SG COWEN

Perspectives

Pharmaceutical Therapeutic Categories Outlook

The $355B worldwide pharmaceutical industry has terrific secular growth prospects, driven mostly by new products derived from rich R&D pipelines. New research tools for finding promising targets and strategies for reducing development time bolster the long-term outlook. These factors more than offset near-term uncertainties in the regulatory review process and debate on the need for prescription drug benefits. This comprehensive study forecasts trends in the major therapeutic drug categories through 2005. Each category is defined by therapeutic need, market size, growth outlook, major new compounds in development, and an assessment of individual company prospects. As shown below, the companies predicted to lead in "Market Share," "Total Therapeutic Positions," and "Leading Therapeutic Positions" are similar to last year. However, a new group of companies is poised for "Market Share Gain" through 2005. This analysis reaffirms our top picks in the group: **Bristol-Myers Squibb, Eli Lilly, Pfizer** and **Pharmacia**. We also like **Elan**, **Forest Labs** and **King Pharmaceuticals** in the mid-cap Rx segment.

WHICH COMPANIES WILL LEAD INDUSTRY THROUGH 2005?

Market Share	Market Share Gain	Total Therapeutic Positions	Leading Therapeutic Positions
GlaxoSmithKline	Eli Lilly	Pfizer (12)	GlaxoSmithKline (4)
Pfizer	Novartis	Pharmacia (11)	American Home Products (3)
Merck	Amgen	GlaxoSmithKline (9)	Bristol-Myers Squibb (2)
Bristol-Myers Squibb	Johnson & Johnson	Johnson & Johnson (9)	Pfizer (2)
Aventis	American Home Products	Merck (9)	

SG COWEN PHARMACEUTICAL UNIVERSE

		Stock	9/27/01	EPS		P/E	
Company	Symbol	Rating	Price	2001E	2002E	2001E	2002E
Abbott Laboratories	ABT	1	$50	$1.89	$2.26	26X	22X
American Home Products	AHP	2	57	2.18	2.60	26	22
Amgen	AMGN	2	57	1.18	1.35	48	42
Bristol-Myers Squibb	BMY	1	53	2.39	2.60	22	20
Elan	ELN	2	48	1.90	2.30	25	21
Eli Lilly	LLY	1	79	2.80	2.85	28	28
Forest Labs	FRX	1	71	1.60	1.89	44	38
Genentech	DNA	2	42	0.75	0.95	56	44
GlaxoSmithKline	GSK	2	53	2.11	2.40	25	22
Johnson & Johnson	JNJ	2	54	1.93	2.20	28	25
King Pharmaceuticals	KG	1	42	1.01	1.35	41	31
Merck	MRK	2	63	3.15	3.45	20	18
Pfizer	PFE	1	39	1.30	1.60	30	24
Pharmacia	PHA	1	39	1.74	2.06	22	19
Schering-Plough	SGP	2	35	1.65	1.85	21	19

Stephen M. Scala (617) 946-3923
Ian C. Sanderson (617) 946-3922
Jonathan R. Moran, CFA (617) 946-3755
Kenneth C. Cacciatore (617) 946-3968
Jean B. Perreault (617) 946-3967

– The majority of pharmaceutical sales for the treatment of urinary incontinence are in the United States. International sales are anticipated to accelerate over the next few years as physician awareness increases.

ESTIMATED U.S. MARKET FOR URINARY INCONTINENCE (UI) DRUGS*

	2000	2001E	2002E	2003E	2004E	2005E	CGR	Comment
U.S. Patient Population/Prescriptions (000's)								
Overactive Bladder Sufferers	17,955	18,475	19,050	19,640	20,230	20,835	+3%	- 17MM+ Americans with overactive bladder,
% Growth	+3%	+3%	+3%	+3%	+3%	+3%		13MM+ Americans w/ UI (1MM overflow UI,
% With Urge UI Symptoms	30%	30%	30%	30%	30%	30%		4MM stress UI, 3MM urge UI, 5MM mixed UI)
Urge UI Sufferers	5,385	5,545	5,715	5,890	6,070	6,250	+3%	- Includes portion of patients with mixed UI
% UUI Patients Seeking Treatment	36%	40%	44%	47%	48%	49%		- Assumes 36-38% of patients now seek treatment
UUI Patients Seeking Treatment	1,960	2,220	2,490	2,780	2,915	3,045	+9%	
Drug Therapy Market Share	38%	42%	45%	53%	63%	73%		- NAFC survey (100K members) showed 50%+
UUI Patients Seeking Drug Tx	745	920	1,110	1,485	1,835	2,225	+24%	
% UUI Patients On Drug Therapy	14%	17%	19%	25%	30%	36%		
Number of Scrips Filled/Year	**8,940**	**11,040**	**13,431**	**17,820**	**22,020**	**26,700**	**+24%**	**- Assumes all patients compliant**
% Growth	**+28%**	**+23%**	**+22%**	**+33%**	**+24%**	**+21%**		**- Aggressive marketing improving diagnosis**
Detrol LA (PHA) Market Share		15%	34%	39%	40%	40%		- Once-daily LA launched 1/01
Prescriptions (000's)		1,665	4,525	6,905	8,810	10,715		- Improved side-effect profile compared to Detrol
% Growth			+172%	+53%	+28%	+22%		- 2,100+ U.S. reps detail
Price Therapy/Day		$2.80	$2.80	$2.80	$2.80	$2.80		
Price/Prescription		$84.00	$84.00	$84.00	$84.00	$84.00		- Priced at par with standard Detrol
Detrol LA Sales ($MM)		**$140**	**$380**	**$580**	**$740**	**$900**	**NA**	
Darifenacin (PFE) Market Share				13%	21%	25%		
Prescriptions (000's)				2,381	4,524	6,548		- In Phase III; NDA '02E; assumes early '03 launch
% Growth					+90%	+45%		
Price Therapy/Day				$2.80	$2.80	$2.80		
Price/Prescription				$84.00	$84.00	$84.00		- Assumes priced at par with Detrol/LA
Darifenacin Sales ($MM)				**$200**	**$380**	**$550**	**NA**	
Ditropan XL (JNJ/AZA) Market Share	24%	27%	29%	25%	23%	21%		- Pfizer's Darifenacin and Watson's Oxytrol clip
Prescriptions (000's)	2,148	2,970	3,940	4,425	5,030	5,635		- Launched 2/99 for overactive blatter
% Growth	+124%	+38%	+33%	+12%	+14%	+12%		- JNJ/ALZA, UCB Pharma and Bayer co-promotion
Price Therapy/Day	$2.75	$2.75	$2.75	$2.75	$2.75	$2.75		
Price/Prescription	$82.50	$82.50	$82.50	$82.50	$82.50	$82.50		- 1,200+ U.S. reps detail
Ditropan XL Sales ($MM)	**$179**	**$245**	**$325**	**$365**	**$415**	**$465**	**+21%**	
Detrol (PHA) Market Share	48%	39%	21%	11%	6%	4%		- Conversion to once-daily beginning in 2001
Prescriptions (000's)	4,287	4,285	2,855	1,905	1,430	950		
% Growth	+22%	-0%	-33%	-33%	-25%	-34%		
Price Therapy/Day	$2.50	$2.80	$2.80	$2.80	$2.80	$2.80		
Price/Prescription	$75.00	$84.00	$84.00	$84.00	$84.00	$84.00		
Detrol Sales ($MM)	**$324**	**$360**	**$240**	**$160**	**$120**	**$80**	**-24%**	- Likely will remain dominant franchise with LA
Oxytrol Patch (WPI) Market Share			2%	5%	5%	5%		- Oxybutynin patch; improved side-effect profile
Prescriptions (000's)			315	875	1,065	1,250		- Marketed by Women's Health and GP Division
% Growth				+178%	+22%	+17%		combined 400E U.S. reps to detail
Price/Prescription			$80.00	$80.00	$80.00	$80.00		
Oxybutynin TD Patch Sales ($MM)			**$25**	**$70**	**$85**	**$100**	**NA**	
Duloxetine (LLY) Market Share				1%	2%	2%		- Eli Lilly
Prescriptions (000's)				180	365	605		- Stress urinary incontinence; limited efficacy
% Growth					+103%	+66%		
Price Therapy/Day				$2.75	$2.75	$2.75		
Price/Prescription				$82.50	$82.50	$82.50		
Duloxetine Sales ($MM)				**$15**	**$30**	**$50**	**NM**	- Assumes NDA filed in 2002
Oxybutynin Market Share	26%	18%	13%	6%	4%	3%		- Share decline with launch of new therapies
Prescriptions (000's)	2,341	2,000	1,700	1,150	850	850		
% Growth	-5%	-15%	-15%	-32%	-26%	+0%		
Price/Prescription	$17.50	$17.50	$17.50	$17.50	$17.50	$17.50		
Oxybutynin Generics Sales ($MM)	**$41**	**$35**	**$30**	**$20**	**$15**	**$10**	**-25%**	
Other Therapies Sales ($MM)	**$10**	**$15**	**$20**	**$25**	**$30**	**$35**	**NA**	**- Various others**
Total Incontinence Drug Sales ($MM)	**$560**	**$800**	**$1,025**	**$1,440**	**$1,815**	**$2,195**	**+31%**	**- Improved treatments, better compliance**
% Growth	**+37%**	**+43%**	**+28%**	**+40%**	**+26%**	**+21%**		**(Market sales include generics)**

Source: SG Cowen estimates, IMS America.

** Patient population and scrips in 000's; sales in $MM.*

Notes

SG Cowen Securities Corporation makes a market in AMGN.

SG Cowen

New York	(212) 278-6000	**London**	44-207-710-0900
	(212) 495-6000	**Geneva**	41-22-707-6900
Boston	(617) 946-3700	**Paris**	33-1-42-13-55-00
San Francisco	(415) 646-7200	**Toronto**	(416) 362-2229
Chicago	(312) 516-4690	**Zurich**	41-1-225-2040
Cleveland	(440) 331-3531		
Dallas	(214) 979-2735		