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MARKETPLACE

CBS 'Challenged' By Ad Slowdown

GMAC's Fortunes Shift Into Reverse

Higher Prices Hurt Unilever's Sales

Biogen, Elan Report Cases of Brain Disease

By Keith Winstein And John Hechinger

Two multiple-sclerosis patients treated with **Biogen Idec** Inc.'s drug Tysabri contracted a potentially deadly brain infection, casting a cloud over the revival of the medicine, already withdrawn once over safety concerns.

Biogen said it had no plans to recall the drug again or restrict its use. The company and its marketing partner, Ireland's **Elan** Corp., said that the two patients who contracted the ailment, progressive multifocal leukoencephalopathy, or PML, are alive. Both patients live in Europe. One is ambulatory and at home and the other has been hospitalized.

About 31,800 people take Tysabri to treat multiple sclerosis and Crohn's disease.

About 31,800 people take Tysabri, which is also used to treat Crohn's disease, a digestive condition. The company has forecast 100,000 patients would be on it by 2010, with quarterly sales hitting a $1 billion annual rate by the end of this year. Renewed safety concerns over the drug, which costs about $30,000 a year in the U.S., could slow new patient adoption.

The two PML cases are the first reported since Tysabri returned to the market in July 2006 under strict rules approved by the Food and Drug Administration to monitor its risks. Tysabri was removed from the market in 2005 after three PML cases. MS patients clamored for the drug's return because of its effectiveness in combating the symptoms of the chronic, often-disabling disease, which attacks the central nervous system.

Uncertainties over Tysabri's risks are one of the major reasons large pharmaceutical companies declined to bid for Biogen in an auction last fall. Investors reacted to the news by punishing the stocks in after-hours trading. Biogen shares were down 18% before recovering most of their losses. Elan's shares fell 42%.

The companies estimate Tysabri's PML risk at 1 in 1,000 in the first 18 months of treatment. In clinical trials, two MS patients contracted PML and one died. Another patient with Crohn's disease also died. "We clearly believe the risk benefit profile continues to be favorable for Tysabri," said Biogen spokesman Tim Hunt.

Mark Schoenebaum, an analyst with Deutsche Bank Securities, said the number of cases are in line with the published risk, as disclosed on Tysabri's label, a fact that is "probably comforting."

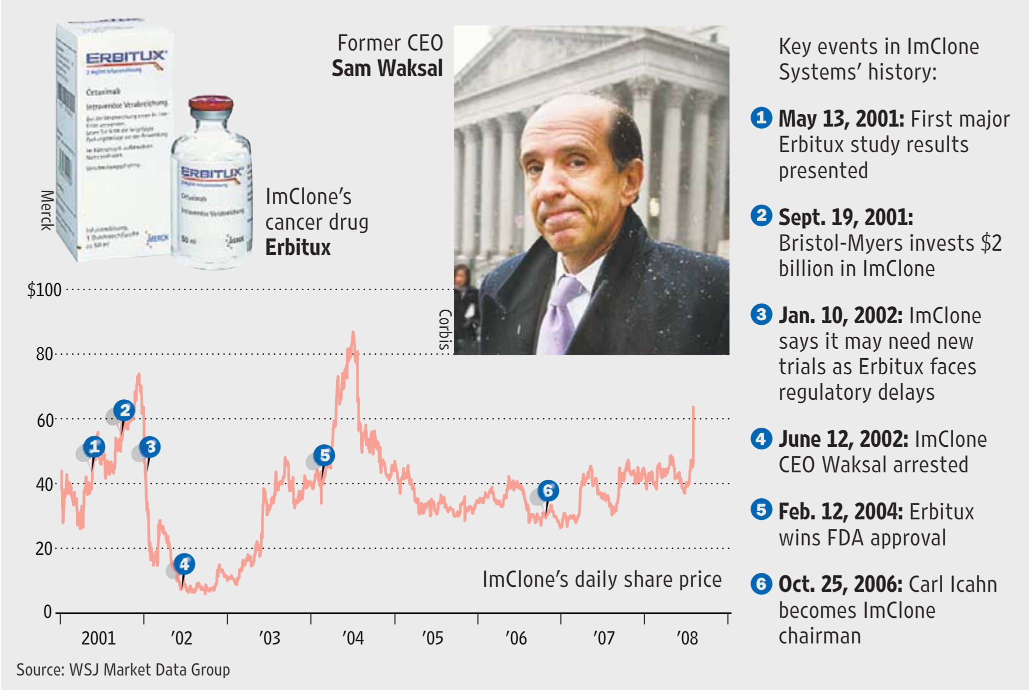
But the two new PMF cases involved patients taking it as "monotherapy," or with no other drug, as indicated on the Tysabri label. One, however, had a history of taking other medications. Many physicians had hoped that the patients contracting PML had done so because of exposure to multiple medications and that monotherapy was less risky. In earlier cases, it took more than two years before PML was discovered. In the two new cases of PML, one patient had been taking the drug for 14 months and the other for 17.

Despite "the real hope and optimism" that many patients and doctors have about Tysabri, Mr. Schoenebaum said the short time the patients were taking Tysabri and the lack of exposure to other drugs, especially in one of the cases, could lead to reduced usage. Still, he said, "I would be shocked if this is pulled from the market."

Bristol Seeks Rest of ImClone

Icahn's Response May Determine Fate Of $60-a-Share Bid

By Ron Winslow And Sarah Rubenstein

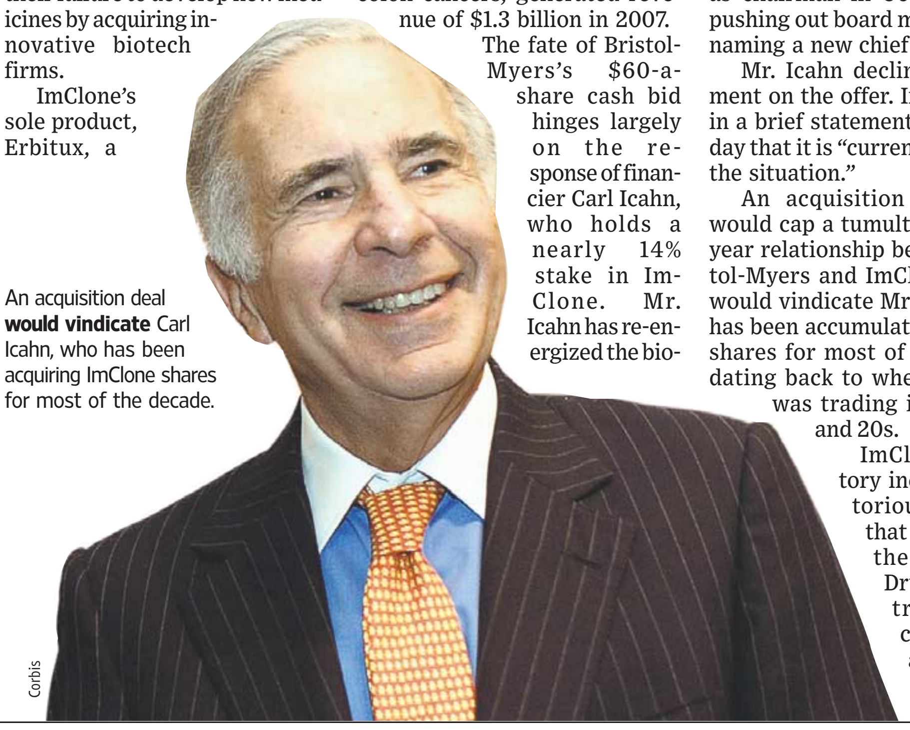


Bristol-Myers Squibb Co. made an unsolicited $4.5 billion offer for the 83% of **ImClone Systems** Inc. it doesn't already own, a move that reflects the pharmaceutical industry's growing reorientation toward biotechnology.

Bristol-Myers's move Thursday came less than two weeks after Swiss drug maker **Roche Holding** AG made an unsolicited $44 billion bid for full ownership of biotech pacesetter **Genentech** Inc. Both offers show how traditional drug makers are attempting to compensate for competition from generic drugs and their failure to develop new medicines by acquiring innovative biotech firms.

ImClone's sole product, Erbitux, a drug used to fight head, neck and colon cancers, generated revenue of $1.3 billion in 2007.

The fate of Bristol-Myers's $60-a-share cash bid hinges largely on the response of financier Carl Icahn, who holds a nearly 14% stake in ImClone. Mr. Icahn has re-energized the biotech company since taking over as chairman in October 2006, pushing out board members and naming a new chief executive.


Corbis

An acquisition deal **would vindicate** Carl Icahn, who has been acquiring ImClone shares for most of the decade.

Mr. Icahn declined to comment on the offer. ImClone said in a brief statement late Thursday that it is "currently studying the situation."

An acquisition agreement would cap a tumultuous seven-year relationship between Bristol-Myers and ImClone. It also would vindicate Mr. Icahn, who has been accumulating ImClone shares for most of the decade, dating back to when the stock was trading in the teens and 20s.

ImClone's history includes a notorious episode that began when the Food and Drug Administration decided not to accept the company's application for Erbitux's approval, just a few months after Bristol-Myers bought its stake in September 2001. The news sent ImClone's shares tumbling. Suspicious stock sales before the company disclosed the FDA's decision ensnared founder Sam Waksal and his friend, lifestyle mogul Martha Stewart, in an insider-trading scandal.

Ms. Stewart, founder of **Martha Stewart Living Omnimedia** Inc., served a five-month prison sentence for lying about her sale of ImClone shares. Mr. Waksal was sentenced to 87 months for securities fraud, and is expected to be released from prison this month.

Erbitux was eventually approved in 2004 after additional data satisfied the FDA about its effectiveness. Despite competition from drugs made by **Amgen** Inc. and Genentech, Erbitux has emerged as a blockbuster in the field of targeted cancer medi-

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Exxon Rides High on Profit, Loses Ground on Output

Higher Prices Drive 14% Earnings Rise; Shell Net Leaps 33%

By Ana Campoy And Guy Chazan

Exxon Mobil Corp. posted a 14% rise in second-quarter net income, boosted by high oil prices, but results were tarnished by falling production figures that worried investors.

Exxon Mobil's profit of $11.68 billion, or $2.22 a share, up from $10.26 billion, or $1.83 a share, a year earlier, wasn't enough to distract investors from a 7.8% drop in its production of oil and natural gas. The earnings also missed Wall Street expectations of $2.52 a share, according to analysts surveyed by Thomson Reuters.

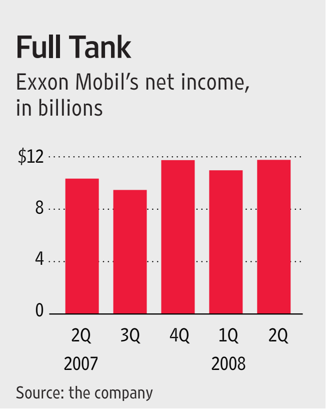
Revenue soared 40% to $138.07 billion, but analysts were expecting $144.39 billion.

Also on Thursday, **Royal Dutch Shell** PLC reported second-quarter profit jumped 33% to $11.56 billion, or $1.87 a share, from $8.67 billion, or $1.38 a share, a year earlier as high oil prices more than offset barrels lost from unrest in Nigeria and weaker refining conditions. Revenue rose 55% in the quarter to $131.4 billion from $84.9 billion a year earlier.

Shell's total oil and natural-gas production was down 1% to 3.05 million barrels of oil equivalent a day, from an average of 3.09 million barrels of oil equivalent a day in the same period a year earlier. The numbers exclude Canada's oil-sands production.

In 4 p.m. New York Stock Exchange composite trading Thursday, Exxon shares fell $3.95, or 4.7%, to $80.43, and Shell's Class A American depositary shares fell $2.90, or 3.9%, to $70.79. (Marathon Oil Corp. may split into two. Please see article on Page B6).

Major oil companies face mounting challenges to increasing their oil and natural-gas production as their existing fields mature and oil-producing countries become more restrictive about access to their oil. In the last week, **BP** PLC reported that its second-quarter production was flat with a year earlier, and **ConocoPhillips** said its quarterly production was down 8.4%.



Exxon's production fell mainly due to expropriation of some of the company's assets in Venezuela, a labor strike in Nigeria and lower entitlement volumes under production-sharing contracts, the company said. Excluding those factors, the company's output was down about 3%.

"These results are much lower than expected and put a lot of pressure on the company's management to do something," Fadel Gheit, an analyst with Oppenheimer & Co., said of Exxon's results. "They will either have to make an acquisition or to boost their share-buyback program."

Exxon increased capital spending to $6.97 billion from $5.04 billion in the same period last year. The company has said its annual capital expenditures will be between $25 billion and $30 billion in the next few years.

Exxon says that in 2008 it has started up five major projects that will boost its production. Even so, in the second quarter increased production from projects in West Africa and the North Sea wasn't enough to offset declines from mature fields and maintenance activities.

Shell said that its crude-oil production was down 6% in the latest quarter, while natural-gas production was up 6%. "Shell is increasingly becoming the global gas major," said Citigroup analyst James Neale.

Also on Thursday, Shell unveiled the largest capital-investment target in its history: up to $36 billion in 2008.

Exxon's quarterly net represented the highest three-month profit from recurring business posted by a publicly traded company and beat the previous record of $11.66 billion reported by the Irving, Texas, company in the fourth quarter of last year.

—Benoit Faucon and Isabel Ordonez contributed to this article.

As Papers Cut, Tribune Updates TV News

By Sam Schechner

Tribune Co. is slashing staff and space at newspapers across the country. But in another old-media business—local television news—it's moving in the opposite direction.

Nearly half of Tribune's 23 broadcast stations are expanding or launching local news operations, many of them hiring staff as a result. The biggest investment is in KSWB-TV in San Diego, which has hired a staff of nearly 50 to produce the station's first in-house news broadcasts in nearly three years.


Tribune Co.

KSWB traffic and weather reporter Chrissy Russo on a **'mega map'** of San Diego that will be featured on newscasts.

KSWB abandoned its original newscast in 2005 to save money. The new programs, which debut Friday, will be radically different from the old, with a format that borrows from conventions of cable television and incorporates interactive elements of the Web. Morning anchor Arthel Neville will wander an open set, chatting with reporters, as well as with "Jack the Cop," a former sergeant for the San Diego County Sheriff's Department. Some correspondents could join via Web cam. If the format works well, the company could import elements to other parts of its empire.

"It's practically like there's a government regulation that regulates how a TV station sounds," says Lee Abrams, Tribune's chief innovation officer. He notes that some of local-news conventions are fodder for parody, from "The Simpsons" to the 2004 movie "Anchorman: The Legend of Ron Burgundy," which stars Will Ferrell as a pompous 1970s news anchor—and is set in San Diego. "It's out of date and ready for reinvention," he says.

Mr. Abrams is part of a new management team hired by real-estate mogul Sam Zell, who led an $8.2 billion buyout of Tribune in December. The new team has been aggressive in cutting costs on the newspaper side of the business, where ad revenue has plunged since the deal amid an industrywide slump.

The tough economy and a shift of young viewers to the Internet are also hurting ad sales in the TV industry. Several owners of major station groups, including **Belo** Corp., **CBS** Corp., **General Electric** Co.'s NBC Universal, and **Walt Disney** Co., have in recent weeks reported continuing softness in local advertising, and some groups

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