



Kos Pharmaceuticals, Inc.

“Turning Vision into Reality”



Proposed Offering - Summary

Follow-on Equity Offering

Shares Offered: 3,750,000 primary shares
1,250,000 secondary shares
Over-allotment option: 15%
Ticker / Exchange: KOSP (Nasdaq National Market)

Bookrunner: Goldman, Sachs & Co.
Co-Lead Manager: Banc of America Securities
Co Managers: SG Cowen
Deutsche Bank
SunTrust Robinson Humphrey

Use of Primary Proceeds: Acquire or in-license complementary products and/or for other strategic objectives and general corporate purposes

Target Pricing Date: Week of November 17th



Our Vision



Safe Harbor

This presentation contains forward-looking statements that are intended to fall within the safe harbor provisions under the Private Securities Litigation Reform Act. Several factors could cause actual events to differ materially from the forward-looking statements, including those factors listed in the “Forward-Looking Information: Certain Cautionary Statements” section of the Company’s Annual Report on Form 10-K, filed with the SEC for the year ending Dec 31, 2002, and factors identified in other reports filed with the SEC.



Kos Corporate History

- 1988 - Founded by *Michael Jaharis* and others formerly at Key
- 1991 - Established *inhalation drug delivery technology*
- 1997 - Completed *IPO and follow-on offering*, netting \$110M
- 1997 - Launched *lead product, Niaspan®*
- 1999 - Established co-promotion alliance with Knoll Pharma
- 2000 - Established Advicor® co-promotion alliance with DuPont
- 2002 - *Launched Advicor* in United States
- 2002 - Formed *CSO (150 reps) collaboration* with Innovex
- 2002 - Formed *alliance with Merck KGaA* for Niaspan/Advicor
- 2002 - Achieved *first quarterly operating profit and net income*
- 2003 - Established *Canadian alliance* with Oryx for Niaspan/Advicor
- 2003 - Established *U.S. co-promotion with Takeda* for Niaspan/Advicor

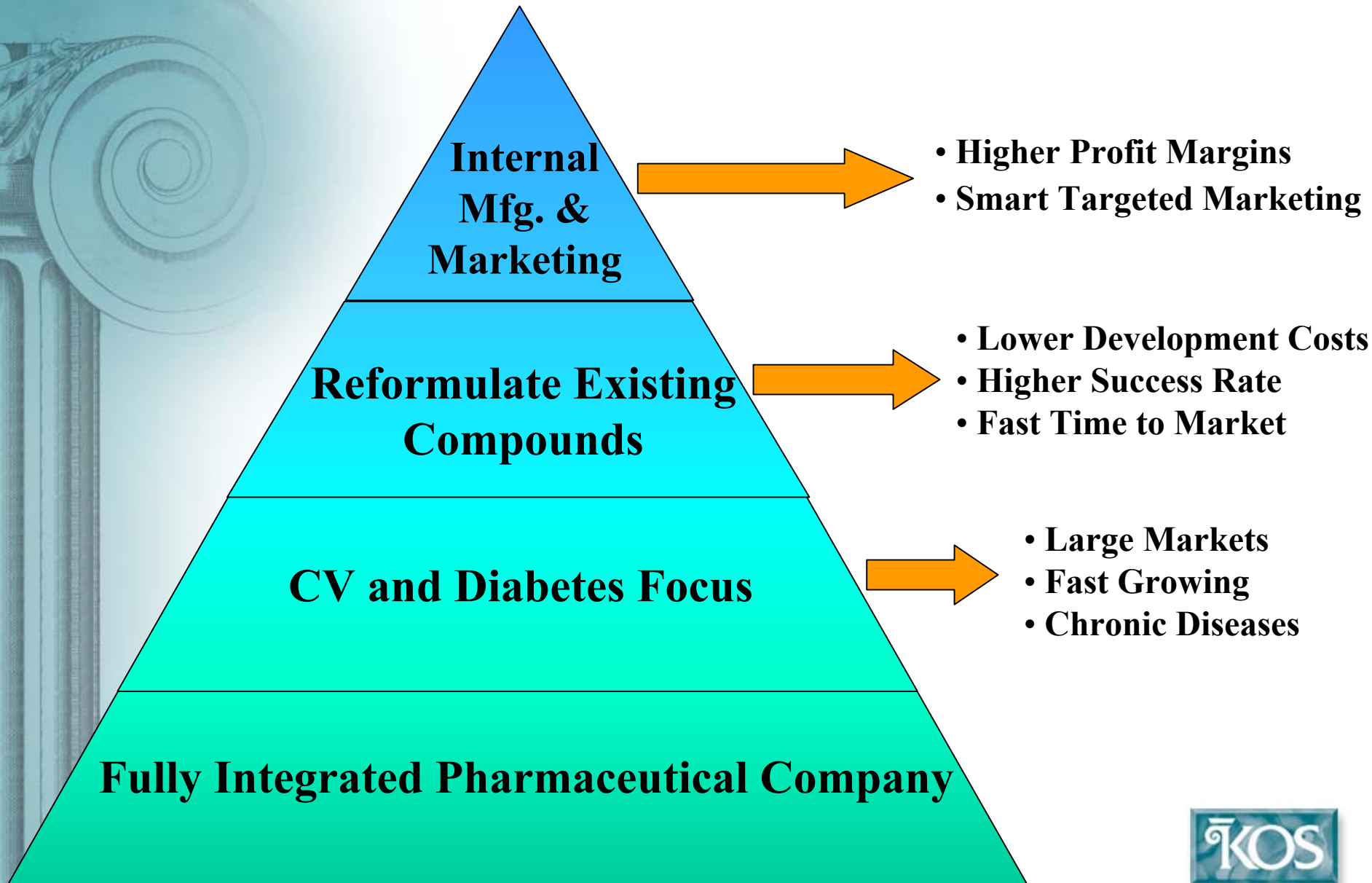


Our Corporate Goal

“To establish Kos as the premier and fastest growing specialty pharmaceutical company”



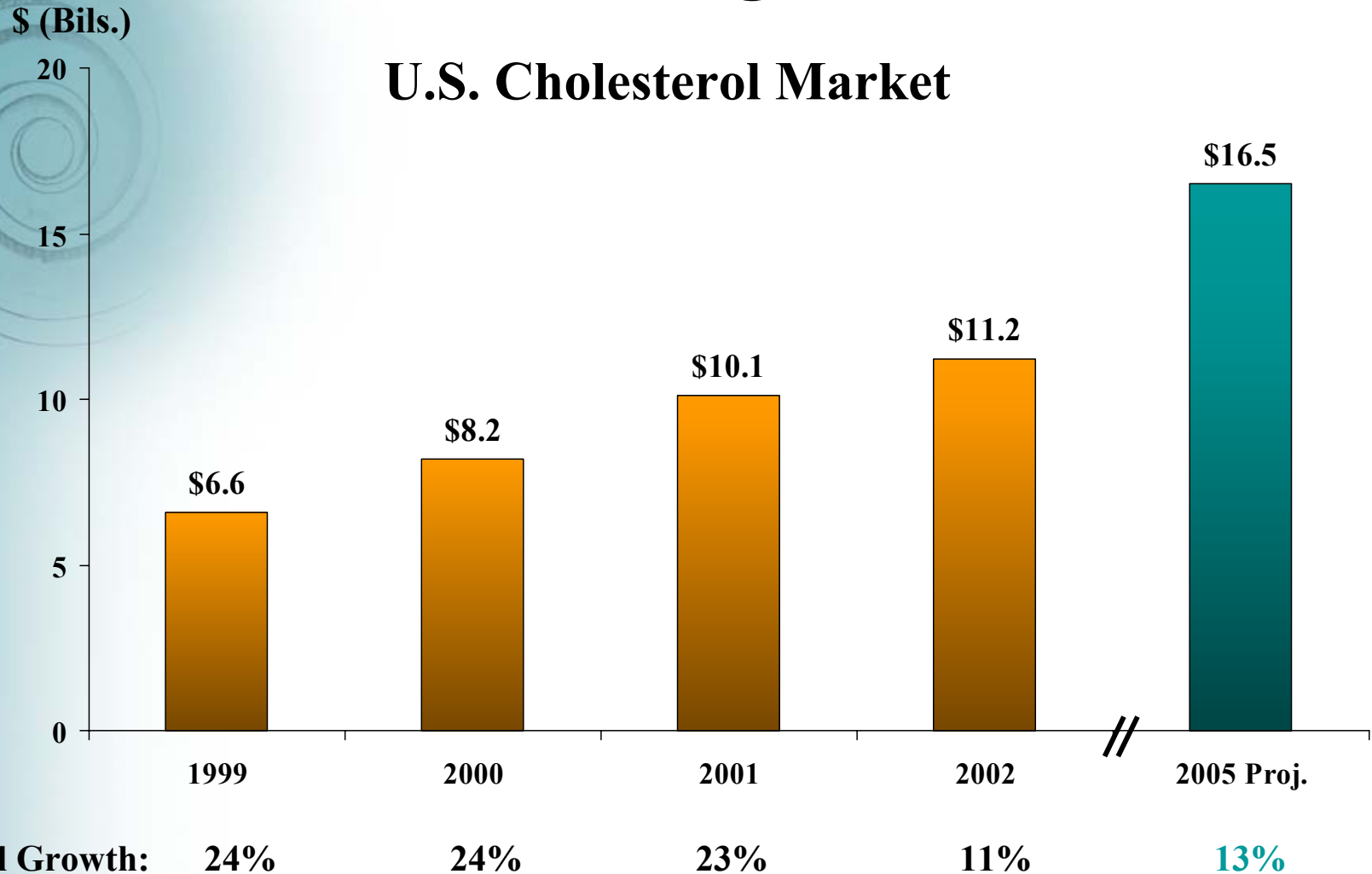
A Solid Core Business Strategy





Participating in Large and Fast Growing Market

U.S. Cholesterol Market



Annual Growth: 24%

24%

23%

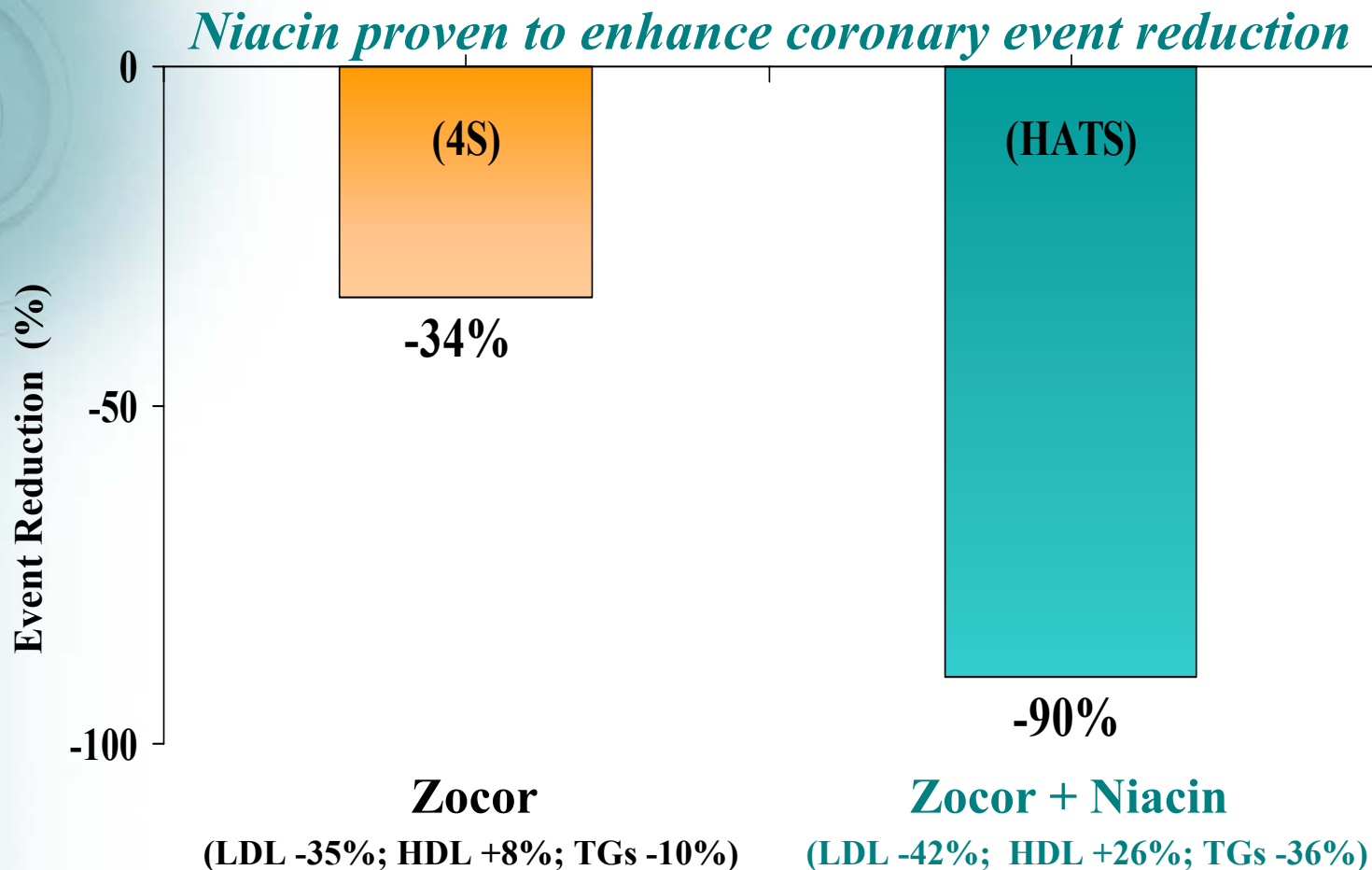
11%

13%

Sources: Scott-Levin, and Industry Estimates



Coronary Event Reduction



- NEJM 11/29/01;348:1583-1592
- The Lancet 1994; 344:1383-1389



NIASPAN – Growth Drivers

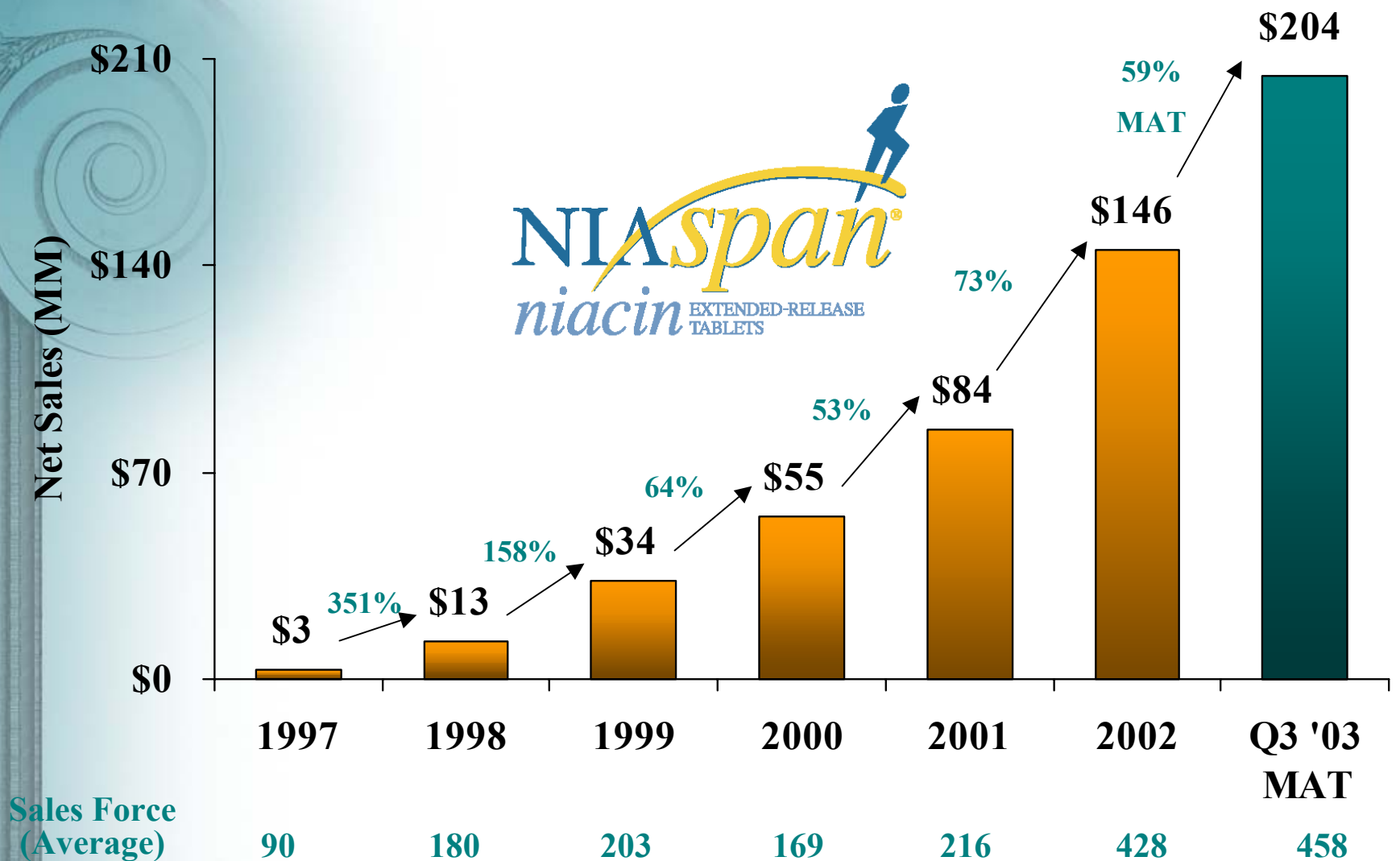


Step up to enhanced 
Lipid Control

- *Only FDA-approved* ER niacin
- Protected by *three issued patents*
- Increases *HDL up to 30%*
- *69% adjunctive therapy*, still huge untapped potential
- *NCEP Guidelines and “HATS”*
- ADVENT bolsters use *in diabetics*
- Creative *Life Cycle Management*
 - New *clinical data*
 - *New indications, new formulations, expanded labeling*
- Covered by *97% managed care* institutions

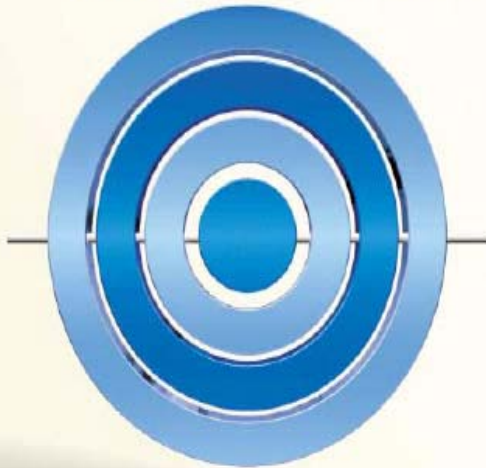


NIASPAN Sales Growth



Advicor Growth Drivers

REACHING GOAL
HAS BEEN A MATTER OF
HITTING ONE TARGET...



UNTIL NOW.

NEW

Multi-Dimensional Lipid Modifier

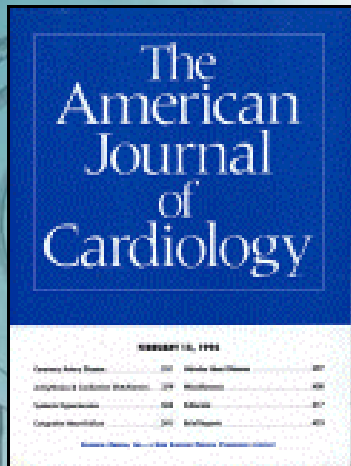
ADVICOR

NIACIN EXTENDED-RELEASE/
LOVASTATIN TABLETS

- *First and only FDA-approved* dual-component cholesterol therapy
- The *most (cost) effective therapy* in a single tablet, with *outcomes potential*
- Highly *successful launch*
- *77%* of physicians intend to use
- *47%* of use as *first-line therapy*
- Successful *co-positioning* of Niaspan and Advicor
- Growing *trend toward combination use*
- Managed care: *> 220MM lives*
- *ADVOCATE* data supports broad lipid profile



ADVOCATE Results – AJC, March 2003



% (Reduction) / Elevation From Baseline

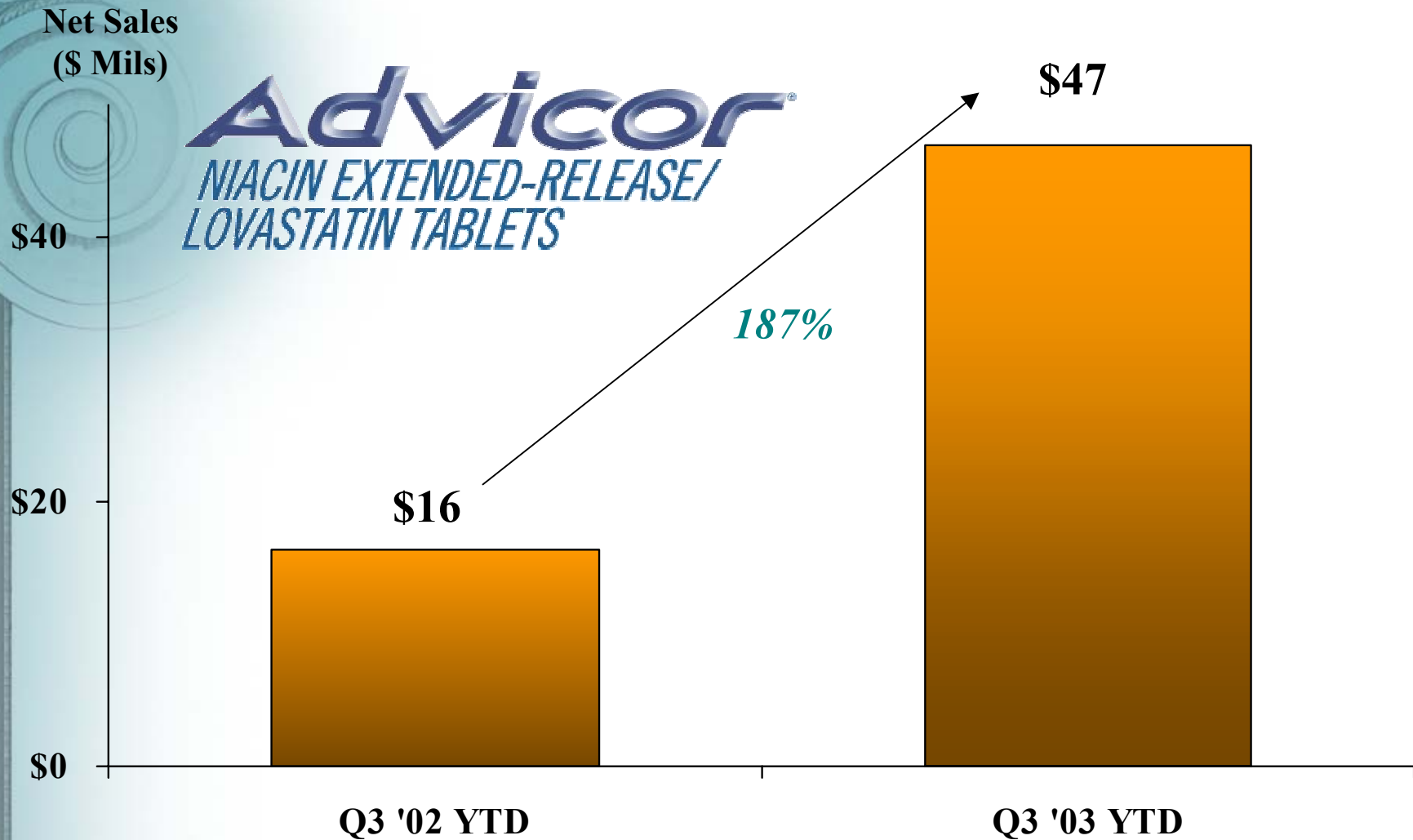
	Statins	
	<i>ADVICOR</i> (1000/40mg)	
	Lipitor (20 mg)	Zocor (20 mg)
LDL Cholesterol	(42)%*	(45)%
HDL Cholesterol	19**	4
HDL ₂ Cholesterol	118**	24
Triglycerides	(36)**	(30)
Lp(a)	(20)**	(15)

* $p \leq 0.05$ v Zocor

** $p \leq 0.05$ v both Lipitor and Zocor

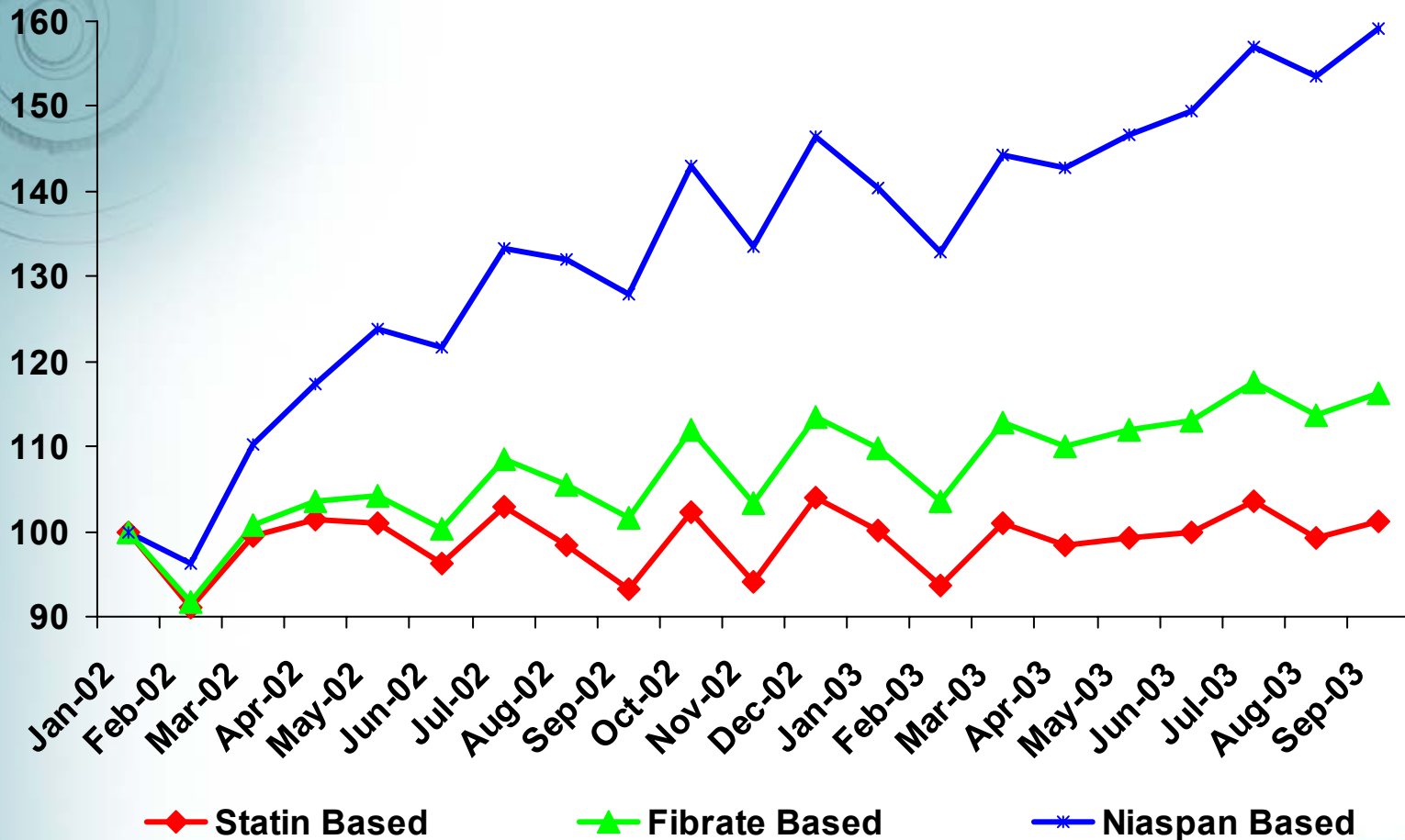


ADVICOR Sales Growth



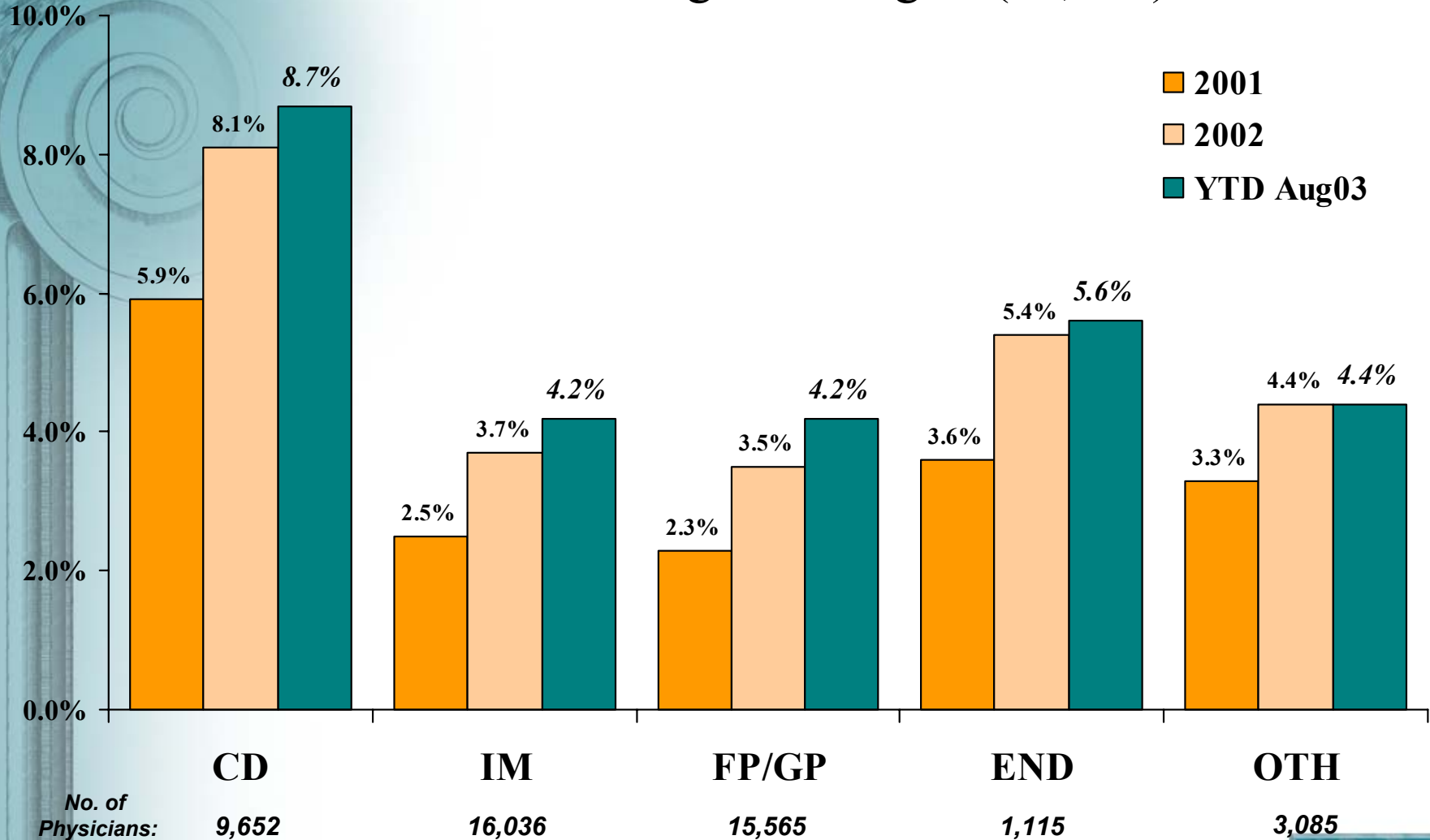
Cholesterol Market Dynamics

TRx Growth, Based to January 2002



Kos Franchise Share by Specialist

Share of TRx among Kos Targets (45,453)

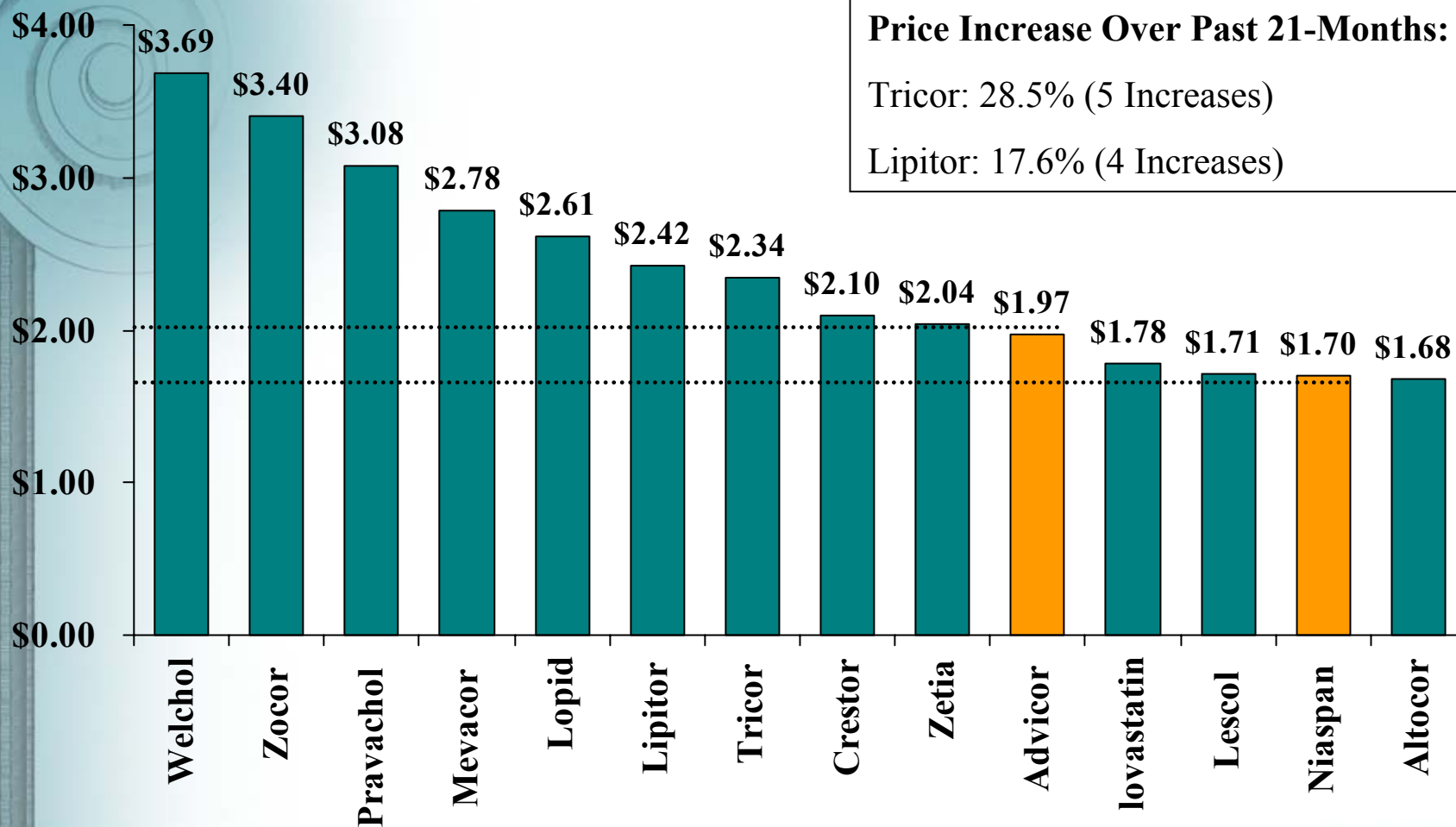


Source : NDC Health



Competitive Pricing Overview

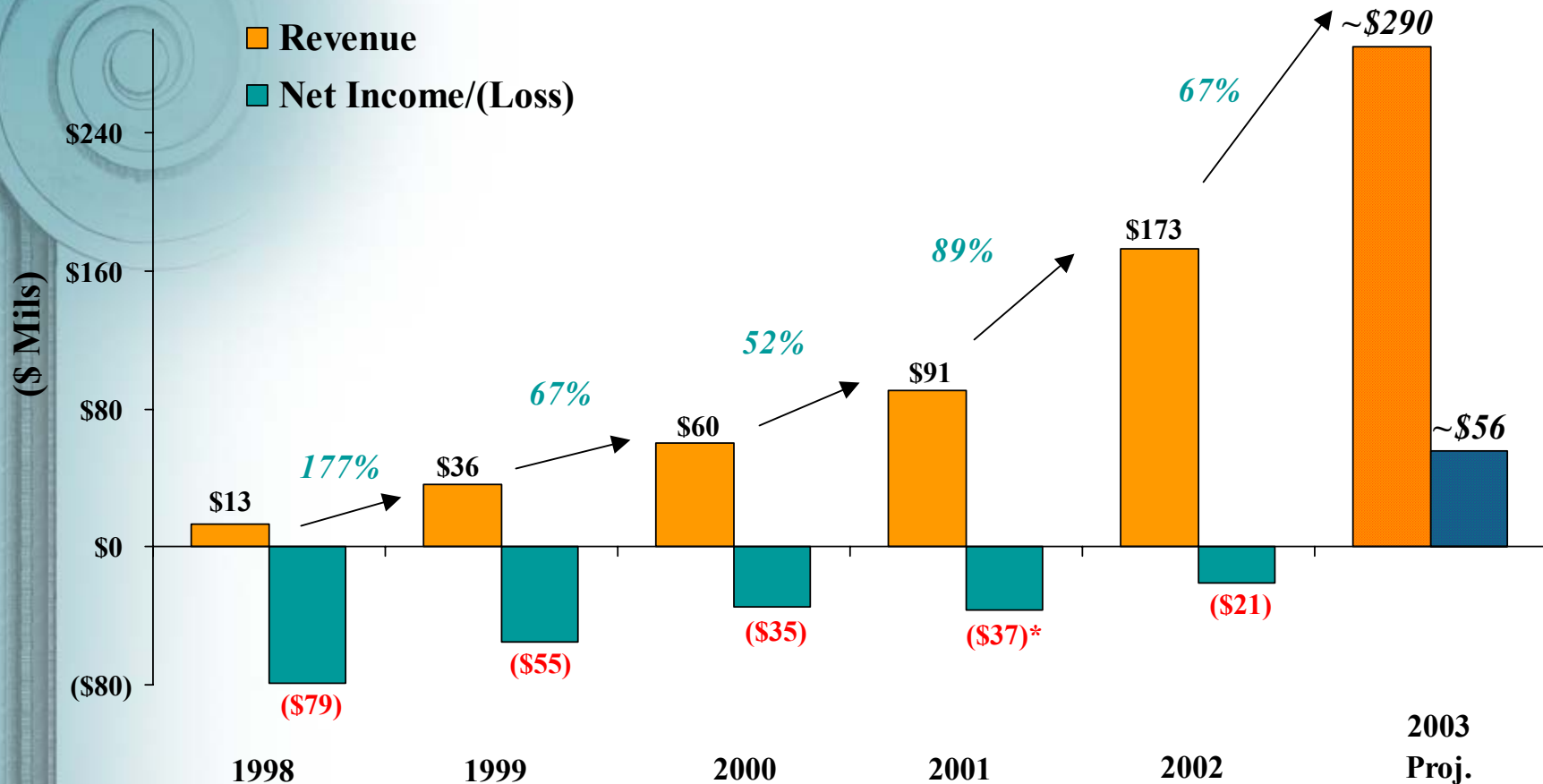
Weighted Average Daily Factory Selling Price



*All product pricing based on September 17, 2003.



Robust Annual Financial Growth

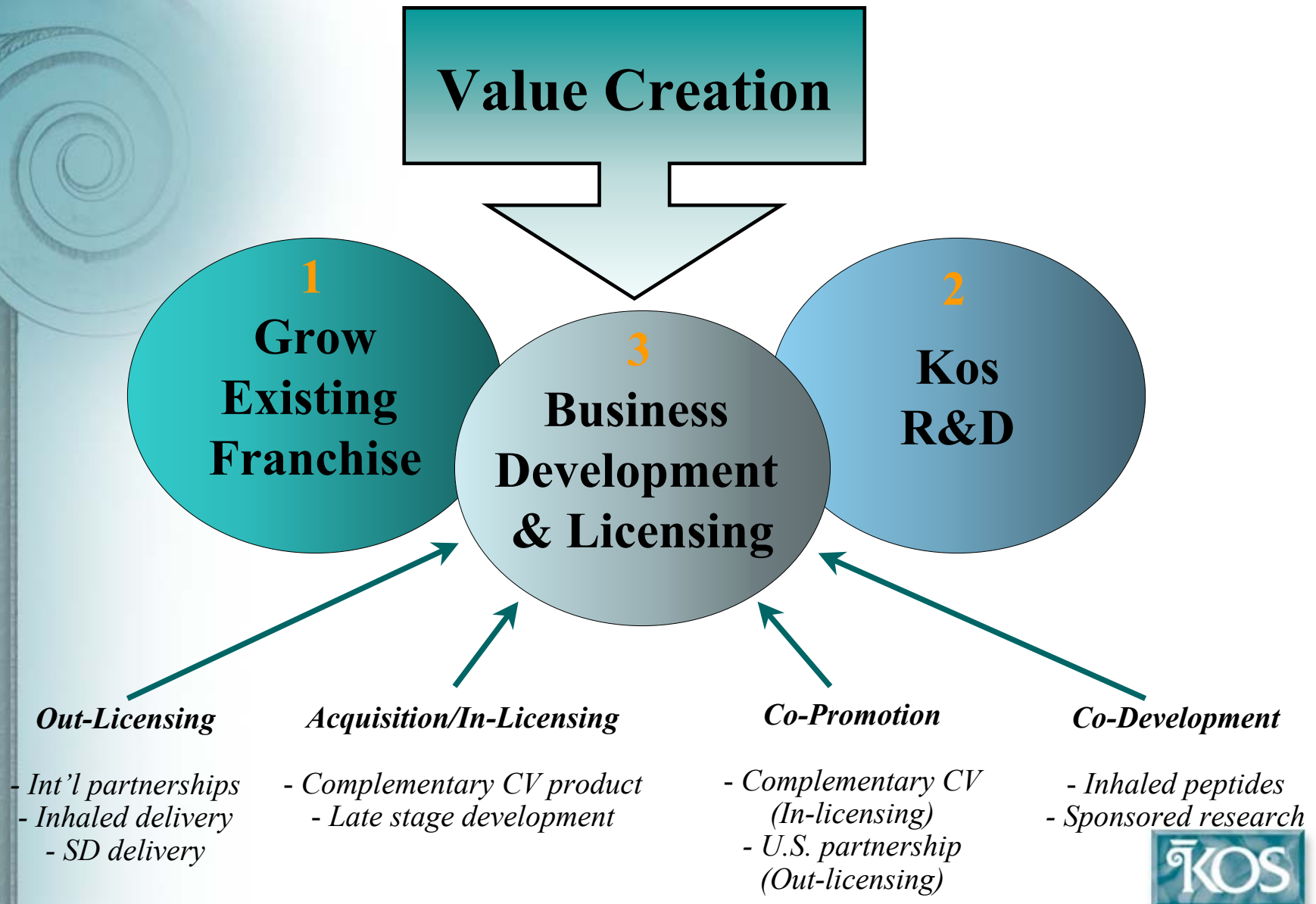


* Excludes impact of one-time \$45 million settlement with BMS

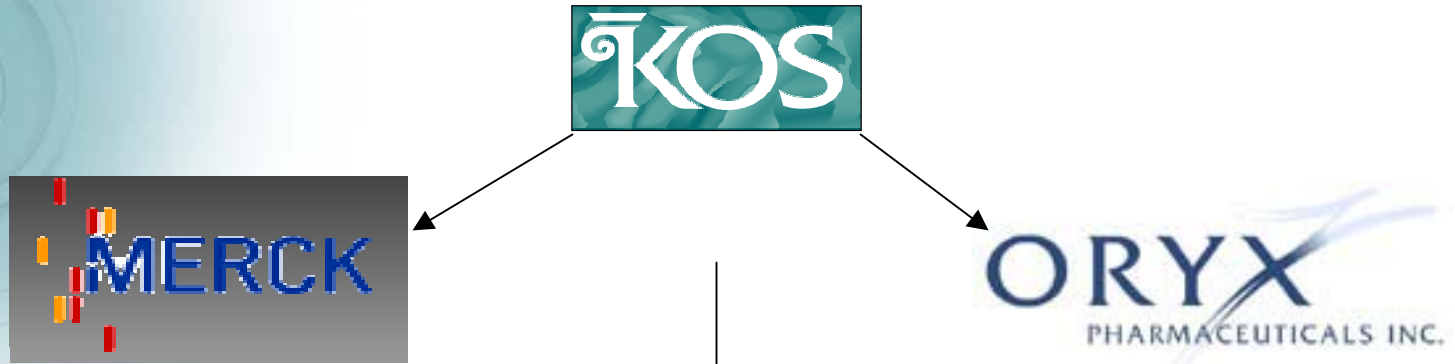




Kos – Creating Shareholder Value



Leveraging *Niaspan* and *Advicor* Through International Alliances



- **Worldwide rights** (*excl. Canada, Japan*)
 - **\$61 MM** in payments
 - **25% royalty** (*incl. CGS*)
 - **High prevalence of dyslipidemia** creates significant opportunity
 - Recently **launched Niaspan in U.K.**
- **Canada**
 - **Revenue share** arrangement
 - Fewer branded products creates opportunity
 - Projected **launch in 2H '05**



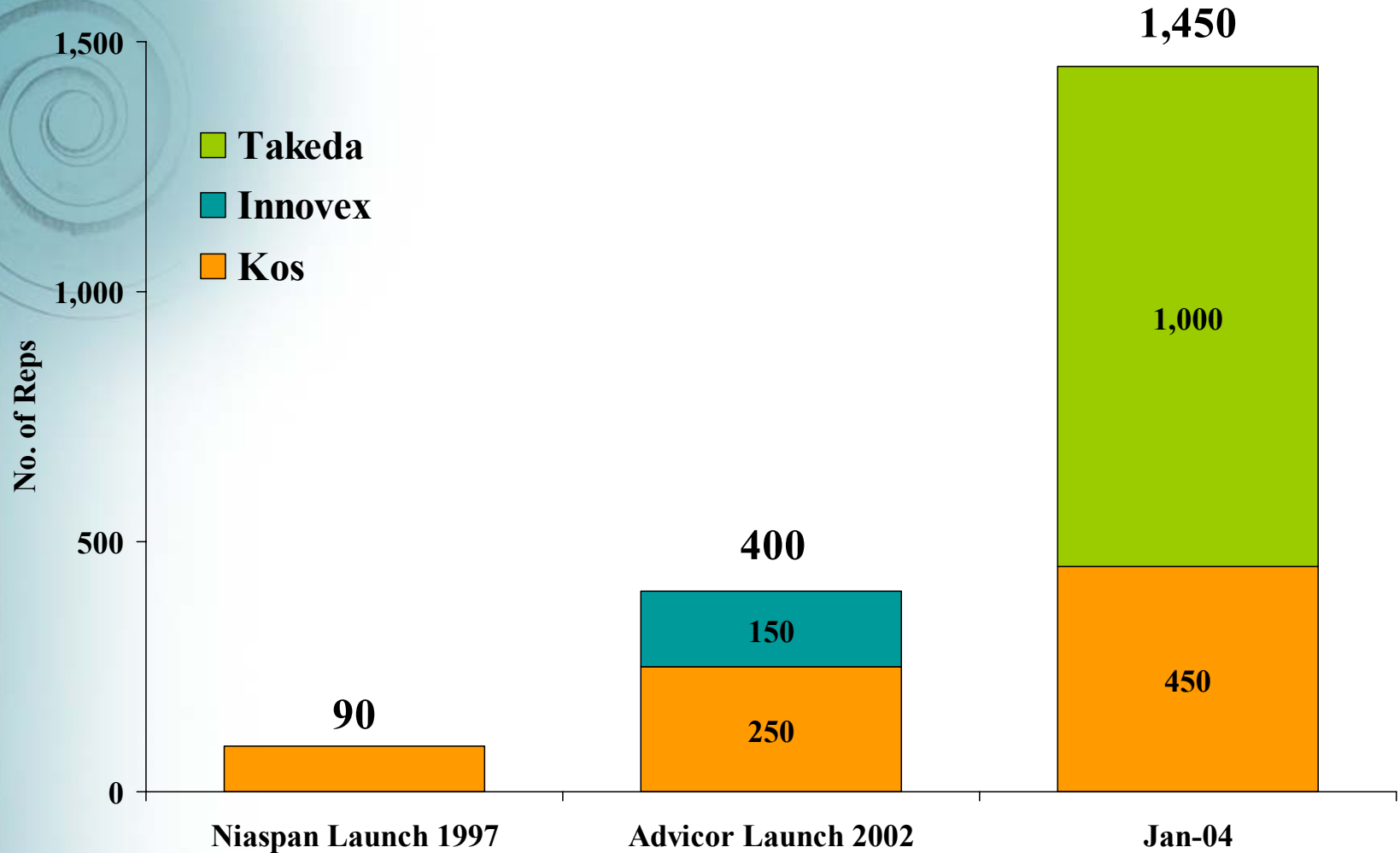
Takeda Profile



- **Takeda Chemical Industries, Ltd.**
 - *5th largest* company in Japan
 - *#1 pharma* company in Japan; *#15 worldwide*
 - \$8 billion in annual sales; *76% from pharma*
- **Takeda Pharmaceuticals North America, Inc.**
 - Over *1,000 reps* detailing principally primary care physicians
 - Launched *Actos* in 1999; co-promote with Eli Lilly
 - ❖ *7th fastest product* to reach \$1 billion in sales



Increased Sales Force Firepower



Compelling Co-Promotion Rationale



- Takeda's *1,000 reps* doubles share of voice to *8-10%*
 - *Broadens Kos' reach* into largely untapped PCP universe (*48,000 MDs*)
 - *Increases call frequency* to Kos current physicians
 - *80%* overlap between lipids and diabetes
- Strong *top line* impact
 - Projected to *add at least 10% to top line in 2004*
 - Projected to *increase top line at least 15%* for entire 3 year term
- Strong *bottom line* impact
 - Increases *EPS at least 10%* in 2004; *offsets dilutive effects of offering*
 - Expected to be *significantly accretive* throughout the co-promote term



***Connection to Our
Customers***



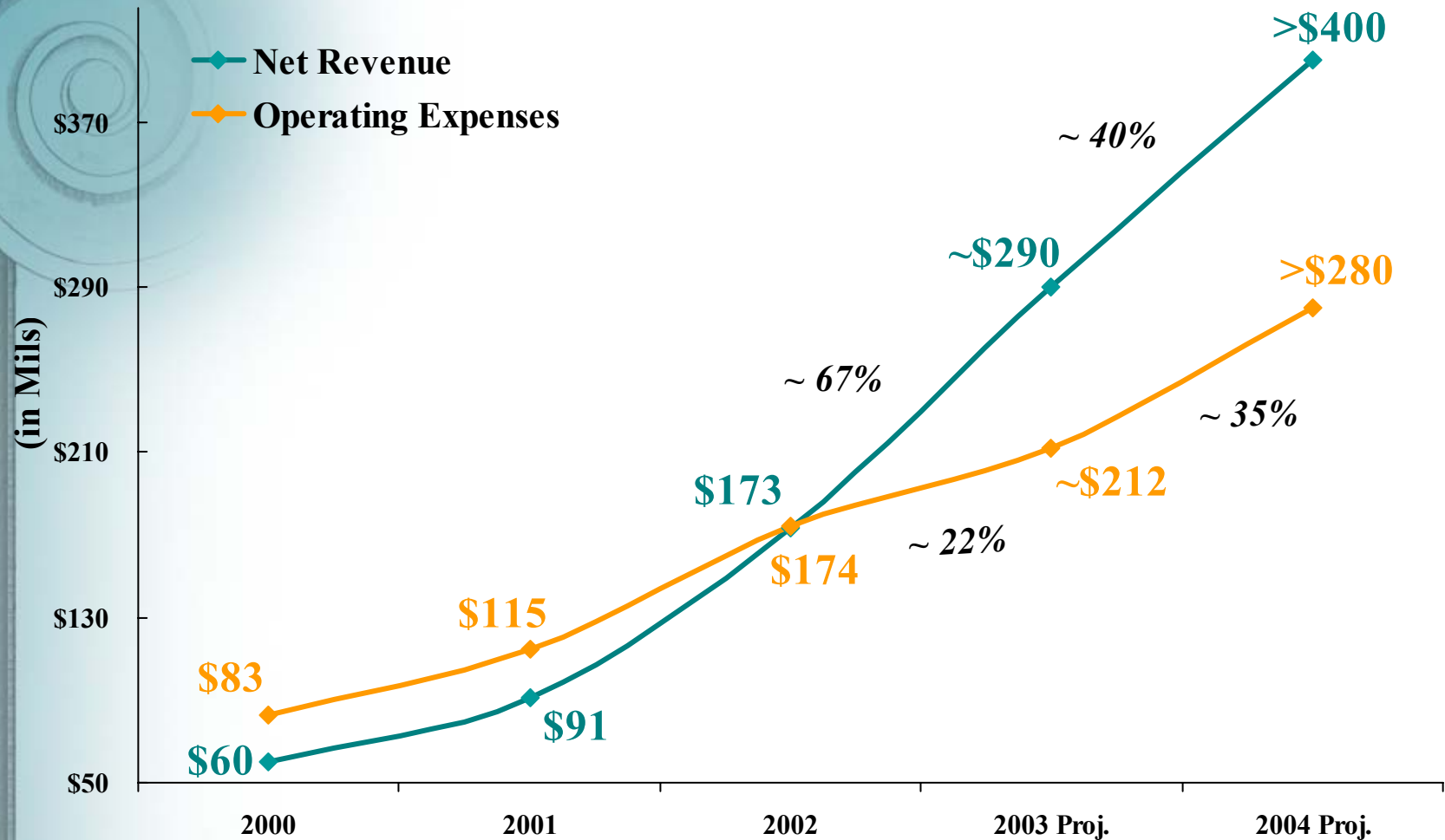
***Pioneering Medicines
for a Better Life***

***Rapid & Sustainable
Financial Growth***



Strong Operational Leverage

Net Revenue and Operating Expenses



Robust EPS Outlook



* Excludes impact of one-time \$45 million settlement with BMS



NIASPAN Franchise IP Portfolio

United States

Issued

- (1) Method of Use* (2017)
- (1) Use and Formulation (2013)
- (1) Pharmacokinetic (2013)

Pending

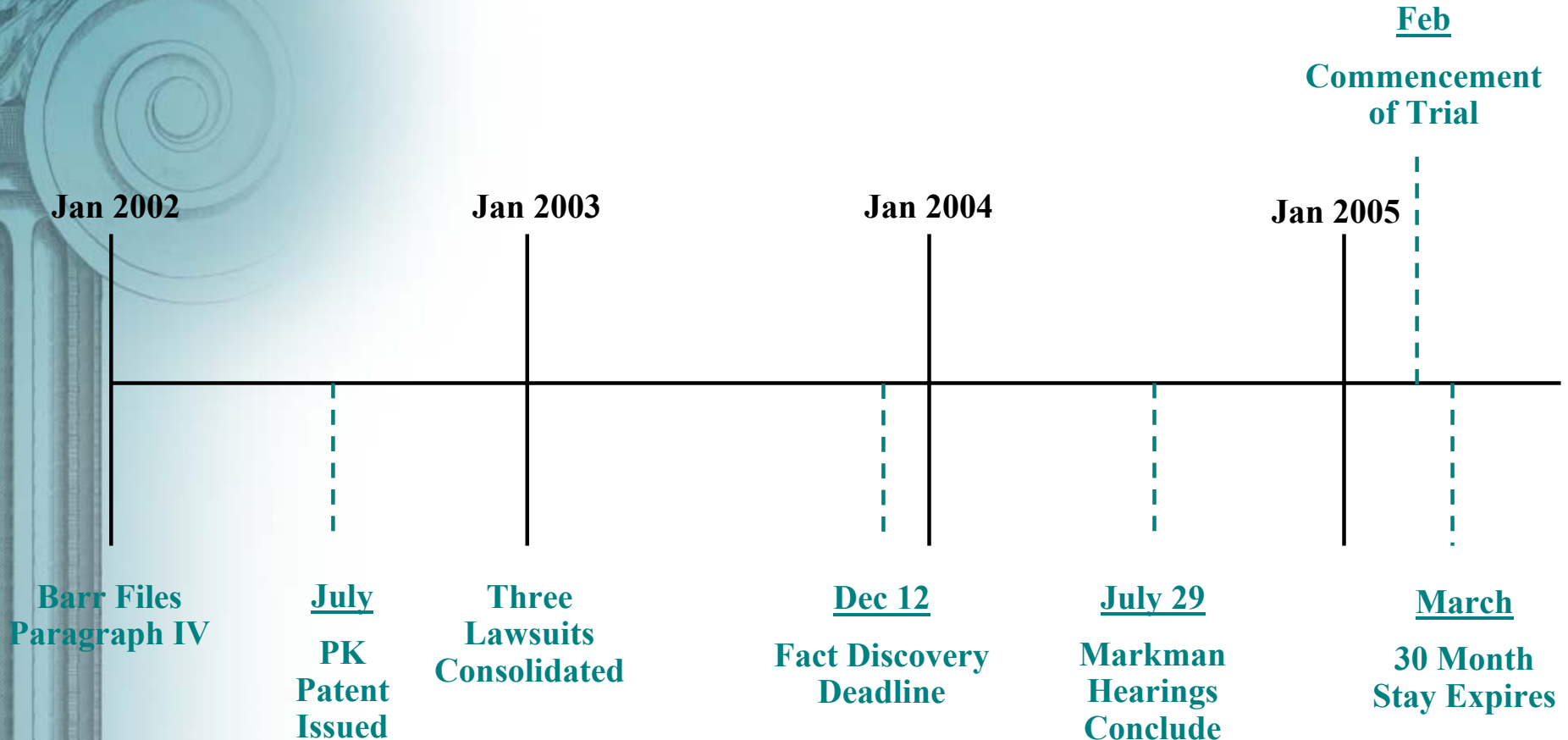
- Several Pharmacokinetic

* Pending European application(s)



Niaspan Patent Case

(Involves Kos 5 issued patents with > 200 claims)



Memo:

- *Several patent applications pending*



Factors to Protect Revenue Base Through 2005

1. *New Patent Issuances*

- Possibly delay ongoing trial
- Litigate separately; exposes Barr to damages if launch at risk

2. *Appeals process* can take months to resolve

3. *Niaspan Low-Flush*

- Launch distinctly different dosage form; improved tolerability profile

4. *Convert Niaspan/statin* combination use to Advicor

- Currently, **70%** of Niaspan use is combination therapy

5. *Acquisition or in-license* of complementary product





***Connection to Our
Customers***

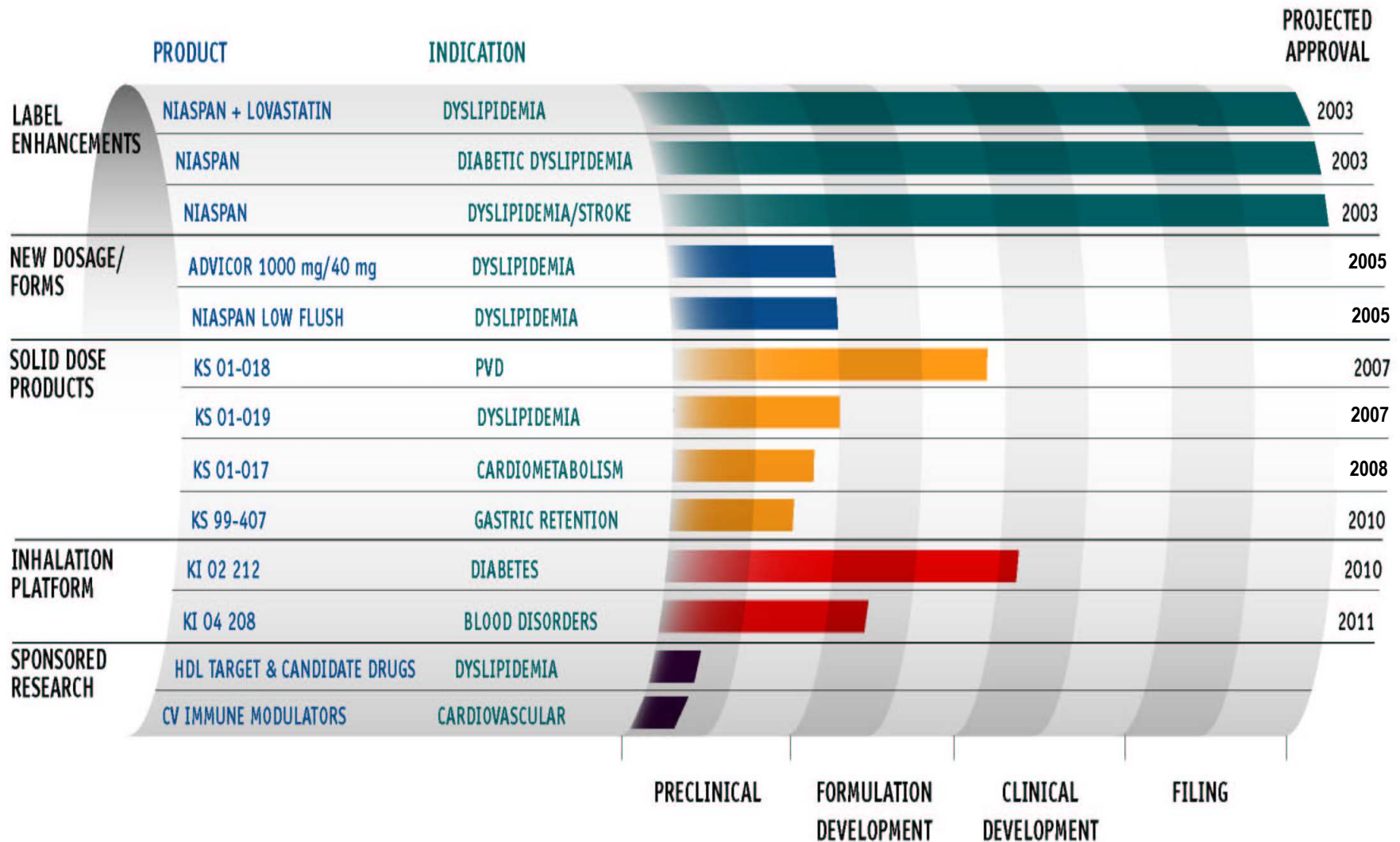


*Pioneering Medicines
for a Better Life*

***Leadership in
Targeted
Research &
Development
Areas***



A Full, Focused R&D Pipeline

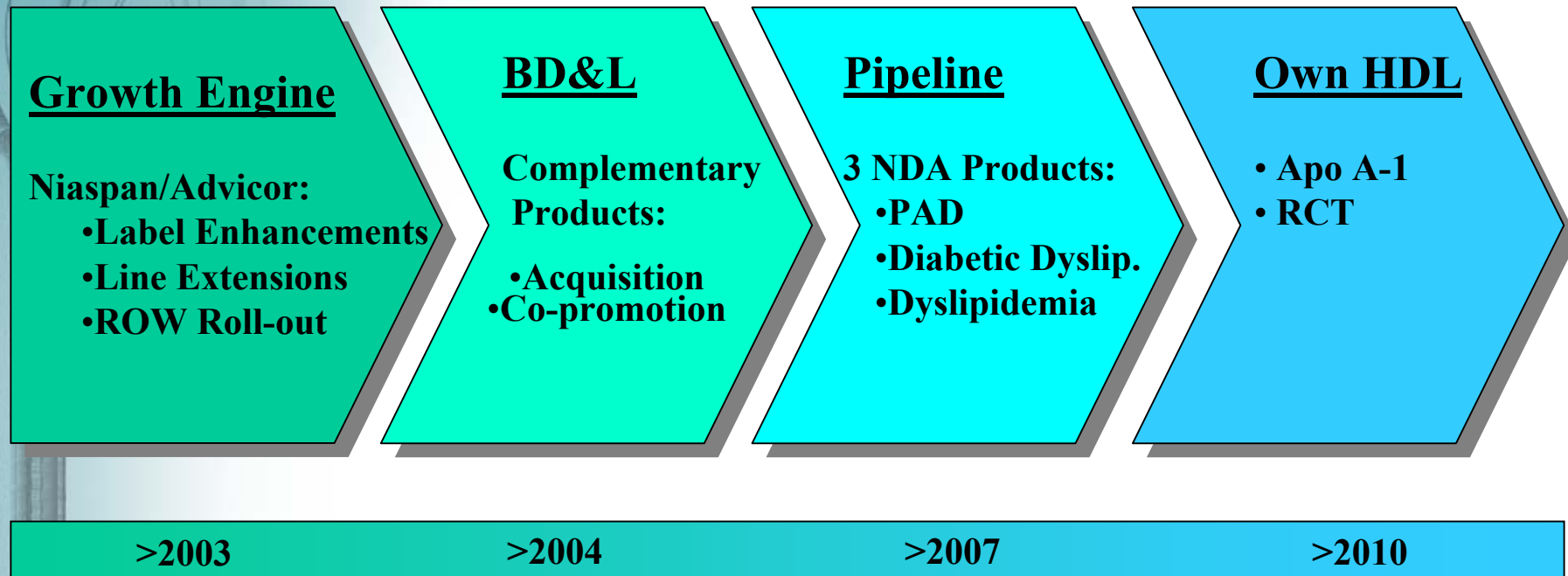


NDA Pipeline Potential

Product in Development	Indication	Projected Efficacy	Potential Patient Pop. (Mils)	U.S. Market (Bils)	U.S. Peak Sales (Mils)
KS 01-018	<i>Peripheral Arterial Disease (PAD)</i>	> Pletal, Trental + Coronary Epts.	8-12	\$1.0	> \$400
KS 01-019	<i>Dyslipidemia</i>	- 42% LDL - 35% TGs + 20% HDL	50	\$11	> \$250
KS 01-017	<i>Cardiometabolism</i>	- 15% FBG - 1.4% HgbA1C - 17% LDL - 34% TGs + 15% HDL	48	\$17	> \$500



Kos: The Plan for Growth



Kos – Investment Thesis

- *Fully integrated specialty pharma* model
- Highly *differentiated products* in large cholesterol market
- Growing *market share; bolstered by Takeda U.S. co-promote*
- Robust *revenue growth*
- Strong internally developed *R&D pipeline*
- International contribution from *Merck KGaA and Oryx*
- Strong *P&L leverage and visible earnings momentum*
- Depth in *talent and experience*





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Rationale for Kos Equity Offering

- **Increase cash “war chest”**
 - Improves balance sheet
 - Provides cash buffer, if negative Barr decision
- **Facilitates BD&L Strategy**
 - Need to diversify product portfolio
 - Increases credibility when bidding for products
 - Better able to compete with other specialty pharma companies
- **Increases “float”**
- **Strong story to tell – “Roadshow”**
 - Strong 3Q financial performance; **compelling outlook for ‘04**
 - Describe powerful attributes of “Tealeaves” **co-promote**
- **Expected reduced dilutive impact compared with today**
- **Mitigates market risk**



Highlights of Kos Equity Offering

- **Raised \$221 million in gross proceeds**
 - Net proceeds to Kos - **\$157 MM**
 - Net proceeds to Michael Jaharis - **\$53 million**
- **3rd largest healthcare Transaction in 2003 (n=15)**
 - Average deal size in 2003 was \$163 MM; median = \$109 MM
 - Deal increased liquidity by **35%**
- **Strong price performance relative to filing**
 - Deal priced **11% higher** from filing vs. 4% decline for all other deals
 - Stock increased **2%** during “roadshow” vs. 1.4% decline for peers.
- **Extensive “Roadshow”**
 - Visited **7 cities in 8 days**
 - Had **50** one-on-one meetings and met with over **100** investors
- **Underwriters: Goldman Sachs; Banc of America, SG Cowen; Deutsche Bank Alex Brown; SunTrust**





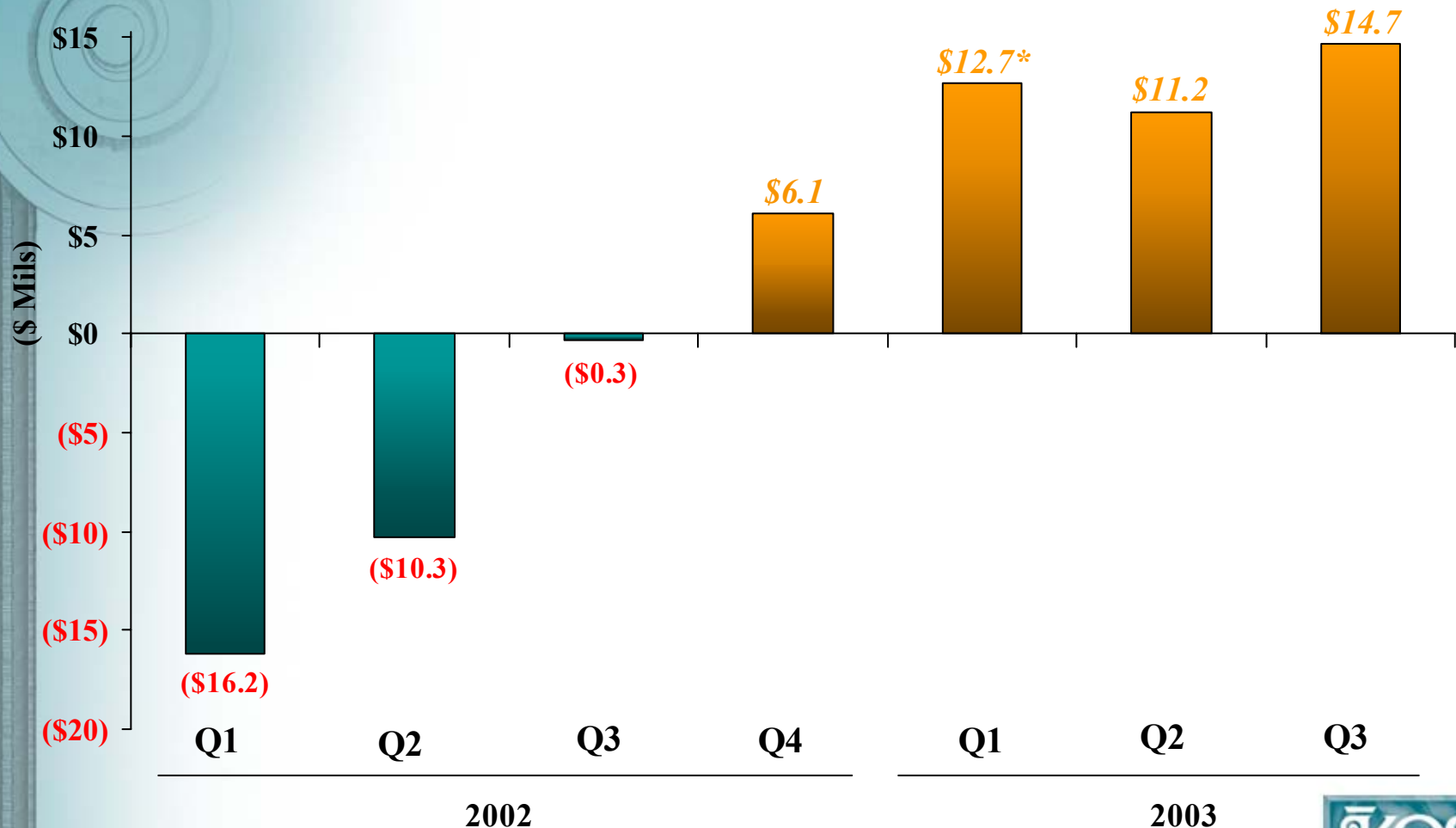
Back Ups

Co-Promotion Agreement Terms

- *Scope*
 - Takeda to co-promote *Niaspan* and *Advicor* for cholesterol modulation in U.S.
- *Term*
 - 2004 – 2006 with renewal if mutually agreed upon by parties
- *Takeda Responsibilities*
 - 1,000 reps to nearly double Kos' current personal promotional effort
 - Absorb all Takeda-related costs associated with field force promotions, including samples
- *Kos Responsibilities*
 - Record and collect sales of both products
 - Manufacture and distribute both products

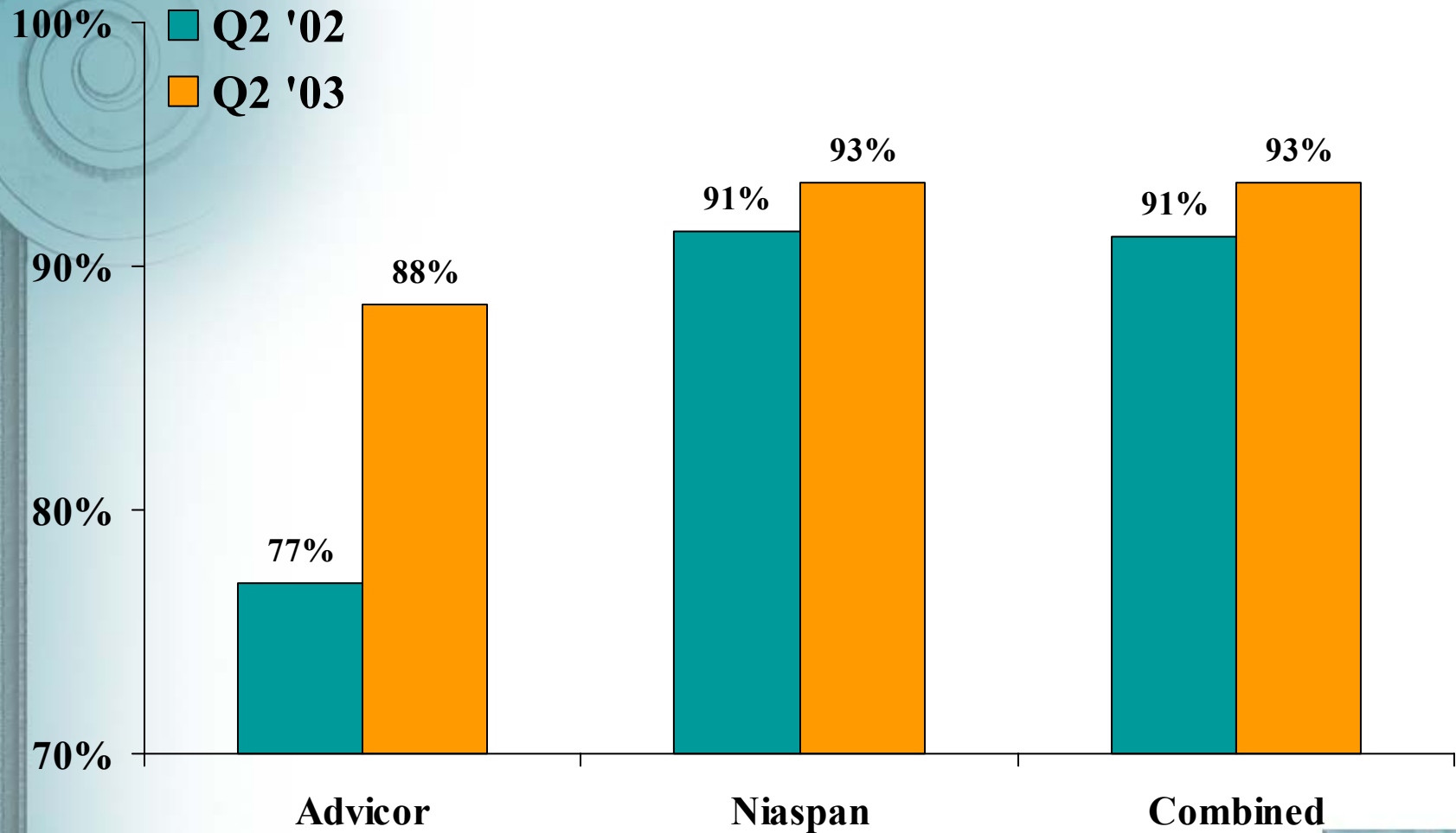
Significant P&L Leverage

Quarterly Net Income/(Loss)



Gross Margin Analysis

Quarterly Comparison



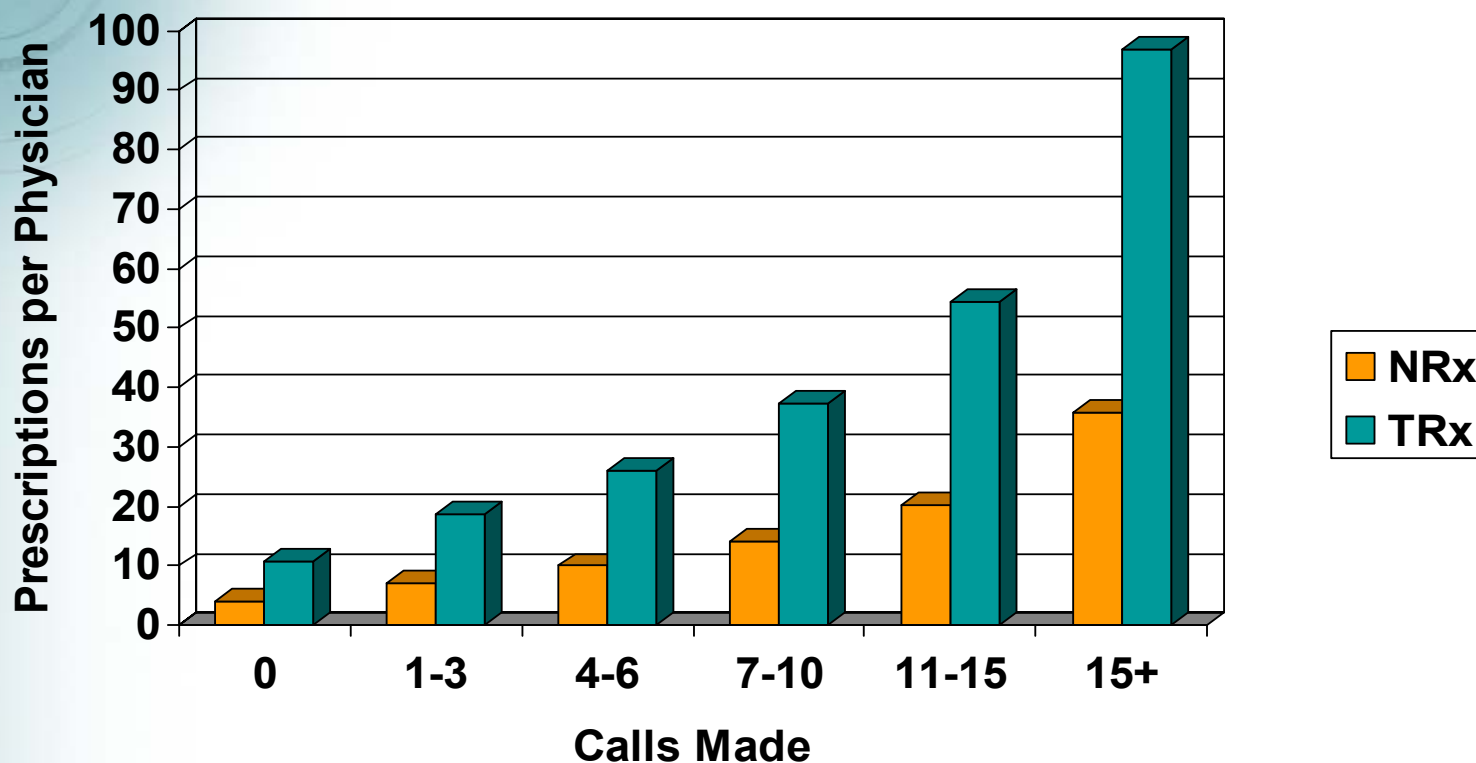
ADVICOR MANAGED CARE

Advicor Formulary Status as of Sep 2003

	Major Plans	<u>Covered Lives</u>	
		Number (Mils.)	% of Total*
PBM's	8 (of 9)	152	83%
HMO's	14 (of 20)	37	67%
St. Medicaid	39 (of 50)	35	80%
Totals	66	224	80%



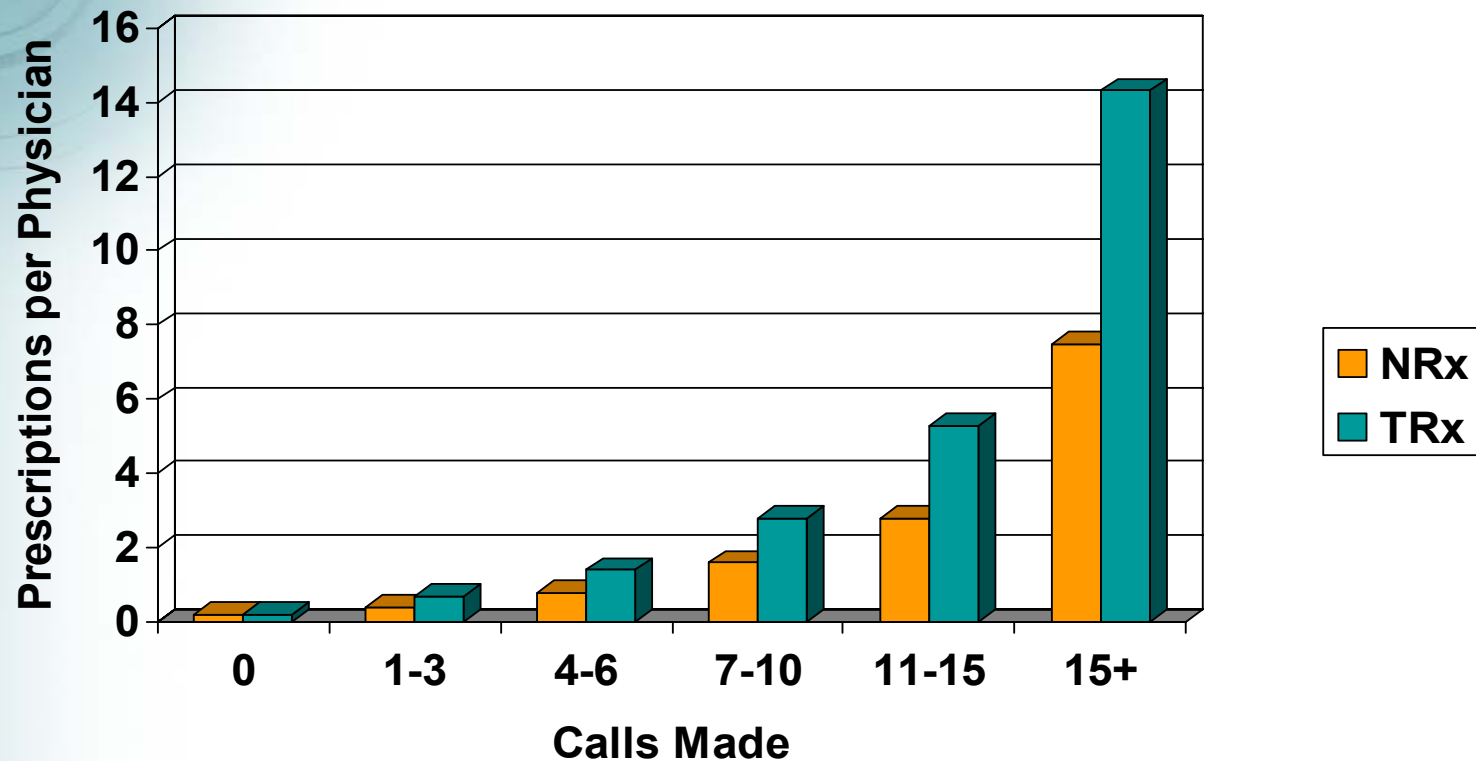
Niaspan Promotional Sensitivity



Effort: 0% 2.8% 7.7% 17.1% 25.6% 46.9%
Data are for calls made Jan-Oct 2002 inc.



Advicor Promotional Sensitivity



Data are for calls made Jan-Oct 2002 inc.

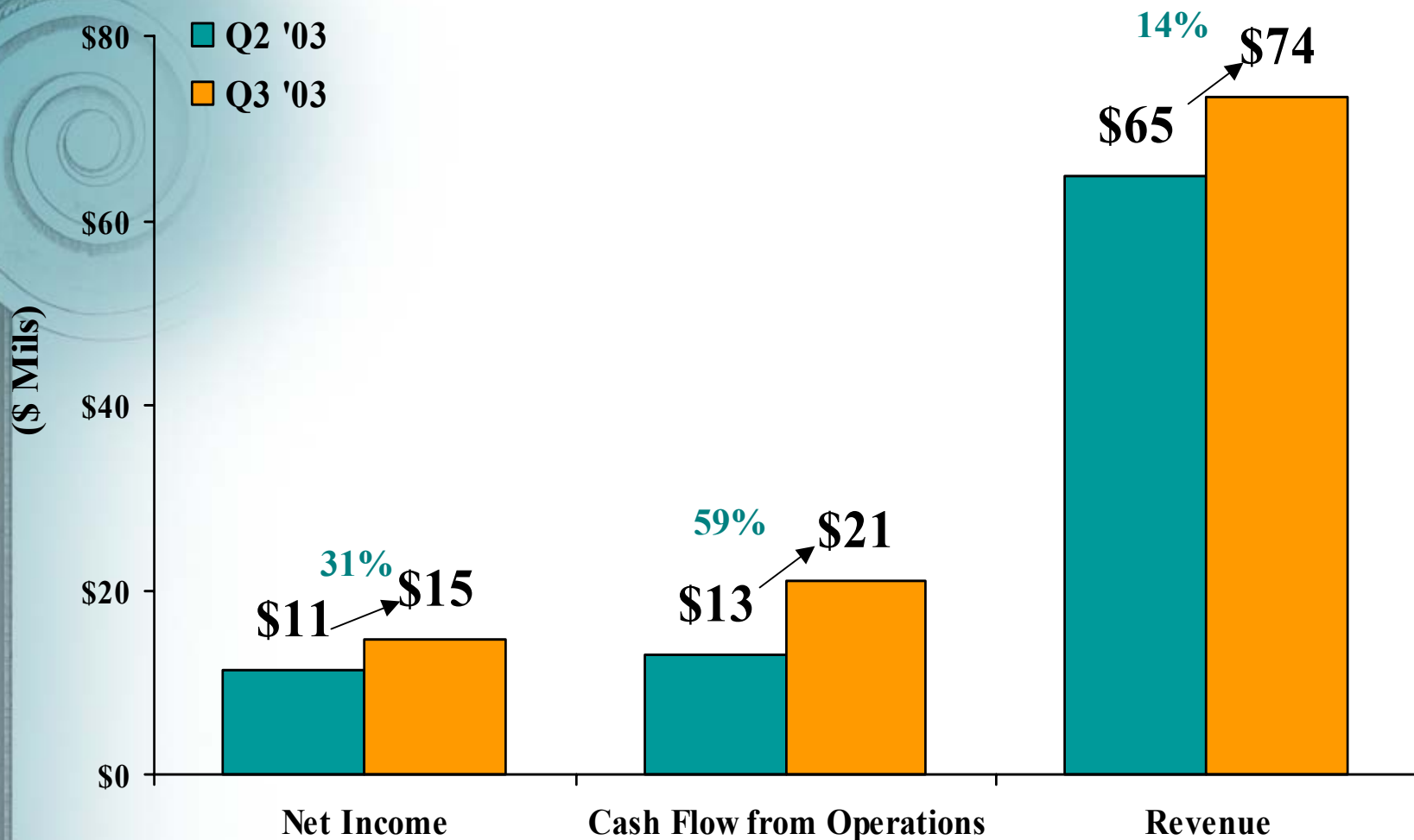


Qtr3 03 - Continued Strong Results

- 3rd quarter net revenue *increased 62% to \$73.5 million*
- Net income grew to *\$14.7 million*
- *EPS of \$0.37* vs. loss per share of \$0.02 in Q3 '02
- Generated cash from operations *of \$21 million* in 3rd Quarter
 - *Generated \$69 million* of cash in last five quarters
 - Following offering, Kos to have about *\$220 MM in cash*
- *Improved 2003 full-year outlook*
 - Increased EPS projection to *\$1.40 to \$1.50* per share



Strong Q3 Financial Performance



Our Vision

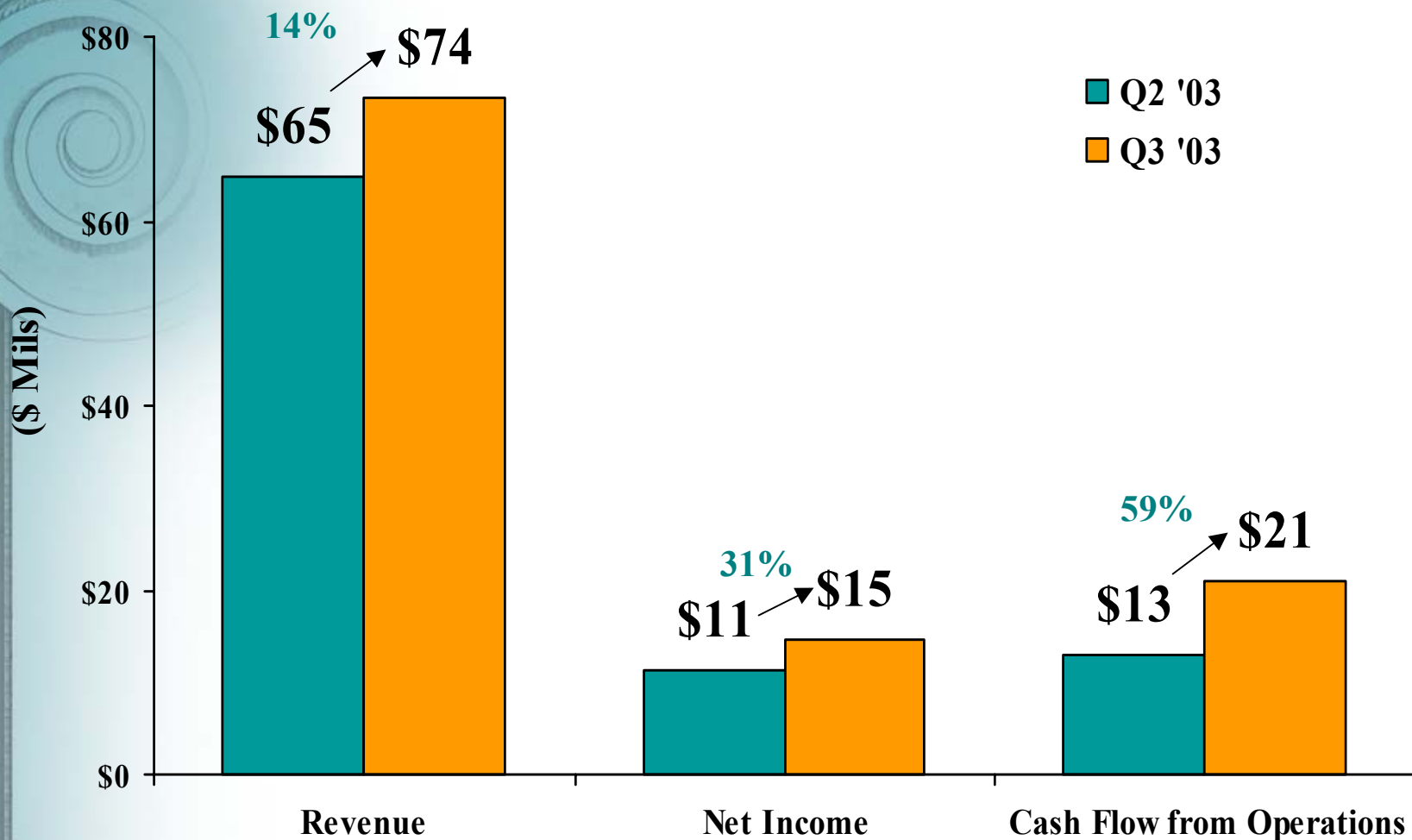


Accomplishments and Near-Term Goals

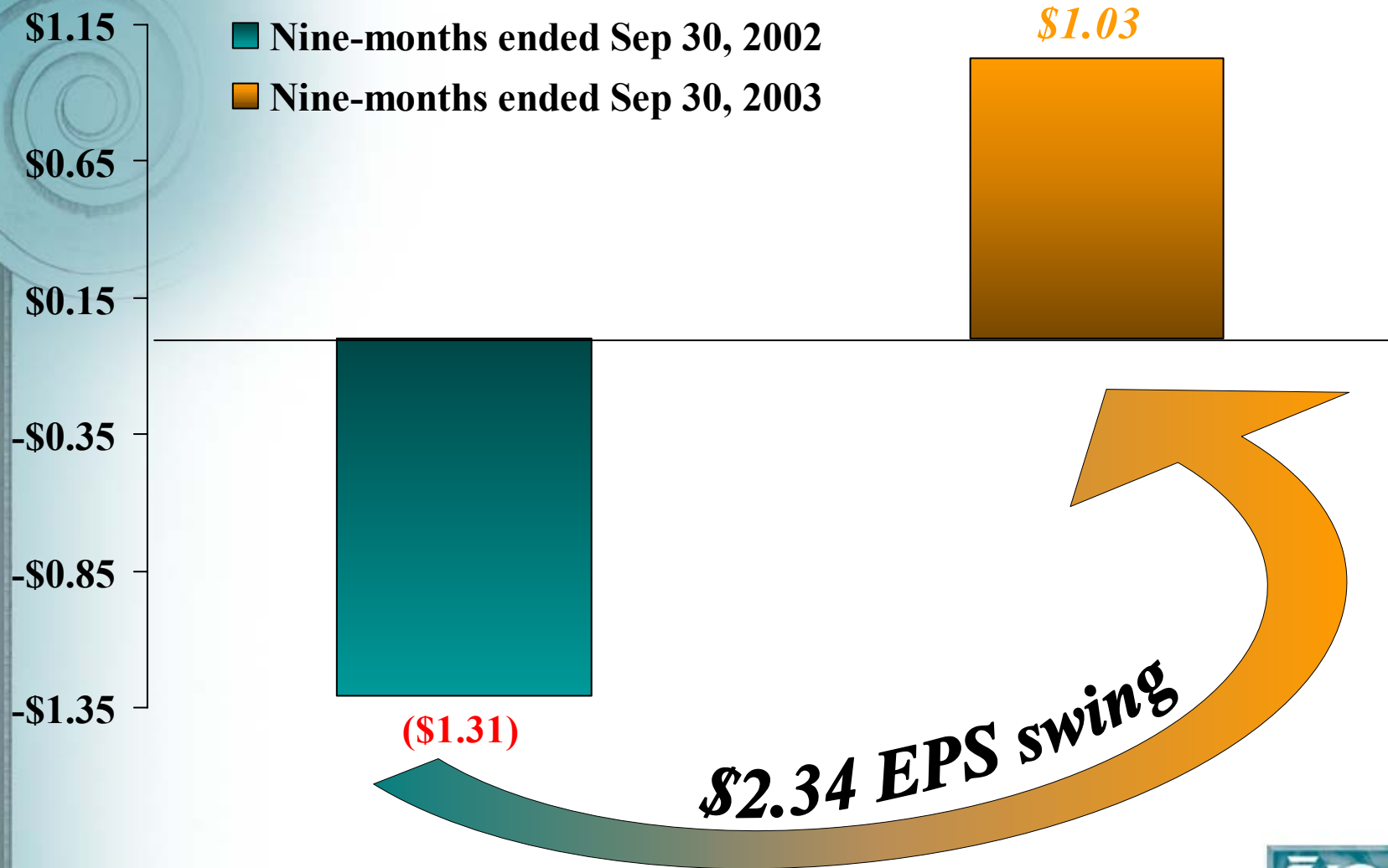
- ☑ *Report new IMPACT* study results
- ☑ *Publish ADVOCATE* data
- ☑ *Present proof of principal data* on Inhaled Protein Insulin
- ☑ *Obtain U.K. approval* for Niaspan, and *launch in the U.K.*
- ☑ *Assess partnerships for Niaspan/Advicor* in Canada
- ☑ *Initiated conversations on partnerships for Niaspan/Advicor* in Japan
- ☑ *Established Co-promotion* for Niaspan and Advicor in U.S.
- *Seek product acquisition or co-promotion* to leverage Kos' sales force
- *Seek U.K. approval* for Advicor
- *Initiate clinical development* of 3 NDA projects
- *Achieve full year profitability*; projected EPS \$1.40 – \$1.50
- *Increase revenue by at least 67%* from 2002
- *Seek approval of sNDA's* for stroke and diabetes



Strong Q3 Financial Performance



Dramatic EPS Improvement



Dyslipidemia in the United States

- **90** million adults with LDL > 130 mg/dl
 - *36 million* eligible for drug therapy per NCEP
- **54** million adults with HDL < 40 mg/dl
- **55** million patients with TGs > 150 mg/dl
- **47** million adults with Metabolic Syndrome
- **13** million adults suffer from coronary heart disease
 - *~2/3rd of CHD* patients have low HDL

FRANCHISE MARKET SHARE

Prescription Evolution Index

