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IMATRON INC
Form 425
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SUBJECT COMPANY: Imatron Inc.
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FOR IMMEDIATE RELEASE

IMATRON ANNOUNCES THIRD QUARTER
FINANCIAL RESULTS

ECONOMIC UNCERTAINTY CAUSES SHORTFALL IN SCANNER SHIPMENTS TO EIGHT
SALES FOR THE QUARTER

SO. SAN FRANCISCO, CALIF., NOVEMBER 16, 2001 -- IMATRON INC. (NASDAQ: IMAT), manufacturer of Electron Beam Tomography (EBT) scanners, today announced financial results for the third fiscal quarter of 2001. Revenues for the three months ended September 30, 2001 were \$16.9 million compared to revenues of \$17.5 million for the same period in fiscal 2000, a decrease of approximately 3%. Net income for the three months ended September 30, 2001 decreased to approximately \$47,000, or \$0.00 per share, compared to \$1.6 million, or \$0.02 per share, for the same period a year ago. The Company sold eight EBT scanners in the third quarter of 2001 compared to nine scanners in last year's third fiscal quarter and ten scanners in Imatron's second quarter ended June 30, 2001.

Revenues for the nine months ended September 30, 2001 increased approximately 24% to \$54.7 million compared to revenues of \$44.3 million for the same period last year. Net income for the nine months ended September 30, 2001 was \$3.1 million, or \$0.03 per share, compared to \$2.8 million, or \$0.03 per share, for the same period last year.

Third quarter revenues decreased approximately 9% and net income decreased 96% from the Company's second quarter of this fiscal year ended June 30, 2001. As of September 30, 2001, the Company reported cash and cash equivalents and short-term investments of \$7.8 million, working capital of \$37.9 million and a current ratio of 2.5 to 1. Shareholders' equity was \$43.3 million.

S. Lewis Meyer, CEO of Imatron, commented, "As we previously stated, Imatron's third quarter financial results represent a shortfall from prior projections due to developments surrounding the September 11 terrorist attacks and the associated economic uncertainty worldwide and in the United States specifically. While we expect to report a profit for the fiscal year, we anticipate revenue and net operating income projections to fall short of previous estimates. We now project revenues for the 2001 fiscal year to be approximately \$71 million, a 14% increase over fiscal year 2000 revenues. The Company's prior guidance on revenue expectations for the 2001 fiscal year was more than \$80 million. Furthermore, Imatron now expects the 2001 fiscal year to reflect an approximately 30% decrease in net operating income from the prior year as compared to our previous projected 50% increase in net operating income."

Meyer continued, "While the precise impact of the tragic events of early September and subsequent economic uncertainty is impossible to quantify, there has clearly been a negative impact on Imatron's projected sales for the remainder of the 2001 fiscal year. A number of expected scanner sales have been

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delayed or postponed because of concerns about the availability of private investment capital, third party equipment financing capital and reduced discretionary consumer spending. Imatron anticipates that the re-evaluation of capital spending

and business expansion plans by our prospects and customers may also have an adverse impact on sales growth in our 2002 fiscal year."

Meyer further continued, "As announced on September 24, 2001, we have signed a definitive agreement whereby General Electric will acquire Imatron for \$1.89 per share payable in GE stock. We clearly support the proposed merger with GE and look forward to the integration of Imatron's EBT technology into the GE offering in computed tomography (CT). GE's resources in combination with Imatron's proprietary EBT technology and know-how, will bring great value to our customers, employees, suppliers and shareholders. The merger is subject to Imatron shareholder approval and other customary conditions and is expected to close before year-end 2001. Each Imatron shareholder will be sent a proxy statement disclosing the specific terms and conditions of this transaction. Imatron has selected December 19, 2001 as the date of the shareholders' meeting, which will be held in South San Francisco, California. The value of this transaction to Imatron's shareholders is approximately \$200 million."

THIS NEWS RELEASE SHALL NOT CONSTITUTE AN OFFER OF ANY SECURITIES FOR SALE. GE AND IMATRON INC. WILL PREPARE AND FILE A PROXY STATEMENT/PROSPECTUS. COPIES OF THIS DOCUMENT WILL BE PROVIDED TO STOCKHOLDERS OF IMATRON INC. IN ADDITION, THIS DOCUMENT AND OTHER RELEVANT DOCUMENTS CONCERNING THE TRANSACTION WILL BE FILED WITH THE SECURITIES EXCHANGE COMMISSION AND COPIES WILL BE AVAILABLE FREE OF CHARGE FROM THE COMMISSION'S WEBSITE (WWW.SEC.GOV) AND FROM GE AND IMATRON. THIS PROXY STATEMENT/PROSPECTUS WILL CONTAIN IMPORTANT INFORMATION, AND INVESTORS ARE URGED TO READ THIS DOCUMENT ONCE IT BECOMES AVAILABLE. INVESTORS SHOULD READ THE JOINT PROXY/PROSPECTUS CAREFULLY WHEN IT BECOMES AVAILABLE BEFORE MAKING ANY VOTING OR INVESTMENT DECISIONS.

Except for the historical information contained herein, the matters discussed in this news release may contain forward-looking statements that are based on current expectations and estimates about the industry in which Imatron operates, the estimated impact of certain technological advances, the estimated impact of published research studies on scanner sales and procedures, as well as management's beliefs and assumptions. It is important to note that the Company's actual results could differ materially from those projected in such forward-looking statements. The factors that could cause actual results to differ materially include, among others; failed clinical demonstration of certain asserted technological advantages and diagnostic capabilities; reliance on product distributors; competition in the diagnostic imaging market; failure to improve product reliability or introduce new product models and enhancements; delays in production and difficulty in obtaining components and sub-assemblies from limited sources of supply; inability to meet cash-on-delivery or prepayment terms from vendors; determinations by regulatory and administrative government authorities; patent expiration and denial of patent applications; the high cost of the scanner as compared to commercially available CT scanners; and the risk factors listed from time to time in the Company's Securities and Exchange Commission reports, including their reports on Form 10-K for the year ended December 31, 2000.

--Financial Tables Follow--

IMATRON INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

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(UNAUDITED)

| | September 30, 2001 ----- | December 31, 2000 ----- (Restated) |
|-------------------------------------------------|--------------------------------|---------------------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 7,768 | \$ 4,718 |
| Short term investments | -- | 461 |
| Accounts receivable, net: | | |
| Trade accounts receivable | 26,780 | 19,300 |
| Other receivables | 3,614 | 2,184 |
| Inventories | 24,742 | 18,835 |
| Prepaid expenses | 637 | 905 |
| | ----- | ----- |
| Total current assets | 63,541 | 46,403 |
| Property and equipment, net | 4,514 | 3,567 |
| Goodwill, net | 996 | 1,101 |
| Other assets | 156 | 417 |
| | ----- | ----- |
| Total assets | \$ 69,207 ===== | \$ 51,488 ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 4,975 | \$ 3,037 |
| Deferred revenue | 3,308 | 2,109 |
| Other accrued liabilities | 11,732 | 9,235 |
| Line of credit | 5,556 | -- |
| Capital lease obligations - due within one year | 68 | 35 |
| | ----- | ----- |
| Total current liabilities | 25,639 | 14,416 |
| Deferred revenue | 176 | 293 |
| Capital lease obligations | 119 | 82 |
| | ----- | ----- |
| Total liabilities | 25,934 | 14,791 |
| | ----- | ----- |
| Shareholders' equity | | |
| Common stock | 128,330 | 128,108 |
| Additional paid-in capital | 9,720 | 9,614 |
| Notes receivable from shareholders | (113) | (3,230) |
| Accumulated deficit | (94,664) | (97,795) |
| | ----- | ----- |
| Total shareholders' equity | 43,273 | 36,697 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$ 69,207 ===== | \$ 51,488 ===== |

IMATRON INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

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(UNAUDITED)

| | Three Months ended September 30, | | |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------|-------|
| | 2001 | 2000 | 2 |
| | ----- (unaudited) ----- | | |
| Revenues | | | |
| Product sales | \$ 14,558 | \$ 15,227 | \$ |
| Service | 2,239 | 2,012 | |
| Other product sales | 108 | 244 | |
| | ----- | ----- | ----- |
| Total revenue | 16,905 | 17,483 | |
| | ----- | ----- | ----- |
| Cost of revenues | | | |
| Product sales | 7,848 | 8,546 | |
| Service | 2,082 | 1,538 | |
| Other product sales | 122 | 216 | |
| | ----- | ----- | ----- |
| Total cost of revenues | 10,052 | 10,300 | |
| | ----- | ----- | ----- |
| Gross profit | 6,853 | 7,183 | |
| | ----- | ----- | ----- |
| Operating expenses | | | |
| Research and development | 2,781 | 2,455 | |
| Marketing and sales | 2,546 | 1,865 | |
| General and administrative | 1,503 | 1,281 | |
| Goodwill amortization | 34 | 36 | |
| | ----- | ----- | ----- |
| Total operating expenses | 6,864 | 5,637 | |
| | ----- | ----- | ----- |
| Operating income (loss) | (11) | 1,546 | |
| Interest income | 23 | 84 | |
| Interest expense | (82) | (4) | |
| Other income (expense) | 117 | (3) | |
| | ----- | ----- | ----- |
| Income from continuing operations before provision for income taxes | 47 | 1,623 | |
| Provision for income taxes | -- | -- | |
| | ----- | ----- | ----- |
| Income from continuing operations | 47 | 1,623 | |
| Loss from discontinued operations | -- | (58) | |
| | ----- | ----- | ----- |
| Income before cumulative effect of change in accounting principle | 47 | 1,565 | |
| Cumulative effect on period prior to December 31, 1999 of changing to a different revenue recognition method | -- | -- | |
| | ----- | ----- | ----- |
| Net income | \$ 47 | \$ 1,565 | |
| | ===== | ===== | ----- |
| Net income per common share: | | | |
| Income from continuing operations - basic and diluted | \$ 0.00 | \$ 0.02 | |
| | ===== | ===== | ----- |
| Net income - basic and diluted | \$ 0.00 | \$ 0.02 | |
| | ===== | ===== | ----- |
| Number of shares used in basic per share calculations | 105,099 | 104,414 | 1 |

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| | | |
|---------------------------------------------------------|---------|---------|
| Number of shares used in diluted per share calculations | ===== | ===== |
| | 105,883 | 107,178 |
| | ===== | ===== |