating a new facility, called NICO—New IDEC Clinical Operation—for the manufacture of clinical supplies and, potentially, product launch material. IDEC's ambitious goal had been to move into NICO by the end of 2002, and have the site in full operation in the second half of 2003. Thanks to the teamwork, long hours and dedicated efforts of IDEC's employees and contractors, the company was able to move into a fully constructed site by November 2002. Equipment and process validation efforts are underway, with the goal of starting production before the end of Q3 2003. While the NICO facility is approximately the same size as IDEC's existing manufacturing facility in San Diego, it represents a major step forward in overall technology. Learning from experiences gained in the Torreyana plant, NICO is not only designed as a multi-product facility that employs the latest manufacturing technology, It is specifically designed for easy maintenance and cleaning, as well as for ease of data gathering and ergonomic operation.

NEW IDEC CLINICAL OPERATIONS (NICO) CONSTRUCTION COMPLETE



Above: rendering of NIMO facility

NEW IDEC MANUFACTURING OPERATIONS (NIMO) UPDATE

NEW IDEC HEADQUARTERS UPDATE
IDEAL ALSO BEGAN CONSTRUCTION THIS YEAR ON THE COMPANY'S NEW RESEARCH AND CORPORATE CAMPUS, LOCATED IN THE UNIVERSITY TOWN CENTER AREA OF SAN DIEGO. PHASE I OF THIS NEW CAMPUS WILL INCORPORATE APPROXIMATELY 350,000 SQUARE FEET OF OFFICE AND LABORATORY SPACE, HOUSING 700 OF THE COMPANY'S RESEARCH, DEVELOPMENT AND ADMINISTRATIVE STAFF. THE COMPANY EXPECTS TO MOVE INTO THIS NEW FACILITY IN THE THIRD QUARTER OF 2004.

Construction began in May 2002 on NIMO. By July, contractors had poured the foundations for the first building and the steel columns began rising in October. IDEC expects to complete the building shell and exterior build-out for NIMO by the end of 2003. While building goes on, equipment manufacturers across the country are pre-fabricating and assembling the actual process equipment—tanks, piping, and instrumentation—in a modular form, off-site. Once these production modules are complete and ready for installation, they will be disassembled again and shipped to NIMO for final installation.

IDEC RECOGNIZES THAT, IN MANY WAYS, THE COMPANY'S CONTINUED FUTURE SUCCESS IS CLOSELY TIED TO THE SUCCESS OF THE BIOTECHNOLOGY INDUSTRY AS A WHOLE. MOREOVER, WE BELIEVE THAT PEOPLE—MOST ESPECIALLY, OUR EMPLOYEES—ARE THE CORNERSTONE OF THAT SUCCESS. THIS IS TRUE NOT ONLY IN RESEARCH AND DEVELOPMENT, BUT IN THE AREA OF BIOPHARMACEUTICAL MANUFACTURING, WHERE THE NEED FOR A HIGHLY TRAINED WORKFORCE WITH SPECIALIZED SKILLS IS GREAT AND EVER INCREASING. IDEC PLANS TO ADD SIGNIFICANTLY TO ITS EMPLOYEE BASE OVER THE NEXT SEVERAL YEARS, AS BOTH NICO AND NIMO BECOME FULLY OPERATIONAL. IN ANTICIPATION OF THOSE HIRING NEEDS AND RECOGNIZING THE WORKFORCE TRENDS IN THE BIOTECHNOLOGY INDUSTRY AS A WHOLE, IDEC IS HELPING LOCAL COMMUNITY COLLEGES CREATE NEW TRAINING PROGRAMS THAT MEET THE SPECIAL REQUIREMENTS OF BIOPHARMACEUTICAL COMPANIES. THESE NEW PROGRAMS WILL GO BEYOND THE NEEDS OF THE R&D LABORATORY, TO GIVE STUDENTS A PROPER BACKGROUND FOR FUTURE JOBS IN MANUFACTURING. IN THIS WAY, IDEC IS HELPING FULFILL ITS RESPONSIBILITIES TO THE GREATER SAN DIEGO COMMUNITY AND THE FUTURE OF THE BIOTECHNOLOGY INDUSTRY OVERALL, WHILE ENSURING ITS OWN STAFFING NEEDS FOR THE LONG-TERM.

[ON-THE-JOB-TRAINING]

Community College Visitor with enthusiastic company- and chemistry instructor a week at IDEC for five world of biotechnology that of the R&D laboratory. from programs in Bio- and Heating, Ventilating spent a week learning systems essential for the NIMO and NICO. Each participant followed a "Training Plan"

IDEC conducted its first Experience in August 2002, wide support. Three biol- tors spent about 25 hours weeks, learning how the manufacturing differs from Two additional visitors science Instrumentation and Air Conditioning (HVAC) about the equipment and ongoing operation of both

of our industry

IDEC has partnered with San Diego County Community Colleges and the National Science Foundation to help area community college instructors develop two-year degree programs in biotechnology production. The aim of these programs is to graduate well-prepared candidates for industry jobs in Manufacturing Operations Support positions and as operators for IDEC's NIMO facility.

IDEC believes the availability of qualified local job candidates will reduce the company's hiring costs and help IDEC maintain positive relationships with the city of Oceanside, where NIMO is located. As part of this program, IDEC is providing the instructors with hands-on experience in the full range of processes leading to the development of bulk biopharmaceutical drugs. This includes

knowledge of the clean room environment, current Good Manufacturing Process (cGMP) requirements, and upstream and downstream processes for cell production and purification. It also includes an understanding of the equipment used in a biotechnology production facility and the differences between R&D and manufacturing requirements for many procedures.



that mimicked the training of actual IDEC employees working in production. At the program's end, both IDEC and the visiting instructors had met their goals. IDEC impressed the instructors as being a great place to work, and they indicated their intent to refer qualified students to the company. The instructors also came away with a clear understanding of the requirements for working in a cGMP environment. One instructor at Palomar College has now submitted a curriculum for 2003 related to biotechnology production. Moreover, Mira Costa College and San Diego City College are establishing hands-on training facilities for biotechnology production, positively influenced by their experiences at IDEC.





(THE SAN PASQUALE ACADEMY) Reflecting the company's deep commitment to education, IDEC has formed a "Partnership for Life" with the San Pasquale Academy, a unique residential high school for foster children in San Diego County. The goal of this program: to help foster youth learn not only academic skills, but also social, vocational and life skills that help them become successful, productive adults. As part of this program, IDEC hosts visits by the students, who hear about the different jobs available in the biotechnology industry



Light the Night *The Light the Night Walk is The Leukemia & Lymphoma Society's nationwide evening walk to raise general awareness of blood cancers as well as research funding. This was IDEC's fourth year of participation in the annual event, and second year as a local corporate sponsor. Approximately 100 IDEC employees and their family members joined in the casual two- to three-mile walk along the San Diego waterfront.*

Members of the construction and architectural firms working with IDEC to create its new campus also took part. To commemorate and honor lives touched by cancer, participants in the walk carried illuminated red balloons, while survivors and current patients carried white ones. IDEC employee Teresa Varela, whose teenage daughter is a leukemia survivor, chaired the company's involvement in this year's event.

and the skills that are needed to get them. IDEC and the Academy have formed a close relationship that has included mentoring of students by IDEC employees, and training in successful interviewing, resume writing, and other life skills. The teens also receive much needed basic supplies and personal items donated by IDEC employees as part of a holiday gift program. IDEC has additionally sponsored team sports activities, providing the uniforms that enable the students to compete in regional events.

San Diego Food Drive Each year, the ICARE Committee of IDEC organizes a Food Drive to gather contributions for the San Diego Food Bank. Rather than conducting this effort during the holiday season, IDEC holds its Drive during the summer, when Food Bank stocks reach their lowest levels and the community needs are the greatest. This year, under the chairmanship of IDEC employee, Jeff Cannon, IDEC challenged other biotechnology companies in the Torrey Pines area of San Diego to participate in this effort. Together, the six participating companies raised a record 30,000 food items—enough for over 20,000 meals for needy families and individuals. Moreover, aiming to continue to grow local participation in the Summer Food Drive, IDEC worked with the San Diego media to publicize the event and draw attention to the Food Bank's needs.

IDEC recognizes its role as a prominent and socially responsible member of the San Diego County community. The company's ICARE program, which translates to IDEC Community Action Resource Efforts, represents the ongoing support by IDEC employees of a variety of programs within the San Diego area. Mixing fun with social involvement, the ICARE program includes a

of our community

broad range of events that support local charities, including food and gift drives and national charitable athletic events. Additional activities carried out through the ICARE program, like IDEC's Partnerships in Education sponsorship of Madison High School, mirror the company's emphasis on education and personal growth.



Herbert Boyer, Ph.D., biotechnology pioneer and Genentech cofounder, heads IDEC's Corporate Governance Committee.

“ THE ROLE OF THE AUDIT COMMITTEE HAS ALWAYS BEEN IMPORTANT, BUT IN TODAY'S POST-ENRON BUSINESS CLIMATE IT HAS BECOME AN ESSENTIAL RESPONSIBILITY. IN THE PAST FEW YEARS THE CONFIDENCE OF INVESTORS HAS BEEN SHAKEN BY REPORTS OF CORPORATE MALFEASANCE BY A LIMITED NUMBER OF CORPORATIONS AND EXECUTIVES. CONGRESS AND THE SECURITIES AND EXCHANGE COMMISSION HAVE SOUGHT TO RESTORE INVESTOR CONFIDENCE AND CORPORATE RESPONSIBILITY THROUGH THE SARBANES-OXLEY ACT, WHICH REQUIRES THAT THE PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER CERTIFY THEIR COMPANY'S QUARTERLY AND ANNUAL FINANCIAL STATEMENTS. IDEC'S AUDIT COMMITTEE SUPPORTS THESE REFORM EFFORTS, AND WILL CONTINUE TO EXERCISE ITS OVERSIGHT RESPONSIBILITIES FOR FINANCIAL REPORTING. SHAREHOLDERS DESERVE NOTHING LESS THAN HONESTY AND INTEGRITY WHEN INVESTING IN IDEC PHARMACEUTICALS. ”

[ON CORPORATE GOVERNANCE]

Corporate Governance has become one of today's most important topics for investors. What does this phrase really mean? Corporate Governance is a concept that is relevant to the Board of Directors' responsibilities to the shareholders. The primary objective of good Corporate Governance is to make sure the long-term performance of the company is successful and that the Board is operating in the most responsible manner. Corporate Governance does not stop at a company's financial performance. It also applies to how the company improves the lives of its employees and community. So Corporate Governance directly reflects on IDEC's overall Core Values, especially those of Trust, Honesty, Integrity and Quality.

Q What are the specific duties of the Corporate Governance Committee? **A** We review and evaluate annually the independence and performance of IDEC's outside directors, and consider possible conflicts of interest of Board members and senior executives. We ensure that the makeup of the Board always includes a majority of independent directors. "Independence" means that they should have no contracts or other business relationships with IDEC, so that potential conflicts of interest do not affect their ability to make decisions in the best overall interests of the company and its shareholders. In this day and age, it is very important to have an independent view of the activities of the Board.

Q What other responsibilities does this committee have? **A** We consider questions of board size, and identify and evaluate the experience of potential new board members for specific expertise that might be useful in taking IDEC's business forward. We also review and recommend the makeup of key Board committees, including the Audit and Compensation Committees, which will consist entirely of outside Directors. We will begin assessing the Board's overall performance and together with the Compensation Committee reviewing CEO performance.

Q We also consider IDEC's general management development programs. So the role of good Corporate Governance is to ensure that the company operates in the best long-term interests of its shareholders? **A** Absolutely. It is important that the Board of Directors takes seriously how its decisions and IDEC's ultimate actions affect each of the company's constituents: shareholders, employees, suppliers, patients and physicians, and the local community. But, ultimately, the Board is accountable to IDEC's shareholders and building long-term shareholder value is its ultimate mission.

Robert W. Pangia, an IDEC Director since 1997, heads the Audit and Finance Committee. Currently a partner at Ivy Capital Partners LLC, a private equity fund specializing in healthcare investments, Mr. Pangia is a former Executive VP and Director of Investment Banking at PaineWebber Incorporated.



▼ CORPORATE GOVERNANCE COMMITTEE

{ OVERSIGHT }

▲ AUDIT AND FINANCE COMMITTEE

THE FOLLOWING TABLES SHOW CERTAIN FINANCIAL DATA WITH RESPECT TO OUR COMPANY. THE SELECTED FINANCIAL DATA SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO. THE FULL AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR 2002 CAN BE FOUND IN IDEC'S FORM 10-K, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.

Consolidated Statements of Operations Data:		Years ended December 31,				
		2002	2001	2000	1999	1998
(In thousands, except per share amounts)	Revenues:					
	Product sales	\$ 13,711	\$ —	\$ —	\$ —	\$ —
	Revenues from unconsolidated joint business arrangement	385,809	251,428	132,782	93,197	53,813
	Corporate partner revenues	4,702	21,249	21,900	24,806	33,146
	Total revenues	404,222	272,677	154,682	118,003	86,959
	Operating costs and expenses:					
	Cost of sales	1,457	—	—	—	—
	Manufacturing costs	—	—	2,134	14,277	19,602
	Research and development	93,648	86,299	68,922	42,831	31,485
	Selling, general and administrative	95,241	55,241	27,767	19,478	16,968
	Total operating costs and expenses	190,346	141,540	98,823	76,586	68,055
	Income from operations	213,876	131,137	55,859	41,417	18,904
	Interest income, net	17,646	30,467	13,488	4,189	2,996
	Income before income tax provision	231,522	161,604	69,347	45,606	21,900
	Income tax provision	83,432	59,945	11,939	2,449	422
	Income before cumulative effect of accounting change	148,090	101,659	57,408	43,157	21,478
	Cumulative effect of accounting change, net of income tax benefit of \$481	—	—	(9,263)	—	—
	Net income	\$ 148,090	\$ 101,659	\$ 48,145	\$ 43,157	\$ 21,478
	Basic earnings per share ⁽¹⁾ :					
	Before cumulative effect of accounting change	\$ 0.97	\$ 0.67	\$ 0.43	\$ 0.35	\$ 0.18
	Cumulative effect of accounting change	—	—	(0.07)	—	—
	Basic earnings per share	\$ 0.97	\$ 0.67	\$ 0.36	\$ 0.35	\$ 0.18
	Diluted earnings per share ⁽¹⁾ :					
	Before cumulative effect of accounting change	\$ 0.85	\$ 0.59	\$ 0.36	\$ 0.29	\$ 0.15
	Cumulative effect of accounting change	—	—	(0.06)	—	—
	Diluted earnings per share	\$ 0.85	\$ 0.59	\$ 0.30	\$ 0.29	\$ 0.15
	Shares used in calculation of earnings per share ⁽¹⁾ :					
	Basic	153,086	150,756	134,880	124,146	119,028
Diluted	179,634	181,481	159,310	151,287	140,262	

Consolidated Balance Sheets Data:		December 31,				
		2002	2001	2000	1999	1998
Cash, cash equivalents and securities available-for-sale	\$ 1,447,865	\$ 866,607	\$ 750,526	\$ 246,286	\$ 73,502	
Total assets	\$ 2,059,689	1,141,216	856,406	307,074	125,273	
Notes payable, less current portion	\$ 866,205	135,977	128,888	122,910	2,095	
Retained earnings (accumulated deficit)	\$ 263,176	115,086	13,427	(34,718)	(77,875)	
Total stockholders' equity	\$ 1,109,690	\$ 956,479	\$ 694,619	\$ 159,978	\$ 106,428	

(1) Earnings per share and share information for years ended December 31, 2000, 1999 and 1998 have been restated to reflect our three-for-one stock split effected by way of a stock dividend in January 2001.

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IDEC Pharmaceuticals

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IDEC Pharmaceuticals Corporation

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and current Genentech board member

Alan Burnett Glassberg, M.D.
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California, San Francisco Cancer Center;
Director, Mount Zion Medical Center

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General Partner, Asset Management
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Robert W. Pangia
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Currently President, CancerRx

The Honorable Lynn Schenk
Lawyer, Chief of Staff to the Governor
of California and Former U.S.
Congresswoman

William D. Young
Chairman of the Board and Chief
Executive Officer, ViroLogic, Inc.

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Professor of Immunology, Howard
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Fred Hutchinson Cancer Research
Center; Professor of Medicine,
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Professor, Director, Ben May Institute
for Cancer Research, Chicago, IL

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Dana-Farber Cancer Institute, Boston, MA

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University of California, San Francisco, CA

{ CORPORATE HEADQUARTERS }

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{ GENERAL COUNSEL }

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San Diego, CA

{ INDEPENDENT AUDITORS }

KPMG, LLP
San Diego, CA

{ TRANSFER AGENT AND REGISTRAR }

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<http://www.melloninvestor.com>

For change of address, lost
stock certificates and other
stock certificate-related
inquiries, please write to the
above address.

{ ANNUAL MEETING }

The annual meeting of stock-
holders is scheduled to be held on
Monday, May 19, 2003 at 3:00 p.m.
at the Hilton La Jolla Torrey Pines,
10950 North Torrey Pines Road,
La Jolla, CA 92037.

{ FORM 10-K ANNUAL REPORT }

A copy of the company's annual
report on Form 10-K, as filed
with the Securities Exchange
Commission, is available without
charge upon request to:

Investor Relations
IDEC Pharmaceuticals
3030 Callan Road
San Diego, CA 92121
Telephone: 858-431-8656

IDEC Pharmaceuticals is a leader in the development of targeted immunotherapies for cancer and autoimmune diseases. The company's products act chiefly through immune system mechanisms, exerting their effect by binding to specific, readily targeted immune cells in the patient's blood or lymphatic system.

CORE VALUES OF IDEC PHARMACEUTICALS CORPORATION

Creation of New Standards of Care: IDEC Pharmaceuticals is driven by opportunities to discover, develop, manufacture and support the commercial applications of innovative, value-added therapeutic agents which establish new standards of care in the management of selected cancers and autoimmune and inflammatory diseases.

Trust, Honesty, Integrity, Quality: Our personal and corporate actions are founded in trust, honesty and integrity. Our products meet the highest quality standards.

Team as a Source of Strength: We embrace the team as the source of achievement, momentum and value creation. We recognize that the most effective teams draw strength from diverse groups and from diverse levels throughout the corporation.

Zeal and Commitment: Extraordinary teams and extraordinary products come from our zeal, and from our commitment to corporate objectives and to our constituencies: patients, caregivers, shareholders and employees.

Growth, Transformation and Renewal: Consistent with our Core Values, we as individuals and as a corporation are committed to creative and constructive growth, transformation and renewal as a source of innovation and vitality.

