

Message from the Chairman and the President

This year we introduce you to three Memorial Sloan-Kettering Cancer Center patients. Their stories are the heart of the 2003 Annual Report.

Every year, MSKCC touches the lives of thousands of patients, and each has a story to tell. The patients we have chosen to highlight this year are not only three remarkable human beings, but their stories are examples of the quality, creativity, and commitment of our clinicians, scientists, and other healthcare professionals as they strive to provide the best available cancer care to MSKCC patients today, and work to improve the treatment of cancer in the future.

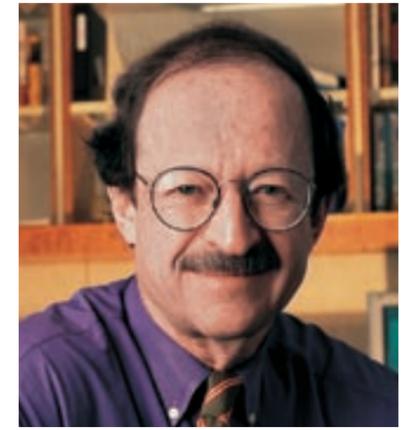
The year 2003 marked the public announcement of the Campaign for Memorial Sloan-Kettering, opening an important new phase in the Center's efforts to generate increased levels of gift income in support of its mission. Our goal is to raise \$1 billion over five years, reflecting the size of the challenge MSKCC has undertaken. Of the billion dollars, approximately half is earmarked for projects relating to treatment and patient care, including funds to recruit and train outstanding medical professionals and support for the construction and renovation of state-of-the-art patient care facilities. The other half will help advance basic science, translational, and clinical research, in addition to funding the new research building on East 68th Street.

As part of our effort to increase the number of MSKCC-trained physician-scientists on our faculty, we have launched the Physician-Scientist Development Program. The program is designed to retain and nurture the careers of some of our most promising trainees by providing them with salary support, research funding, and early faculty appointments. The first participants will be selected this spring by a team of senior clinicians and scientists drawn from Memorial Hospital and the Sloan-Kettering Institute (SKI).

A generous bequest from the estate of Irma Howard, wife of the late Frank A. Howard, has established the new Frank A. Howard Fellows Program at MSKCC. The program will provide exceptionally talented and creative young scientists with



Douglas A. Warner III
Chairman
Boards of Overseers and Managers



Harold Varmus
President

the resources needed to pursue an independent cancer research program for a period of up to five years.

MSKCC is also developing its first independent graduate training program and has applied to New York State for full degree-granting authority in the field of cancer biology. The graduate program will augment the number of graduate students at MSKCC as the new research facility grows over the next decade. We expect to admit approximately 10 to 12 students each year, resulting in a program of roughly 60 students when it reaches its steady state in about 2010.

This past year was an important one for new programs and program expansion. Larry Norton was named Deputy Physician-in-Chief for Breast Cancer Programs. He will bring a new level of planning, coordination, and execution to breast cancer-related activities at all MSKCC locations, including the regional sites, screening facilities, and any affiliate locations we may develop. Marc K. Rosenblum was appointed Chairman of the Department of Pathology. Dr. Rosenblum, Acting Chairman since 1999, is internationally recognized for his skills as a neuropathologist. He will direct a major recruitment effort, with a view to expanding translational research efforts and providing state-of-the-art services in both conventional diagnostic and molecular pathology. David W. Kissane was named Chairman of MSKCC's Department of Psychiatry and Behavioral Sciences. He will be responsible for a broad program of services, research, and training in the diagnosis and treatment of psychiatric problems related to cancer and its care.

James P. Allison, one of the world's leading immunologists — a Howard Hughes Medical Institute investigator who currently works at the University of California, Berkeley — has accepted our offer to serve as Chairman of the Immunology Program at SKI. Joan Massagué was named Program Chairman of the new SKI Cancer Biology and Genetics Program. Dr. Massagué served as Chairman of SKI's Cell Biology Program for 14 years, and will bring outstanding leadership to this important new program. SKI also announced the creation of a Structural Biology Program and named structural biologist Nikola P. Pavletich as Program Chairman. Dr. Pavletich, a Howard Hughes Medical Institute investigator at MSKCC, was one of this year's winners of the Paul Marks Prize, which recognizes significant contributions to the basic understanding and treatment of cancer by scientists



John R. Gunn
Executive Vice President

no more than 45 years old at the time they are nominated. (Read more about the Marks Prize on page 42.)

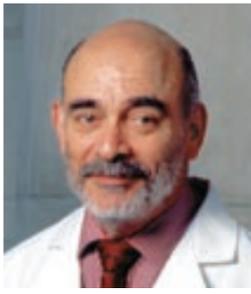
This year, we opened new state-of-the-art pathology laboratories and a renovated pediatrics inpatient floor, both in the so-called “infill,” the five new floors above the Winston Pavilion on East 67th Street. The steel framework for the new research building between East 68th and East 69th Streets is above ground on the north side of the site and should reach its full height in the summer of 2004. During 2003, we completed construction of a 256-unit residential building at Southtown on Roosevelt Island. This new staff residence, which includes a daycare facility for children, will expand MSKCC’s staff housing program for members of the professional staff and critical support staff. East of Roosevelt Island, in Long Island City, Queens, construction was finished on a new home for another segment of the MSKCC community: the Center’s population of genetically modified mice, which are used in studies of cancer. We have also acquired land in Basking Ridge, New Jersey — a state in which approximately 17 percent of our outpatients reside — and will break ground in 2004 for a new ambulatory care facility in the MSKCC network. The facility will include two operating rooms for ambulatory surgery. We have also requested permission from New York State to open a similar operating room at our Suffolk Outpatient Center in Commack, New York.

MSKCC has also announced a new Cancer Survivorship Initiative to address the needs of the growing population of cancer survivors, providing them with follow-up medical and psychosocial care and services. The initiative will also develop research protocols to enable MSKCC to discover and track the effects of cancer treatment and study interventions that will, in the future, affect the way treatment and patient care are delivered.

Our financial results for 2003 were satisfactory. Inpatient days and outpatient visits were modestly ahead of prior year levels. Operating revenues grew by 8.4 percent. Operating expenses increased by 12.6 percent. We are implementing initiatives that will yield greater income growth so that revenues and expenses will be more closely aligned. Non-operating income increased substantially in 2003 to \$175 million, due to improved investment performance and higher levels of philanthropy. MSKCC also benefitted from the non-recurring sale of a portion of a major royalty stream. A more detailed analysis of our financial results can be found on page 68.

During 2003, MSKCC raised \$488 million in tax-exempt debt through The Dormitory Authority of the State of New York. This financing will be used primarily for the new research building. We were pleased that the Center continues to maintain a AA bond rating from all three bond rating agencies. The leadership of MSKCC’s Executive Vice President John R. Gunn, Senior Vice President of Finance Michael P. Gutnick, and Senior Vice President and Hospital Administrator Kathryn Martin has been essential in maintaining the financial stability of the Center.

There is no overstating the fact that our success as an institution is due in great part to the expertise of our staff of more than 8,000 employees. Their dedication, energy, talent, and compassionate care help to lessen the burden of cancer for



Robert E. Wittes
Physician-in-Chief
Memorial Hospital



Thomas J. Kelly
Director
Sloan-Kettering Institute

today’s patients, as well as for those patients we will see in the future.

Volunteers are a constant presence in our halls. They amplify the work of our staff and make a difference in the lives of our patients. We also wish to thank the members of The Society of Memorial Sloan-Kettering who, under the able and inspiring direction of Coco Kopelman, work tirelessly to raise funds for the Center and to improve public understanding of cancer.

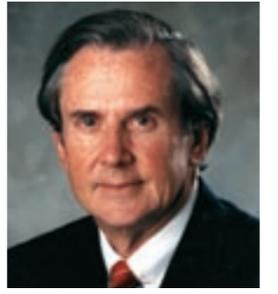
Leadership at all levels within the Center and on the Boards of Overseers and Managers makes our achievements possible. We take this opportunity to welcome Daniel C. Benton; Benjamin W. Heineman, Jr.; Henry A. McKinnell, Jr.; E. Stanley O’Neal; and Deborah C. Wright to the Board of Overseers; and to acknowledge the election of Board of Overseers members Roland W. Betts, Stanley F. Druckenmiller, Richard N. Foster, Ellen V. Futter, Marie-Josée Kravis, and Michael L. Tarnopol to the Board of Managers. We also note Henry Forrest Hill’s election to the Boards of Overseers Emeriti.

Our ability to sustain our mission depends on the generosity of many supporters, and we are grateful to all those whose gifts help Memorial Sloan-Kettering move ahead in its essential endeavors. Their contributions, large and small, serve to enhance our patient care programs and fund vital research—and in the process have set a new standard for philanthropic support at the Center. As of December 31, 2003, the Campaign for Memorial Sloan-Kettering had recorded gifts and pledges totaling \$498.3 million — half its goal — with three years left to go. Momentum generated by the Campaign helped boost annual cash gifts to an all-time high of \$165.5 million, an increase of 30.9 percent over last year’s total.

In 2003 we made significant progress toward our new and ambitious goals of major expansion and improvement of our facilities for medical care and research, recruitment of an expanded number of outstanding faculty and staff, development of novel programs for research and training, enhanced collaborations with our institutional partners throughout the New York area, and greater attention to cancer as a public health problem affecting all our citizens. As we enter 2004, we also renew our commitment to our bedrock values: providing the best possible patient care, performing research of the highest quality, and training the outstanding healthcare professionals and scientists of the future. We hope that the stories of Samantha Eisenstein, Joseph DiLeo, and Ingrid Gurzynski will help to convey some sense of the excitement and pride we feel about this remarkable institution.



Laurance S. Rockefeller
Honorary Co-Chairman
Boards of Overseers
and Managers



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