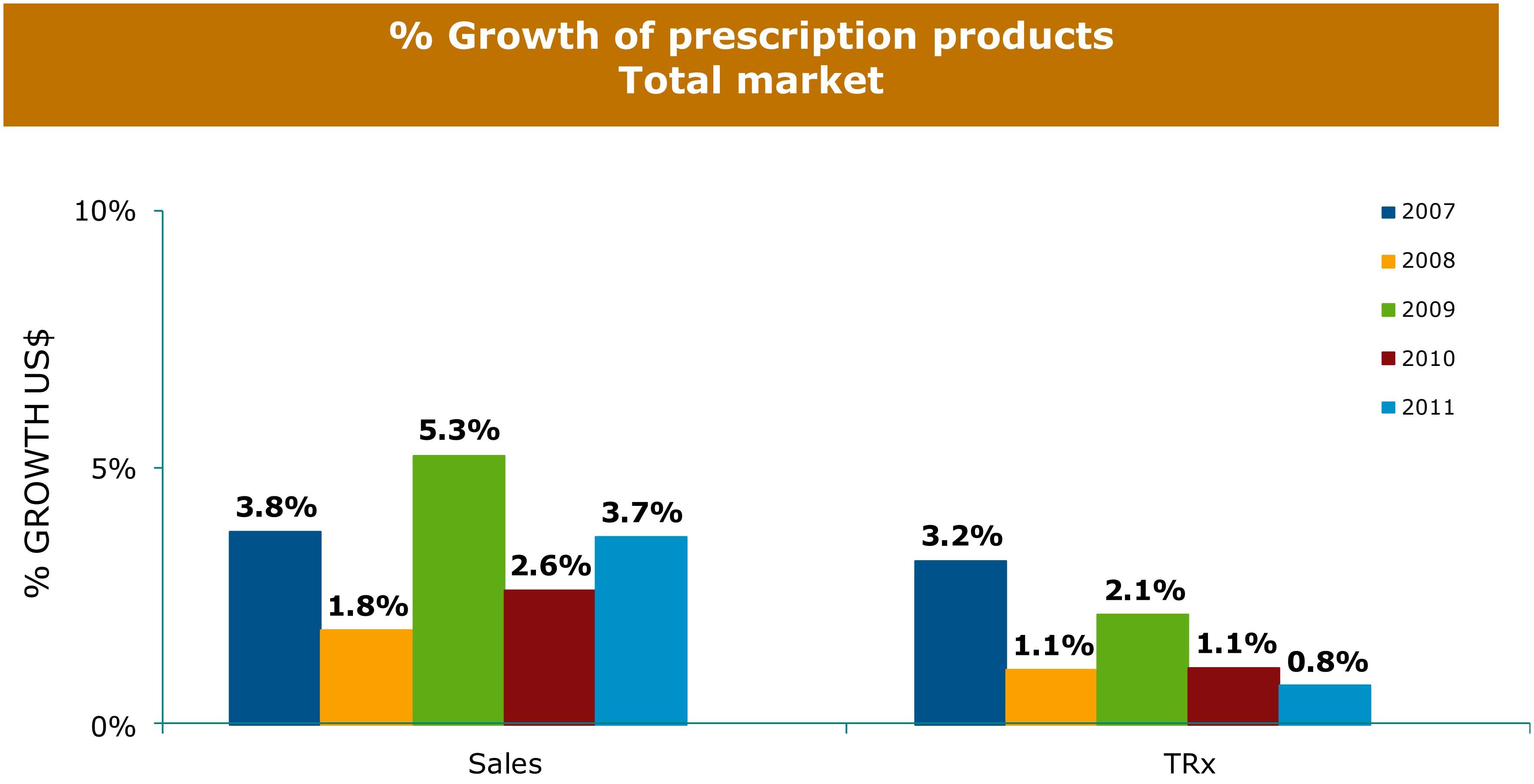
The US Pharmaceutical Market

Looking back and looking ahead!

Prepared for FMI
By Doug Long
VP Industry Relations
March 20, 2012

2012 Strategic management presentation

The total market grew 3.7% in 2011

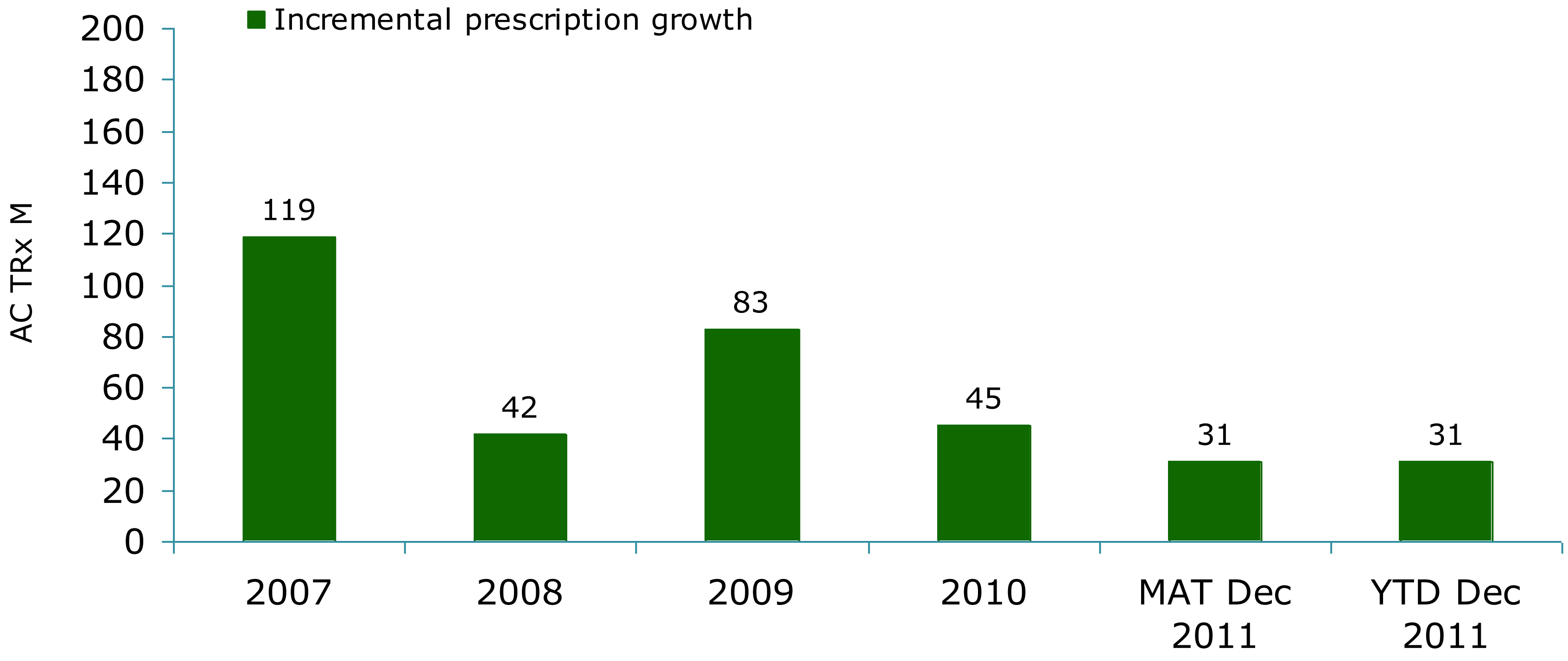


Source: IMS Health, National Sales Perspectives, Dec 2011 IMS Health, National Prescription Audit, Dec 2011

Reasons for Moderation in the Growth of Drug Expenditures

- Increased cost sharing for consumers
- Economic downturn
- Innovation drought
- Safety concerns for various drugs
- Rx to OTC conversions
- Ongoing introduction of first time generic drugs

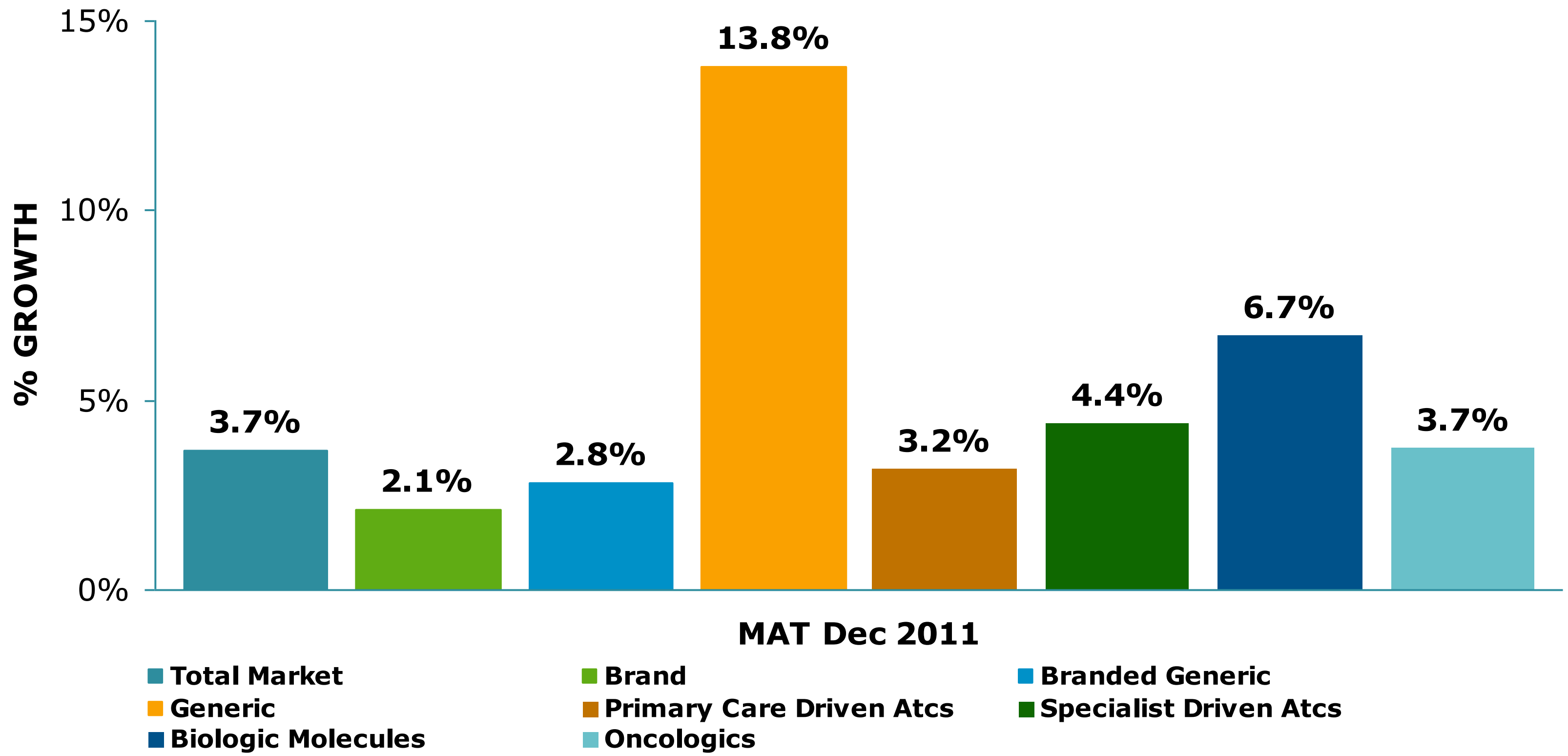
There were 31 million more TRXs in 2011 than in 2010



Source: IMS Health, National Prescription Audit, Dec 2011

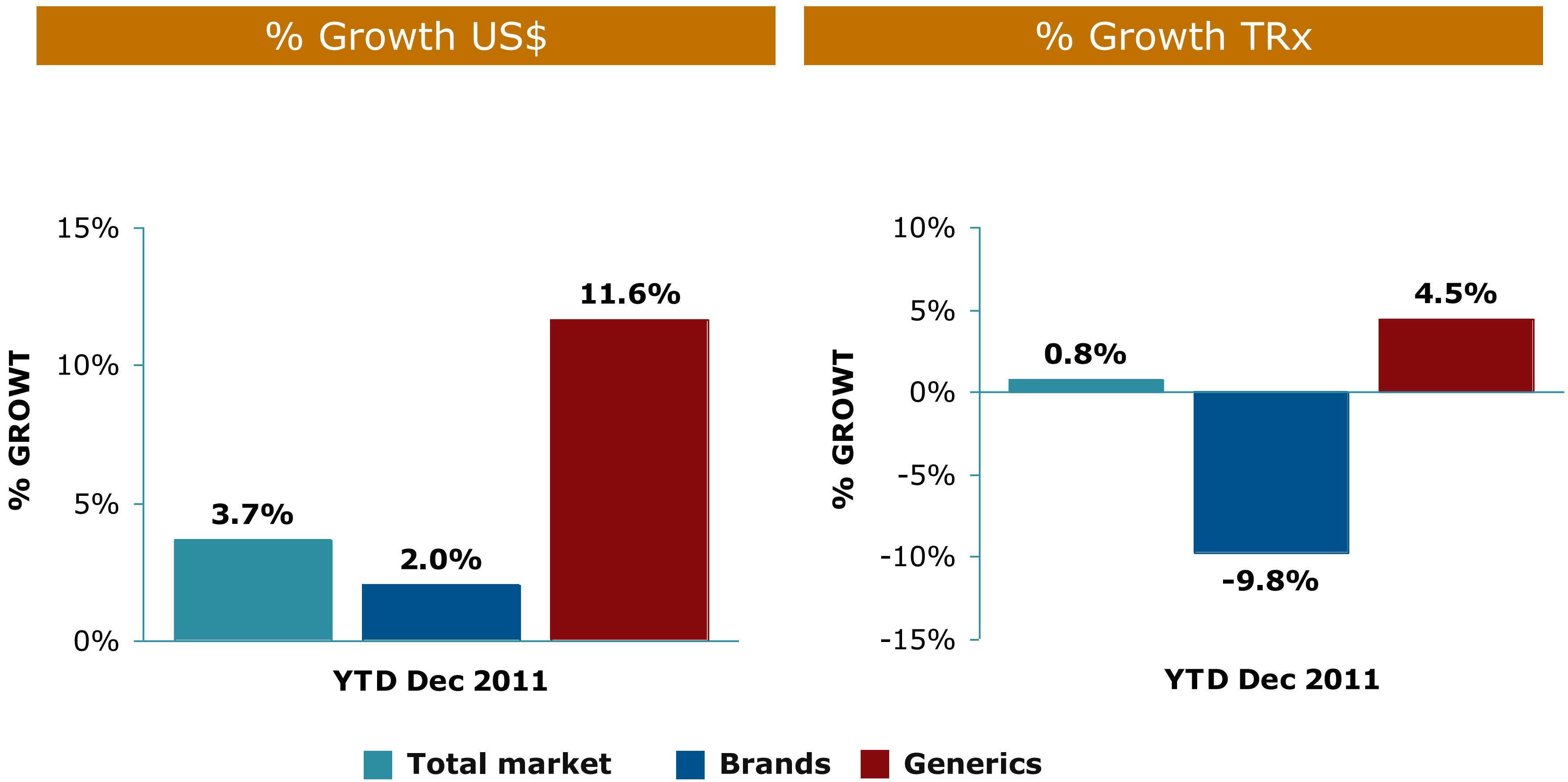
Generics and Specialty outperformed the market in 2011

% Growth US$



Source: IMS Health, National Sales Perspectives, Dec 2011

Generics continue to post strong growth



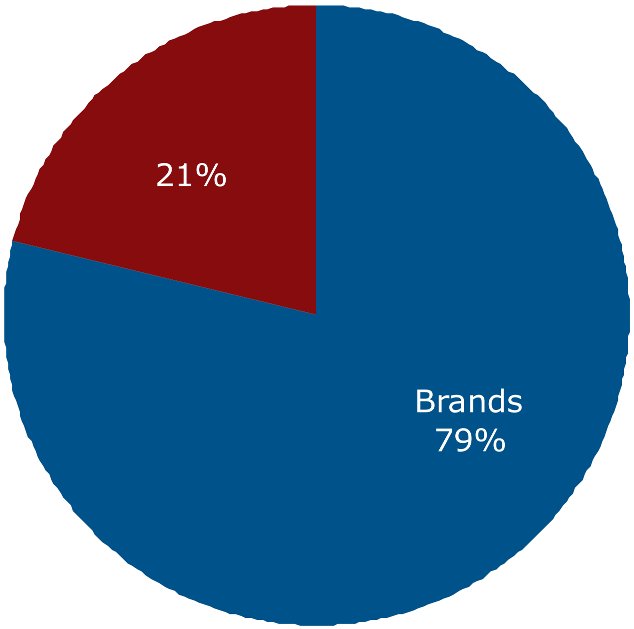
Source: IMS Health, National Sales Perspectives, Branded generics disaggregated, Dec 2011

Source: IMS Health, National Prescription Audit, Branded generics disaggregated, Dec 2011

Generics account for 54% of the dollar growth in 2011

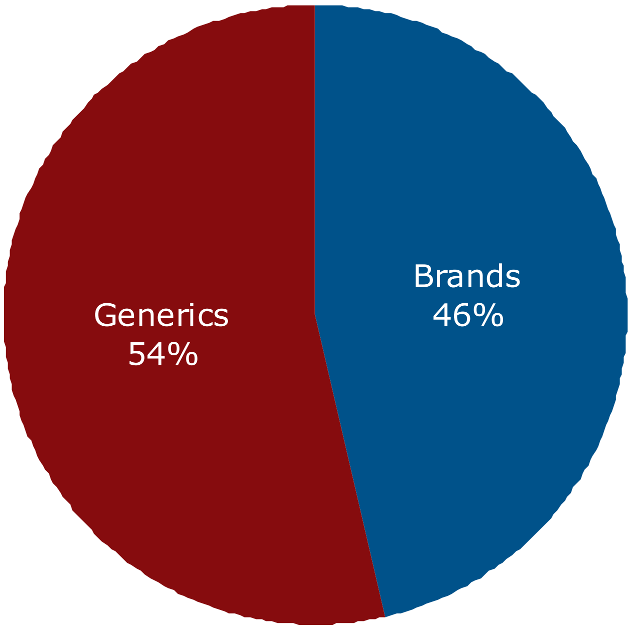
% Contribution to growth US$

2007



AC = +$10bn

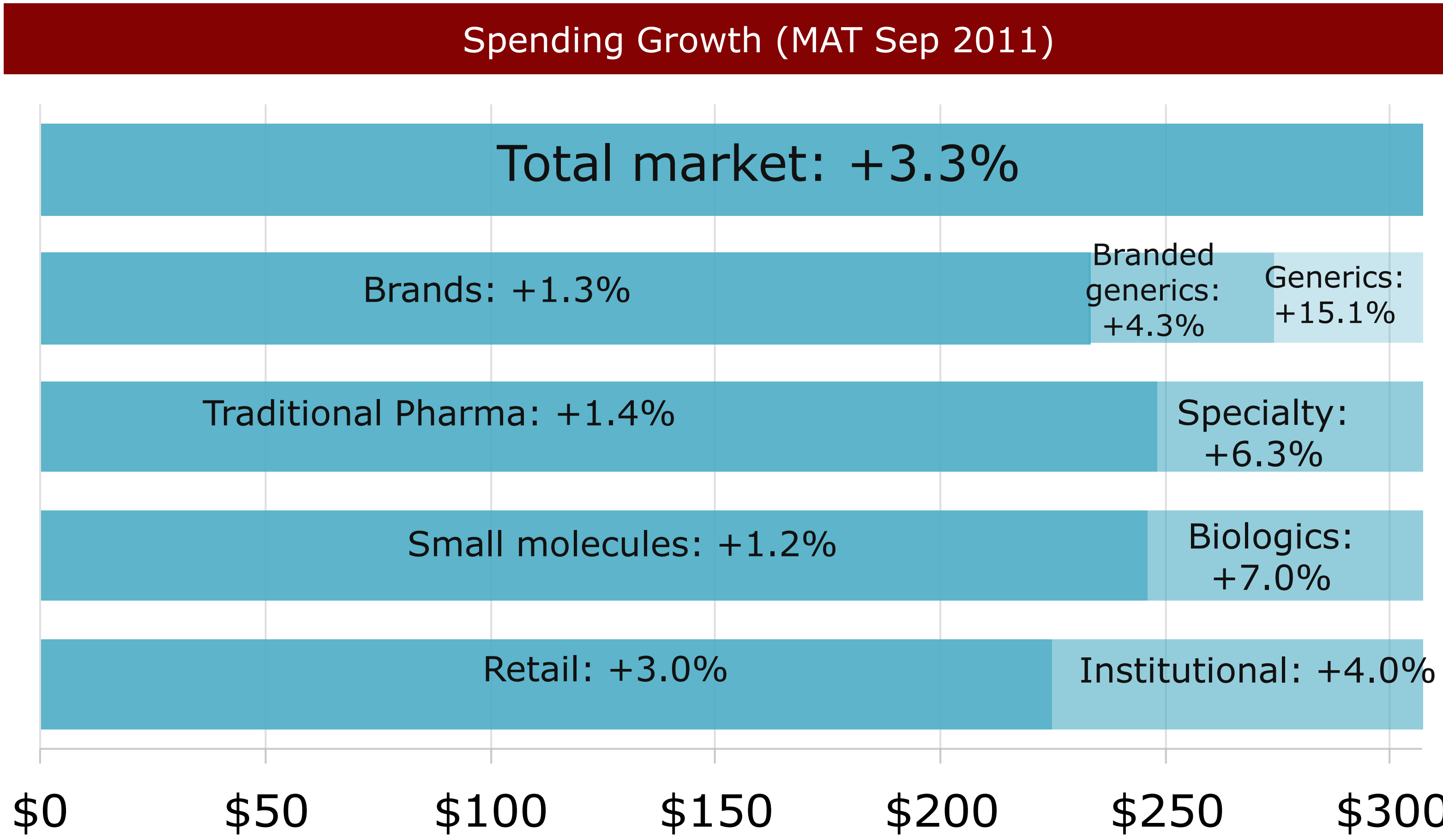
MAT Dec 2011



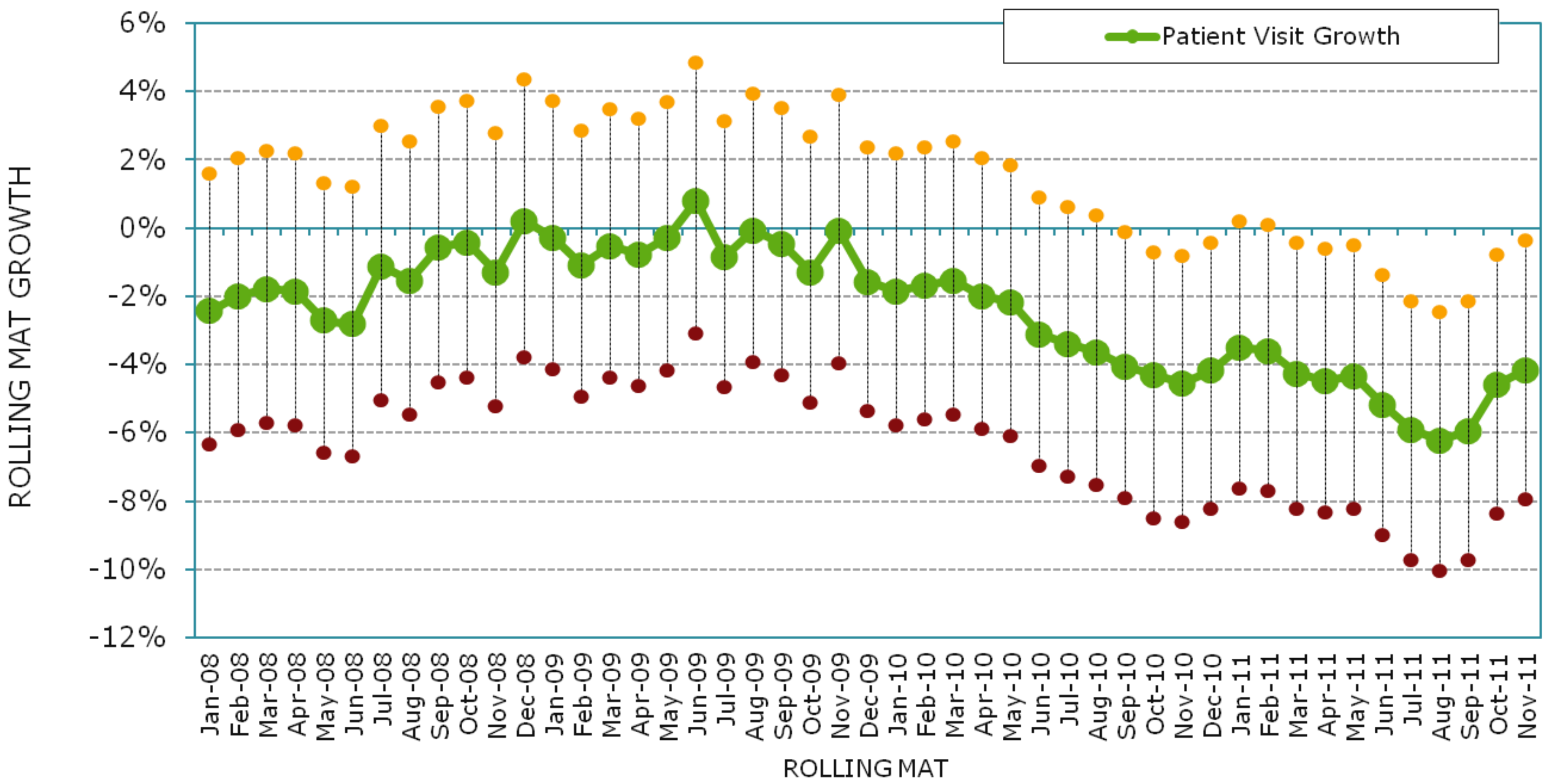
AC = +$11bn

Source: IMS Health, National Sales Perspectives, Branded generics disaggregated, Dec 2011

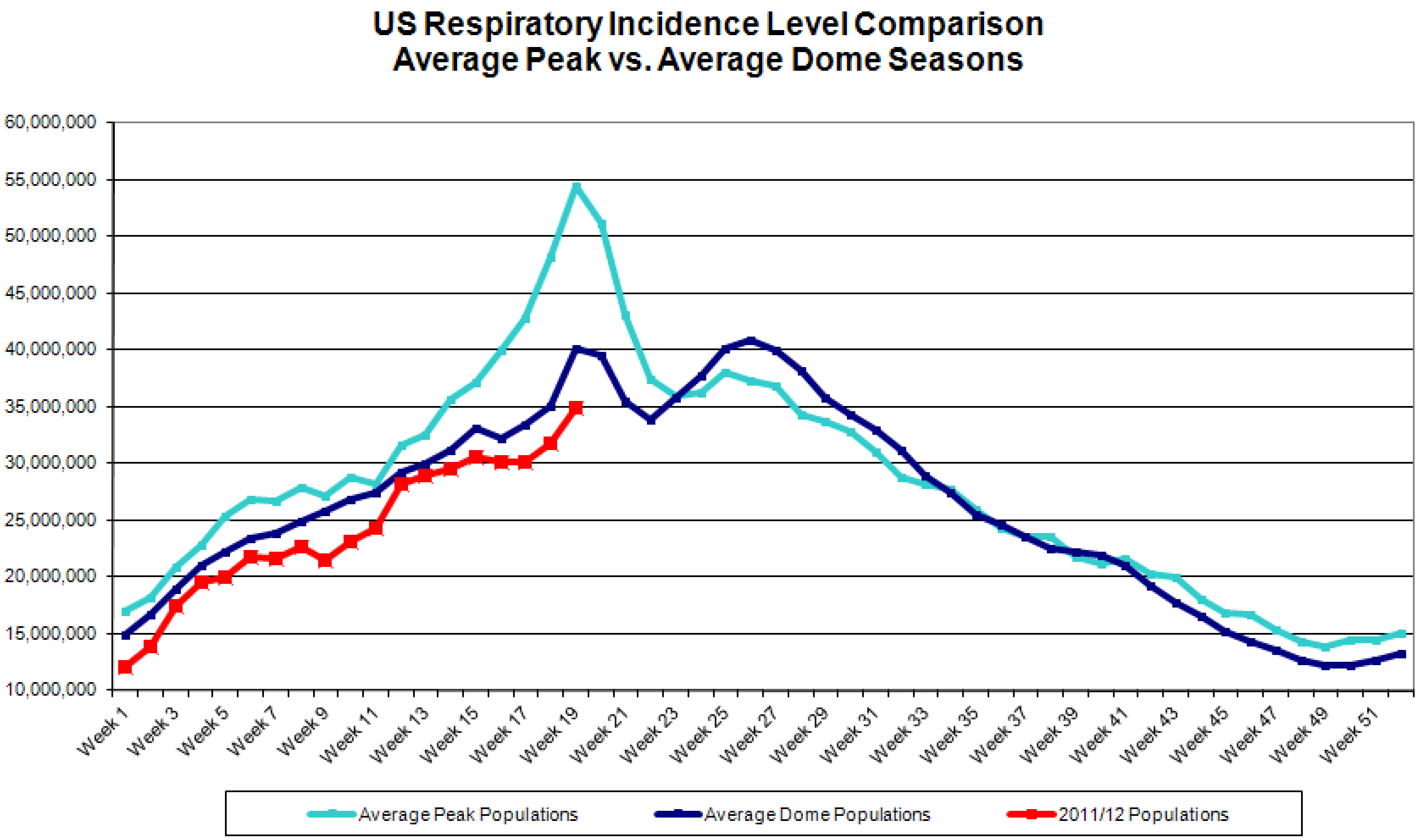
Spend grew 3.3% but largest segments grew slower or declined



Patient visits down 4.1% through Nov 2011 but recent periods consistent with expected recovery



Source: IMS Health, National Disease and Therapeutic Index, Nov 2011, 95% confidence interval (+/-3.9%)



Peak Seasons: 99/00, 03/04

Dome Seasons: 00/01, 01/02, 02/03, 04/05, 05/06, 06/07, 07/08, 08/09, 09/10, 10/11

Top 10 Therapy Classes- Absolute Growth

Dollars	AC US$mn	Total Rx dispensed	AC TRxs mn
Antipsychotics,oth	2039.2	Anti-depressants	9.2
Lipid regulators	1355.8	Codeine & comb	7.4
Analogs of human insulin	1241.3	Synth non-narc analg	6.2
Analeptics	1139.4	Seizure disorders	6.1
Neurological disorders	1137.8	Analeptics	4.1
Antiarth,biol resp mod	962.5	Antiarth,plain	3.4
Hepatitis Antivirals	932.5	Influenza	3.1
Dpp-4 Inhib	792.2	Antinauseant 5HT3 antag	2.5
Platelet Inhibitors	750.8	Calcium blockers	2.4
Platinum coordination	574.1	Dpp-4 Inhib	2.4

Source: IMS Health, National Sales Perspectives, Dec 2011, National Prescription Audit, Dec 2011

Top 10 Therapy Classes- Absolute declines

Dollars	AC US$mn	Total Rx dispensed	AC TRxs mn
Antihistamines alone	-475.1	Quinolones, systemic	-1.2
Glitazones	-529.7	Diuretics,loop	-1.4
Herpes Antivirals	-568.1	Hormones,estrogens	-1.4
Anti-depressants	-703.2	Beta blockers	-1.9
Quinolones, systemic	-753.5	Diuretics,comb	-2.0
UT benign prostate	-801.9	Ace inhibitors	-3.7
Erythropoietins	-985.9	Glitazones	-4.0
Angiotensin II antagonists	-1061.8	Osteoclast Inhibitors	-6.6
Alzheimer-type dementia	-1612.8	Antihistamines alone	-9.3
Proton pump inhib	-1850.5	Synth narc,analg	-14.7

Source: IMS Health, National Sales Perspectives, Dec 2011, National Prescription Audit, Dec 2011

Top 10 Therapy Classes- Dollar basis

	Leading classes	MAT Dec 2011		
		US$mn	% Market Share	% Growth
	US Industry	319,849	100.0	3.7
1	Lipid regulators	18,624	5.8	7.9
2	Antipsychotics,oth	18,120	5.7	12.7
3	Anti-depressants	10,878	3.4	-6.1
4	Proton pump inhib	9,601	3.0	-16.2
5	Analogs of human insulin	8,762	2.7	16.5
6	Antineo monoclonal antib	8,619	2.7	3.3
7	Antiarth,biol resp mod	7,957	2.5	13.8
8	Analeptics	7,854	2.5	17.0
9	Platelet Inhibitors	7,764	2.4	10.7
10	Angiotensin II antagonists	7,394	2.3	-12.6
	Top 10	105,573	33.0	4.1

Source: IMS Health, National Sales Perspectives, Dec 2011

Top 11-20 Therapy Classes- Dollar basis

Leading classes		MAT Dec 2011 US$mn	MAT Dec 2011 % Market Share	MAT Dec 2011 % Growth
11	Steroid,inhaled bronch	6,061	1.9	3.3
12	GI anti-inflam	5,885	1.8	9.6
13	HIV antiviral combination	5,849	1.8	10.8
14	Erythropoietins	5,110	1.6	-16.2
15	Codeine & comb	4,789	1.5	-8.3
16	Leukotriene agents	4,656	1.5	12.0
17	Immune system adjuncts	4,365	1.4	7.6
18	Immunologic interferons	4,157	1.3	4.6
19	Glitazones	4,100	1.3	-11.4
20	Seizure disorders	4,034	1.3	1.8
	Top 20	154,580	48.3	3.0

Source: IMS Health, National Sales Perspectives, Dec 2011

Top 10 Products- Absolute growth

Dollars	AC US$mn	Total Rx Dispensed	AC TRxsmn
Eloxatin® (S.A)	952	simvastatin (a6d)	9.5
enoxaparin sod (sdz)	907	furosemide (rox)	7.3
Incivek® (Vre)	838	amoxicillin (sdz)	6.6
methylphenidate er (wts)	771	hycd/apap (qlt)	6.6
Copaxone® (Tvn)	702	lisinopril (wok)	6.3
Crestor® (Azn)	638	omeprazole (rx) (drl)	6.3
Abilify® (Ots)	631	citalopram hbr (am9)	6.2
Plavix® (Bsa)	626	sertraline hcl (cm7)	6
Humira® (Abt)	602	amoxicillin (w-w)	5.3
gamunex-c (gfl)	556	lisinopril (qlt)	5.3

Source: IMS Health, National Sales Perspectives, Dec 2011, National Prescription Audit, Dec 2011

Top 10 Products- Dollar basis

	Products	Company	MAT Dec 2011 US$mn	% Market Share	% Growth
	US Industry		**319,849**	**100.0**	**3.7**
1	**Lipitor®**	PFZ	7,664	2.4	5.7
2	**Plavix®**	BSA	6,765	2.1	10.2
3	**Nexium®**	AZN	6,151	1.9	-2.7
4	**Abilify®**	OTS	5,187	1.6	13.9
5	**Advair Diskus®**	GSK	4,633	1.5	-1.8
6	**Seroquel®**	AZN	4,630	1.4	6.4
7	**Singulair®**	MSD	4,588	1.4	12.6
8	**Crestor®**	AZN	4,401	1.4	17.0
9	**Cymbalta®**	LLY	3,663	1.1	16.0
10	**Humira®**	ABT	3,530	1.1	20.5
	Top 10		**51,211**	**16.0**	**8.4**

Source: IMS Health, National Sales Perspectives, Dec 2011

Top 11-20 Products- Dollar basis

	Products	Company	MAT Dec 2011 US$mn	% Market Share	% Growth
11	Enbrel®	AAI	3,506	1.1	6.5
12	Remicade®	CTO	3,472	1.1	5.1
13	Actos®	TAK	3,435	1.1	-3.0
14	Neulasta®	AAI	3,315	1.0	10.1
15	Rituxan®	GTC	3,005	0.9	8.8
16	Zyprexa®	LLY	2,963	0.9	0.1
17	Copaxone®	TVN	2,955	0.9	31.2
18	Lexapro®	FOR	2,923	0.9	3.9
19	Oxycontin	PUF	2,877	0.9	-6.8
20	Epogen®	AAI	2,770	0.9	-16.7
	Top 20		82,433	25.8	6.2

Source: IMS Health, National Sales Perspectives, Dec 2011

Retail and Mail grew 0.6% on scripts in 2011

Channels	MAT Dec 2011		
	TRxs mn	% Market Share	% Growth
Retail	3,695	91.8	0.6
Chain/Mass	2,212	55.0	1.8
Independents	740	18.4	-1.1
Mail service	260	6.5	-1.7
Food stores	483	12.0	-1.1
Non retail channels	329	8.2	3.1
LTC	329	8.2	3.1
Total	4,024	100.0	0.8

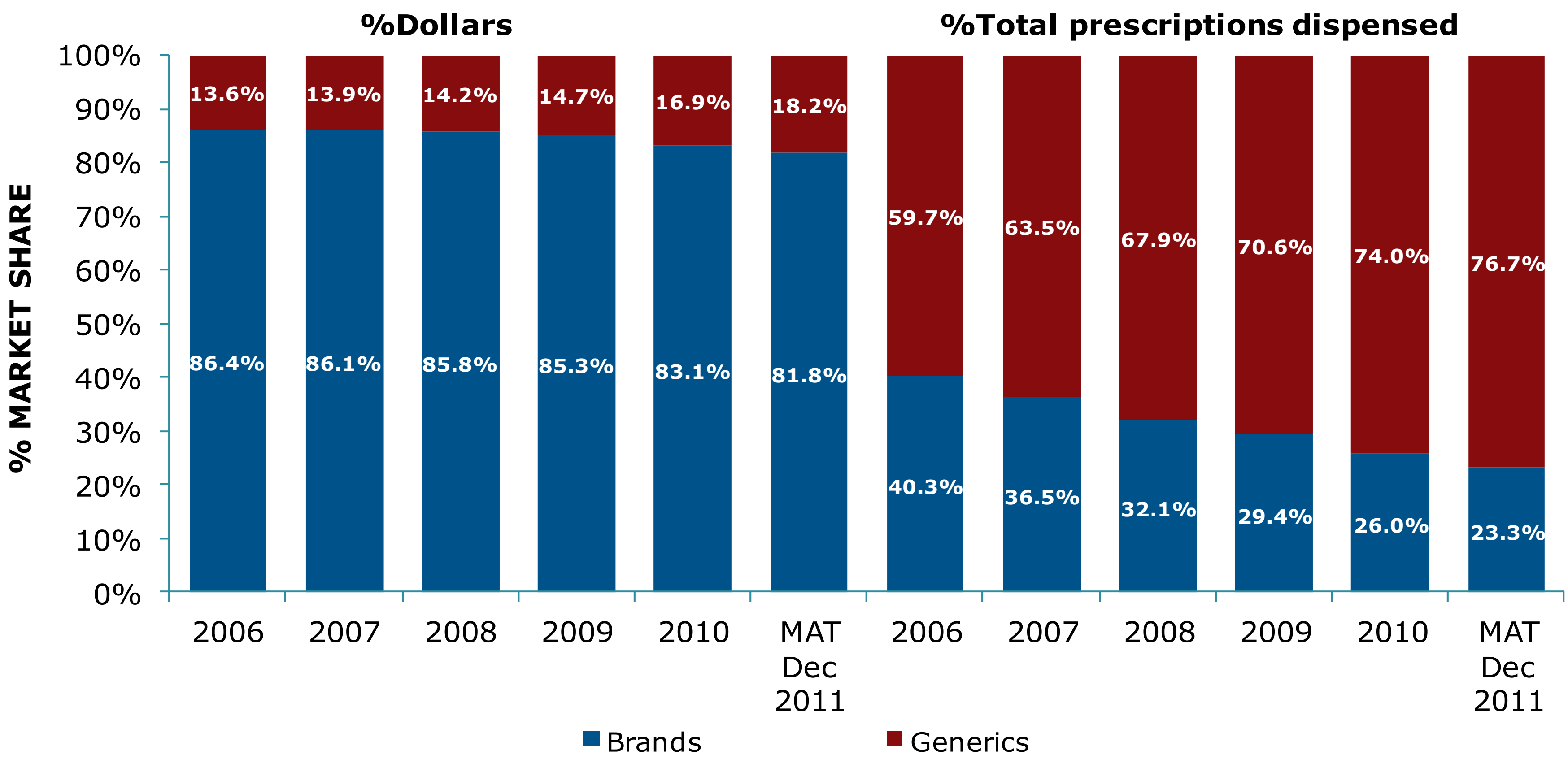
Source: IMS Health, National Prescription Audit, Dec 2011

Retail grew 3.6% and Institutional 3.7% in 2011

Channels	YTD Dec 2011		
	US$bn	% Market Share	% Growth
Retail	227.3	71.1	3.6
Chain/Mass	112.5	35.2	4.1
Mail service	55.1	17.2	6.4
Independents	38.1	11.9	0.3
Food stores	21.5	6.7	0.9
Institutional	92.5	28.9	3.7
Clinics	38.4	12.0	4.5
Hospitals	32.4	10.1	1.2
Long-term care	15.2	4.8	3.0
Home health care	2.7	0.9	8.2
HMO	2.7	0.8	27.7
Others	1.0	0.3	0.6
Total	319.8	100.0	3.7

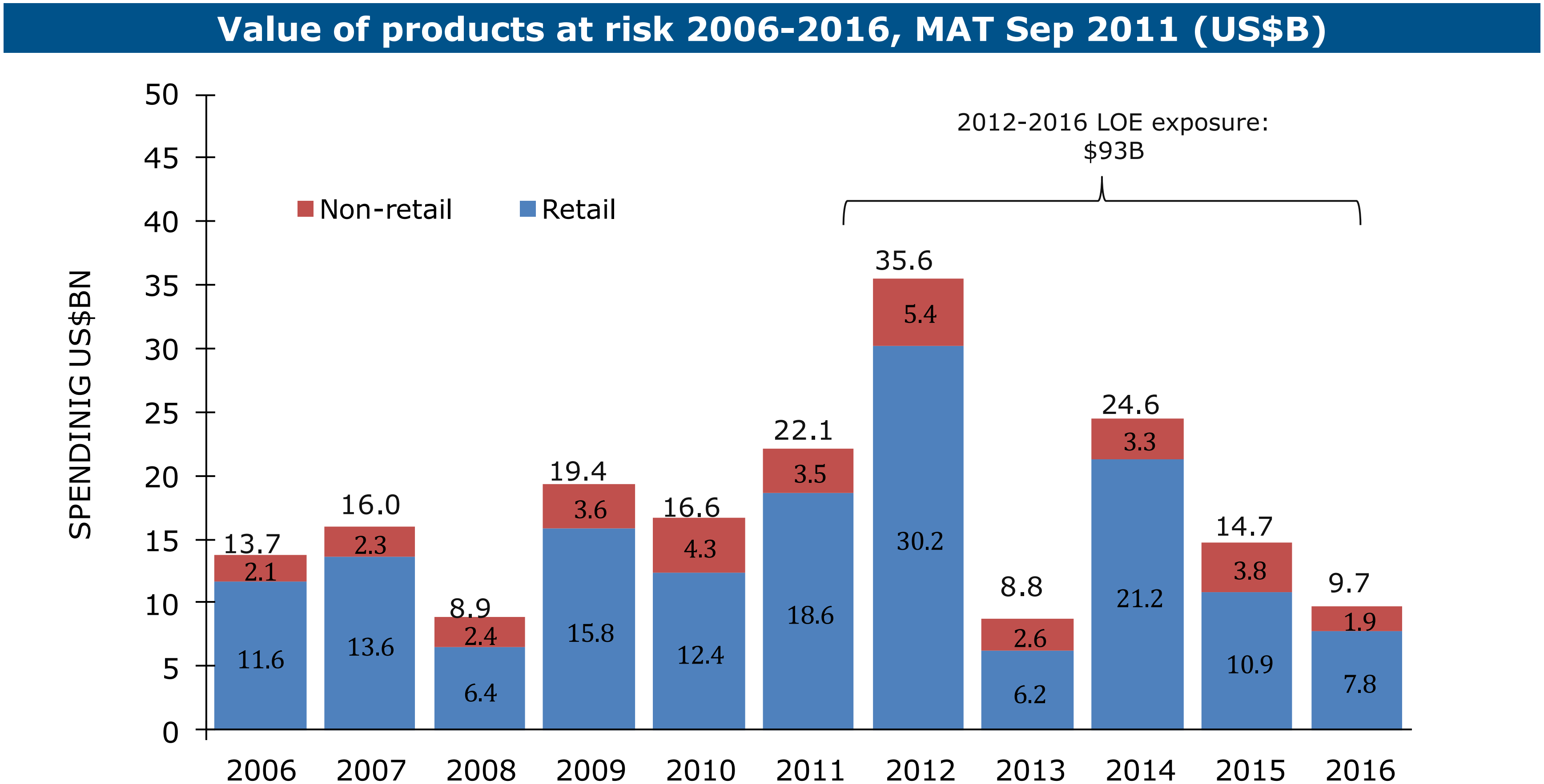
Source: IMS Health, National Sales Perspectives, Dec 2011

Generics have reached an all-time high share



Source: IMS Health, National Sales Perspectives, Dec 2011, National Prescription Audit, Dec 2011, Branded generics disaggregated

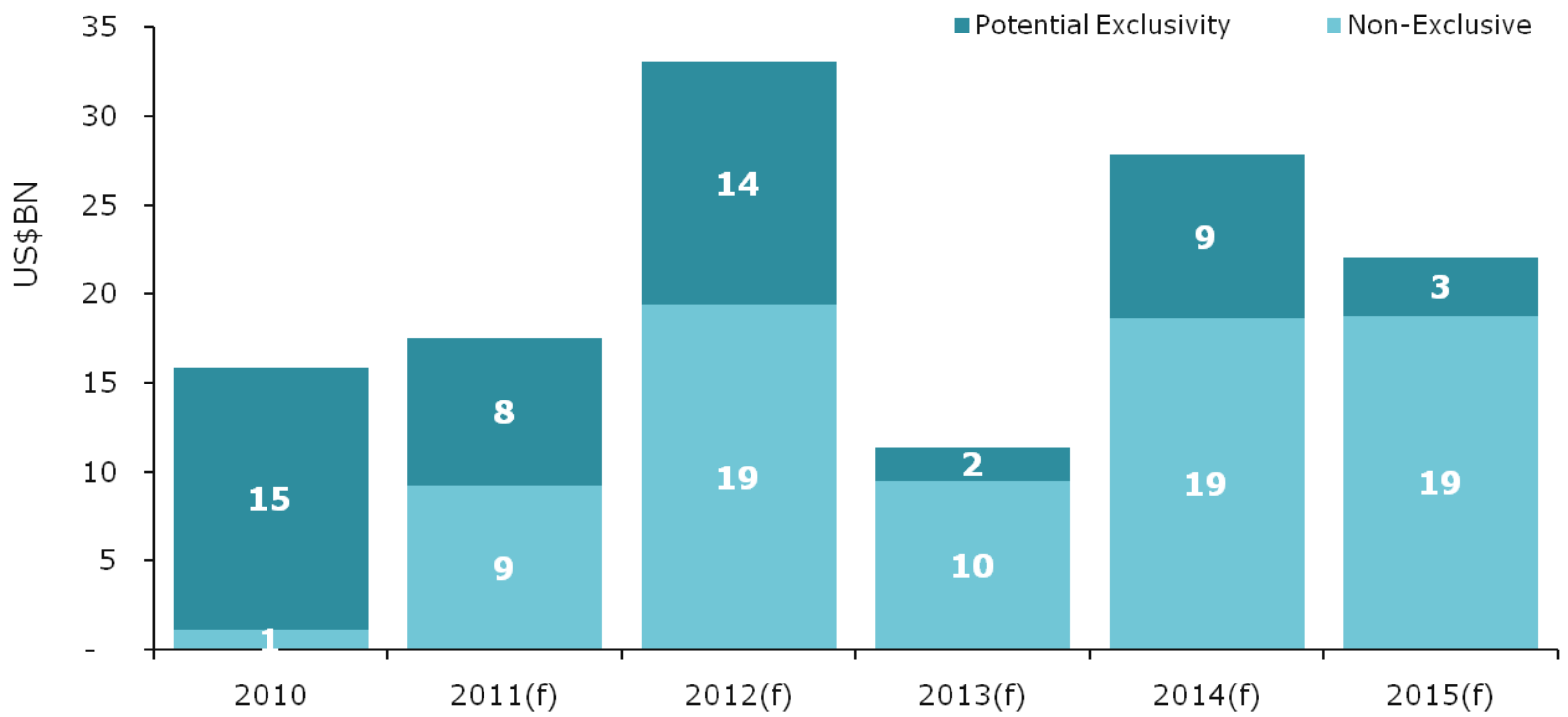
$93B exposed to generic competition by 2016, ~80% from retail



Source: IMS Health, MIDAS, Market Segmentation, Sep 2011; For 2006-2011 spending in year prior to expiry shown; For 2012-16 MAT Sep 2011 values are shown and are not projected to reflect expected future sales

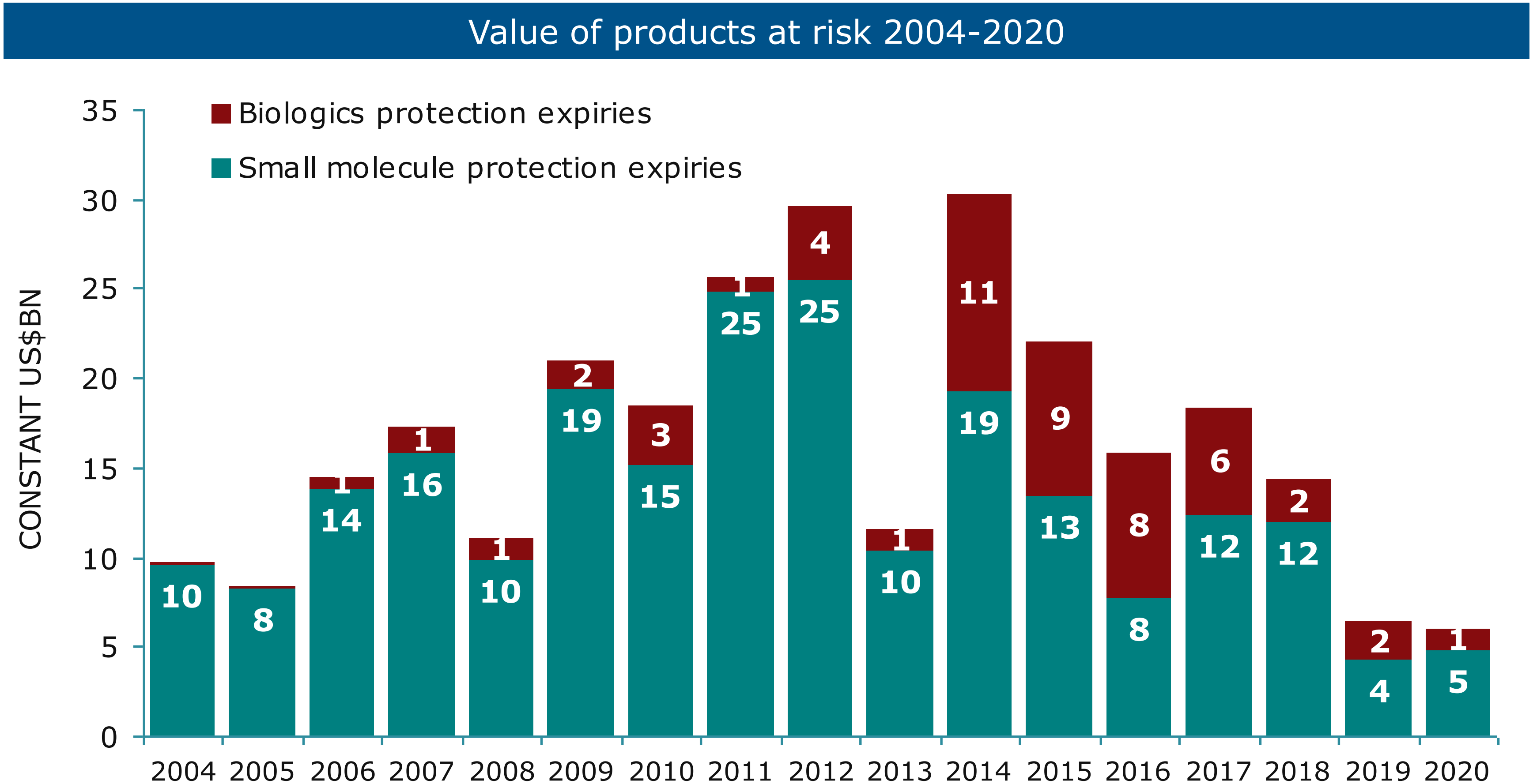
Expiries in 2010 were largely exclusive; potential exclusivities to trend down through 2015

US Protection Expiry Exposure And Market Exclusivity Potential 2010-2015



Source: IMS Institute for Healthcare Informatics, Aug 2011. Sales from prior years included.

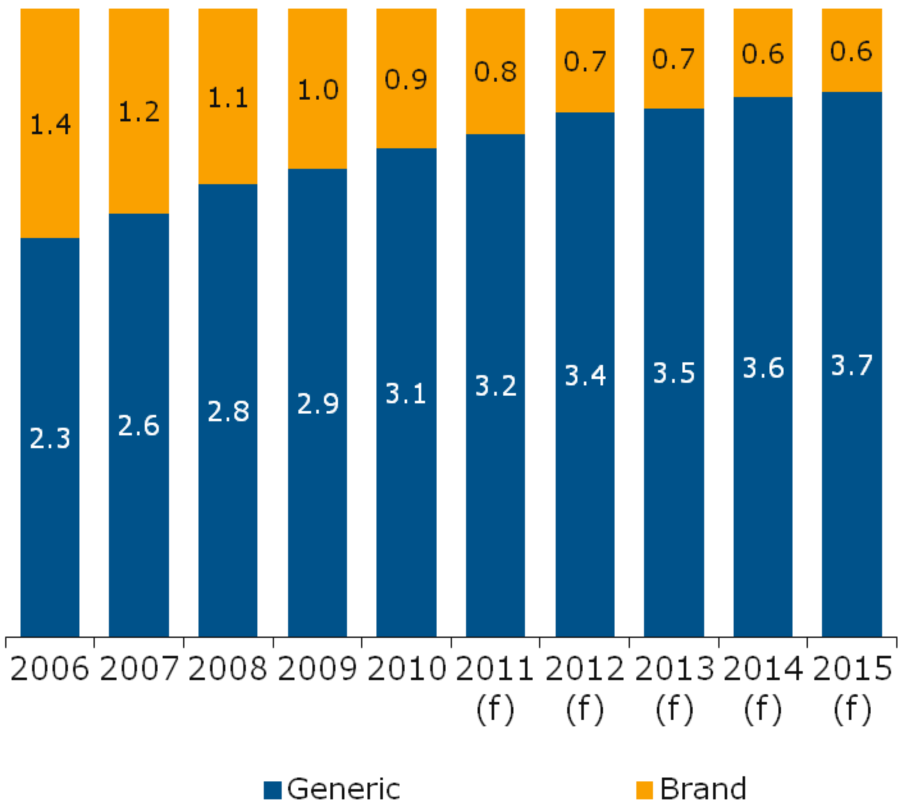
Long term LOE exposure



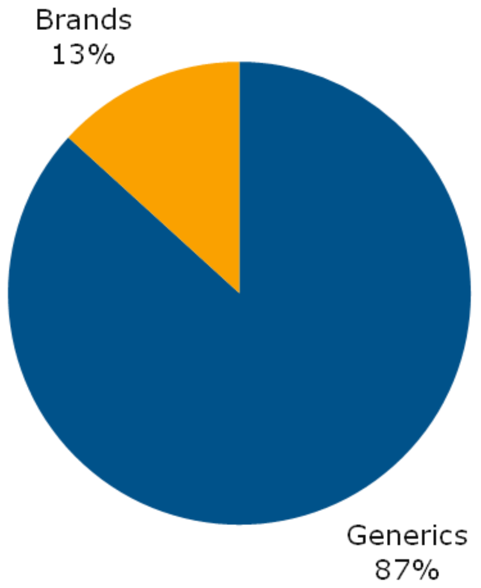
Source: IMS Health, MIDAS, Market Segmentation, Jun 2010

Prescriptions to become more generic through 2015 with generic share reaching 87%

TRX Volume BN (Retail, Mail & Long Term Care)



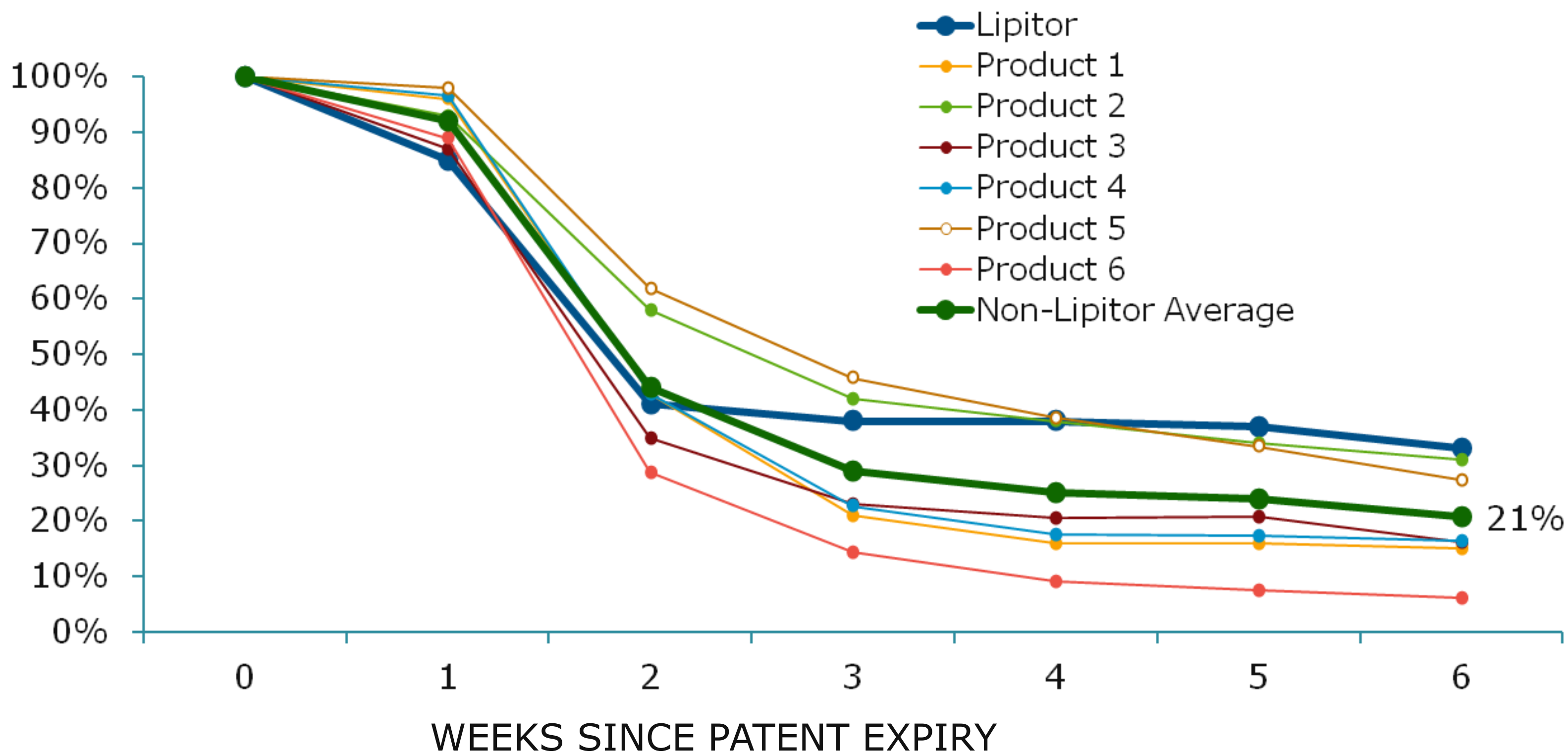
2015 Market Share, TRX



Source: IMS Institute for Healthcare Informatics, 2011

2011 expiries continue pattern of rapid brand erosion

Brand Prescription Share of Molecule Post-Expiry (Top Expiries 2010/2011)



Source: IMS National Prescription Audit Weekly, January 6, 2012

FDA Approval Highlights- 2011

Highlights
35 new drugs
2nd highest total over the last decade
2 new Hepatitis C drugs
A new drug for late stage prostate cancer
1st new drug for Hodgkin's lymphoma in 30 years
1st new drug for Lupus in 50 years
7 of the new drugs provide major advances in cancer treatment
Almost 50% were significant advances over existing treatments for heart attack, stroke, and kidney transplant rejection
10 were indicated for orphan diseases, which frequently lack any therapy
2 drugs (1 for melanoma and 1 for lung cancer) represent breakthroughs in personalized medicine

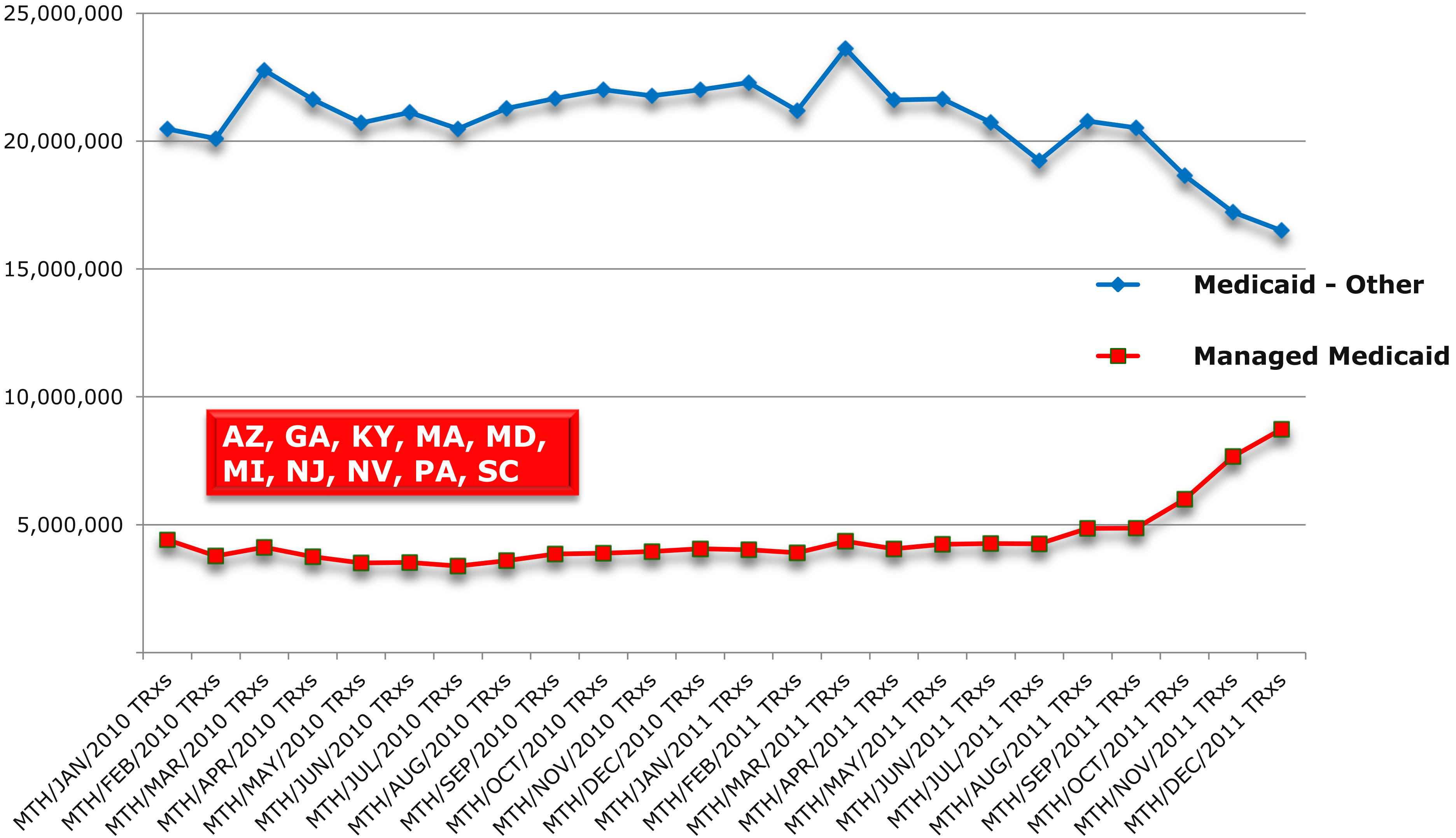
Recent and future novel therapies do address unmet patient needs

Selected Product Launches 2009-2013

Disease area	Launched	Upcoming
Arrhythmia	Brinavess™ (vernakalant) Multaq® (dronedarone)	
Autoimmune	Simponi® (golimumab) Stelara™ (ustekinumab)	tofacitinib (JAK inhibitor)
Diabetes	Nesina® (alogliptin, DPPIV) Onglyza™ (saxagliptin, DPPIV) Victoza® (liraglutide, GLP-1) Bydureon™ (exenatide, GLP-1)	canagliflozin (SGLT2) dapagliflozin (SGLT2) lixisenatide (GLP-1) Tradjenta™ (linagliptin, DPPIV)
Hepatitis C	Victrelis™ (boceprevir, NS3-4A PI) Incivek® (telaprevir, NS3-4A PI)	
Lupus	Benlysta® (belimumab)	
Melanoma	Yervoy™ (ipilimumab)	vemurafenib
Multiple sclerosis	Ampyra® (fampiridine, oral) Gilenya® (fingolimod, oral)	laquinimod (oral) ocrelizumab teriflunomide (oral)
Osteoporosis	Prolia® (denosumab)	
Thrombosis/ Acute coronary syndrome	Brilique™ (ticagrelor, P2T), Effient® (prasugrel, Xa) Pradaxa® (dabigatran etexilate, Xa)	Eliquis® (apixaban, Xa)
Prostate cancer	Firmagon® (degarelix) Jevtana® (cabazitaxel) Provenge® (sipuleucel-T) Zytiga™ (abiraterone acetate)	

Source: IMS Ins

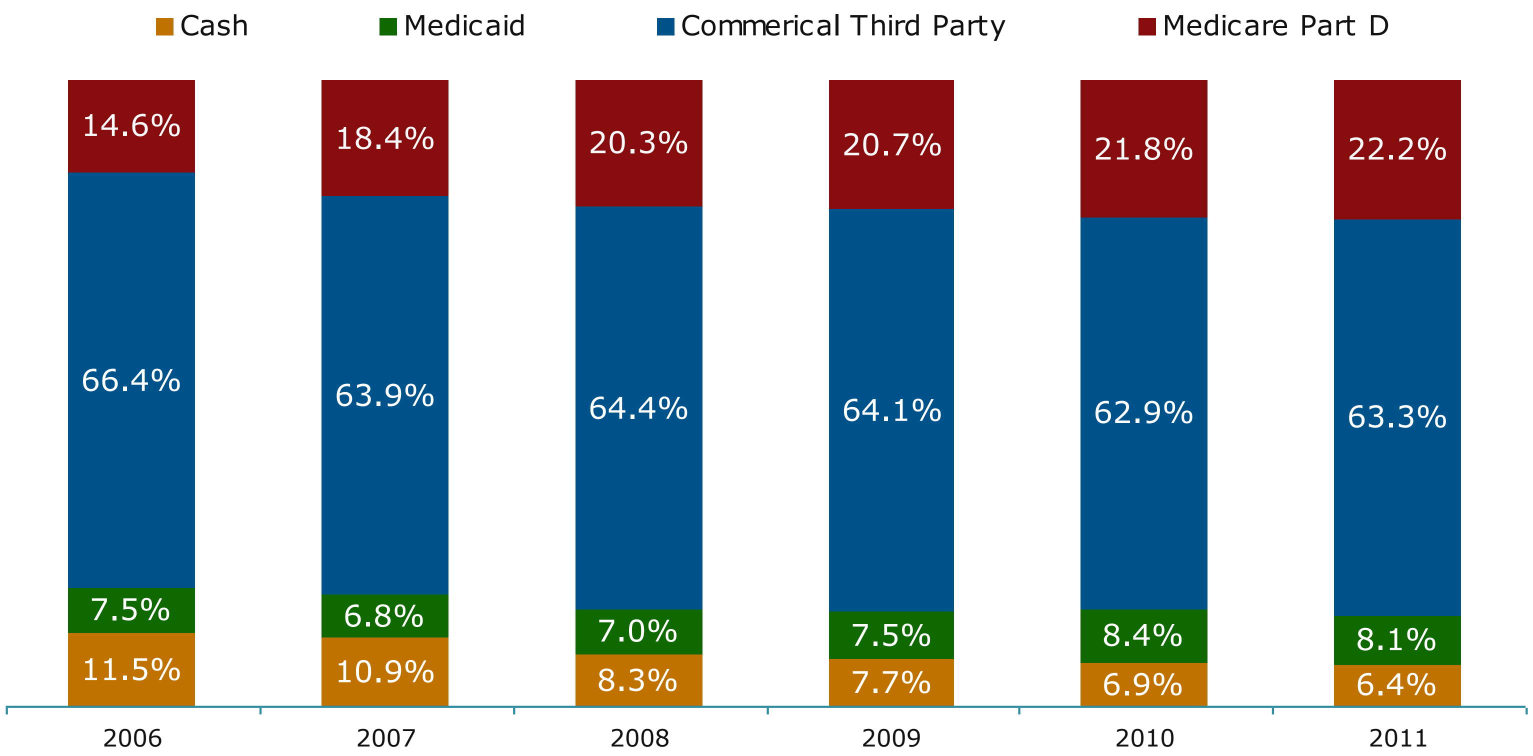
FFS Medicaid vs Managed Medicaid



Vector One ®: Payer (VOPA)

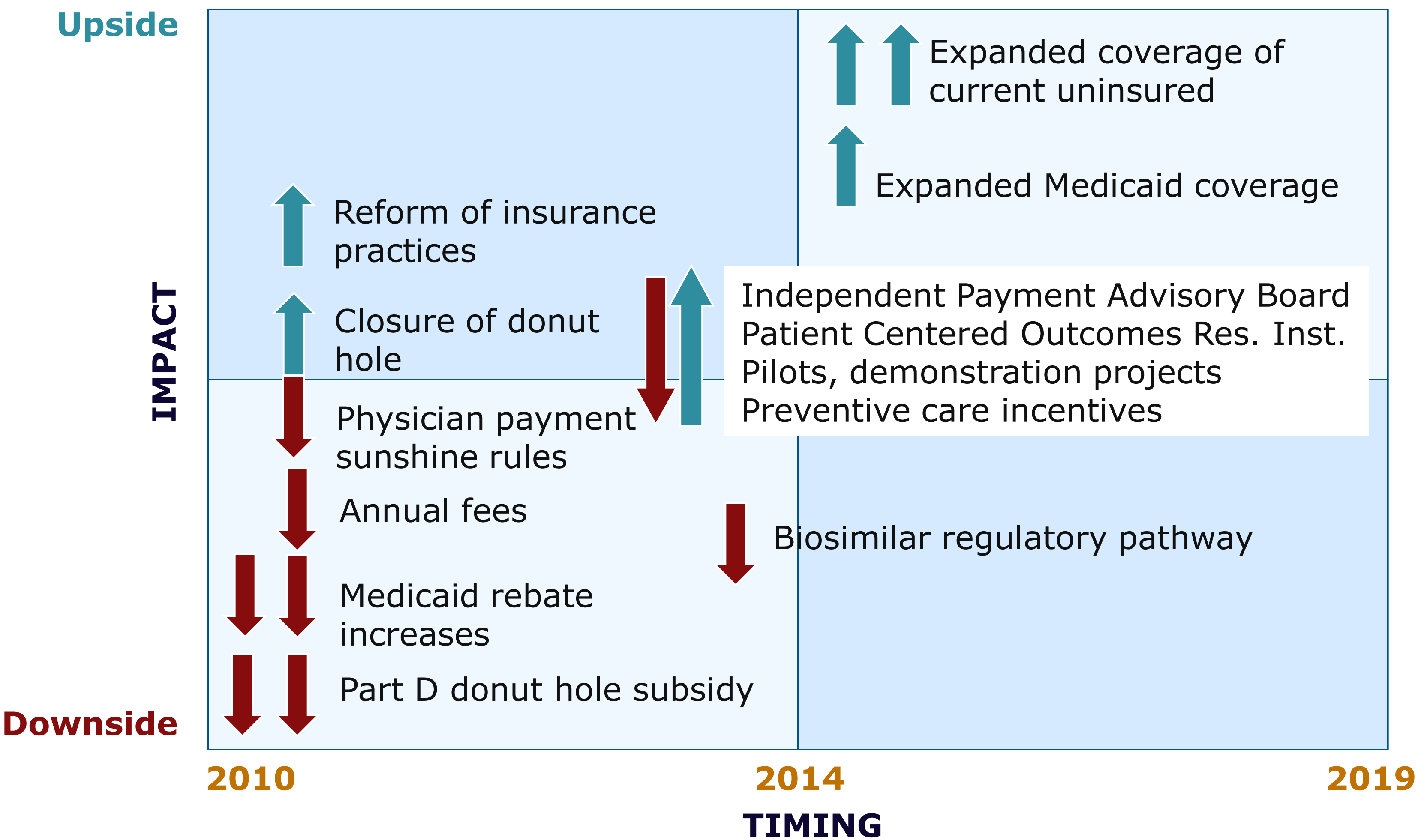
Commercial Third Party and Medicare Part D gained share in 2011

Retail (excluding Mail) Dispensed Prescriptions by Payment Type



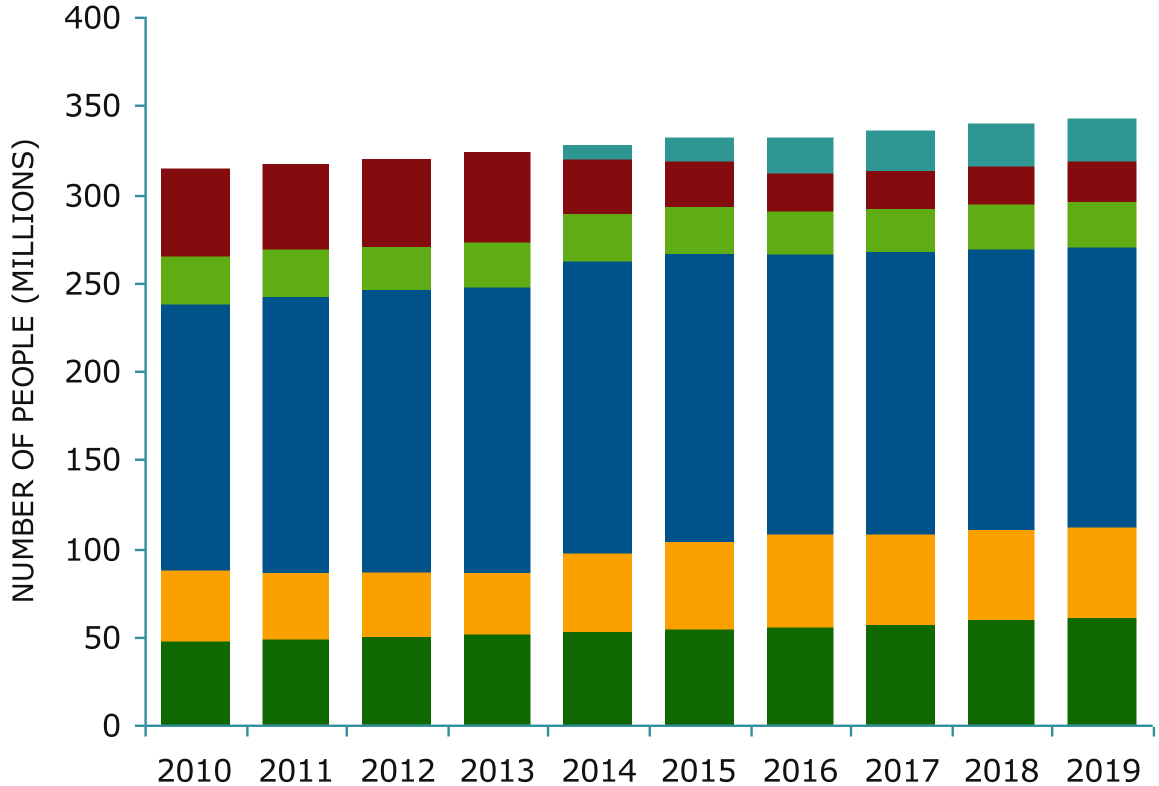
Source: IMS Health, National Prescription Audit, Dec 2011 ; Note Includes only retail pharmacies

The most certain impacts are negative in the short term but more positive or uncertain longer term



25-30mn people will get coverage under reform but questions remain about how they will use it

COVERAGE AFTER REFORM

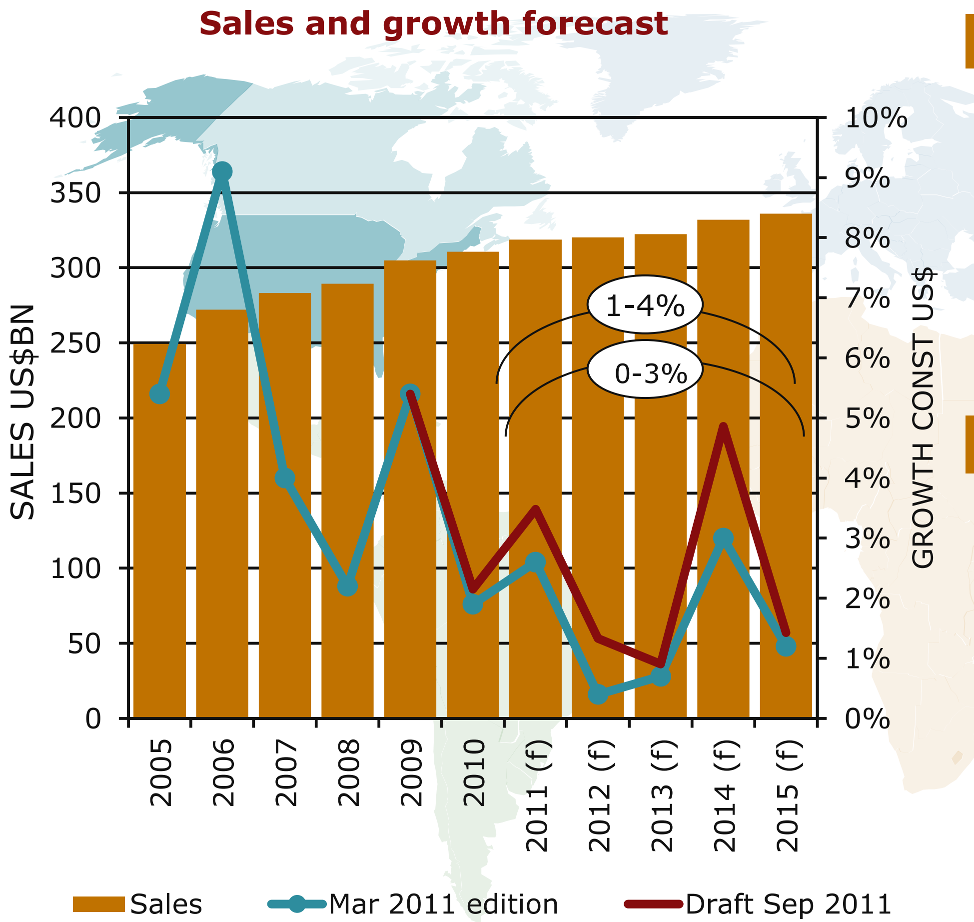


Impact on 2019 (mn)

	Vs. no-reform	Vs. 2010
Exchanges	+24	+24
Uninsured	-32	-27
Nongroup/Other	-5	-2
Employer	-4	+8
Medicaid/CHIP	+16	+11
Medicare	0	+14

Source: CMS, CBO Healthcare Reform Reconciliation Bill Analysis, Mar 2010

US forecast to 2015 up slightly; 2011 slightly ahead of prior forecast, HC reform impact up slightly



Source: IMS Health Market Prognosis Mar 2011 and draft Sep 2011

Key drivers of changes to 2010/11

- Reduced role of brands in therapy areas where high quality generics are available
- Impact of 2010 expiries deeper than expected on brands but generic price discounts were not fully realized

Key drivers of changes 2012-14

- HC reform incremental demand in 2014 1.9% impact up from 1.5% in prior edition
- Timing of patent expiries shifts; peak impact years now 2012 to 13
- New product contribution improving, but market overall continues to be hampered by the cumulative effects of lower levels of innovation entering 2006-10

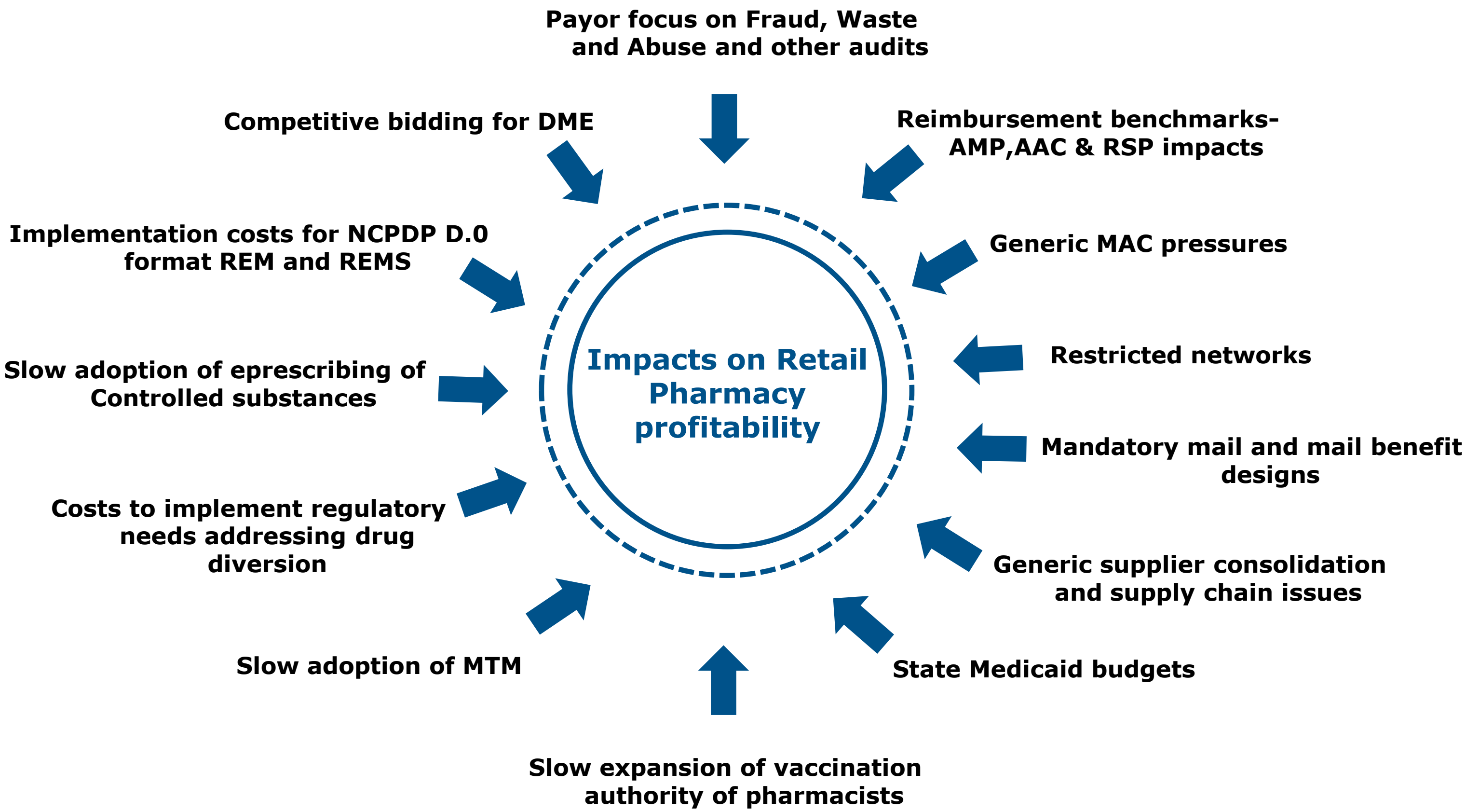
What's in for Pharmaceuticals?

- Slower market growth
- Generics & Patent Cliff
- Specialty is growing but at a slower pace
- RX to OTC
- Private label OTC
- Chain & Mass, Mail service, Clinics, & LTC
- Medicaid & Medicare Part D
- Cough, Cold and Flu
- Price Increases
- REMS
- Drug Shortages
- Specialty Innovation
- S&D

What's out and what's ahead for Pharmaceuticals???

What's Out?	What's Ahead?
• Brand growth • Primary Care Innovation • R&D • Office visits • Elective surgery • Adherence???	• Government – Medicaid – Medicare Part D – Health Care reform – Generic User fees – Generic approval backlogs – More FDA inspections – AMP – Biosimilar Pathway – REMS – Patent Settlements – DEA enforcement

Impacts on retail pharmacy profitability



Longer-term upsides to pharma growth are possible

Growing share of healthcare budget for pharmacotherapy

Expanded patient access to healthcare

Accelerated uptake of healthcare information technology

Greater clinical evidence of drug efficacy

Increased diagnosis of asymptomatic conditions

Emergence of new therapeutic platforms

Improved compliance and persistency rates

Aging population and economic development

The US Pharmaceutical Market

Looking back and looking ahead!

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