

ImClone Systems Inc.

October 25, 2002

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Mergent

Imclone Systems Inc.

180 Varick Street
New York, NY 10014
Phone: 212 645-1405
Country: United States
Date: October 25, 2002

Ticker: **IMCL**
Exchange: NASDAQ National Market System
Number of Employees: 399
Date of Incorporation: 1984
Primary SIC: 2836 *Biological Products, Except Diagnostic Substances*
Secondary SIC: 2834 *Pharmaceutical Preparations*

Highlights Report

PROFITABILITY RATIOS

| | |
|---------------------------|--------|
| ROE | 0.00 |
| ROA | 0.00 |
| Gross Margin | 100.00 |
| EBITDA of Revenue | 0.00 |
| Operating Margin | 0.00 |
| Pre-Tax Margin | 0.00 |
| Net Profit Margin | 0.00 |
| Effective Tax Rate | 0.00 |

FINANCIAL STRENGTH INDICATORS

| | |
|---------------------------------|--------|
| Quick Ratio | 6.30 |
| Current Ratio | 6.44 |
| Long Term Debt to Equity | -46.81 |
| Total Debt to Equity | -46.89 |
| Interest Coverage | -6.53 |
| Working Cap/Total Assets | 0.62 |

FINANCIAL SUMMARY (\$000)

| | |
|-----------------------------|----------|
| Total Revenue | 33,219 |
| EBITDA | -94,581 |
| Operating Income | -101,993 |
| Total Assets | 474,202 |
| Current Assets | 349,654 |
| Total Liabilities | 479,376 |
| Current Liabilities | 54,284 |
| Long Term Debt | 242,200 |
| Stockholder's Equity | -5,174 |

Business

Co. is a biopharmaceutical company advancing oncology care by developing a portfolio of targeted biologic treatments designed to address the medical needs of patients with a variety of cancers. Co. focuses on three promising strategies for treating cancer: growth factor blockers, cancer vaccines and angiogenesis inhibitors.

Co. is involved in developing the following cancer-related products: (i) ERBITUXÀ, (ii) BEC2 Cancer Vaccine ("BEC2") and (iii) c-p1C11 Monoclonal Antibody Inhibitor of Angiogenesis ("c-p1C11").

IMC-C225, is a therapeutic monoclonal antibody that inhibits stimulation of a receptor for growth factors upon which certain solid tumors depend in order to grow. IMC-C225 has been shown in several Phase I/II trials to have an acceptable safety profile, to be well tolerated and, when administered with either radiation therapy or chemotherapy, to enhance tumor reduction.

BEC2, is a cancer vaccine. In partnership with Merck KGaA, Co. is testing BEC2 for preventing recurrence or progression of limited disease small-cell lung cancer in a Phase III pivotal trial.

Co. is also developing inhibitors of angiogenesis, which could be used to treat various kinds of cancer and other diseases.

In addition to the development of Co.'s product candidates, Co. continues to conduct research, both independently and in collaboration with academic and corporate partners, in a number of areas related to Co.'s core focus of growth factor blockers, cancer vaccines and angiogenesis inhibitors. Co. has also developed diagnostic products and vaccines for certain infectious diseases, and Co. has licensed the rights to these products and vaccines to corporate partners.

Long-Term Debt

Dec. 31, 2001, \$242,705,000 (including current portion of \$426,000) comprised of:

- 01 - \$240,000,000 5 1/2% convertible subordinated notes due Mar. 1, 2005. In Feb. 2000, Co. completed a private placement of \$240,000,000 in convertible subordinated notes due Mar. 1, 2005. Co. received net proceeds from this offering of approximately \$231,500,000, after deducting costs associated with the offering. The notes bear interest at an annual rate of 5 1/2%. Accrued interest on the notes was approximately \$4,400,000 at Dec. 31, 2001.

- 02 - \$2,200,000 11 1/4% industrial development revenue bond due May 1, 2004. In Aug. 1990, the New York Industrial Development Agency ("NYIDA") issued \$2,200,000 principal amount of its 11.25% Industrial Development Revenue Bond due 2004 (the "1990 Bond"). The proceeds from the sale of the 1990 Bond were used by Co. for the acquisition, construction and installation of Co.'s research and development facility in New York City. Co. has granted a security interest in all equipment located in its New York City facility purchased with the proceeds from the 1990 bond to secure the obligation of Co. to the NYIDA relating to the 1990 Bond.

- 03 - \$470,000 liability under capital lease obligations.

- 04 - \$35,000 other long-term debt.

For details see below.

Property

Co. maintains its registered office in two contiguous leased floors in New York, NY.

Co. leases a 4,000 square foot portion of a 15,000 square foot building in Brooklyn, NY.

Co. subleases a four story building located in New York, NY to serve as their future corporate headquarters and research facility. The space, to be designed and improved by Co. in the future, includes between 75,000 and 100,000 square feet of usable space, depending on design, and includes possible additional expansion space.

Co. owns a 5.1 acre parcel of land and a 54,400 square foot building located in Somerville, New Jersey

Co. owns a new 80,000 square foot product launch manufacturing facility adjacent to the pilot facility in Somerville, NJ. The product launch manufacturing facility is built on a 5.7 acre parcel of land.

In September 2000, Co. entered into a one-year lease with GM Stainless, Inc. for approximately 7,600 square feet of office space in a building in Somerville, NJ.

Co. owns a 4.45 acre parcel of land in Somerville NJ.

Co. owns a 7.5 acre parcel of land in Somerville, NJ. The parcel includes a 50,000 square foot building, 40,000 square feet of which is warehouse space and 10,000 square feet of which is office space.

Executive Listing:

Name

Title

Officers

Goldhammer, Robert F.
Lynch, Daniel S.
Waksal, Samuel D.
Waksal, Harlan W.

Chmn.
Sr. V.P., Fin., C.F.O.
Pres., C.E.O.
Exec. V.P., C.O.O.

Directors

Barth, Richard
Bodnar, Andrew G.
DeVita, Jr., Vincent T.
Goldhammer, Robert F.
Kies, David M.
Kopperl, Paul B.
Levine, Arnold
Mendelsohn, John
Miller, William R.
Ringrose, Peter S.
Waksal, Samuel D.
Waksal, Harlan W.

Subsidiaries Listing:

Company

Percent Owned

EndoClone Incorporated

100.00%
100.00%

As Presented Annual Balance Sheet*Thousands of United States Dollars*

| | Year Ending Dec-01 | Year Ending Dec-00 | Year Ending Dec-99 | Year Ending Dec-98 | Year Ending Dec-97 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Assets | | | | | |
| Cash & cash equivalents | 38,093.00 | 60,325.00 | 12,016.00 | 3,888.00 | 2,558.00 |
| Securities available for sale | 295,893.00 | 236,844.00 | 107,352.00 | 42,851.00 | 57,052.00 |
| Prepaid expenses | 3,891.00 | 2,628.00 | 158.00 | 470.00 | 596.00 |
| Amounts due from corporate partners | 8,230.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Notes receivable-officer | 0.00 | 282.00 | 0.00 | 0.00 | 0.00 |
| Other current assets | 3,547.00 | 7,138.00 | 7,599.00 | 1,196.00 | 589.00 |
| Total current assets | 349,654.00 | 307,217.00 | 127,125.00 | 48,405.00 | 60,795.00 |
| Land | 2,733.00 | 2,111.00 | 1,087.00 | 340.00 | 340.00 |
| Building & building improvements | 50,720.00 | 10,989.00 | 10,810.00 | 10,519.00 | 8,969.00 |
| Leasehold improvements | 8,302.00 | 7,863.00 | 4,891.00 | 4,846.00 | 4,832.00 |
| Machinery & equipment | 33,057.00 | 9,995.00 | 9,049.00 | 7,834.00 | 6,315.00 |
| Furniture & fixtures | 2,031.00 | 1,311.00 | 898.00 | 640.00 | 550.00 |
| Construction in progress | 33,080.00 | 37,436.00 | 5,209.00 | 115.00 | 2,159.00 |
| Property & equipment, at cost | 129,923.00 | 69,705.00 | 31,944.00 | 24,294.00 | 23,165.00 |
| Less accumulated depreciation & | 22,675.00 | 17,105.00 | 14,729.00 | 12,877.00 | 11,294.00 |
| Property & equipment, net | 107,248.00 | 52,600.00 | 17,215.00 | 11,417.00 | 11,871.00 |
| Patent costs, net | 1,513.00 | 1,168.00 | 1,013.00 | 860.00 | 944.00 |
| Deferred financing costs, net | 5,404.00 | 7,114.00 | 37.00 | 46.00 | 55.00 |
| Notes receivable | 10,000.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Investment in equity secur & other assets | 383.00 | 3,392.00 | 304.00 | 1,524.00 | 2,115.00 |
| Total assets | 474,202.00 | 371,491.00 | 145,694.00 | 62,252.00 | 75,780.00 |
| Liabilities | | | | | |
| Accounts payable | 16,919.00 | 12,729.00 | 3,987.00 | 1,109.00 | 1,731.00 |
| Accrued expenses | 11,810.00 | 11,374.00 | 5,123.00 | 0.00 | 0.00 |
| Accrued expenses & others | 0.00 | 0.00 | 0.00 | 4,847.00 | 1,440.00 |
| Interest payable | 4,446.00 | 4,444.00 | 45.00 | 45.00 | 68.00 |
| Deferred revenue | 20,683.00 | 2,434.00 | 0.00 | 75.00 | 208.00 |
| Fees potentially refundable to Merck KGaA | 0.00 | 28,000.00 | 20,000.00 | 4,000.00 | 0.00 |
| Current portion of long-term liabilities | 426.00 | 626.00 | 906.00 | 744.00 | 677.00 |
| Pfd stk called for redemption & dividends | 0.00 | 25,764.00 | 0.00 | 2,512.00 | 0.00 |
| Total current liabilities | 54,284.00 | 85,371.00 | 30,061.00 | 13,332.00 | 4,124.00 |
| Deferred revenue | 182,813.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Long-term debt | 242,200.00 | 242,200.00 | 2,200.00 | 2,200.00 | 2,200.00 |
| Other long-term liabils, less current portion | 79.00 | 488.00 | 1,135.00 | 1,546.00 | 1,118.00 |
| Preferred stock dividends payable | 0.00 | 0.00 | 0.00 | 0.00 | 112.00 |
| Total liabilities | 479,376.00 | 328,059.00 | 33,396.00 | 17,078.00 | 7,554.00 |
| Stock Holder Equity | | | | | |
| Preferred stock | 0.00 | 0.00 | 300.00 | 400.00 | 400.00 |
| Common stock | 73.00 | 66.00 | 30.00 | 25.00 | 24.00 |
| Additional paid-in capital | 341,735.00 | 283,268.00 | 286,038.00 | 184,853.00 | 185,706.00 |
| Retained earnings (accumulated deficit) | -346,037.00 | -243,808.00 | -173,457.00 | -138,846.00 | -117,464.00 |
| Treasury stock, at cost | 4,100.00 | 492.00 | 492.00 | 492.00 | 492.00 |
| Note receivable-officer & stockholder | 0.00 | 0.00 | -142.00 | -142.00 | 0.00 |
| Unrealized gain on secur available for sale | 3,155.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accumulated other comprehensive income | 0.00 | 4,398.00 | 21.00 | -624.00 | 52.00 |
| Total stockholders' equity | -5,174.00 | 43,432.00 | 112,298.00 | 45,174.00 | 68,226.00 |

As Presented Annual Income Statement

| <i>Thousands of United States Dollars</i> | Year Ending Dec-01 | Year Ending Dec-00 | Year Ending Dec-99 | Year Ending Dec-98 | Year Ending Dec-97 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| License fees & milestone revenue | 31,737.00 | 452.00 | 1,080.00 | 1,000.00 | 3,000.00 |
| Research & development funding & royalties | 1,482.00 | 961.00 | 1,063.00 | 3,193.00 | 2,348.00 |
| Total revenues | 33,219.00 | 1,413.00 | 2,143.00 | 4,193.00 | 5,348.00 |
| Research & development | 96,085.00 | 57,384.00 | 30,027.00 | 21,049.00 | 16,455.00 |
| Marketing, general & administrative | 23,072.00 | 16,651.00 | 9,354.00 | 7,145.00 | 5,356.00 |
| Exp assoc with BMS acquis, stkhldr & comm ag | 16,055.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total operating expenses | 135,212.00 | 74,035.00 | 39,381.00 | 28,194.00 | 21,811.00 |
| Operating income (loss) | -101,993.00 | -72,622.00 | -37,238.00 | -24,001.00 | -16,463.00 |
| Interest income | 14,990.00 | 20,819.00 | 0.00 | 0.00 | 0.00 |
| Interest expense | 13,585.00 | 12,085.00 | 292.00 | 0.00 | 0.00 |
| Interest & other income | 0.00 | 0.00 | 2,919.00 | 3,054.00 | 1,523.00 |
| Interest & other expense | 0.00 | 0.00 | 0.00 | -435.00 | -551.00 |
| Loss (gain) on securities & investment | -1,641.00 | -3,867.00 | 0.00 | 0.00 | 0.00 |
| Net interest & other (income) expense | -236.00 | 4,867.00 | 2,627.00 | 2,619.00 | 972.00 |
| Income (loss) before extraordinary item | 0.00 | 0.00 | -34,611.00 | -21,382.00 | -15,491.00 |
| Inc (loss) cumulative effect of chng in acctg | -102,229.00 | -67,755.00 | 0.00 | 0.00 | 0.00 |
| Cumulative effect of chng in accounting pol | 0.00 | -2,596.00 | 0.00 | 0.00 | 0.00 |
| Net income (loss) | -102,229.00 | -70,351.00 | -34,611.00 | -21,382.00 | -15,491.00 |
| Preferred dividends | 0.00 | 0.00 | 3,713.00 | 3,668.00 | 163.00 |
| Net income (loss) to common stockholders | -102,229.00 | -77,124.00 | -38,324.00 | -25,050.00 | -15,654.00 |
| Weighted average shares outstanding-basic | 69,429.00 | 63,030.00 | 50,894.00 | 48,602.00 | 46,914.00 |
| Weighted average shares outstanding-diluted | 69,429.00 | 63,030.00 | 50,894.00 | 48,602.00 | 46,914.00 |
| Year end shares outstanding | 73,159.02 | 65,767.55 | 59,304.55 | 49,032.00 | 48,428.00 |
| Inc (loss) per sh before acctg chng-basic | -1.47 | -1.18 | -0.76 | -0.52 | -0.34 |
| Inc (loss) per share-accounting change-basic | 0.00 | -0.04 | 0.00 | 0.00 | 0.00 |
| Net income (loss) per share-basic | -1.47 | -1.22 | -0.76 | -0.52 | -0.34 |
| Inc (loss) per sh before acctg chng-diluted | -1.47 | -1.18 | -0.76 | -0.52 | -0.34 |
| Inc (loss) per sh-accounting change-diluted | 0.00 | -0.04 | 0.00 | 0.00 | 0.00 |
| Net income (loss) per share-diluted | -1.47 | -1.22 | -0.76 | -0.52 | -0.34 |
| Total number of employees | 399.00 | 272.00 | 179.00 | 138.00 | 110.00 |
| Number of common stockholders | 330.00 | 352.00 | 369.00 | 281.00 | 195.00 |
| Number of beneficiary stockholders | 41,200.00 | 26,500.00 | 23,000.00 | 7,700.00 | 4,900.00 |
| Depreciation & amortization | 7,412.00 | 3,936.00 | 1,968.00 | 1,769.00 | 1,797.00 |

As Presented Annual Cash Flow Statement*Thousands of United States Dollars*

| | Year Ending Dec-01 | Year Ending Dec-00 | Year Ending Dec-99 | Year Ending Dec-98 | Year Ending Dec-97 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Net income (loss) | -102,229.00 | -70,351.00 | -34,611.00 | -21,382.00 | -15,491.00 |
| Depreciation & amortization | 5,702.00 | 2,501.00 | 1,968.00 | 1,769.00 | 1,797.00 |
| Amortization of deferred financing costs | 1,710.00 | 1,435.00 | 0.00 | 0.00 | 0.00 |
| Expense associated with issu of opts & | 1,030.00 | 4,497.00 | 2,586.00 | 690.00 | 2,729.00 |
| Write-off of patent costs | 37.00 | 48.00 | 86.00 | 235.00 | 146.00 |
| Gain on securities & investments | -3,734.00 | -1,258.00 | -77.00 | -38.00 | 2.00 |
| Write-down of investment in Valigen | 4,375.00 | 5,125.00 | 0.00 | 0.00 | 0.00 |
| Write-off of conv prom note fm A.C.T. | 1,000.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Prepaid expenses | -1,263.00 | -2,470.00 | 312.00 | 126.00 | -474.00 |
| Amounts due from corporate partners | -5,117.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other current assets | 1,195.00 | 461.00 | -6,505.00 | -607.00 | -110.00 |
| Due from officers & stockholders | 0.00 | 0.00 | 102.00 | 0.00 | 0.00 |
| Due from officers | 0.00 | 0.00 | 0.00 | 0.00 | 101.00 |
| Note receivable associated with sublease | -10,000.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other assets | -83.00 | -712.00 | -128.00 | -62.00 | -37.00 |
| Interest payable | 2.00 | 4,399.00 | 0.00 | -23.00 | -170.00 |
| Accounts payable | 4,190.00 | 8,742.00 | 2,878.00 | -622.00 | 672.00 |
| Accrued expenses | 436.00 | 6,251.00 | 276.00 | 0.00 | 0.00 |
| Accrued expenses & other | 0.00 | 0.00 | 0.00 | 3,407.00 | 75.00 |
| Deferred revenue | 201,062.00 | 2,434.00 | -75.00 | -133.00 | 208.00 |
| Feee potentially refund to corporate | -28,000.00 | 8,000.00 | 16,000.00 | 4,000.00 | 0.00 |
| Net cash flows from operating activities | 70,313.00 | -30,898.00 | -17,188.00 | -12,640.00 | -10,552.00 |
| Acquisitions of property & equipment | -60,218.00 | -37,761.00 | -7,118.00 | -472.00 | -1,657.00 |
| Purchase of securities available for sale | -316,029.00 | -405,514.00 | -105,520.00 | -62,779.00 | -241,623.00 |
| Sales of securities available for sale | 0.00 | 0.00 | 0.00 | 76,996.00 | 195,450.00 |
| Sales & maturities of securs avail for | 259,471.00 | 281,656.00 | 40,980.00 | 0.00 | 0.00 |
| Investment in Valigen N.V. | -2,000.00 | -7,500.00 | 0.00 | 0.00 | 0.00 |
| Note receivable from officer & | 0.00 | -282.00 | 0.00 | 0.00 | 0.00 |
| Sale of investment in CombiChem, Inc. | 0.00 | 0.00 | 2,109.00 | 0.00 | 0.00 |
| Loan to A.C.T. Group, Inc. | -1,000.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Investment in & advances to affiliate | 0.00 | 0.00 | 0.00 | 0.00 | -2,000.00 |
| Proc from repay of note receiv-officer & | 282.00 | 142.00 | 0.00 | 0.00 | 0.00 |
| Additions to patents | -513.00 | -328.00 | -346.00 | -254.00 | -212.00 |
| Int receive on note receiv-officer & | 0.00 | 3.00 | 0.00 | 0.00 | 0.00 |
| Net cash flows from investing activities | -120,007.00 | -169,584.00 | -69,895.00 | 13,491.00 | -50,042.00 |
| Net proceeds from issuan of preferred | 0.00 | 0.00 | 0.00 | 0.00 | 39,997.00 |
| Net proceeds from issuance of common | 0.00 | 0.00 | 94,125.00 | 0.00 | 23,154.00 |
| Proc from exercise of stk options & | 16,477.00 | 17,810.00 | 6,573.00 | 682.00 | 1,581.00 |
| Procs from issuance of com stk under | 708.00 | 420.00 | 177.00 | 33.00 | 0.00 |
| Proceeds fm issuance of com stk to | 3,239.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Proc from equipment & building improv | 0.00 | 0.00 | 94.00 | 594.00 | 0.00 |
| Proc from issu of 5 1/2% convert subord | 0.00 | 240,000.00 | 0.00 | 0.00 | 0.00 |
| Deferred financing costs | 0.00 | -8,512.00 | 0.00 | 0.00 | 0.00 |
| Int receiv on not receiv-officer & | 0.00 | 0.00 | 11.00 | 0.00 | 0.00 |

| | | | | | |
|--|------------|------------|-----------|----------|-----------|
| Repayment of long-term debt | 0.00 | 0.00 | 0.00 | 0.00 | -2,113.00 |
| Procs fm repay of notes rec-off & bd | 35,241.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Purchase of treasury stock | -1,830.00 | 0.00 | 0.00 | 0.00 | -323.00 |
| Payment of preferred stock dividends | -5,764.00 | 0.00 | -4,893.00 | 0.00 | 0.00 |
| Redemption of Series A preferred stock | -20,000.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Payments of other liabilities | -609.00 | -927.00 | -876.00 | -830.00 | -1,878.00 |
| Net cash flows from financing activities | 27,462.00 | 248,791.00 | 95,211.00 | 479.00 | 60,418.00 |
| Net increase in cash & cash equivalents | -22,232.00 | 48,309.00 | 8,128.00 | 1,330.00 | -176.00 |
| Cash & cash equivalents at beginning of | 60,325.00 | 12,016.00 | 3,888.00 | 2,558.00 | 2,734.00 |
| Cash & cash equivalents at end of year | 38,093.00 | 60,325.00 | 12,016.00 | 3,888.00 | 2,558.00 |
| Interest expense paid | 13,529.00 | 7,097.00 | 497.00 | 422.00 | 707.00 |

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Stephens Inc.

Investment Bankers

Research Bulletin

ImClone Systems

December

Company: Underweight (Volatile)
 Industry: Stable
 Target (12-mo): \$10
 Price: \$9.51
 Mkt cap (mil): \$697.5
 Shrs out (mil): 73.3

| Ticker: | IMCL | FYE | | |
|-----------|--------|----------|----------|----------|
| | | FY01A | FY02E | FY03E |
| EPS: | | (\$1.47) | (\$2.20) | (\$1.80) |
| % Change | | NM | NM | NM |
| P/E: | | | NM | NM |
| Rev (mil) | \$33.2 | \$45.4 | \$44.0 | |
| % Change | | 36.7 | (3.1) | |

Analyst: Jason Zhang (501) 377-2583
 Associate: Kimberly Lee, D.O.

Important disclosures regarding potential conflicts of interest for Stephens Inc. may be found at the end of this report.

ImClone Systems Incorporated is a New York-based biopharmaceutical company developing biologic medicines in the area of oncology. Its lead product, ERBITUX (formerly known as IMC-C225), is designed to target and block the Epidermal Growth Factor Receptor (EGFR), a receptor that is expressed on the surface of a significant percentage of all solid tumors. ERBITUX is being tested in a series of Phase II and III clinical studies.

IMCL: ERBITUX Trial Status Update; Maintain Underweight Rating

Highlights

- New ERBITUX trials are at various stages of planning. Initiation of these trials (some are in the near future, while others may be 6 months away) will take the drug back to its clinical and regulatory track.
- We lowered our revenue and EPS projections going forward after the second quarter financial results were released. The main reason for the lowered revenue and EPS projections is the slower recognition of collaborative research revenue due to delay of various trials.
- We continue to believe ERBITUX is a legitimate cancer drug that has shown anti-cancer activity. But the uncertainty about the drug's clinical and regulatory outcome, controversies about its former CEO, and possible action against the Company by the SEC outweigh the promise of the drug in the near term, making the Company's stock volatile and unattractive. We maintain our **Underweight** rating on IMCL and set our price target at **\$10** per share.

ERBITUX Trial Status Update

- We have learned from a medical conference that several clinical trials testing ERBITUX, either as a single agent or in combination with chemotherapy drugs in at least three cancer types, are either about to start or have entered planning stages.

- These trials include:
 - A randomized trial (BMS CA225-006) comparing irinotecan (Camptosar) vs. irinotecan plus ERBITUX in second-line metastatic colorectal cancer. The trial is managed by ImClone's partner, Bristol-Myers Squibb;
 - A randomized trial testing ERBITUX in combination with standard care vs. standard care in first-line colorectal cancer. The trial is being prepared by The Cancer and Leukemia Group B (CALGB), a national clinical research group sponsored by the National Cancer Institute (NCI);
 - A randomized trial (SWOG 0205) testing ERBITUX plus Gemzar (developed by Eli Lilly) vs. Gemzar alone in advanced pancreatic cancer. The trial is managed by the Southwest Oncology Group (SWOG);
 - A follow-up study (E5397) of ERBITUX in metastatic head and neck cancer where ERBITUX in combination with cisplatin is compared to cisplatin alone;
 - A trial (CP02-0143) testing ERBITUX as a monotherapy in head and neck cancer patients who failed cisplatin containing first-line regimens.
- **BMS CA225-006:** This trial will compare irinotecan plus ERBITUX vs. irinotecan alone as a second-line treatment option for refractory colorectal cancer. Details of the trial are not available yet. Given the recent approval of oxaliplatin based on response rate and time-to-progression (TTP) in a controlled trial, we expect response rate and TTP to be BMS CA225-006's two primary end points. We are not sure what impact the oxaliplatin approval would be on this trial's usefulness towards achieving approval. Since we believe oxaliplatin is likely to become a component of a new first-line therapy regimen very soon, BMS CA225-006's design, as it is now, would still be legitimate if it allows patients who failed first-line therapy containing either irinotecan or oxaliplatin to enter the trial.
- **Front-line colorectal trial:** The trial is still in the early stages of planning at CALGB. The trial could recruit as many as 1,600 colorectal cancer patients who will take either standard-care therapy (irinotecan/5-FU/LV) or standard care plus ERBITUX. Officials at CALGB expect the trial to open for patient enrollment at the beginning of 2003.
- **SWOG 0205:** This is a randomized trial comparing ERBITUX plus Gemzar to Gemzar alone. Up to 600 pancreatic patients could be recruited for this multicenter trial. We are not sure whether the trial will be blinded. In planning since the early half of this year, the trial is expected to enroll patients in the next six months. Survival is likely the primary end point with response rate and improvement of "quality of life" as secondary end points.
- **E5397 follow-up:** In the E5397 trial, ERBITUX plus cisplatin did not reach statistical significance in terms of progression-free survival or overall survival. The difference in response rates (22.6% for ERBITUX plus cisplatin and 9.3% for cisplatin alone) is barely significant ($p=0.0508$). A follow-up study should determine whether there is any increase in long-term survival rates due to ERBITUX (>2 years).
- **CP02-0143:** In this trial, ERBITUX will be used as monotherapy to treat head and neck cancer patients who failed cisplatin-containing regimens. If the FDA approves Iressa (produced by Astra Zeneca) as monotherapy for refractory non-small cell lung cancer patients, interest in using EGFR-based drugs as monotherapy may rise, making this trial more relevant clinically. No details (number of patients and end points) are available yet.
- **Conclusion:** We think getting these trials started as soon as possible is crucial for ERBITUX, as well as for ImClone, in the uncertain but competitive EGFR-based drug market. Although there is a slight possibility that the Company could rely on data from the Merck KGaA trials for a possible

resubmitting of ERBITUX's BLA, the trials outlined above are likely to generate data more suitable for BLA application. If data from Merck KGaA's trials are positive, ERBITUX could be approved in Europe in 2004. As for the U.S., we think an approval in 2005 based on new data from any of the new trials is a more likely possibility.

Q2 Financial Results and Our New EPS Projections

- ImClone reported a 2Q EPS loss of (\$0.59) compared to our estimate of (\$0.45) and a consensus estimate of (\$0.41).
- The main factors that attributed to the discrepancy between the actual reported results and our estimate were higher-than-expected R&D expenses from the manufacturing of ERBITUX as well as greater SG&A expenses due to the departure of its CEO and to pending lawsuits and SEC investigations.
- Other developments in the quarter included the initiation of a lawsuit against ex-CEO Sam Waksal by ImClone to regain the \$7 million payment that Sam Waksal received, along with unspecified compensation for the immediate vesting of stock options for Waksal.
- Our new EPS estimates for FY02 going forward are (\$2.20), (\$1.80), (\$1.02), and \$0.62. Previously, our estimates were (\$1.79), (\$1.70), (\$0.55), and \$0.70. Previously, we used a too aggressive method for recognizing revenue from collaborative research from Bristol-Myers Squibb.
- We reiterate our **Underweight (Volatile)** rating on these shares and set our new 12-month price target at \$10. We advise our clients to stay on the investing sidelines on this stock until new clinical trial plans involving ERBITUX are in place and the SEC's investigation is completed.

Valuation

- To value IMCL, we applied a P/E multiple of 35X our FY05 EPS estimate of \$0.62 and a discount rate of 30% and came up with a price target of \$10. The 35X P/E multiple is similar to the implied P/E multiple of most profitable biotech companies based on their current prices, including AMGN, DNA, BGEN, MEDI, CHIR, GENZ, IDPH, and CEPH.

Risk

- As with most biotech companies, clinical risk is the main risk for ImClone stock. Other risks also include the pending SEC investigation of the Company and its former CEO, Sam Waksal, and the situation surrounding Bristol-Myers Squibb, its partner in developing ERBITUX. If the SEC investigation finds the Company at fault in its dealings related to the FDA's rejection of the ERBITUX BLA and BMS is taken over by another pharmaceutical company, IMCL's stock will likely be negatively impacted.

Other companies mentioned in this report:

| | | |
|----------------------------|------|---------|
| Amgen Inc. | AMGN | \$48.54 |
| AstraZeneca PLC | AZN | \$30.15 |
| Biogen, Inc. | BGEN | \$38.72 |
| Bristol-Myers Squibb | BMY | \$25.71 |
| Cephalon, Inc. | CEPH | \$48.50 |
| Chiron Corporation | CHIR | \$41.98 |
| Eli Lilly and Company | LLY | \$62.15 |
| Genentech, Inc. | DNA | \$36.90 |
| Genzyme Corporation | GENZ | \$25.34 |
| IDEC Pharmaceuticals Corp. | IDPH | \$46.77 |
| MedImmune, Inc. | MEDI | \$29.65 |
| Merck KGaA (Foreign) | | |

ImClone Systems, Inc. Income Statement
(\$000 in thousands, except per share data)

| | FY2001A | | | | FY2001A | FY2002E | | | | FY2002E | FY2003E | | | | FY2003E | FY2004E | | | | FY2004E | FY2005E | |
|---------------------------------|------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|--|
| | 3/31 | 6/30A | 09/30A | 12/31A | | 3/31A | 6/30A | 9/30 | 12/31 | | 3/31 | 6/30 | 9/30 | 12/31 | | 3/31 | 6/30 | 9/30 | 12/30 | | | |
| REVENUES | | | | | | | | | | | | | | | | | | | | | | |
| License Fees and Milestones | \$24,000 | \$3,895 | \$2,244 | \$2,313 | \$31,737 | \$6,663 | \$1,595 | \$1,600 | \$1,600 | \$11,458 | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$8,000 | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$8,000 | \$12,000 | |
| Collaborative agreement | | | | | | \$11,238 | \$9,932 | \$4,000 | \$8,000 | \$33,170 | \$9,000 | \$9,000 | \$9,000 | \$9,000 | \$36,000 | \$9,000 | \$9,000 | \$9,000 | \$9,000 | \$36,000 | \$40,000 | |
| Research and Development | 744 | | 667 | | 1,482 | 650 | 38 | 50 | 50 | 788 | | | | | | | | | | | | |
| C225 US Royalties | | | | | | | | | | | | | | | | | | | | | 79,160 | |
| C225 European Royalties | | | | | | | | | | | | | | | | 3,849 | 5,296 | 6,743 | 8,190 | 24,079 | 51,956 | |
| C225 Material Transfer | | | | | | | | | | | | | | | | | | | | | 63,160 | |
| TOTAL REVENUES | \$24,744 | \$3,895 | \$2,911 | \$2,313 | \$33,219 | \$18,551 | \$11,565 | \$5,650 | \$9,650 | \$45,416 | \$11,000 | \$11,000 | \$11,000 | \$11,000 | \$44,000 | \$14,849 | \$16,296 | \$17,743 | \$19,190 | \$68,079 | \$246,275 | |
| Cost of goods sold | | | | | | | | | | | | | | | | | | | | | 61,619 | |
| Research and development | 21,845 | 24,390 | 24,040 | 25,810 | 96,085 | 37,778 | 38,167 | 39,000 | 39,000 | 153,945 | 30,000 | 30,000 | 30,000 | 30,000 | 120,000 | 20,000 | 20,000 | 20,000 | 20,000 | 80,000 | 80,000 | |
| SG&A | 3,728 | 6,223 | 5,405 | 7,716 | 23,072 | 8,123 | 7,054 | 8,000 | 8,000 | 31,177 | 8,000 | 8,000 | 8,000 | 8,000 | 32,000 | 8,000 | 8,000 | 8,000 | 8,000 | 32,000 | 32,000 | |
| Depreciation and Amortization | | | | | | 2,250 | 2,425 | 3,597 | 4,014 | 12,286 | 4,431 | 4,847 | 5,264 | 5,681 | 20,222 | 6,097 | 6,410 | 6,722 | 7,035 | 26,264 | 29,000 | |
| Special Charges | | | 16,050 | | 16,050 | | 7,000 | | | | | | | | | | | | | | | |
| TOTAL OPERATING EXPENSES | \$25,573 | \$30,613 | \$45,495 | \$33,531 | \$135,212 | \$48,151 | \$54,646 | \$50,597 | \$51,014 | \$204,408 | \$42,431 | \$42,847 | \$43,264 | \$43,681 | \$172,222 | \$34,097 | \$34,410 | \$34,722 | \$35,035 | \$138,264 | \$202,619 | |
| Income from operations | (\$829) | (\$26,718) | (\$42,584) | (\$31,862) | (\$101,993) | (\$29,600) | (\$43,081) | (\$44,947) | (\$41,364) | (\$158,992) | (\$31,431) | (\$31,847) | (\$32,264) | (\$32,681) | (\$128,222) | (\$19,248) | (\$18,114) | (\$16,979) | (\$15,844) | (\$70,185) | \$43,656 | |
| Interest income | 4,565 | 3,262 | 3,244 | 3,919 | 14,990 | 2,264 | 2,904 | 2,500 | 2,400 | 10,068 | 2,300 | 2,200 | 2,100 | 2,000 | 8,600 | 1,900 | 1,800 | 1,700 | 1,600 | 7,000 | 8,900 | |
| Interest expense | (3,313) | (3,197) | (3,532) | (3,543) | (13,585) | (3,492) | (3,347) | (3,300) | (3,300) | (13,439) | (3,300) | (3,300) | (3,300) | (3,300) | (13,200) | (3,300) | (3,300) | (3,300) | (3,300) | (13,200) | | |
| Other | (1,618) | (2,850) | 1,800 | 4,545 | 1,877 | 801 | 435 | | | | | | | | | | | | | | | |
| Income before taxes | (1,195) | (29,503) | (41,072) | (30,459) | (102,229) | (30,027) | (43,089) | (45,747) | (42,264) | (161,127) | (32,431) | (32,947) | (33,464) | (33,981) | (132,822) | (20,648) | (19,614) | (18,579) | (17,544) | (76,385) | 52,556 | |
| Tax expense or (credit) | | | | | | | | | | | | | | | | | | | | | | |
| NET INCOME (LOSS) | (\$1,195) | (\$29,503) | (\$41,072) | (\$30,459) | (\$102,229) | (\$30,027) | (\$43,089) | (\$45,747) | (\$42,264) | (\$161,127) | (\$32,431) | (\$32,947) | (\$33,464) | (\$33,981) | (\$132,822) | (\$20,648) | (\$19,614) | (\$18,579) | (\$17,544) | (\$76,385) | \$52,556 | |
| Earnings (loss) per share | | | | | | | | | | | | | | | | | | | | | | |
| Basic | (\$0.02) | (\$0.44) | (\$0.57) | (\$0.42) | (\$1.47) | (\$0.41) | (\$0.59) | (\$0.62) | (\$0.58) | (\$2.20) | (\$0.44) | (\$0.45) | (\$0.45) | (\$0.46) | (\$1.80) | (\$0.28) | (\$0.26) | (\$0.25) | (\$0.23) | (\$1.02) | \$0.70 | |
| Diluted | | | | | | | | | | | | | | | | | | | | | \$0.62 | |
| Average shares outstanding | | | | | | | | | | | | | | | | | | | | | | |
| Basic | 66,285 | 67,051 | 72,400 | 72,776 | 69,429 | 73,307 | 73,356 | 73,356 | 73,356 | 73,344 | 73,506 | 73,656 | 73,806 | 73,956 | 73,731 | 74,206 | 74,456 | 74,706 | 74,956 | 74,581 | 75,581 | |
| Diluted | 72,400 | 72,400 | 82,000 | 82,000 | 82,000 | 82,150 | 82,300 | 82,450 | 82,600 | 82,375 | 82,750 | 82,900 | 83,050 | 83,200 | 82,975 | 83,450 | 83,700 | 83,950 | 84,200 | 83,825 | 84,825 | |
| MARGIN ANALYSIS | | | | | | | | | | | | | | | | | | | | | | |
| Gross Profit | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 75.0% | |
| SG&A | 15.1% | NM | NM | NM | 69.5% | NM | NM | 141.6% | 82.9% | 68.6% | 72.7% | 72.7% | 72.7% | 72.7% | 72.7% | 53.9% | 49.1% | 45.1% | 41.7% | 47.0% | 13.0% | |
| Research & Development | 88.3% | NM | NM | NM | 289.2% | NM | NM | 690.3% | 404.1% | 339.0% | 272.7% | 272.7% | 272.7% | 272.7% | 272.7% | 134.7% | 122.7% | 112.7% | 104.2% | 117.5% | 32.5% | |
| Income Before Taxes | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | -139.1% | -120.4% | -104.7% | -91.4% | -112.2% | 21.3% | |
| Net Income | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | -139.1% | -120.4% | -104.7% | -91.4% | -112.2% | 21.3% | |
| GROWTH ANALYSIS | | | | | | | | | | | | | | | | | | | | | | |
| Total Revenues | NM | NM | NM | NM | NM | NM | NM | NM | 317.2% | NM | -40.7% | -4.9% | 94.7% | 14.0% | -3.1% | 35.0% | 48.1% | 61.3% | 74.5% | 54.7% | 261.8% | |
| Gross Profit | NM | NM | NM | NM | NM | NM | NM | NM | 317.2% | NM | -40.7% | -4.9% | 94.7% | 14.0% | NM | 35.0% | 48.1% | 61.3% | 74.5% | NM | NM | |
| SG&A | 19.3% | 64.5% | 55.0% | 23.3% | 38.6% | 117.9% | 13.4% | 48.0% | 3.7% | 35.1% | -1.5% | 13.4% | 0.0% | 0.0% | 2.6% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Research & Development | 96.8% | 91.4% | 91.4% | 23.0% | 67.4% | 72.9% | NM | NM | NM | NM | NM | NM | NM | NM | NM | -33.3% | -33.3% | -33.3% | -33.3% | NM | 0.0% | |
| Income Before Taxes | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | -168.8% | |
| Net Income | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | -168.8% | |
| EPS | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | |

Source: Company reports and Stephens Inc.

Jason Zhang, Ph.D. (501) 377-2583

IMPORTANT DISCLOSURES

Regarding Stephens Inc.'s Research Coverage of ImClone Systems

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Stephens Inc. expects to receive or intends to seek compensation for investment banking services from ImClone Systems in the next three months.

Rating Definitions:

Company Stock Ratings: OVERWEIGHT (O) – The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. EQUAL-WEIGHT (E) – The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. UNDERWEIGHT (U) – The stock's total return is expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. VOLATILE (V) – The stock's price volatility is potentially higher than that of the company's industry sector.

Industry Fundamentals: IMPROVING (I) – The analyst believes that the fundamentals of the company's industry sector will improve over the next 12 months. STABLE (S) – The analyst believes that the fundamentals of the company's industry sector will be stable over the next 12 months. DETERIORATING (D) – The analyst believes that the fundamentals of the company's industry sector will deteriorate over the next 12 months.

Stephens' research rating system rates each company's expected stock performance relative to its industry sector. The company rating assumes the investor is managing a diversified equity portfolio with an equity asset allocation in that company's industry sector. To help place the company rating in a broader context, the industry fundamentals reflect the analyst's opinion regarding the industry's attractiveness for investment relative to the market in general over the next 12 months. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business. An investor should consider both the company stock rating and industry fundamentals, along with other potential risk factors affecting the company, in formulating an investment decision.

News from Factiva - Headlines

- October 23, 2002 - News - International News - US corporate icons keep on tumbling.
 - October 22, 2002 - NATION/WORLD IN BRIEF
 - October 22, 2002 - Martha Stewart Living may face life without Martha.
 - October 22, 2002 - SEC moves to file suit vs. Martha 1st step in civil case
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-



News - International News - US corporate icons keep on tumbling.

By Luke Collins NEW YORK.

October 23, 2002

Australian Financial Review

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In a rough day for corporate America, investment bank Credit Suisse First Boston has been charged with issuing fraudulent research and homemaker queen Martha Stewart has been told she faces charges amid allegations of insider trading.

While the Bush administration is dragging its feet on corporate reforms, on Monday there were developments in a number of investigations.

Aside from CSFB and Ms Stewart, PricewaterhouseCoopers was implicated in the financial shenanigans at Tyco International.

Massachusetts securities regulators filed civil charges against CSFB and claimed its research was "tainted" by conflicts of interest between its analysts and investment bankers. CSFB denied the claim.

After a lengthy probe of some 250,000 internal CSFB e-mails, Massachusetts Secretary of State William Galvin said investment banking "completely" controlled CSFB's research, and singled out the head of the bank's global technology group, noted rainmaker Frank Quattrone.

Mr Galvin's complaint said Mr Quattrone and his team "exercised enormous control over analysts [that] ultimately resulted in analysts disseminating fraudulent information into the marketplace".

It also accused CSFB of engaging in "spinning", the practice of issuing stock in hot public floats to executives of companies it hoped to engage for advisory work. CSFB issued a statement saying it "did not award IPO allocations in exchange for investment banking business".

Massachusetts regulators are seeking penalties of almost US\$2million (\$3.6million).

Ms Stewart's predicament has nothing to do with information gleaned through analyst research, but stems from allegations she received information from sources much closer to ImClone's top executives before she sold ImClone shares last December. Securities and Exchange Commission staff have told Ms Stewart the regulator intends to recommend filing civil securities fraud charges against.

The SEC has issued a so-called Wells Notice, which gives parties under investigation the opportunity to respond to claims of impropriety. The entire commission must approve any final charges, while the US attorney's office is still weighing up whether to press insider trading charges.

Ms Stewart claims her sale of almost 4,000 ImClone shares the day before the Food and Drug Administration rejected the company's anti-cancer drug was due to a sell arrangement she had with her broker at Merrill Lynch. However, the broker's assistant has denied any agreement existed.

Meanwhile, the former general counsel of Tyco International, Mark Belnick, who in September was charged with falsifying documents to hide US\$14million in loans, has claimed auditors from accounting firm PricewaterhouseCoopers knew about the loans.

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A Section
NATION/WORLD IN BRIEF
NATION/WORLD IN BRIEF

From wire reports
October 22, 2002
The Harrisburg Patriot
(Copyright 2002)

Decorative contacts dangerous, FDA says WASHINGTON

The government is cracking down on decorative contact lenses -- from the wild-eyed Halloween look to lenses imprinted with sports logos -- that are sold without a prescription, calling them illegal products that could cause blindness.

The Food and Drug Administration began stopping imports of the decorative lenses at U.S. borders yesterday, and said it will seize unapproved lenses sold in convenience stores and flea markets. Martha Stewart may face civil charges NEW YORK

SEC investigators have notified Martha Stewart that they plan to recommend civil securities fraud charges against her in connection with her sale of ImClone Systems Inc. shares, the Wall Street Journal reported yesterday.

Stewart sold her almost 4,000 shares of ImClone on Dec. 27 -- one day before the Food and Drug Administration announced it had denied the biotech company's application for Erbitux, its promising cancer drug. ImClone's stock plummeted. Restraints reducing whiplash, study finds WASHINGTON

New vehicle head restraints and seat back designs are reducing whiplash, the most commonly reported injury in auto accidents, according to an insurance industry study being released today.

Traditionally, head restraints have been too low and far from a motorist's head to protect against whiplash in rear-end crashes.

Recently many vehicle models have redesigned head restraints and seat backs to keep the motorist's head and torso moving together when the vehicle is hit from behind. Diana kept ring, officer says LONDON

Years after her affair with a former cavalry officer ended, Princess Diana kept his signet ring locked in a box that is now missing from her estate, a police officer testified yesterday in the trial of her butler.

Detective Sgt. Roger Milburn said officers searched for the box at the home of Paul Burrell, who is accused of stealing items from Diana's estate, but did not find it.

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Martha Stewart Living may face life without Martha.

By Adam Pasick
October 22, 2002
Reuters News
(c) 2002 Reuters Limited

NEW YORK, Oct 22 (Reuters) - Maybe they should rename the company Living Omnimedia.

With the securities fraud investigation into Martha Stewart picking up steam, analysts say her namesake company, Martha Stewart Living Omnimedia Inc. is under increasing pressure to plan for a future without its chairwoman and chief executive.

In a major step toward the filing of formal charges, the Securities and Exchange Commission has presented Stewart's legal team with its evidence of her allegedly improper sale of ImClone Systems stock, according to a source close to the investigation.

If the decorating, cooking and gardening guru was forced to step down - a very plausible possibility, according to legal analysts - it would be a tough but not catastrophic blow to her company.

"Her most important role in that company is as their spokesperson, brand and television personality. Replacing her in those capabilities would be a lot more difficult than replacing her as chairwoman and CEO," said Adams, Harkness & Hill analyst Laura Richardson.

That sentiment was echoed by Rachel Kennedy, a faithful viewer of Stewart's cooking show on The Food Network, and an infrequent reader of Martha Stewart Living magazine.

"I would still watch. I don't care about her morality, but I do think she has good recipes," said Kennedy, who works in Washington, D.C. at an online consulting firm.

"I occasionally buy her magazine knowing full well she is an awful person," Kennedy added. "Actually, I'm having a dinner party tonight using four of her recipes - how awful is that?"

Martha Stewart Living, which denied reports in September that it was looking for a new CEO, declined to comment on any possible contingency plans. Stewart's lawyer and personal representative were not available for comment.

HANDICAPPING MARTHA'S CHANCES

Stewart, and her company, have far more to lose from the criminal investigation into her stock trade by the U.S. Department of Justice.

"(There is a) 70 to 80 percent likelihood of a criminal case in my view," said Seth Taube, a former SEC enforcement branch chief in New York and a former assistant U.S. attorney.

"Traditionally, if the SEC came first, the criminal case was not going to be brought. But in the last year since Enron the standard has been just the reverse," said Taube, now with the law firm McCarter and English.

The potential of a prison sentence would be a nightmare for Stewart, and for Martha Stewart Living.

"That is close to the worst-case scenario," said Richardson. In prison, "she couldn't actually show up on the TV set, and that would have implications for the brand name and consumer's and businesses' willingness to associate with the company."

On the civil investigation, the SEC could file charges "within a few weeks" based on the progression of a typical investigation, said Thomas Sjoblom, former assistant chief litigation counsel at the SEC and now a partner with the law firm Chadbourne & Parke.

The commission sent a so-called Wells notice to Stewart last month, according to a source, detailing its charges against her and giving her legal team time to respond.

"It's saying, 'We want to hear from you, give us your best shot,'" said Stephen Rinehart, a defense lawyer at Jenkins & Gilchrist Parker Chapin who specializes in securities law. "More often than not, the proceeding goes forward."

Any settlement talks would likely include a clause that could ban Stewart from serving as an officer or director of a public company. The practice became more common in the 1990s and is increasingly prevalent in the current scandal-ridden business and regulatory environment.

"My read on it is they are going to try to treat her as fairly as everyone else, but you have the added feature of someone with so much notoriety and popularity," said Sjoblom. "Those are going to be tough negotiations. It's her company, she put it together, and to take that away from her is not going to be easy."

Shares of the company actually rose strongly on Tuesday, climbing \$1.35 or 18 percent to \$8.85 in late afternoon trading on the New York Stock Exchange, suggesting that investors may have already priced the expectation of Stewart's departure - from the executive suite, at least - into the stock.

"There are a lot of talented executives out there, and also within the company, that can fill those roles (of chairman and CEO)," said Richardson. (Additional reporting by Ilaina Jonas in New York) Reuters/Variety.

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NEWS

SEC moves to file suit vs. Martha 1st step in civil case

GREG B. SMITH DAILY NEWS STAFF WRITER

October 22, 2002

New York Daily News

(Copyright 2002 Daily News, L.P.)

The SEC has notified Martha Stewart that its investigators are moving to recommend civil security fraud charges against her for insider trading, sources said yesterday.

The Securities & Exchange Commission gave Stewart a so-called Wells Notice - the first step toward bringing a lawsuit against her, according to a source familiar with the matter.

It officially told the beleaguered Stewart that the SEC's law enforcement staff was considering recommending that the five-member commission file charges against her in federal court.

The action does not mean Stewart faces criminal charges, although a federal criminal probe continues into her controversial sale of ImClone Systems stock in December.

But if the commission backs up the recommendation - as it does more often than not - Stewart would be hit with a civil suit charging her with participating in securities fraud, the source said.

The suit could demand Stewart repay the amount of losses she avoided, plus up to three times more in penalties - which could amount to \$180,000.

The SEC also could ask the court to bar her from serving as an officer or director of a company. She currently serves as head of the media company Martha Stewart Living Omnimedia.

Stewart's lawyers now will have the opportunity to meet with SEC staff to try to head off the charges.

Her spokeswoman, Allyn Magrino, declined to comment on the SEC action. One of her lawyers, Robert Morvillo, did not return calls seeking comment. The SEC also declined any comment.

Sale saved her 45G

The commission is investigating Stewart's sale of nearly 4,000 shares of ImClone stock worth \$228,000 on Dec. 27, a day before the government shot down the firm's star product, an anti-cancer drug called Erbitux. Stewart saved about \$45,000 by dumping when she did.

She repeatedly has denied having received an insider tip, insisting she had a prearranged agreement with her broker to sell ImClone if it dipped below \$60 per share.

But her broker's assistant, Douglas Faneuil, has contradicted that story, saying there never was such an agreement. Faneuil pleaded guilty to minor charges and agreed to cooperate with the FBI.

The revelation of the Wells Notice came as Manhattan U.S. Attorney James Comey's office continues to pursue possible criminal charges of insider trading and obstruction of justice against Stewart and her broker, sources said.

The SEC's civil action would have no impact on Comey's decision whether to charge Stewart, according to these sources.

Already implicated

In his criminal complaint, Comey already has implicated Stewart in the insider trading conspiracy.

Without actually naming her, prosecutors said she received insider information on the ImClone sale "directly and indirectly" from her broker, Peter Bacanovic.

A spokesman for Comey, Marvin Smilon, declined to comment on the latest development in the ImClone case.

Bacanovic's lawyer, Richard Strassberg, also declined to comment.

Yesterday, Comey made clear the ImClone investigation continued to roll on, moving to seize \$10.6 million from the father and daughter of ImClone founder Sam Waksal.

Waksal pleaded guilty to insider trading, obstruction of justice, perjury and bank fraud charges last week, though he still faces several outstanding charges.

Prosecutors filed a motion to seize millions from bank accounts controlled by Waksal's 80-year-old father, Jack, and his 28-year-old daughter, Aliza.

In court papers, prosecutors alleged that both Waksal relatives participated in an insider trading conspiracy by dumping all their ImClone stock just before it tanked.

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NEWS
AROUND THE REGION
Stewart gets SEC civil fraud notice

From news service reports
October 22, 2002
The Record, Bergen County, NJ
(Copyright 2002 North Jersey Media Group Inc.)

NEW YORK - SEC investigators have notified Martha Stewart that they plan to recommend civil securities fraud charges against her in connection with her sale of ImClone Systems Inc. shares, the Wall Street Journal said Monday.

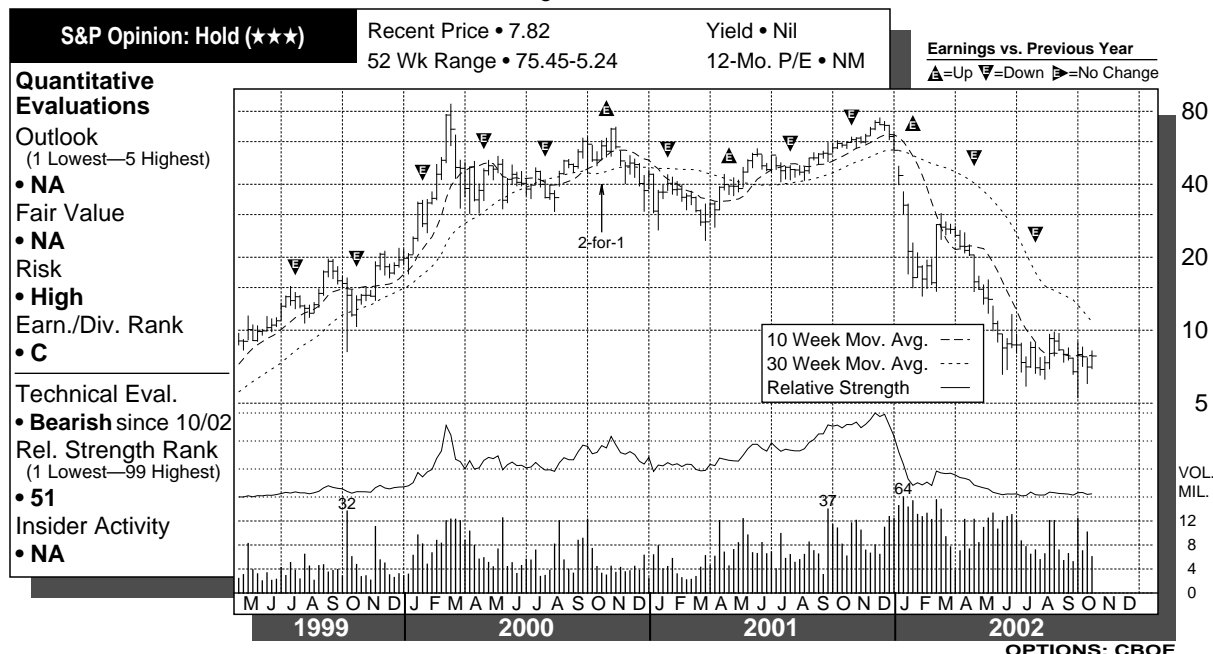
The Securities and Exchange Commission gave Stewart what is called a Wells Notice, offering her a chance to explain before the commission makes its final decision. Stewart is also under investigation by the Justice Department, which is looking into whether she lied to lawmakers.

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STOCK REPORTS

19-OCT-02 Sub-Industry: Biotechnology

Summary: This emerging biotech concern is developing monoclonal antibodies and cancer vaccines for the treatment of a number of oncological disorders.



Overview - 19-AUG-02

IMCL's second quarter loss per share of \$0.59 was \$0.21 wider than our estimate due to lower than expected revenues and a sharp increase in SG&A costs. SG&A was much higher as a result of expenses related to executive compensation and legal proceedings. The company is suing former CEO Sam Waksal for \$7 million, purportedly for his lack of cooperation in ongoing government investigations. In June, IMCL received a "Wells Notice" from the SEC, which may result in charges against the company. Unlike action that is being taken against former CEO Sam Waksal, the SEC investigation could have a direct effect on IMCL. In our view, with a possible need to conduct additional trials, potential approval of Erbitux in the U.S. is not likely until 2004 at the earliest. We estimate losses per share of \$2.04 (increased from \$1.62) for 2002, \$2.03 (\$1.52) for 2003, and \$1.26 (\$0.68) in 2004.

Valuation - 19-AUG-02

The shares began to rebound slightly in August. One reason for this may be the FDA approval of Sanofi-Synthelabo's Eloxatin (oxaliplatin) as a second-line treatment for colorectal cancer. The results for Eloxatin were not spectacular and may have raised hopes for a future Erbitux approval. However, there may be evidence of a survival benefit with Eloxatin, based on some preliminary findings. The FDA may have taken this into consideration, and such a survival benefit has not yet been shown with Erbitux. On balance, this was positive news for IMCL shares. However, several other anti-cancer compounds are in development for colon and other cancers Erbitux is targeted at. As a result, Erbitux's market potential is diminishing, in our view. While the firm has about \$351 million in cash, cash burn is increasing and a concern. Only speculators should even consider these shares.

Key Stock Statistics

| | | | |
|----------------------|-------|-----------------------|---------|
| S&P EPS Est. 2002 | -2.04 | Tang. Bk. Value/Share | NM |
| P/E on S&P Est. 2002 | NM | Beta | 0.82 |
| S&P EPS Est. 2003 | -2.03 | Shareholders | 41,200 |
| Dividend Rate/Share | Nil | Market cap. (B) | \$0.575 |
| Shs. outstg. (M) | 73.4 | Inst. holdings | 46% |
| Avg. daily vol. (M) | 2.010 | | |

Value of \$10,000 invested 5 years ago: \$ 20,706

Fiscal Year Ending Dec. 31

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|--------------------------------|--------|-------|-------|-------|-------|-------|
| Revenues (Million \$) | | | | | | |
| 1Q | 18.55 | 24.74 | 0.21 | 0.63 | 1.85 | 0.08 |
| 2Q | 11.57 | 3.25 | 0.16 | 0.25 | 0.77 | 3.20 |
| 3Q | — | 2.91 | 0.77 | 0.14 | 0.82 | 0.74 |
| 4Q | — | 2.31 | 0.15 | 1.12 | 8.75 | 1.34 |
| Yr. | — | 33.22 | 1.41 | 2.14 | 4.19 | 5.35 |
| Earnings Per Share (\$) | | | | | | |
| 1Q | -0.41 | -0.02 | -0.21 | -0.18 | -0.08 | -0.15 |
| 2Q | -0.59 | -0.44 | -0.23 | -0.18 | -0.12 | -0.02 |
| 3Q | E-0.51 | -0.57 | -0.21 | -0.22 | -0.15 | -0.07 |
| 4Q | E-0.53 | -0.42 | -0.52 | -0.18 | -0.17 | -0.10 |
| Yr. | E-2.04 | -1.47 | -1.18 | -0.76 | -0.52 | -0.34 |

Next earnings report expected: NA

Dividend Data

No cash has been paid. A two-for-one stock split was effected in 2000.

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Business Summary - 19-AUG-02

ImClone Systems is researching and developing novel therapies to treat various cancers. It is focusing on three separate treatment modalities: growth factor inhibitors, cancer vaccines, and anti-angiogenesis agents.

IMCL's lead candidate is Erbitux (C225), a chimeric monoclonal antibody that binds to epidermal growth factor receptors (EGFr) on tumor cells. EGFr is overexpressed on many types of cancer cells, contributing to tumor growth. In November 2001, IMCL completed its application for FDA approval of Erbitux in combination with chemotherapy as a second-line treatment for colorectal cancer. In late December, the FDA rejected the application because of insufficient documentation on refractory patients and response rates. IMCL met with the FDA in February 2002, and will work to file a new application.

Erbitux is in Phase II testing in combo with chemotherapy as a front-line therapy for colorectal cancer. Phase II trials are ongoing in head and neck cancer patients refractory to chemotherapy. Phase III trials are ongoing for Erbitux in combo with chemotherapy and radiation therapy, respectively, as a front-line treatment for head and neck cancer. IMCL is also conducting Phase II trials of Erbitux to treat other cancers.

In September 2001, IMCL and Bristol-Myers Squibb (BMY) signed a collaborative agreement to commercialize Erbitux. BMY purchased about 14.4 million IMCL shares through a tender offer at \$70 a share in October

2001. Minor changes were made to this agreement in March 2002. IMCL has received \$340 million in cash payments from BMY and is entitled to up to an additional \$560 million in cash milestones. If Erbitux is approved, it will also receive payments from BMY approximating 39% of U.S. sales. BMY is responsible for the majority of development and marketing costs. In Europe, Merck KGaA has marketing rights, with IMCL to receive royalties on sales.

BEC2 is a cancer vaccine designed to produce an immune response in patients who have responded positively to previous cancer treatments. A Phase III study is being conducted by Merck KGaA in patients with small-cell lung cancer. The primary endpoint is two year patient survival after completion of the vaccine therapy. IMCL has co-promotion rights in the U.S., and is entitled to royalties on sales outside the U.S. Another vaccine candidate, IMC-GP75, began Phase I testing in March 2002 to treat malignant melanoma.

By the end of 2002, IMCL should begin a Phase I trial of a fully human antibody that blocks KDR, a cell surface receptor that vascular endothelial growth factor (VEGF) binds to. VEGF stimulates blood vessel growth in certain tumors.

Another anti-angiogenesis initiative involves research on antibodies that may inhibit vascular-specific cadherin. Cadherins are a family of cell surface molecules that may aid angiogenesis (blood vessel formation) by organizing endothelial cells into vascular tubes.

Per Share Data (\$)

| (Year Ended Dec. 31) | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Tangible Bk. Val. | NM | 0.59 | 1.37 | 0.04 | 0.35 | 0.39 | 0.33 | 0.30 | 1.49 | 1.16 |
| Cash Flow | -1.37 | -1.12 | -0.55 | -0.40 | -0.29 | -0.33 | -0.24 | -0.41 | -1.34 | -0.55 |
| Earnings | -1.47 | -1.18 | -0.76 | -0.52 | -0.34 | -0.38 | -0.36 | -0.56 | -1.58 | -0.59 |
| Dividends | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | NA | Nil |
| Payout Ratio | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | NA | Nil |
| Prices - High | 75.45 | 85.99 | 21.87 | 6.93 | 5.06 | 8.68 | 4.53 | 3.31 | 7.25 | 14.00 |
| - Low | 23.37 | 17.00 | 4.37 | 2.78 | 2.31 | 2.87 | 0.15 | 0.31 | 2.75 | 2.50 |
| P/E Ratio - High | NM | NM | NM | NM | NM | NM | NM | NM | d | NM |
| - Low | NM | NM | NM | NM | NM | NM | NM | NM | d | NM |

Income Statement Analysis (Million \$)

| | | | | | | | | | | |
|---------------|-------|-------|-------|-------|-------|-------|------|-------|-------|-------|
| Revs. | 33.2 | 1.4 | 2.1 | 4.2 | 5.3 | 0.6 | 0.8 | 0.9 | 5.4 | 0.8 |
| Oper. Inc. | -78.5 | -68.7 | -35.3 | -22.2 | -14.7 | -13.1 | -9.9 | -12.4 | -9.3 | -9.9 |
| Depr. | 7.4 | 3.9 | 2.0 | 1.8 | 1.8 | 1.7 | 1.8 | 1.8 | 1.3 | 0.8 |
| Int. Exp. | 13.6 | 12.1 | 0.3 | 0.4 | 0.6 | 0.8 | 1.1 | 0.8 | 0.6 | 0.4 |
| Pretax Inc. | -102 | -67.8 | -34.6 | -21.4 | -15.5 | -14.7 | -9.6 | -12.2 | -14.0 | -10.6 |
| Eff. Tax Rate | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM |
| Net Inc. | -102 | -67.8 | -34.6 | -21.4 | -15.5 | -14.7 | -9.6 | -12.2 | -14.0 | -10.6 |

Balance Sheet & Other Fin. Data (Million \$)

| | | | | | | | | | | |
|---------------------|-------|-------|-------|-------|--------|-------|------|-------|-------|------|
| Cash | 38.1 | 60.3 | 12.0 | 3.9 | 2.6 | 2.7 | 10.2 | 3.0 | 6.8 | 11.6 |
| Curr. Assets | 350 | 307 | 127 | 48.4 | 60.8 | 14.2 | 10.5 | 3.3 | 7.0 | 14.9 |
| Total Assets | 474 | 371 | 146 | 62.3 | 75.8 | 25.9 | 22.8 | 17.5 | 24.2 | 33.8 |
| Curr. Liab. | 54.3 | 85.4 | 30.1 | 13.3 | 4.1 | 6.5 | 6.7 | 4.8 | 5.8 | 1.5 |
| LT Debt | 242 | 242 | 2.2 | 2.2 | 2.2 | 2.2 | 4.1 | 4.3 | 2.4 | 4.5 |
| Common Equity | -5.2 | 43.4 | 112 | 44.8 | 67.8 | 16.6 | 11.8 | 8.2 | 14.8 | 27.7 |
| Total Cap. | 237 | 286 | 114 | 47.4 | 70.4 | 18.8 | 16.0 | 12.5 | 17.2 | 23.2 |
| Cap. Exp. | 60.2 | 37.8 | 7.1 | 0.5 | 1.7 | 0.7 | 0.0 | 0.4 | 5.8 | 5.4 |
| Cash Flow | -94.8 | -70.6 | -36.4 | -23.3 | -13.9 | -13.0 | -7.9 | -10.3 | -12.7 | -9.8 |
| Curr. Ratio | 6.4 | 3.6 | 4.2 | 3.6 | 14.7 | 2.2 | 1.6 | 0.7 | 1.2 | 9.8 |
| % LT Debt of Cap. | 102.2 | 84.8 | 1.9 | 4.6 | 3.1 | 11.7 | 25.9 | 34.5 | 13.8 | 19.6 |
| % Net Inc. of Revs. | NM | NM | NM | NM | -289.7 | NM | NM | NM | NM | NM |
| % Ret. on Assets | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM |
| % Ret. on Equity | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM |

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs. Bold denotes diluted EPS (FASB 128)-prior periods restated. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

Office—180 Varick Street, New York, NY 10014. **Tel**—(212) 645-1405. **Website**—<http://www.imclone.com> **Chrmn**—R. F. Goldhammer. **Pres & CEO**—H. W. Waksal. **VP & CFO**—D. S. Lynch. **Investor Contact**—Andrea F. Rabney. **Dirs**—A. G. Bodnar, V. T. DeVita Jr., R. F. Goldhammer, D. M. Kies, P. B. Kopperl, A. J. Levine, J. Mendelsohn, W. R. Miller, P. S. Ringrose, H. W. Waksal. **Transfer Agent & Registrar**—EquiServe. **Incorporated**—in Delaware in 1984. **Empl**—399. **S&P Analyst**: Frank DiLorenzo/CB

NEWS HEADLINES

■ **10/15/02** UP 0.43 to 7.79...
Ex-CEO Sam Waksal may plead guilty as early as today to insider trading, throw himself on the mercy of the court: WSJ.

■ **10/14/02** Ex-CEO Sam Waksal may plead guilty as early as today to insider trading, throw himself on the mercy of the court: WSJ.

■ **10/10/02** DOWN 0.51 to 6.51...
Co. insiders sold over \$70M in stock last Dec., the month its new drug application was rejected by FDA: WSJ.

■ **10/04/02** UP 0.82 to 8.07... Wash-
ington Post reports co. has resumed tests in US on its cancer drug Erbitux.

■ **08/17/02** NEW YORK (Standard & Poor's)--Aug 14, 2002, ImClone Systems Inc., announced 2Q loss per share of \$0.59 vs. loss of \$0.44 and 6 mos. loss per share of \$1.00 vs. loss of \$0.46.

■ **08/15/02** UP 0.42 to 8.36... Posts \$0.59 2Q loss vs. \$0.44 loss as higher SG&A costs offset sharp revenue rise... Files lawsuit against its former CEO, Samuel Waksal... S&P reiterates neutral...

■ **08/15/02** 09:50 am EDT... S&P REMAINS NEUTRAL ON IMCLONE (IMCL 8.4***): Q2 loss per share of \$0.59 was \$0.21 wider than our forecast, reflecting lower revenues than expected and sharp rise in SG&A costs for compensation and legal proceedings. IMCL is suing former CEO Sam Waksal for \$7 million, reportedly for lack of cooperation in government investigations. While we think Erbitux may be efficacious in colorectal cancer, approvability is still up in the air. IMCL and partner Bristol-Myers Squibb may have to conduct new trials. We would not expect approval until at least 2004. IMCL remains a purely speculative stock./F.DiLorenzo

■ **08/12/02** UP 0.78 to 8.12... Former CEO Samuel Waksal pleads not guilty to banking, securities fraud charges... Waksal says he still has faith in experimental cancer drug Erbitux.

■ **07/30/02** DOWN 0.44 to 7.25... Prosecutors are demanding that IMCLONE ex-CEO Samuel Waksal serve 7-10 years in prison on insider-trading charges: WSJ.

■ **07/30/02** 02:04 pm EDT... UP-GRADING IMCLONE (IMCL 7.38***) TO HOLD, FROM AVOID: Shares remain down sharply, despite biotech rally. News about prosecutor demand for ex-CEO Sam Waksal to serve several years in prison is hitting stock, but should not have an impact on Erbitux prospects, in our view. While potential approval of Erbitux is still questionable, we feel any positive news developments on the drug would provide some upside. With about \$400 million in cash, we consider it reasonable to hold the shares. However, IMCL is purely speculative and only appropriate for very aggressive investors. /F.DiLorenzo

■ **07/15/02** UP 0.02 to 7.08... Seven IMCL bigwigs sold millions in stock in weeks following meeting last Dec. 4 at which FDA official tipped off an IMCL VP that cancer drug, Erbitux, might not be approved: NY Post.

■ **07/12/02** Seven IMCL bigwigs sold millions in stock in weeks following meeting last Dec. 4 at which FDA official tipped off an IMCL VP that cancer drug, Erbitux, might not be approved: NY Post.

■ **06/20/02** DOWN 1.18 to 10.23... SEC considering recommending action against co. relating to its disclosure immediately following its receipt of Refusal-to-File letter from FDA on Dec. 28 for its BLA for ERBITUX.

■ **06/20/02** 12:45 pm EDT... DOWN-GRADING IMCLONE (IMCL 9.3**) TO

AVOID, FROM HOLD: Stock down today on possible SEC charges regarding lack of disclosure about Erbitux. Potential approval of the drug is now questionable, with new studies necessary. With several other anti-cancer drugs in development, Erbitux prospects are dim. Unfortunately, confidence in the company and the data has been eroded. We see losses per share of \$1.62 in '02 and \$1.52 in '03. With all the problems for IMCL and the sector in general, we view the company's shares as unattractive. / F.DiLorenzo

■ **06/19/02** Says staff of SEC considering recommending SEC bring action against co. relating to its disclosure immediately following its receipt of Refusal-to-File letter from FDA on Dec. 28 for its BLA for ERBITUX.

■ **06/12/02** DOWN 0.41 to 7.14... CNBC reports former chairman, CEO Sam Waksal has been arrested on insider trading charges.

■ **06/11/02** CNBC reports co.'s former chairman, CEO Sam Waksal has been arrested on insider trading charges.

■ **06/10/02** DOWN 0.55 to 7.90... Co. officials learned FDA might turn away co.'s application for its cancer drug Erbitux three days before agency on Dec. 28 formally told co. news, people close to situation said: WSJ.

■ **06/07/02** DOWN 0.48 to 6.92... Martha Stewart, a close friend of former IMCL CEO, sold all her shares in IMCL a day or two before co. announced unfavorable FDA ruling, acc. to people close to Congressional investigation: NYT.

■ **06/06/02** DOWN 1.01 to 7.67... WSJ reports that a House panel expanding its probe into possible stock sales by relatives of IMCL's ex CEO... S&P keeps neutral...

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SUB-INDUSTRY OUTLOOK

Year to date through October 4, the S&P Biotech Index fell 35.5%, versus a 29.5% drop for the S&P Super 1500. We are selectively positive on the biotech sector, and believe third quarter financial results should be good for the majority of profitable biotech companies. In addition, the nomination of Mark McClellan as FDA commissioner and a move by the agency to have biologic drugs reviewed by its Center for Drug Evaluation and Research may lead to a more favorable environment for FDA approvals in 2003. In 2003, we believe ICOS's Cialis, Biogen's Amevive, and MedImmune's FluMist will all be approved.

We continue to recommend that investors focus on profitable biotech concerns that also have solid growth rates. For more aggressive investors looking for additional issues, we believe it is best to concentrate on biotechs with strong cash positions and deep pipelines, preferably with a very promising late stage candidate. The sector staged a modest rally in July and August, but has since given back most of its short-term gains. We believe there are a number of good long-term values, based on company growth rates, prospects, and earnings and sales multiples. However, many emerging names

remain speculative, and are not likely to turn profitable for several years. The current financing situation remains weak, with an environment in which it remains difficult to raise funds. New money raised in today's market climate by low profile biotechs will result in considerably less favorable terms than those obtained in 2000, when stock prices were much higher.

Strong sales of currently approved drugs, combined with new approvals in the U.S. and Europe, should lead to approximate 20% annual increases in industry revenues over the next two years. A large part of the gains will be concentrated in a handful of leading biotech companies that have been successful in bringing additional drugs to market. The four disease areas on which we believe the industry will continue to focus are cancer, autoimmune disorders, infectious diseases, and cardiovascular conditions.

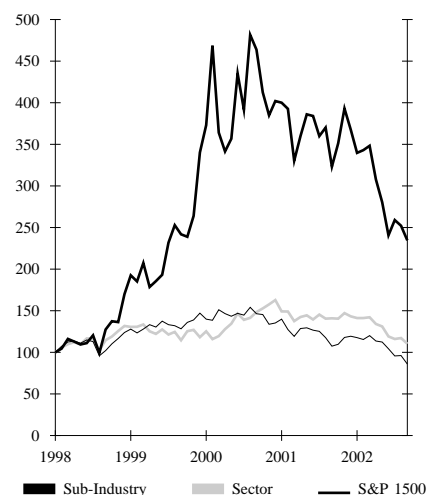
We feel pharmaceutical concerns and larger biotech companies will largely eschew company acquisitions in favor of product deals for the remainder of 2002.

--Frank DiLorenzo

STOCK PERFORMANCE

GICS SECTOR: Health Care
SUB-INDUSTRY: Biotechnology
Based on S&P 1500 Indexes

Month-end Price Performance
As of 09/30/02



NOTE: All Sector & Sub-Industry Information is based on the Global Industry Classification Standard (GICS)

SUB-INDUSTRY: BIOTECHNOLOGY

*PEER GROUP: BIOTECH THERAPEUTICS - SMALLER CAPITALIZATION

| Peer Group | Stock Symbol | Recent Stock Price | P/E Ratio | 12-mth. Trail. EPS | 30-day Price Chg % | 1-year Price Chg. % | Beta | Yield % | Quality Ranking | Stk. Mkt. Cap. (mil. \$) | Ret. on Equity % | Pretax Margin % | LTD to Cap. % |
|---------------------------|--------------|--------------------|-----------|--------------------|--------------------|---------------------|-------------|------------|-----------------|--------------------------|------------------|-----------------|---------------|
| ImClone Systems | IMCL | 7.83 | NM | -2.01 | 5% | -86% | 0.82 | Nil | C | 575 | NM | NM | 102.2 |
| Abgenix Inc. | ABGX | 6.30 | NM | -2.02 | -9% | -77% | NA | Nil | NR | 550 | NM | NM | Nil |
| CV Therapeutics | CVTX | 23.13 | NM | -4.20 | 10% | -50% | 0.55 | Nil | NR | 611 | NM | NM | 40.6 |
| Cell Genesys | CEGE | 12.33 | NM | -0.78 | 1% | -28% | 1.04 | Nil | B- | 440 | NM | NM | 12.9 |
| Enzo Biochem | ENZ | 15.35 | 64 | 0.24 | 12% | -15% | 1.55 | Nil | B- | 437 | 7.4 | 20.9 | Nil |
| Genta Inc | GNTA | 7.39 | NM | -0.93 | 1% | -40% | 1.63 | Nil | C | 543 | NM | NM | Nil |
| Myriad Genetics | MYGN | 17.87 | NM | -0.59 | 6% | -60% | 1.03 | Nil | C | 426 | NM | NM | Nil |
| OSI Pharmaceuticals | OSIP | 15.98 | NM | -5.91 | 3% | -59% | 0.98 | Nil | C | 580 | NM | NM | Nil |
| QLT Inc. | QLTI | 8.05 | 5 | 1.68 | 2% | -56% | 1.55 | Nil | B- | 549 | 29.6 | 55.0 | Nil |
| Regeneron Pharmaceuticals | REGN | 15.08 | NM | -2.39 | 4% | -33% | 0.77 | Nil | C | 626 | NM | NM | 42.9 |
| Ribapharm Inc. | RNA | 3.88 | 9 | 0.43 | -23% | NA | NA | Nil | NR | 582 | 514.1 | 78.3 | Nil |
| SangStat Medical | SANG | 19.50 | NM | 0.11 | -3% | -17% | 1.18 | Nil | C | 515 | NM | NM | 48.6 |
| Tanox Inc | TNOX | 9.62 | NM | -0.48 | -22% | -45% | NA | Nil | NR | 426 | NM | NM | 3.8 |
| Transkaryotic Therapies | TCTX | 13.48 | NM | -3.02 | -60% | -57% | 1.02 | Nil | NR | 469 | NM | NM | Nil |
| XOMA Ltd | XOMA | 5.75 | NM | -0.43 | -9% | -27% | 1.81 | Nil | C | 404 | NM | NM | 78.9 |

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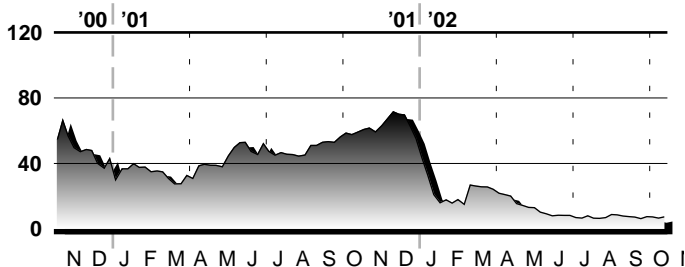
ImClone Systems

WALL STREET CONSENSUS

18-OCT-02

Analysts' Recommendations

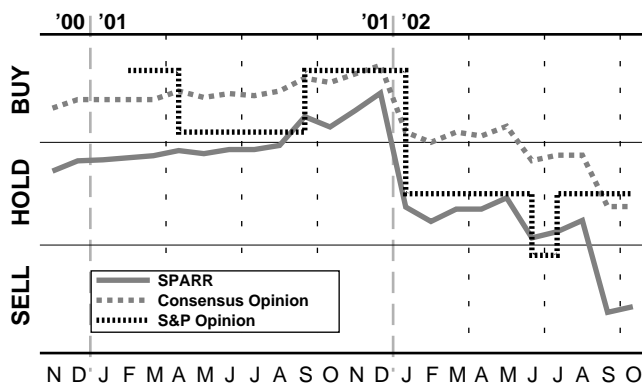
Stock Prices



Analysts' Opinion

| | No. of Ratings | % of Total | 1 Mo. Prior | 3 Mo. Prior | Nat'l | Reg'l | Non-broker |
|--------------|----------------|------------|-------------|-------------|----------|----------|------------|
| Buy | 1 | 17 | 1 | 2 | 0 | 1 | 0 |
| Buy/Hold | 2 | 33 | 2 | 2 | 0 | 1 | 0 |
| Hold | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Weak Hold | 1 | 17 | 1 | 1 | 0 | 1 | 0 |
| Sell | 2 | 33 | 2 | 1 | 1 | 0 | 0 |
| No Opinion | 0 | 0 | 0 | 2 | 0 | 0 | 0 |
| Total | 6 | 100 | 6 | 8 | 0 | 3 | 0 |

Analysts' Opinions



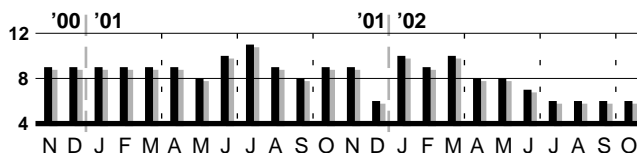
S&P-Adjusted Consensus Opinion: SELL

In order to reduce the bullish tendency of analysts, Standard & Poor's Quantitative Services Group created the S&P Average Relative Ranking, or SPARR. This system assigns a ranking based on a stock's consensus score relative to all issues for which consensus estimates are available.

Companies Offering Coverage

- Dakin Securities Corp
- Dillon Read & Co Inc
- Genesis Merchant Group Sec
- Gruntal & Co Inc
- JP Morgan Securities
- Lehman Brothers Inc
- Merrill Lynch Research
- Morgan Stanley & Company
- Oppenheimer & Co Inc
- RYAN BECK & CO.
- Raymond James & Assoc Inc
- Vector Securities Intl Inc

Number of Analysts Following Stock



Standard & Poor's STARS

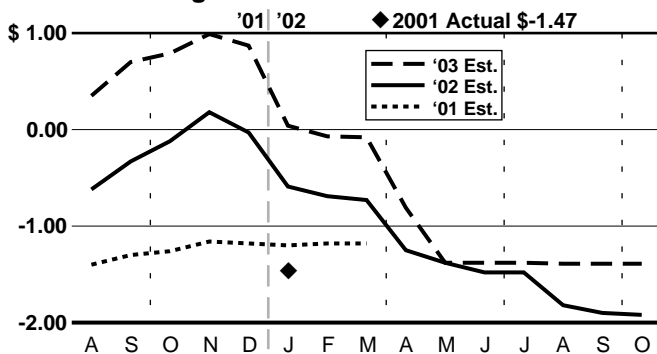
(Stock Appreciation Ranking System)



- ★★★★★ Buy Standard & Poor's STARS ranking is our own analyst's evaluation of the short-term (six to 12 month) appreciation potential of a stock.
 - ★★★★ Accumulate
 - ★★★ Hold
 - ★★ Avoid
 - ★ Sell
- Five-Star stocks are expected to appreciate in price and outperform the market.

Analysts' Earnings Estimate

Annual Earnings Per Share



Current Analysts' Consensus Estimates

| Fiscal years | Avg. | High | Low | S&P Est. | No. of Est. | Estimated P-E Ratio | Estimated S&P 500 P-E Ratio |
|--------------|-------|--------|-------|----------|-------------|---------------------|-----------------------------|
| 2002 | -1.92 | -1.73 | -2.20 | -2.04 | 5 | NM | 18.4 |
| 2003 | -1.39 | -0.84 | -2.03 | -2.03 | 5 | NM | 15.2 |
| 3Q'02 | -0.47 | -0.37 | -0.62 | | 4 | | |
| 3Q'01 | -0.57 | Actual | | | | | |

A company's earnings outlook plays a major part in any investment decision. S&P organizes the earnings estimates of over 2,300 Wall Street analysts, and provides you with their consensus of earnings over the next two years. The graph to the left shows you how these estimates have trended over the past 15 months.

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Thomson Financial Mergers and Acquisitions

Mergers and Acquisitions

Detailed Transaction Report

Last Date Updated: Oct 24 2002

| Transaction Details | | Target | Acquirer |
|--------------------------------------|---------------------|---|--|
| Date Announced: | 19 Sep 01 | Target: ImClone Systems Inc | Acquirer: Bristol-Myers Squibb Co |
| Date Unconditional: | | Business Description: | Business Description: |
| Date Effective: | 29 Oct 01 | Provide biological research and development of therapeutic products for the | Manufacture pharmaceuticals, medical devices, health products, surgical supplies |
| Status: | Completed | treatment and detection of cancer | and equipment, in vitro and in vitro diagnostic substances, toiletries, beauty |
| Deal Attitude: | Friendly | SIC Code(s): | aids, household products, and dry, condensed and evaporated dairy products |
| % Sought: | 19.95 | 2835:In vitro and in vivo diagnostic substances | SIC Code(s): |
| % Shares Acquired: | 19.90 | 2836:Biological products, except diagnostic substances | 2023:Dry, condensed, and evaporated dairy products |
| | | 8731:Commercial physical and biological research | 2833:Medicinal chemicals and botanical products |
| Transaction Statistics | | Nationality: United States | 2834:Pharmaceutical preparations |
| Premium, Pre Bid 1 Day (%): | 39.97 | Listings: Nasdaq | 2835:In vitro and in vivo diagnostic substances |
| Premium, Pre Bid 1 Week (%): | 30.28 | Public Status: Public | 2836:Biological products, except diagnostic substances |
| Premium, Pre Bid 4 Weeks (%): | 50.89 | Ticker: IMCL | 2842:Specialty cleaning and polishing preparations |
| Share Price Paid by Acq.(\$): | 70.00 | Financial Advisors: | 2844:Perfumes, cosmetics, and other toilet preparations |
| Deal Value (US\$ mil): | 2,007.44 | Morgan Stanley | 3634:Electric housewares and fans |
| Deal Value (Sterling mil): | 1,367.00 | Legal Advisors: | 3841:Surgical and medical instruments and apparatus |
| Deal Value (Host mil): | 2007.44 U.S. Dollar | Davis Polk & Wardwell | 3842:Orthopedic, prosthetic, and surgical supplies |
| Deal Value to Sales: | 346.65 | Morris Nichols Arshst & Tunnell | Nationality: United States |
| Deal Value to EBIT: | (144.73) | | Listings: New York |
| Deal Value to Net Income: | (139.14) | Target Financials | Public Status: Public |
| Deal Value to Net Assets: | 596.90 | Date of Financials: 30 Jun 01 | Ticker: BMY |
| P/E Ratio: | (58.82) | Net Sales: 29.10 | Financial Advisors: |
| | | Pre-Tax Income: (72.30) | Lehman Brothers |
| | | Net Income: (72.50) | Legal Advisors: |
| | | EPS: (1.19) | Cravath, Swaine & Moore |
| | | Total Assets: 287.60 | Reed Smith Shaw & McClay |
| | | Price/Share: 70.00 | Richards Layton & Finger |
| | | Target Ultimate Parent | Acquirer Financials |
| | | Divestor(Target Ult. Parent): ImClone Systems Inc | Date of Financials: 30 Jun 01 |
| | | Business Description: | Net Sales: 18,745.00 |
| | | Biological research services | Net Income: 4,307.00 |
| | | SIC Code(s): | Total Assets: 17,476.00 |
| | | 2835:In vitro and in vivo diagnostic substances | Acquirer Ultimate Parent |
| | | 2836:Biological products, except diagnostic substances | Acquirer Ult. Parent: Bristol-Myers Squibb Co |
| | | 8731:Commercial physical and biological research | Business Description: |
| | | Nationality: United States | Mnfr drugs,cosmetics |
| | | Listings: Nasdaq | SIC Code(s): |
| | | Public Status: Public | 2023:Dry, condensed, and evaporated dairy products |
| | | Ticker: IMCL | 2833:Medicinal chemicals and botanical products |
| | | | 2834:Pharmaceutical preparations |
| | | | 2835:In vitro and in vivo diagnostic substances |
| | | | 2836:Biological products, except diagnostic substances |
| | | | 2842:Specialty cleaning and polishing preparations |

Thomson Financial Mergers and Acquisitions

Mergers and Acquisitions

Detailed Transaction Report

Last Date Updated: Oct 24 2002

2844:Perfumes, cosmetics, and other toilet preparations

3634:Electric housewares and fans

3841:Surgical and medical instruments and apparatus

3842:Orthopedic, prosthetic, and surgical supplies

Nationality: United States

Listings New York

Public Status: Public

Ticker: BMY

Deal Synopsis

US - Bristol-Myers Squibb Co (BMS) acquired a 19.9% stake, or 14.392 mil common shares in Imclone Systems Inc (ISI), a provider of biological research services, for \$70 in cash per share, or a total value \$2.007 bil, including \$1 bil in milestone payments, via a tender offer. The transaction was part of an agreement between BMS and ISI to co-develop and co-promote IMC-C225, ISI's investigational monoclonal antibody, in the US, Canada and Japan. Upon completion, more than 14,392,003 shares were tendered, BMS was to purchase shares tendered on a pro rata basis. The determination of the portion of each ISI stockholder's shares tendered to be purchased was subject to confirmation and the proper delivery of all shares tendered pursuant to the guaranteed delivery procedure and the final proration factor which was 21.43%.

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First Call Earnings Estimates

ImClone Systems Inc.

Earnings Estimate Detail

Company Information

Symbol: IMCL FYE: Dec Recommendation: 2.8
 Last Updated: 21-Oct-02 Secular Growth Rate: - %

Consensus Summary

| Year Ending | Q1: Mar | Q2: Jun | Q3: Sep | Q4: Dec | Fiscal Year | # Brokers | Cal Year | # Brokers |
|-------------|---------|---------|---------|---------|-------------|-----------|----------|-----------|
| 2004 | -0.28 | -0.26 | -0.25 | -0.23 | -1.02 | 1 | -1.02 | 1 |
| 2003 | -0.44 | -0.45 | -0.45 | -0.46 | -1.39 | 4 | -1.39 | 4 |
| 2002 | -0.41A | -0.59A | -0.46 | -0.47 | -1.92 | 5 | -1.92 | 5 |
| 2001 | -0.02A | -0.44A | -0.35A | -0.42A | -1.23A | 10 | -1.23A | 8 |

Analyst Detail (FYE Dec 2004)

| Broker Name | Q1: Mar-04 | Q2: Jun-04 | Q3: Sep-04 | Q4: Dec-04 | FY Annual | Last Confirmed / Revised / Orig |
|---------------|------------|------------|------------|------------|-----------|---------------------------------|
| -30DayAgoMean | -0.28 | -0.26 | -0.25 | -0.23 | -1.02 | 26-Aug-02 |
| Previous | - | - | - | - | - | NO DATE |
| Stephens Inc. | -0.28 | -0.26 | -0.25 | -0.23 | -1.02 | 15-Oct-02 |
| Previous | 0.04 | -0.11 | -0.09 | -0.07 | -0.55 | 26-Aug-02 |

First Call Consensus Statistics

| | | | | | | |
|-------------------|-------|-------|-------|-------|-------|-----------|
| Number Of Brokers | 1 | 1 | 1 | 1 | 1 | - |
| Current Mean | -0.28 | -0.26 | -0.25 | -0.23 | -1.02 | 22-Oct-02 |
| Previous Mean | 0.04 | -0.11 | -0.09 | -0.07 | -0.55 | 26-Aug-02 |
| Std. Deviation | - | - | - | - | - | - |
| Report Date: | - | - | - | - | - | - |

Analyst Detail (FYE Dec 2003)

| Broker Name | Q1: Mar-03 | Q2: Jun-03 | Q3: Sep-03 | Q4: Dec-03 | FY Annual | onfirmed / Revised / Orig |
|-----------------|------------|------------|------------|------------|-----------|---------------------------|
| -30DayAgoMean | -0.44 | -0.45 | -0.45 | -0.46 | -1.39 | 9-Sep-02 |
| Previous | - | - | - | - | - | NO DATE |
| Moors Cabot | - | - | - | - | -1.39 | 7-Oct-02 |
| Previous | - | - | - | - | - | 9-Sep-02 |
| Ryan, Beck & Co | - | - | - | - | -0.84 | 21-Oct-02 |
| Previous | - | - | - | - | -0.76 | 15-Aug-02 |
| Stephens Inc. | -0.44 | -0.45 | -0.45 | -0.46 | -1.80 | 15-Oct-02 |
| Previous | -0.43 | -0.43 | -0.42 | -0.42 | -1.70 | 26-Aug-02 |
| Thomas Weisel | - | - | - | - | -1.53 | 15-Aug-02 |
| Previous | - | - | - | - | -1.49 | 15-Aug-02 |

First Call Consensus Statistics

| | | | | | | |
|-------------------|--------|--------|-------|-------|-------|-----------|
| Number Of Brokers | 1 | 1 | 1 | 1 | 4 | - |
| Current Mean | -0.44 | -0.45 | -0.45 | -0.46 | -1.39 | 22-Oct-02 |
| Previous Mean | -0.43 | -0.43 | -0.42 | -0.42 | -1.44 | 9-Sep-02 |
| Std. Deviation | - | - | - | - | 0.35 | - |
| Report Date: | 05/16w | 08/14w | - | - | - | - |

Analyst Detail (FYE Dec 2002)

| Broker Name | Q1: Mar-02 | Q2: Jun-02 | Q3: Sep-02 | Q4: Dec-02 | FY Annual | onfirmed / Revised / Orig |
|-----------------|------------|------------|------------|------------|-----------|---------------------------|
| -30DayAgoMean | -0.34 | -0.41 | -0.46 | -0.47 | -1.90 | 9-Sep-02 |
| Previous | - | - | - | - | - | NO DATE |
| Moors Cabot | -0.41A | -0.59A | -0.46 | - | -1.90 | 7-Oct-02 |
| Previous | -0.23 | -0.41 | - | - | -1.82 | 7-Oct-02 |
| RTEE Actual | -0.41A | -0.59A | - | - | - | 14-Aug-02 |
| Previous | - | - | - | - | - | 16-May-02 |
| Raymond James | -0.41A | -0.59A | -0.42 | -0.44 | -1.88 | 11-Oct-02 |
| Previous | -0.39 | -0.41 | -0.39 | -0.40 | -1.68 | 28-Aug-02 |
| Ryan, Beck & Co | -0.41A | -0.59A | -0.37 | -0.37 | -1.73 | 21-Oct-02 |
| Previous | - | - | - | - | -1.52 | 15-Aug-02 |
| Stephens Inc. | -0.41A | -0.59A | -0.62 | -0.58 | -2.20 | 15-Oct-02 |
| Previous | -0.30 | -0.45 | -0.46 | -0.47 | -1.79 | 26-Aug-02 |
| Thomas Weisel | -0.41A | -0.59A | -0.44 | -0.47 | -1.89 | 15-Aug-02 |
| Previous | -0.38 | -0.41 | -0.41 | -0.43 | -1.64 | 15-Aug-02 |

First Call Consensus Statistics

| | | | | | | |
|-------------------|--------|--------|--------|--------|-------|-----------|
| Number Of Brokers | 6 | 5 | 5 | 4 | 5 | - |
| Current Mean | -0.41A | -0.59A | -0.46 | -0.47 | -1.92 | 22-Oct-02 |
| Previous Mean | -0.34 | -0.41 | -0.45 | -0.46 | -1.90 | 14-Oct-02 |
| Std. Deviation | 0.06 | 0.02 | 0.08 | 0.08 | 0.15 | - |
| Report Date: | 05/16A | 08/14A | 11/15w | 04/02w | - | - |

First Call Footnotes

*** MISCELLANEOUS ***

DEC02Y Quarters may not add to annual due to change in shares outstanding.

Analyst Detail (FYE Dec 2001)

| Broker Name | Q1: Mar-01 | Q2: Jun-01 | Q3: Sep-01 | Q4: Dec-01 | FY Annual | onfirmed / Revised /Orig |
|-----------------|------------|------------|------------|------------|-----------|--------------------------|
| -30DayAgoMean | -0.03 | -0.38 | -0.42 | -0.26 | -1.18 | 20-Feb-02 |
| Previous | - | - | - | - | - | NO DATE |
| CIBC World Mkts | -0.02A | -0.44A | -0.35A | -0.42A | -1.23A | 11-Mar-02 |
| Previous | - | - | - | -0.43 | -1.24 | 6-Mar-02 |
| J.P. Morgan | -0.02A | -0.44A | -0.35A | -0.42A | -1.23A | 6-Mar-02 |
| Previous | - | -0.33 | -0.46 | -0.22 | -1.27 | 7-Jan-02 |
| Lehman Brothers | -0.02A | -0.44A | -0.35A | -0.42A | -1.23A | 28-Mar-02 |
| Previous | - | - | - | -0.24 | -1.05 | 22-Jan-02 |
| Moors Cabot | -0.02A | -0.44A | -0.35A | -0.42A | -1.23A | 18-Mar-02 |
| Previous | - | - | - | - | -1.19 | 18-Mar-02 |
| RTEE Actual | -0.02A | -0.44A | -0.35A | -0.42A | -1.23A | 2-Apr-02 |
| Previous | - | - | - | - | - | 11-May-01 |
| Raymond James | -0.02A | -0.44A | -0.35A | -0.42A | -1.23A | 20-Mar-02 |
| Previous | - | -0.41 | -0.41 | -0.23 | -1.05 | 15-Nov-01 |
| Stephens Inc. | -0.02A | -0.44A | -0.35A | -0.42A | -1.23A | 6-Mar-02 |
| Previous | - | -0.42 | -0.36 | -0.33 | -1.38 | 2-Jan-02 |
| Thomas Weisel | -0.02A | -0.44A | -0.35A | -0.42A | -1.23A | 26-Mar-02 |
| Previous | - | - | - | -0.36 | -1.21 | 26-Mar-02 |
| UBS Warburg US | -0.02A | -0.44A | -0.35A | -0.42A | -1.23A | 6-Mar-02 |
| Previous | - | - | - | -0.40 | -1.46 | 31-Dec-01 |

First Call Consensus Statistics

| | | | | | | |
|-------------------|--------|--------|--------|--------|--------|-----------|
| Number Of Brokers | 6 | 9 | 9 | 9 | 10 | - |
| Current Mean | -0.02A | -0.44A | -0.35A | -0.42A | -1.23A | 28-Mar-02 |
| Previous Mean | -0.03 | -0.38 | -0.41 | -0.28 | -1.18 | 26-Mar-02 |
| Std. Deviation | 0.02 | 0.07 | 0.03 | 0.10 | 0.15 | - |
| Report Date: | 05/11A | 08/14A | 11/15A | 04/02A | - | - |

First Call Footnotes

*** MISCELLANEOUS ***

15-Nov-01 SEP01Q excludes 0.22 charge associated with Bristol-Myers Squibb Co
DEC01Y Quarters may not add to annual due to change in shares outstanding.

Web Site Information
for
ImClone Systems Inc.

We were unable to retrieve an image of the web site for the above company. You may try to print it directly from your web browser at the following URL:

<http://www.imclone.com>