

Zyprexa US Business Plan - Executive Summary
Gerhard Mayr Review – October 17, 2002

Speaker Notes

Hard Targets After LillyUSA Plan Review

Slide 2 / Pre-Read

- OPEX: \$145M Net Sales: \$2.828B

	Net Sales	% Increase	Brand and Medical OPEX	OPEX as % of Net Sales
2000A	\$1.690B	23%	\$96M	5.7%
2001A	\$2.179B	29%	\$122M	5.6%
2002F	\$2.545B	17%	\$126M	4.9%
2003P	\$2.828B	11%	\$145M	5.1%
2004P	\$3.106B	10%	\$155M	5.0%

September “record breaking” net sales = \$284M in US
 Less speculative buying -\$66M in US
 September “demand driven” net sales = \$218M in US

\$284M/September “record breaking” projection over 12 months = \$3.4B (represents a **\$572M challenge**)
 \$218M/September “demand driven” projection over 12 months = \$2.6B (represents a **\$228M underage**)

Note: No Aripiprazole Launch = \$127M Net Sales increase in 2003

Zyprexa RAIM Launch – Trigger

Slide 3

No back up information required

2003 Market Growth 2nd Only to Record Growth in 2002 (14.6%)

Pre-Read

- Strong 2003 market growth = 13.1% (significantly greater than 9.1% in 2000 and 10.5% in 2001).

Market Growth Back Up Information

- September growth was 18% in anti-psychotic market (August was 13%) and was driven by:
 - Expansion of AP in bipolar
 - Seroquel adjunctive use (20% use 100 mg and 300 mg to dose 400 mg)
 - Off label use in Post Traumatic Stress Disorder and sleep

We can push market growth up in the forecast but Zyprexa is not positioned to compete in PTSD and sleep.

Product Opportunity Remains Very Strong, Tempered Mostly by Aripip Launch Pre-Read

- Zyprexa continues to become better poised to capitalize on bipolar opportunity (e.g. Lithium data, Bipolar Awareness Campaign, etc.)
- With no Aripiprazole launch, demand kg growth would remain strong in 2003 at 15.9% (19.4% in 2001A and 17.8% in 2002F).
- With Aripiprazole at 10% peak SOM and October 2002 launch, demand kg growth would be 11% in 2003.

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Demand Kg and Market Growth Back Up

	2001A	2002F	2003 Trend (Aripiprazole @ 10% SOM)	2003 Hard Target (Aripiprazole at 10% SOM)	2003 (No Aripiprazole launch)
Market Growth Rx	23,336	26,732	30,232	30,232	30,099
Market Growth % Change	10.5%	14.6%	13.1%	13.1%	12.6%
Zyprexa Demand kg	3,052	3,596	3,949	3,992	4,189
Zyprexa Demand kg % change	19.4%	17.8%	9.8%	11.0%	15.9%

Zyprexa continues to become better poised to capitalize on bipolar opportunity (e.g. bipolar mania, bipolar depression, maintenance of response, Lithium data, Bipolar Awareness Campaign, etc.) while fending off increasing competition in Community Mental Health Centers (CMHCs) and schizophrenia.

Aripiprazole Back Up Information

- 10% SOM based on Q1 2002 market research, which is assumption in Trend sales forecast
- Profile in research showed novel MOA, efficacy equivalent to Haldol, and weight neutrality
- Feel relatively comfortable with profile BUT must be qualified since Q1 research
 - On the positive side for Zyprexa SOM, have indicators changed? (worsening of psychosis, higher drop out rates)
 - But counteracting that, have perceptions of Zyprexa regarding diabetes / weight gain changed enough to inflate Aripiprazole SOM?
- Zyprexa competitive set expanding with Aripiprazole, which remains a significant unknown. For Geodon, the marketplace was given warning by the FDA about QTc / sudden death, and Zyprexa had access to data through Swedish launch, concerned customers and time to best position Geodon to accelerate Zyprexa growth. Zyprexa is in a less advantageous position with Aripiprazole.
- Upsides from Aripiprazole launch delay
 - In 2003, \$55 Million upside if Aripiprazole launch delayed until January 2003
 - In 2004, \$26 Million upside if Aripiprazole launch delayed until January 2003

Aripiprazole Uptake (as a comparison version Geodon and Seroquel) Back Up Information

- SOM vs Competitors
 - Geodon ~3% SOM at end of year 1, Aripiprazole estimated to be 6% SOM (2X Geodon)
 - Aripiprazole and Seroquel both have 10% SOM in 4 yrs (Aripiprazole, higher uptake; Seroquel more linear)

Aripiprazole remains a significant and unknown threat.

Competitive Intensity Increasing / Environmental Scenarios Worsening

Pre-Read

- In the minds of physicians, Zyprexa has the strongest brand equity compared to our primary competitive set (Risperdal, Depakote, Seroquel, and Geodon) as demonstrated in Brand Equity (Q1 2002).

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Brand Equity Back Up Information

- In the minds of physicians, Zyprexa has the strongest brand equity compared to our primary competitive set (Risperdal, Depakote, Seroquel, and Geodon) as demonstrated in Brand Equity (Q1 2002).
- As a reminder, equity is measured by relevance, strength of association, and differentiation
- Top equity elements for Zyprexa are:
 - Therapeutic Alliance / Helping Move Lives Forward
 - Dependable Control – Mood (Zyprexa trails Depakote in this element)
 - Corporate / Brand Identity
- This does *not* mean Zyprexa leads in all equity elements

- Competitor innovation (Risperdal Depot, Risperdal Dissolvable, Risperdal Mania, Seroquel Mania, Geodon IM, etc.) threatens Zyprexa leadership. Zyprexa will no longer be the only anti-psychotic to have an alternative formulation for delivery of medication (Zydis) to treat the most severely ill patients and a bipolar mania indication.

Competitor Back Up Information

- Competitor innovation (Risperdal Depot, Risperdal Dissolvable, Risperdal Mania, Seroquel Mania, Geodon IM, etc.) threatens Zyprexa leadership. Zyprexa will no longer be the only anti-psychotic to have an alternative formulation for delivery of medication (Zydis) to treat the most severely ill patients and a bipolar mania indication.
 - Geodon IM Oct '02
 - Risperdal Dissolvable December '02
 - Risperdal Adjunctive Mania June '03
 - Risperdal Depot July '03

- Competitors increasing noise about Zyprexa metabolic side effects.

Side Effect Back Up Information

- Competitors increasing noise about Zyprexa metabolic side effects / regulatory actions
 - Launch of Aripiprazole as “Zyprexa without weight gain” (Q4 '02)
 - Canada label change for Zyprexa, not class, being decided today; to take effect by January 2003, hopefully with language such as Australia’s, not EU’s, with language citing metabolic issues in the context of “as with other anti-psychotics...”
 - BMJ article Aug 2002: BMS joins diabetes campaign
 - Koller article July 2002: USA Today / competitor diabetes fax blast
 - APA May 2002: Competitor attack via symposia / booths
 - Japan Label Change May 2002: Red box with contraindication and competitor fax blasts
 - EU Label Communication May 2002: Announced minor label change from Dec 2001, recommending glucose monitoring testing for diabetics

- Equal status and unrestricted access assumed; increasing public payer pressures have already increased the risk of this assumption (e.g. Kentucky prior authorization, Florida Medicaid challenge in the process, Houston, VA 4th line).

Access Back Up Information

- Equal status and unrestricted access assumed in 2003
- Increasing public payer pressures in 2002 increase the risk of this assumption; in fact, trend assumption for 2003 probably no longer even true for 2002, given current Q4 status
 - Kentucky: Soft Prior Authorization, perhaps more difficult to manage than supplemental rebates since you can’t account for impact on your business
 - Florida Medicaid challenges
 - Houston VA (largest West area account): Zyprexa 4th line

Access cannot necessarily be equated with availability

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\$145M Hard Target Maintains Brand OPEX as a Percentage of Net Sales

Pre-Read

- 2001A: 5.6% 2002F: 4.9% 2003 \$145M: 5.1%

Back Up Information

- Without \$45M buy up, Brand OPEX as % of Net Sales would have declined 36% in period 2001A (5.6%) to 2003 Trend (3.6%)
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- Zyprexa is facing an increasingly disadvantageous external environment with new competitors, access pressure and side effect battle

\$145M Hard Target OPEX Forecast: 2003 Zyprexa Challenge = \$31M; 2004 Challenge = \$7M

Pre-Read

- Aripiprazole 10% peak SOM, launched in October 2002.
- Short-term commercialization focus in 2003; revenue generation to increase demand kg growth to 9.8% via:
 - Continued implementation of Q4 Bipolar, Aripiprazole, Appropriate Dose, and Diabetes pilot (BAAD):
 - Bipolar bump achieved via DTP dissemination of data.
 - Aripiprazole funded at Geodon levels.
 - Zyprexa fulfills position of committed, collaborative leader by offering side effect solutions (weight gain and diabetes) to physicians and patients. Expansion of Neuro Treatment Team Partners and Solutions for Wellness services. Continuation of Certified Diabetes Educators and customer service hotline.
 - Implementation via sales forces in Institution, Retail, LTC, and PCP markets.
- Risk mitigation to reduce 2003 supplemental rebate trend of 22.1% to 21.7% via funding to maintain equal status and unrestricted access in public, institution, and private payers:
 - Forty states anticipated to be active in 2003, with eight battles (2002 funded for 31 active, 3 battles) resourced with public relations firms, contract lobbyists, and state and national advocacy.
 - VA, DSH and State hospital crisis addressed via patient and provider education and potential discharge program.
 - Private payer support via bipolar identification programs, physician education on diabetes and hyperglycemia (drug utilization letters) and upgrade programs from typicals to atypical.

\$145M Hard Target OPEX Forecast: 2003 Zyprexa Challenge Eliminated

Pre-Read

- Effective implementation of resources applied in \$45M buy up, plus:
 - Aripiprazole 10% peak SOM, delayed until January 2003; or
 - Increased ROI on those revenue generators focused on growing the bipolar market (demand kg increases to 11%)

Aripiprazole Upside Back Up Information

- In 2003, \$55 Million upside if Aripiprazole launch delayed until January 2003
- In 2004, \$26 Million upside if Aripiprazole launch delayed until January 2003

Increased ROI (low probability) Back Up Information

- Access has 1:1 return in year 1
- Diabetes is partially downside protection
- Part of \$34M revenue generating ROI is protecting downside from Aripiprazole damage
- In bipolar, Lithium and Depakote are standard of care redacted and Zyprexa is not, therefore to expect greater than 1:1 ROI in year 1 is not realistic

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Back Up: 2003 Framing and Forecast

Slides 6 – 14

2003 Business Segment Summary

SLIDE 6

- Multiple settings due to large variety of patients needs
- Settings have variety of medical and payer "key players"

Zyprexa Story

SLIDE 7

- 2003 Hard Target provides "challenge" to maintain double digit growth (11% in Hard Target, 9.8% in Trend)

\$145M OPEX Trend (50-50) Sales Forecast

SLIDE 8

- Challenge still exists!

Hard Target Sales Forecast

SLIDE 9

- Challenge eliminated via January '03 Aripiprazole launch or increased demand kg greater than planned
- Actually, a January '03 Aripiprazole launch provides \$24M upside to 2003 hard target forecast (-\$31 challenge + \$55 delay upside = +\$24M upside on \$2.828 = \$2.852)

Zyprexa Forecast Share of Market vs. Aripiprazole

SLIDE 11

- In the Trend SOM line, note the comparable Zyprexa SOM drop caused by Geodon versus Aripiprazole (product profiles and advance Zyprexa blunting for Geodon would suggest that Aripiprazole would have a worse effect on Zyprexa than Geodon did)
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- Assumes A
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- rипiprazole steals equally from Zyprexa (21%) and Risperdal (20%)
- Risperdal SOM drops despite launch of Depot, Dissolvable and mania indication
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Upside and Downside

SLIDE 12

- Access represents the following downsides:
- 2003 Total \$119M:
 - Supplemental Medicaid rebates, due to states rebelling - \$51M
 - Incremental Federal Medicaid rebates = \$68M
- 2004 Total \$191M:
 - Supplemental Medicaid rebates, due to states rebelling - \$95M
 - Incremental Federal Medicaid rebates = \$96M

Zyprexa Transaction Price Analysis

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- Increasing Rebates over time, resulting in a decreasing Transaction Price
- Only with the \$45M buy-up (\$11M of which is for Access), could supplemental Medicaid rebates be reduced in 2003.

Zyprexa Demand and Gross Sales Trends

SLIDE 14

- Updated with most recent 2002 demand forecast

Back Up: 2003 Resource Discussion

Slides 16 – 21

Hard Target OPEX at \$145M

SLIDE 16

- 5 vastly different segments with different patients and different patient / doctor needs – all segments except PCP are at least ~\$500M annually, with Retail CMHC at \$1.5B
 - Institution: Schizophrenia focus, point of capture
 - Retail CMHC: \$1.5B business, retention, side effect battles, patient services for weight gain and diabetes
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 - Retail Private Practice: Bipolar, Patient services around weight gain
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 - LTC: Non-prioritized segment is nearly \$500M business
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 - PCP: What is the upside? Will be determined after November 2002

	Institution	Retail	LTC	PCP	Total
2003 Net Sales	\$481M	\$1.527B	\$452M	\$368M	\$2.828B
% of 2003 Brand Net Sales	17%	54%	16%	13%	100%
2003 OPEX	\$44.5M	\$64.9M	\$18.0M	\$17.6M	\$145M
% of 2003 Brand OPEX	31%	45%	12%	12%	100%

- Note Institution is “over funded” as % of brand OPEX vs % of Net Sales due to
 - Strategic site of capture (dollars show up in Retail, hence the importance of creating a discharge program)
 - Source of high dose acutely ill patients
 - Multiple key players (Psychs, ER docs, Ward Nurses, Institutional Pharmacists) in a variety of settings
- Retail makes up most of Institutional “over funding”; LTC is a very efficient business and PCP is efficient as well

\$45M Buy Up

SLIDE 17

- Dollars infused primarily into Institution and Retail (especially CMHC) in DTP, Patient Services and Access
- Differing brand priorities between Zyprexa redacted
- redacted benefits from spillover from high, medium and low Zyprexa priorities

OPEX Investment – Brand and Medical

SLIDE 18

Back up information and assumptions on slide 19

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OPEX Investment – Analysis

SLIDE 19

This is back up information and assumptions for slide 18

Brand Head Count

SLIDE 20

Back up information and assumptions on slide 21

Head Count Overview – 2003 vs 2002

SLIDE 21

- Note good productivity ratios (Sales and BUC per brand headcount are strong versus other PCNS brands)
- Barb has most recent info on aforementioned headcount ratios as well as OPEX productivity ratio

Back Up: 2003 Consultant Activities

Slides 23 – 24

Zyprexa US 2003 Consultant Activity: Slide 1 of 2

SLIDE 23

- Zyprexa utilizes strong consultant network due to:
 - Wealth of data
 - Complexity of settings (Institution, Retail CMHC, Retail Private Practice, LTC, PCP and Corrections), differing physician types (Psych and PCP), importance of auxiliary decision makers (Treatment Team, Residents, Institutional Pharmacists)
- Zyprexa close to self-imposed consultant cap for Psychs (unless reconsider cap, DTP for psych buy up will support additional programs to seek feedback on data from same set of consultants, e.g. not adding consultants)

Zyprexa US 2003 Consultant Activity: Slide 2 of 2

SLIDE 24

- Focus on Regional Consultant Feedback Forums (RCFFs), not National Consultant Feedback Forums (NCFFs)

Back Up: 2002 SOM Performance Through September

Slides 26 – end

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