



**“Turning Vision into Reality”**

**Kos Pharmaceuticals, Inc.**

**Investor Presentation 2003**



# 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.

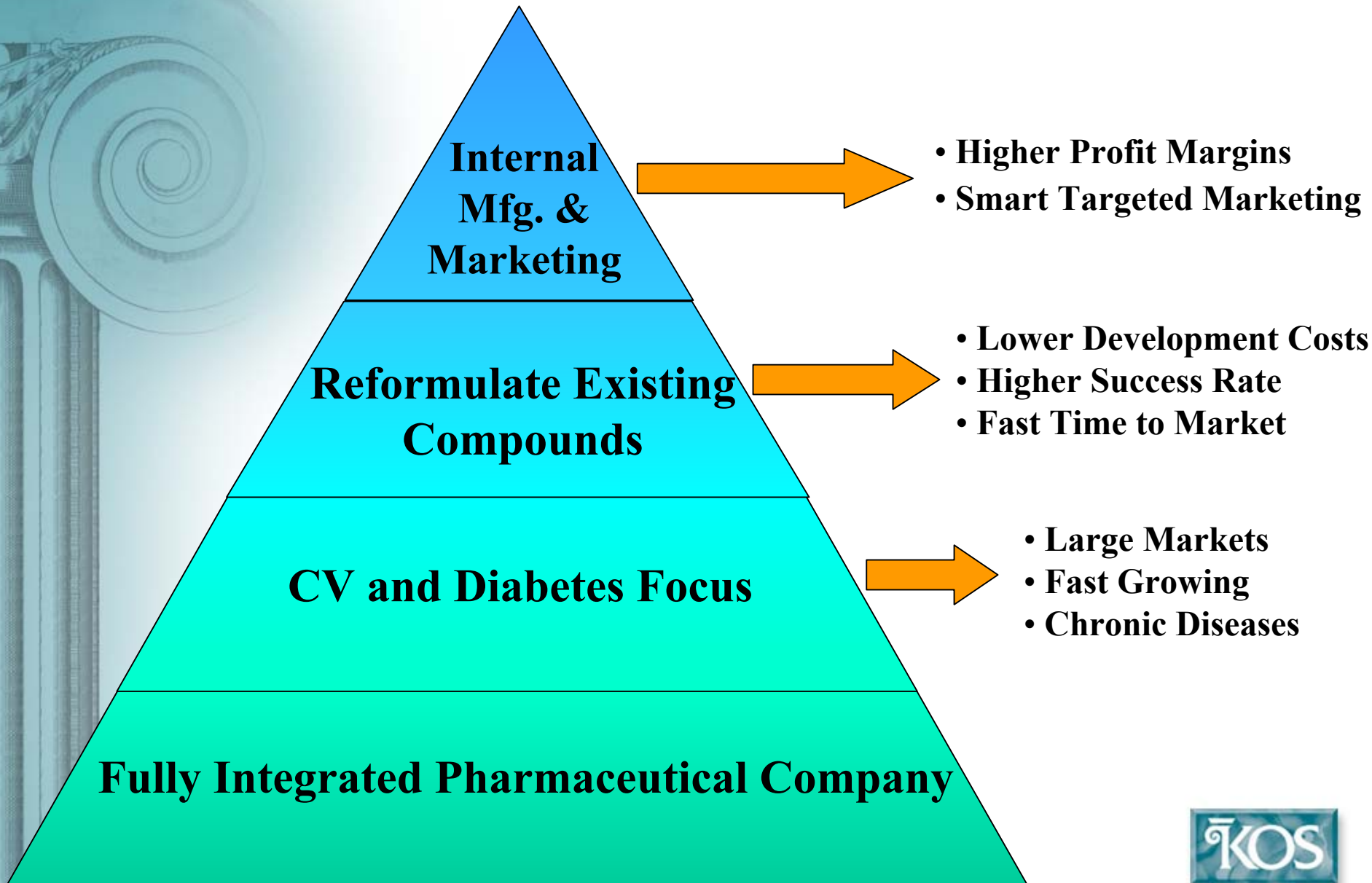


# Our Corporate Goal

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



# A Solid Core Business Strategy



# 2002: An Historic Year

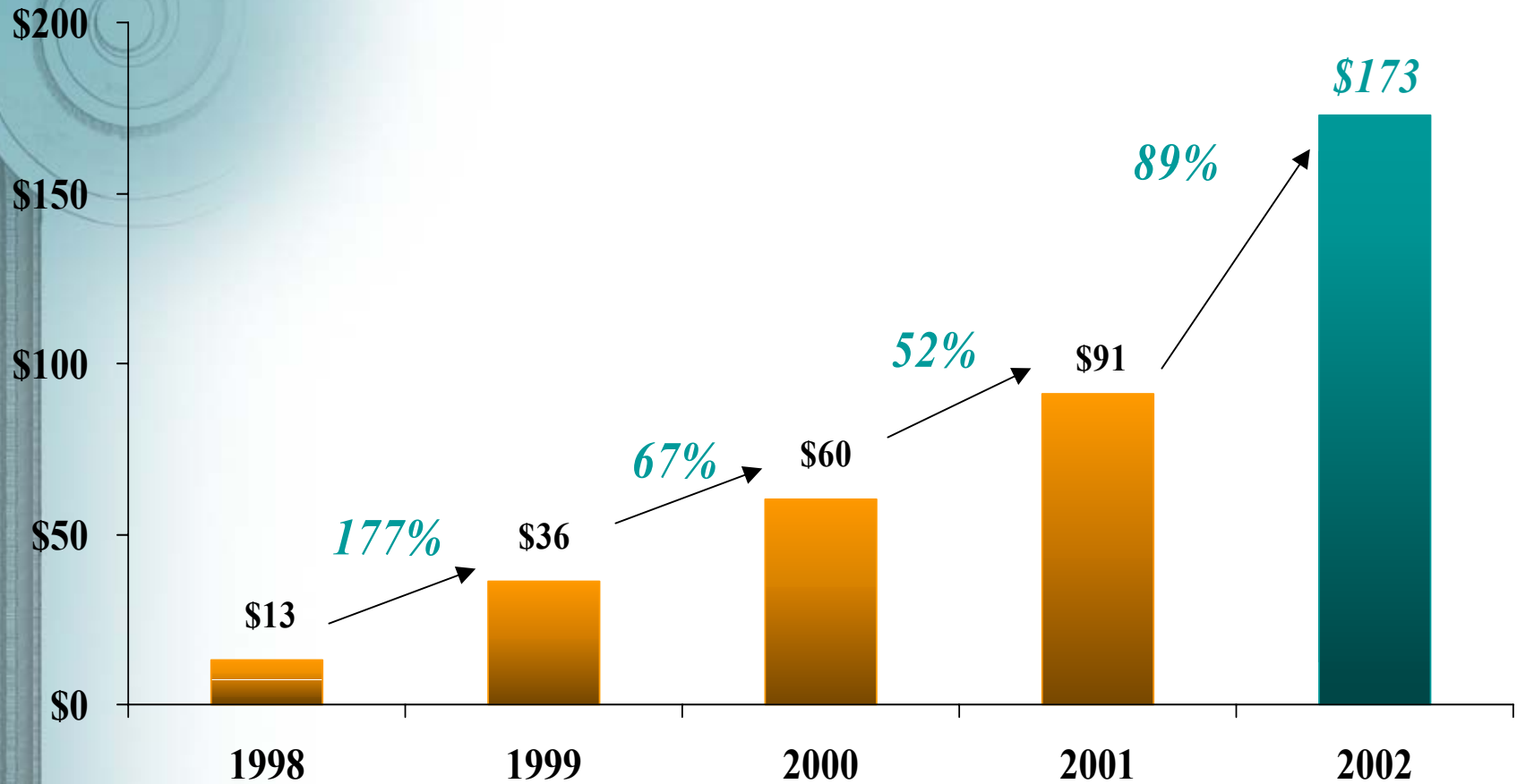
## Financial Milestones

- Increased *revenue 89%* from 2001
- Exceeded external revenue expectations by nearly *30%*
- Increased *franchise revenue 105%* from 2001
- Controlled *operating expenses for sixth* consecutive year
- Lost *only \$21 million; 50%* less than external expectations
- Achieved *quarterly op. profit & net income;* year ahead of schedule
- Generated *\$24 million of cash from operations* during second half
- Reduced *debt by \$21 million*
- Secured *\$30MM of debt financing.*
- Completed *\$61 million partnership* with Merck KGaA



# Annual Financial Results

Revenue  
(\$ Mils)





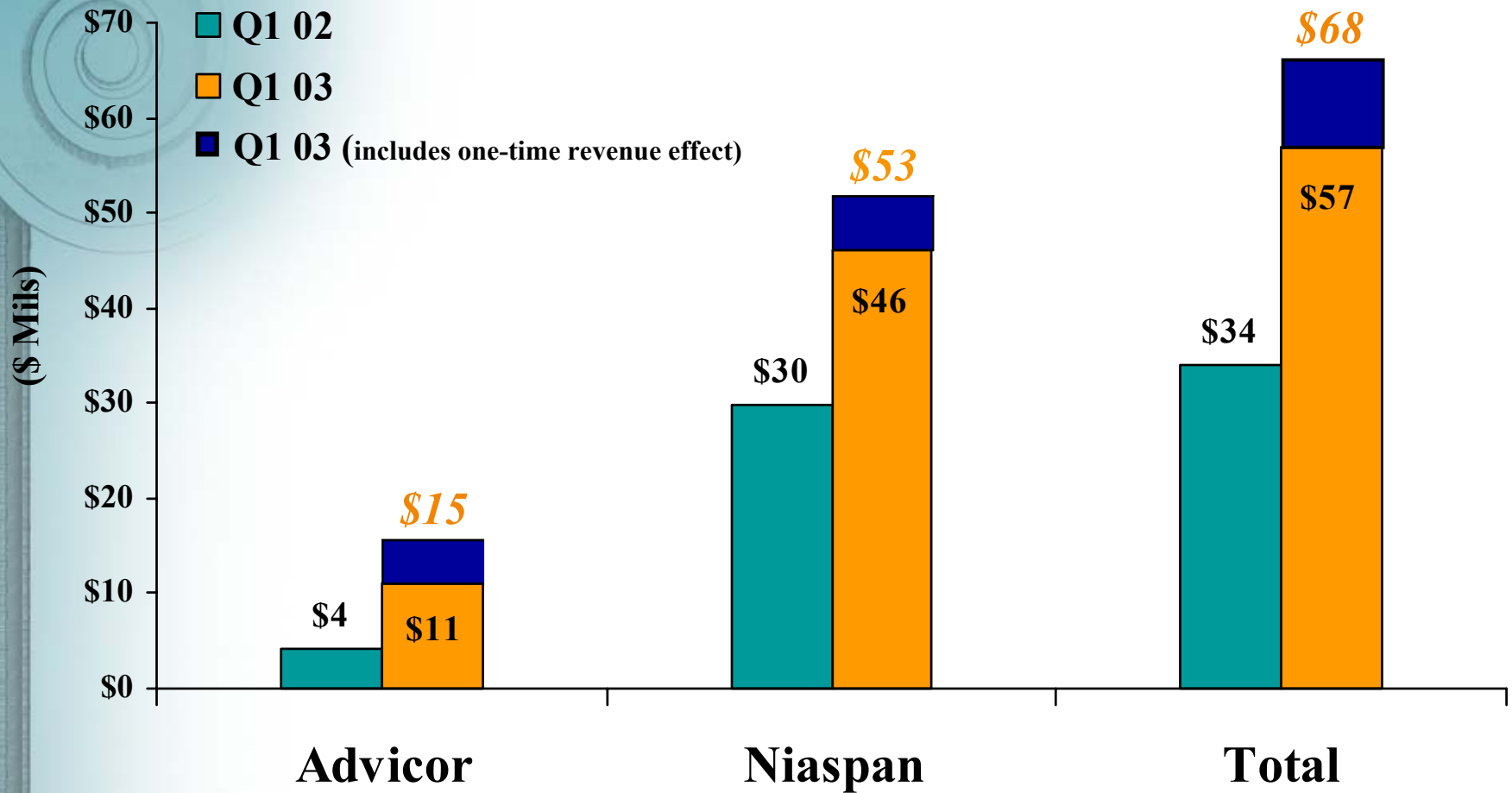
# Financial Highlights – Q1 03

- *Net revenue increased 101%* from a year ago
- Operating expenses well controlled
- *Third consecutive quarter* of operating profitability
- Second consecutive quarter of *bottom line profitability*
  - *Net income of \$12.7 million* vs. previously expected loss
  - *EPS of \$0.35* vs. previously expected loss
- *Generated \$11.1 million* in cash from operations
  - Increased *total cash to \$26 million* (\$17 million pledged)
  - Received *\$5.8 million in payments* from Merck KGaA
- Reduced debt to Michael Jaharis by *\$4 million*
  - Total debt stands at *\$80 million*
- Gross margin improved *5 pct points from year ago levels*



# Net Sales Comparison

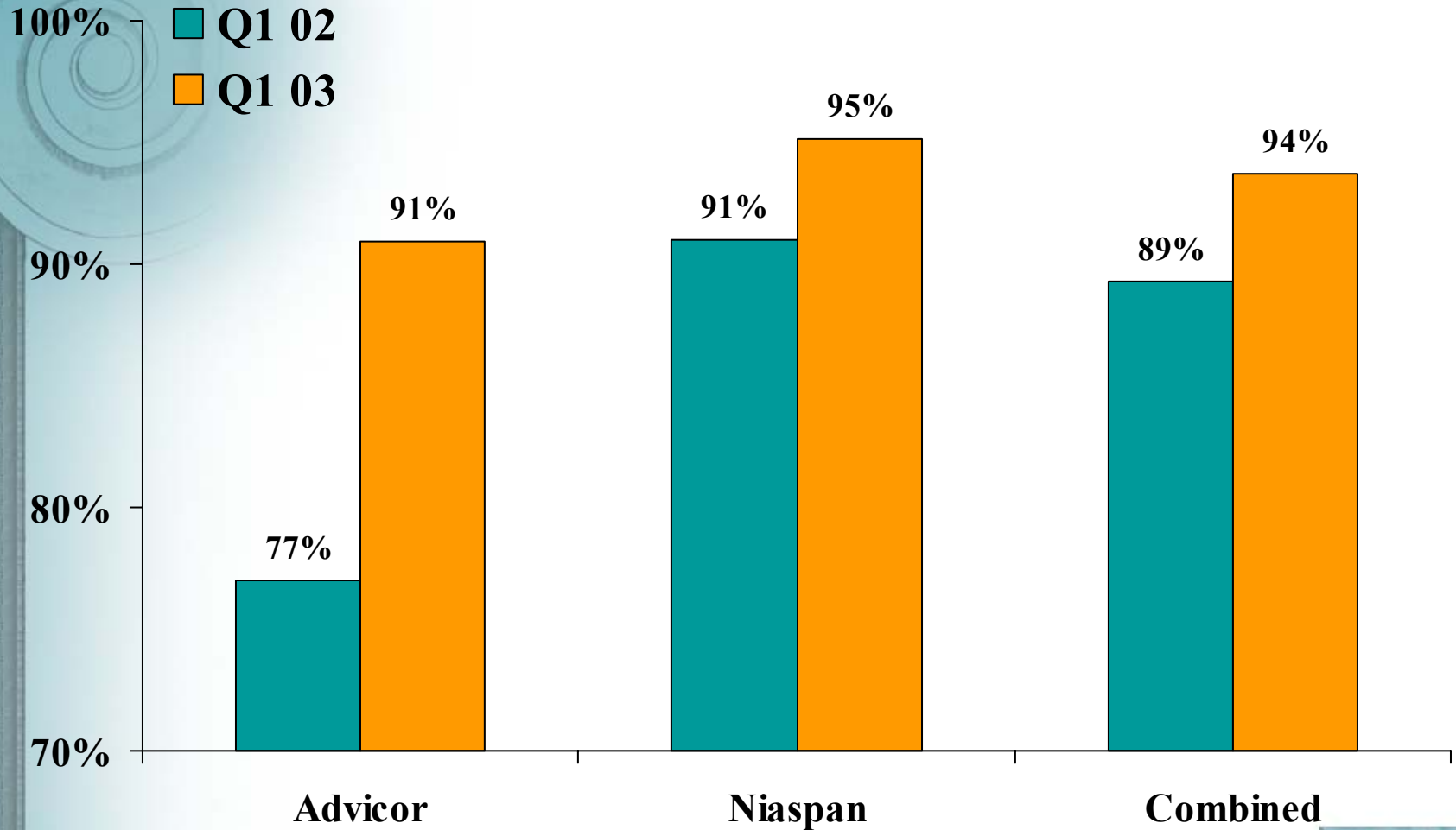
## Advicor and Niaspan





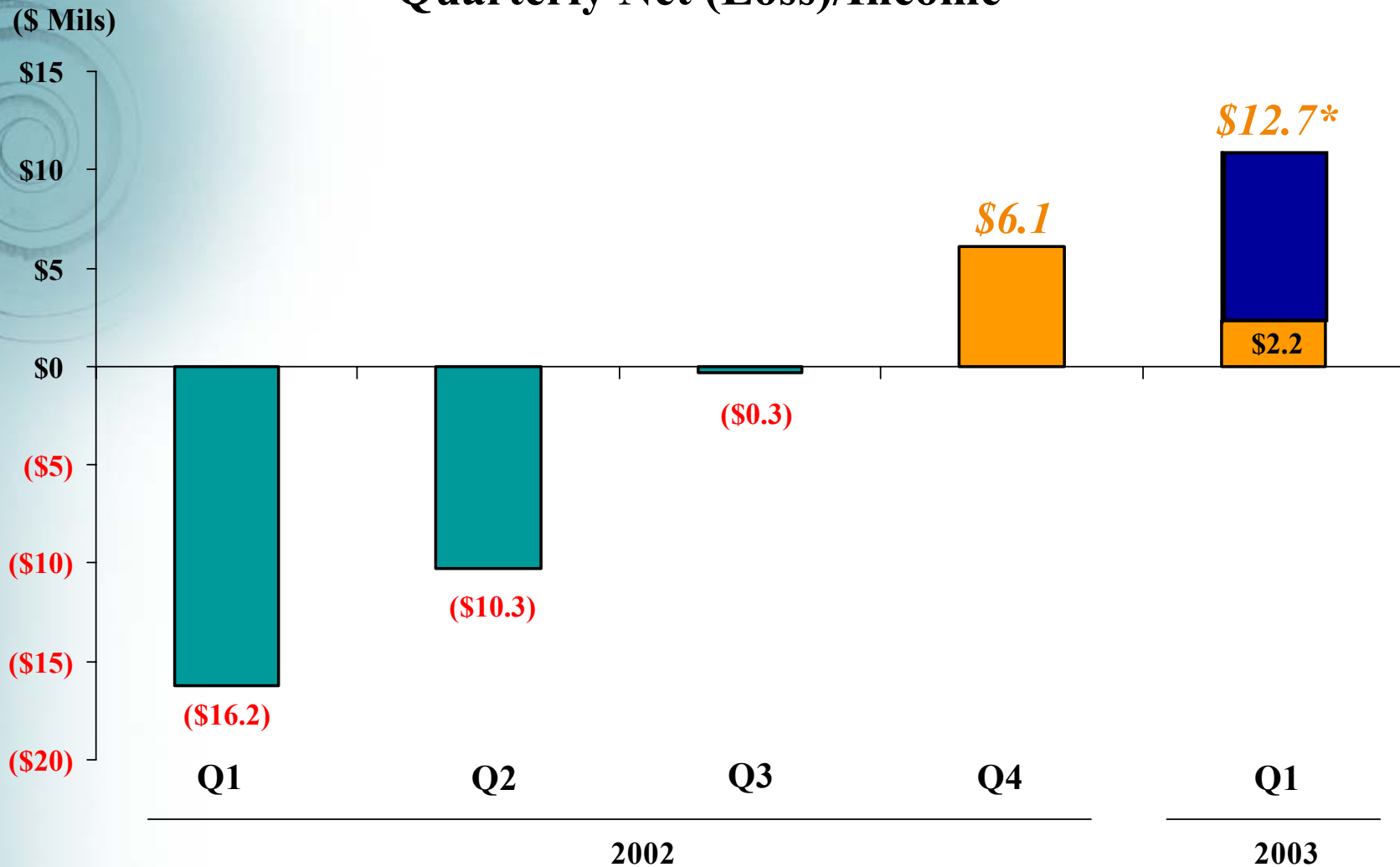
# Gross Margin Analysis

## Quarterly Comparison



# Strong P&L Leverage

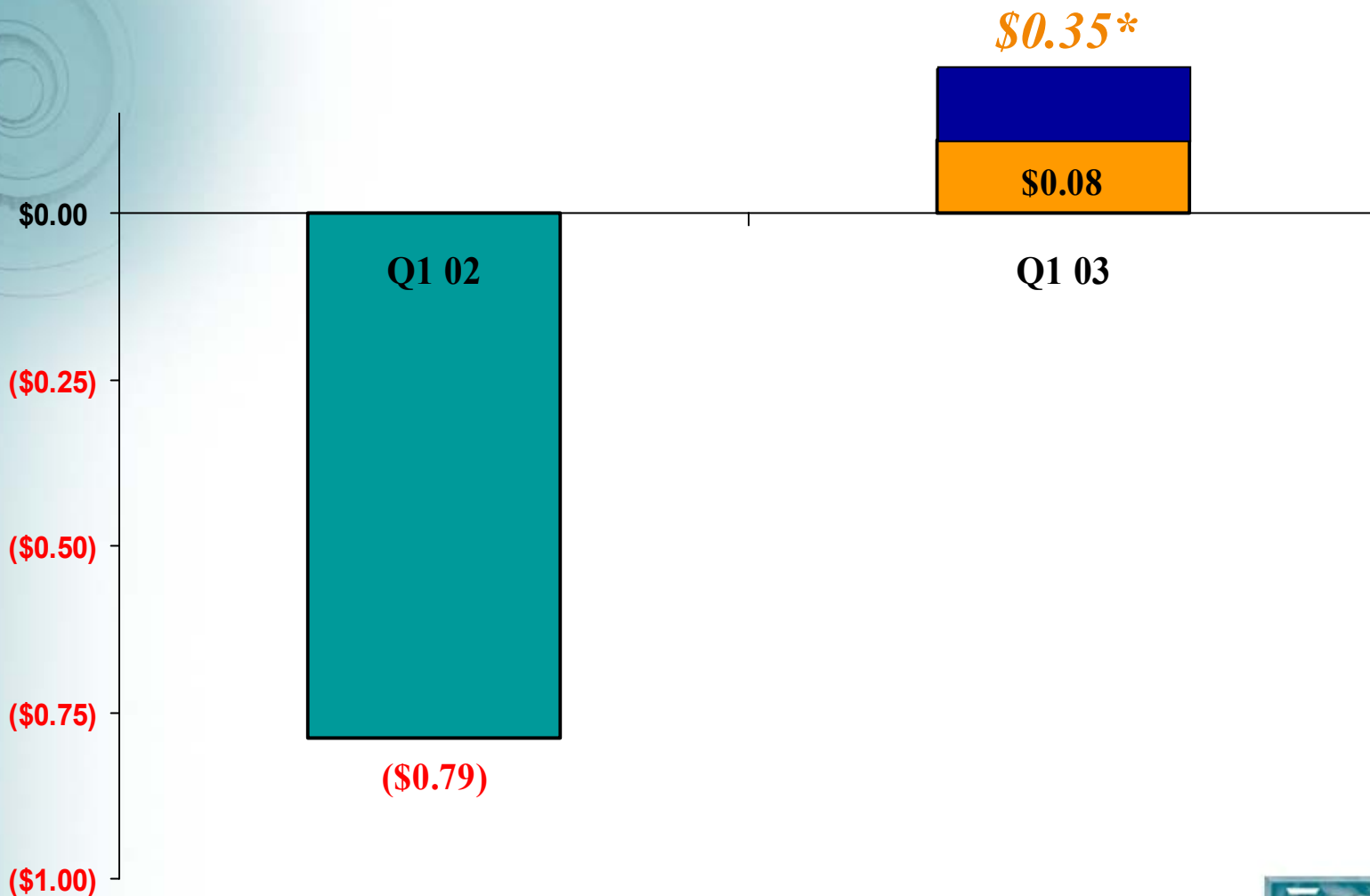
## Quarterly Net (Loss)/Income



\* Includes a one-time \$11 million revenue benefit



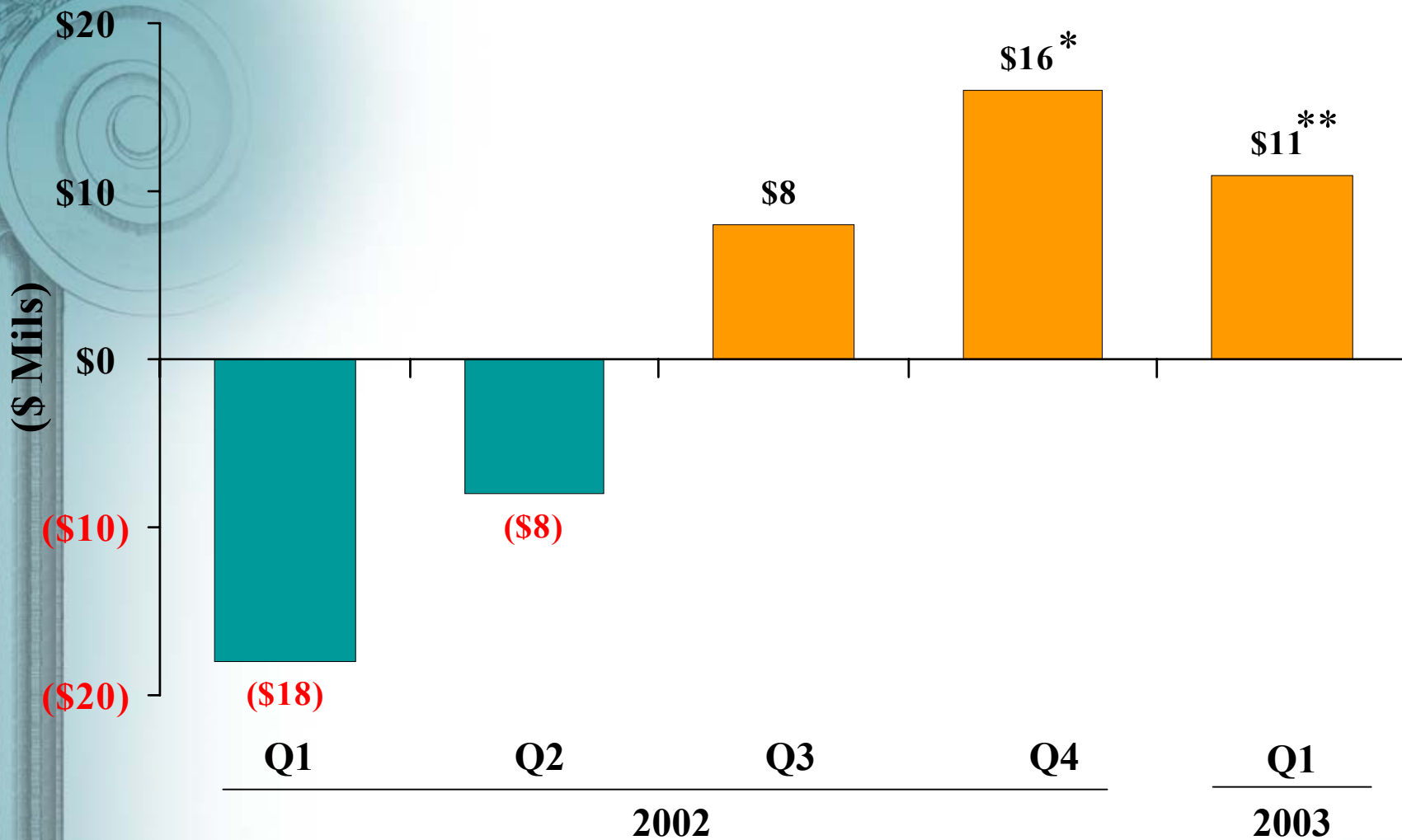
# Earnings Per Share (EPS) Comparison



*\* Includes a one-time \$11 million revenue benefit*



# Cash From Operations



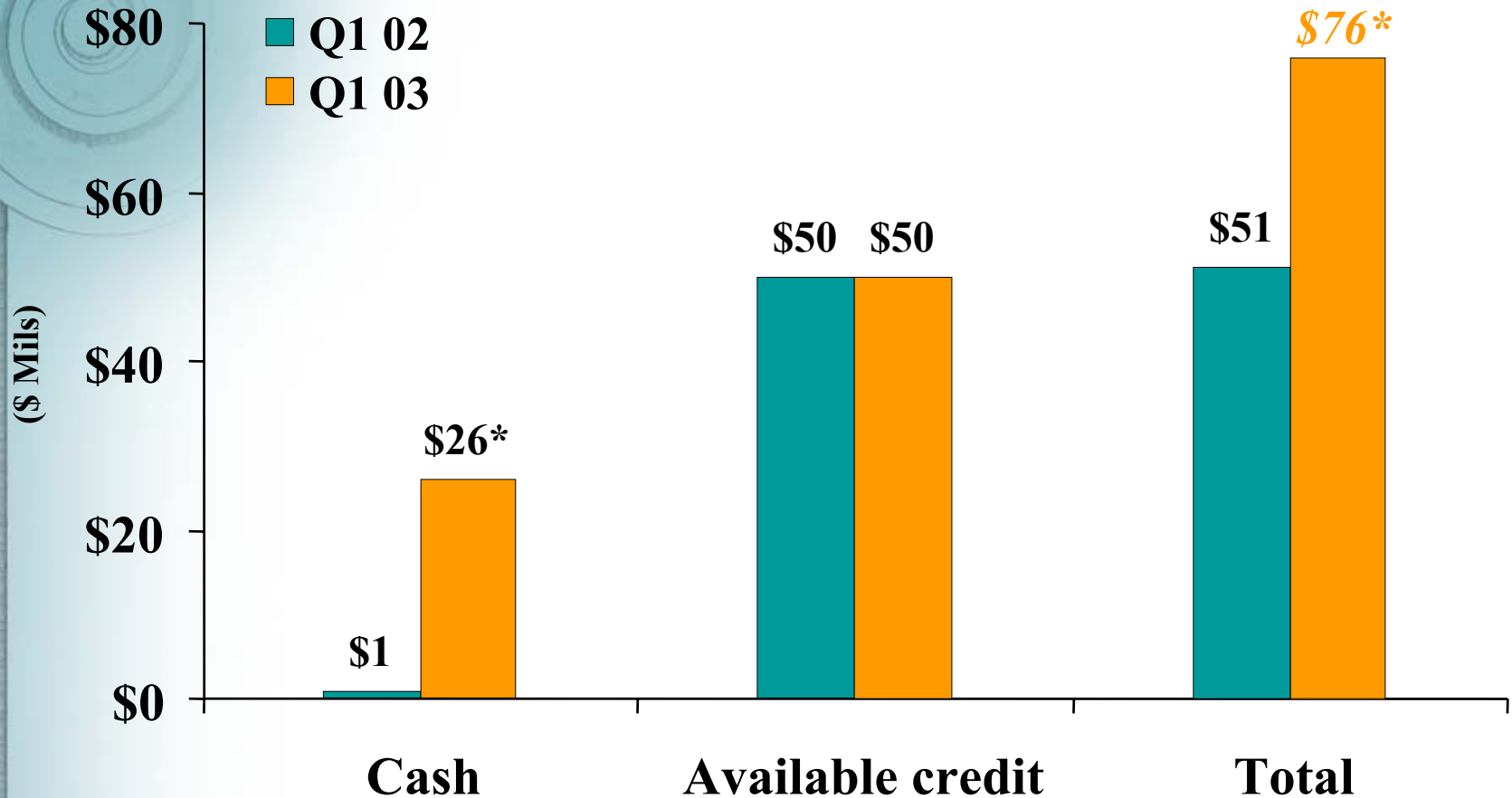
\* Includes \$9.2MM upfront payment from Merck KGaA

\*\* Includes \$5.8MM of payments from Merck KGaA



# Improved Cash Position

## Cash and Available Credit



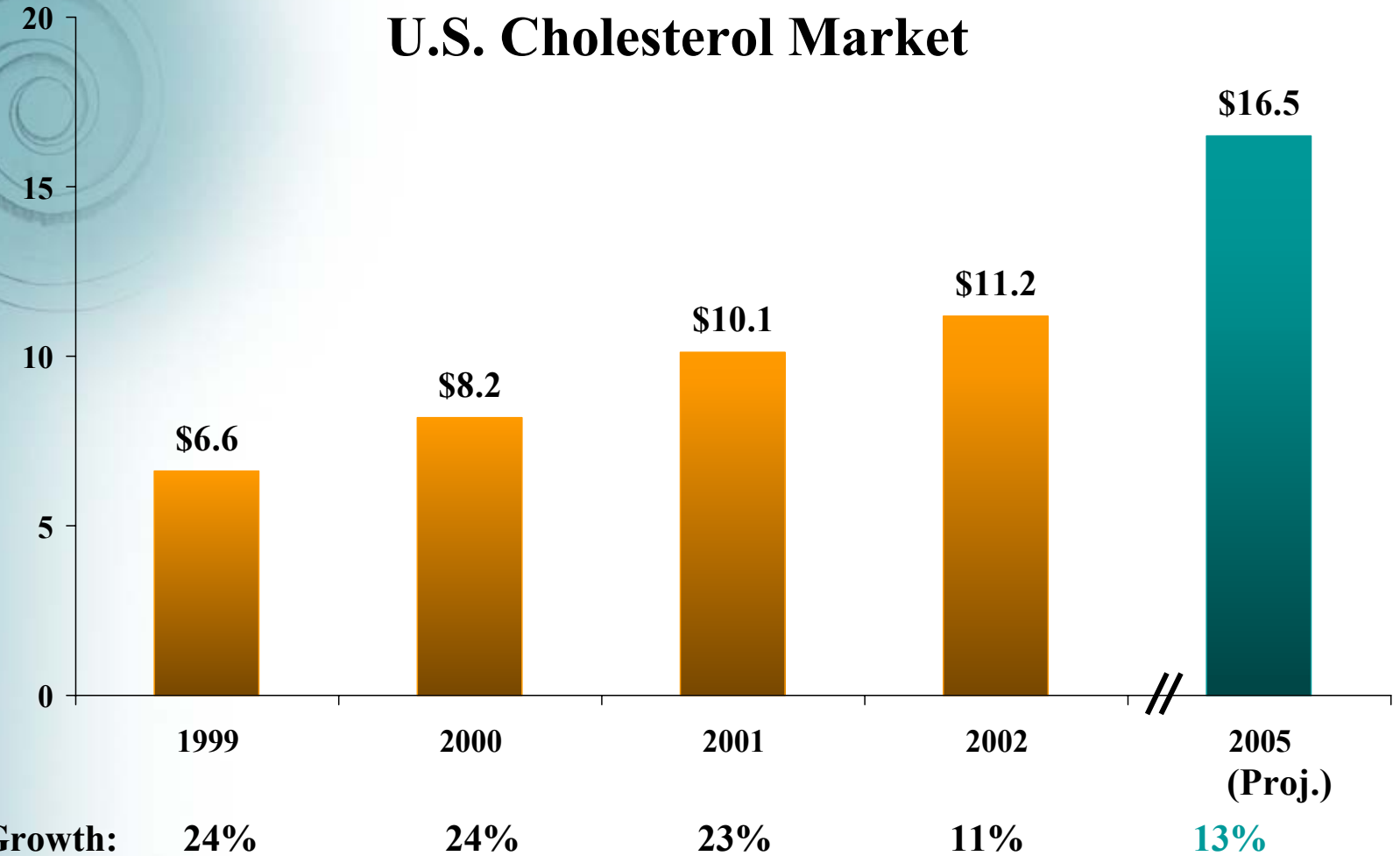
\* *Approximately \$17 million pledged as collateral for LOCs.*



# Competing in Fast Growing Market

\$ (Bils.)

## U.S. Cholesterol Market



Annual Growth:

24%

24%

23%

11%

13%

Sources: Scott-Levin, and Industry Estimates



# NIASPAN – Growth Drivers



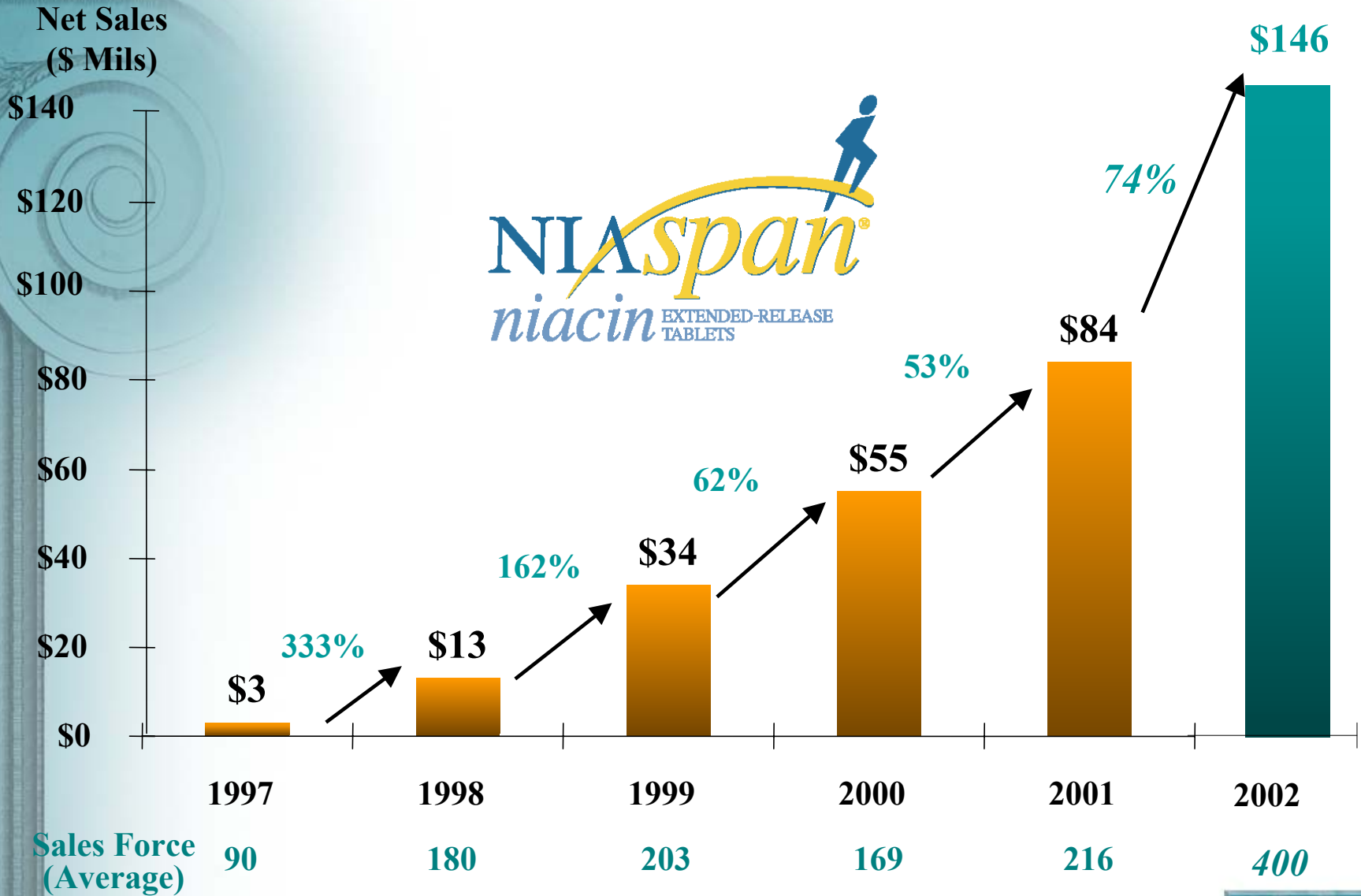
Step up to enhanced   
**Lipid Control**

- *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



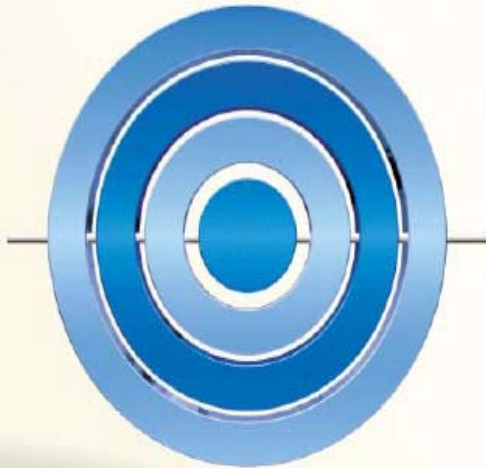


# NIASPAN® Sales Growth



# Advicor Growth Drivers

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



UNTIL NOW.

NEW

Multi-Dimensional Lipid Modifier

**ADVICOR**

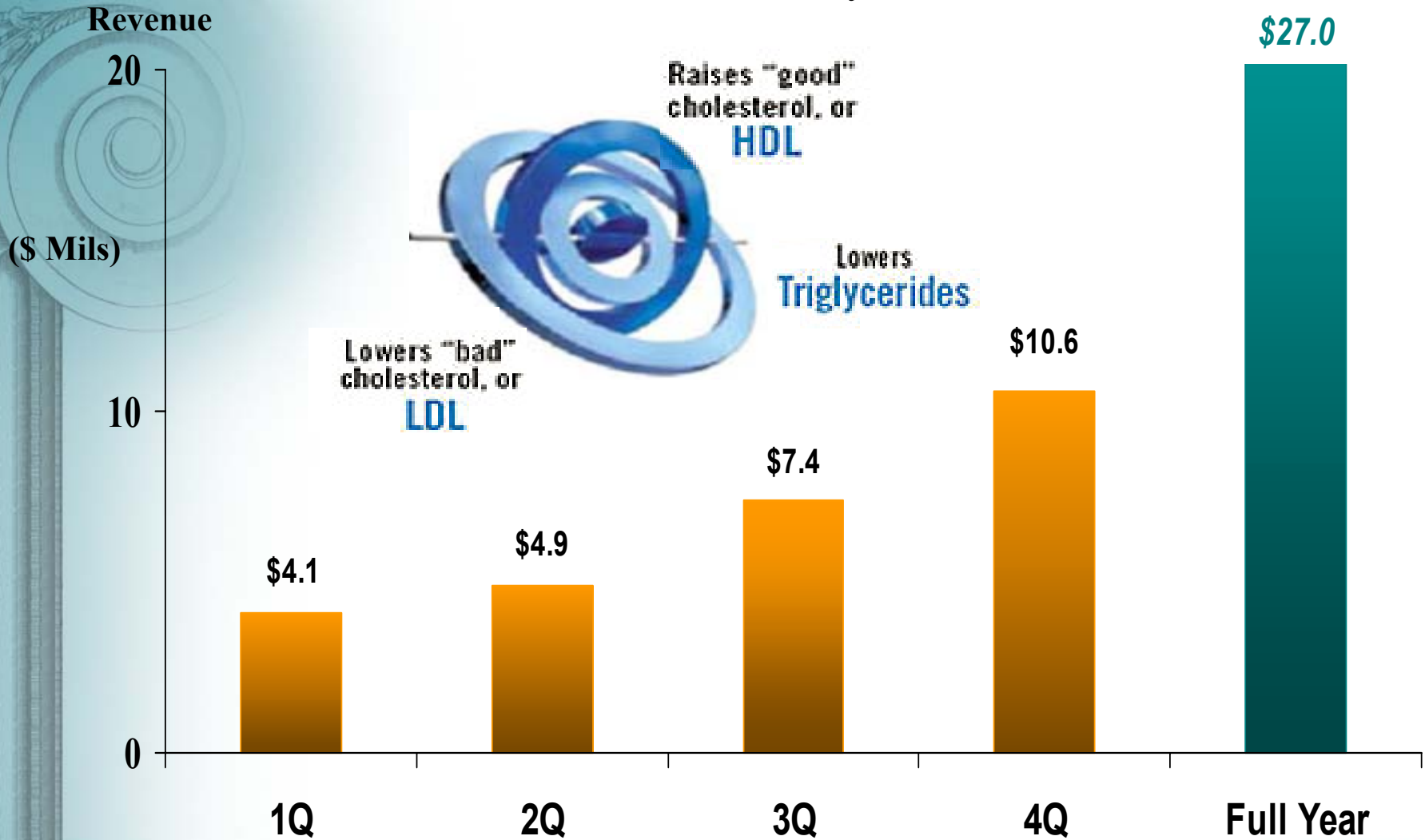
NIACIN EXTENDED-RELEASE/  
LOWASTATIN TABLETS

- *First and only FDA-approved* dual-component cholesterol therapy
- The *most (cost) effective therapy* in a single tablet, with *outcomes potential*
- Highly *successful launch* year
- *77%* of physicians intend to use
- *47%* of use as *first-line therapy*
- Successful *co-positioning* of Niaspan and Advicor
- Growing *trend toward combo use*
- Managed care: *> 200MM lives*
- *ADVOCATE* data supports broad lipid profiler

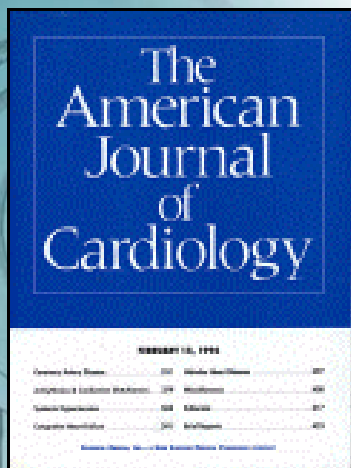


# Advicor Revenue Growth

Launched January 28, 2002



# ADVOCATE Results – AJC, March 2003



% (Reduction) / Elevation From Baseline

	<i>ADVICOR</i> <i>(1000/40mg)</i>	Statins	
		Lipitor (20 mg)	Zocor (20 mg)
LDL Cholesterol	<i>(42)%*</i>	(45)%	(35)%
HDL Cholesterol	<i>19**</i>	4	8
HDL <sub>2</sub> Cholesterol	<i>118**</i>	24	43
Triglycerides	<i>(36)**</i>	(30)	(15)
Lp(a)	<i>(20)**</i>	2	(1)

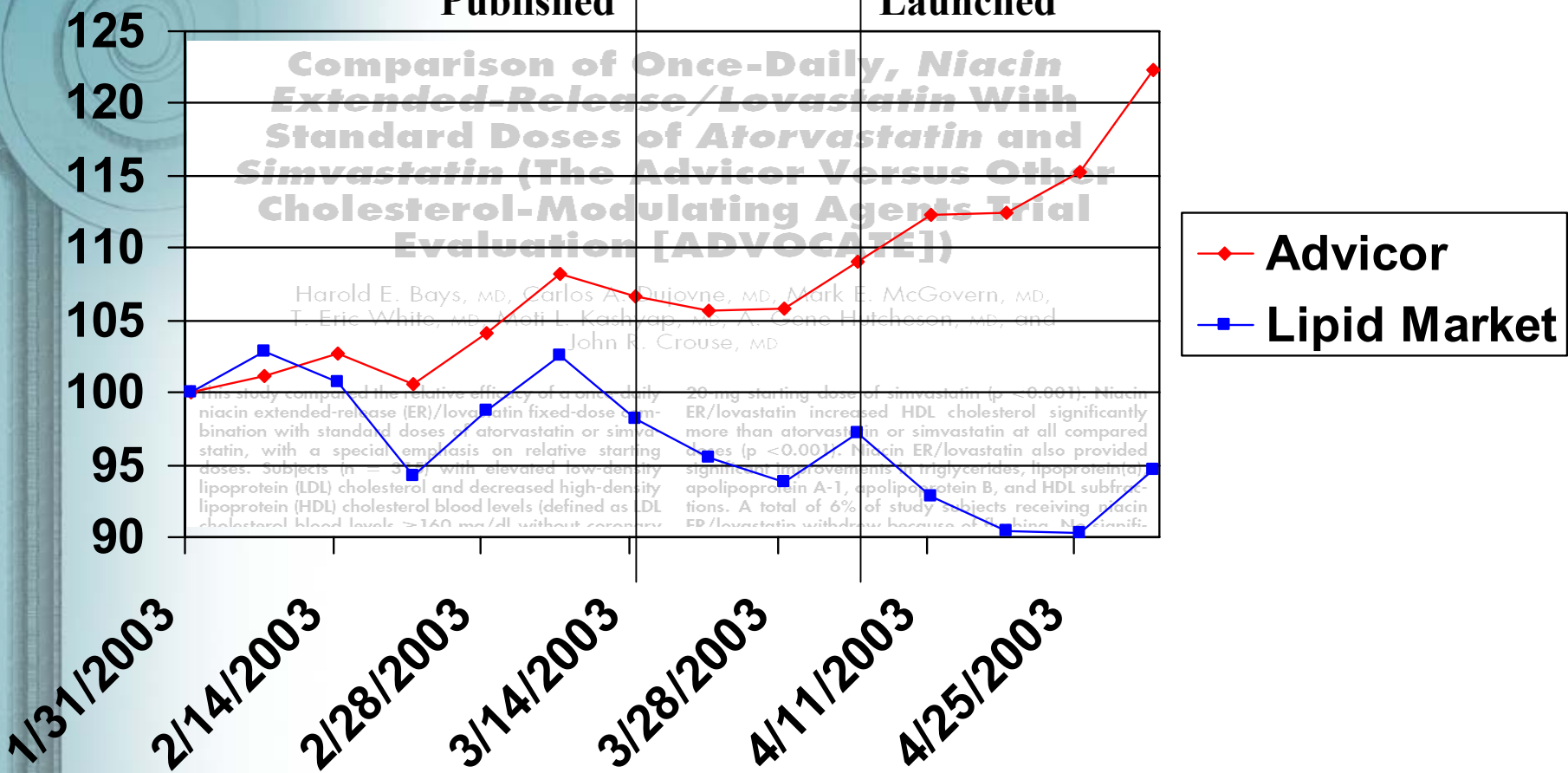
\*  $p \leq 0.05$  v Zocor

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



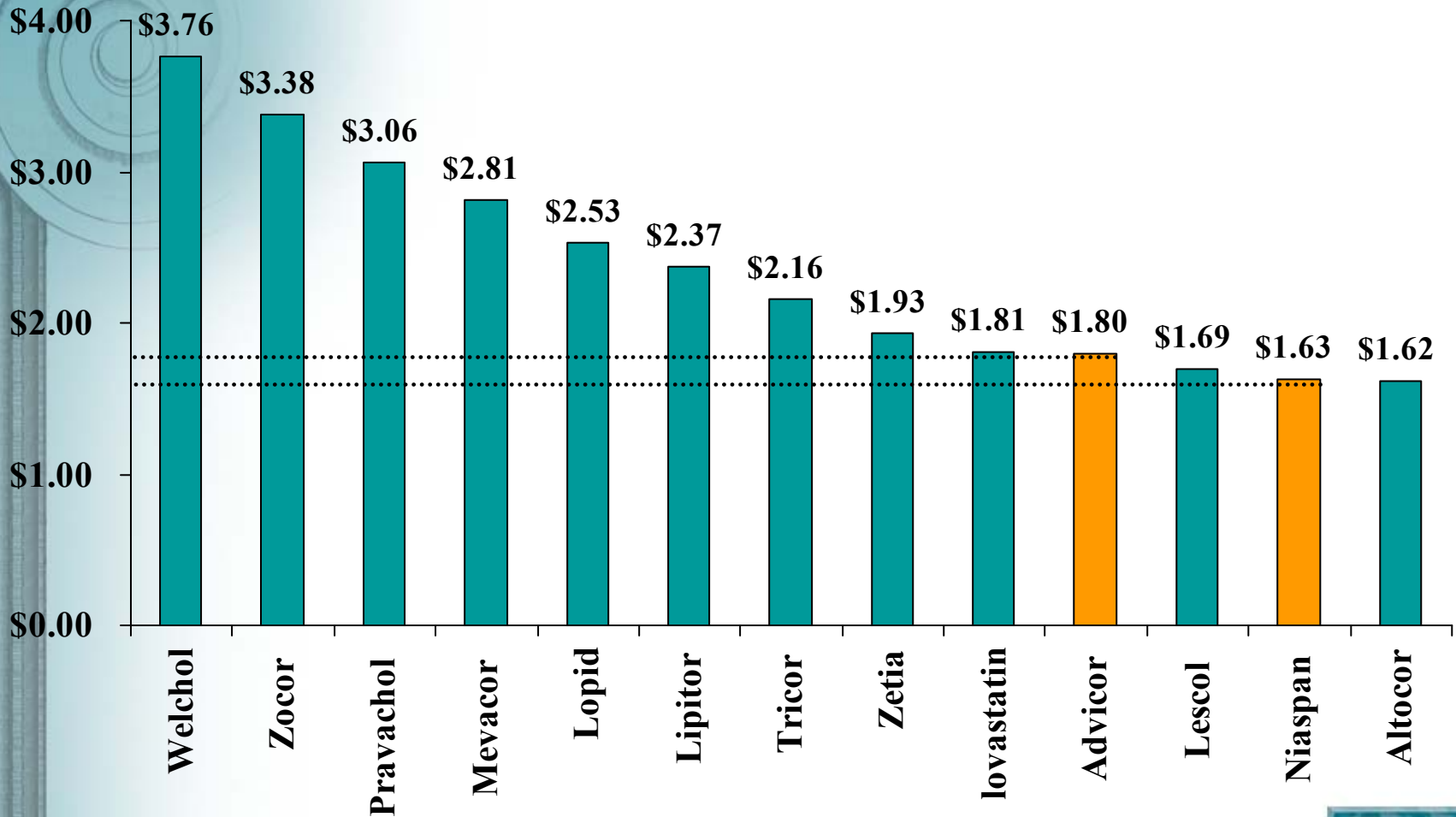
# Advicor New Prescriptions

“ADVOCATE”  
Published | “ADVOCATE”  
Launched



# Competitive Pricing Overview

## Weighted Average Daily Factory Selling Price

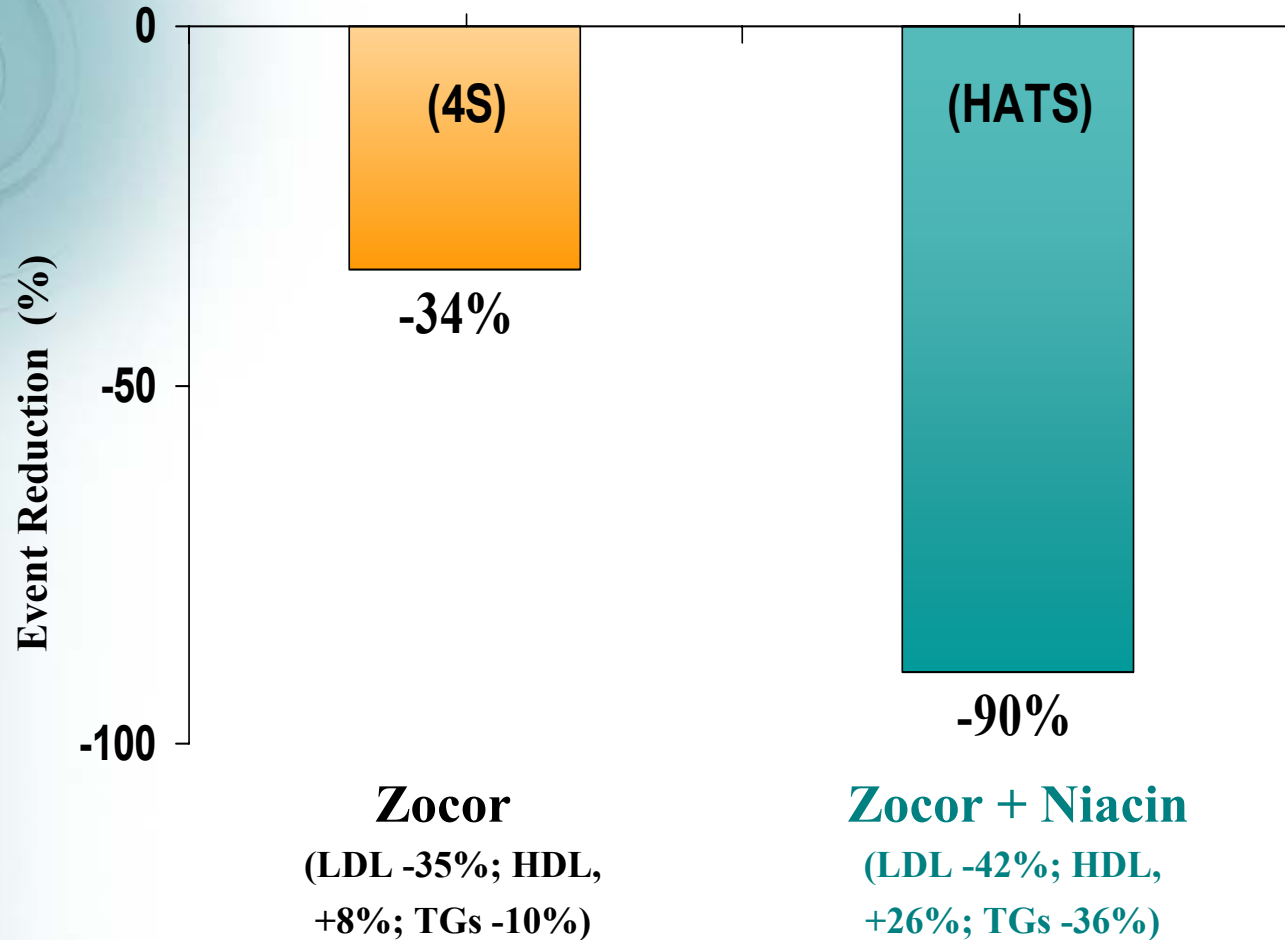


\* Pricing for all products is based as of April 30, 2003.



# Coronary Event Reduction

Niacin proven to enhance coronary event reduction



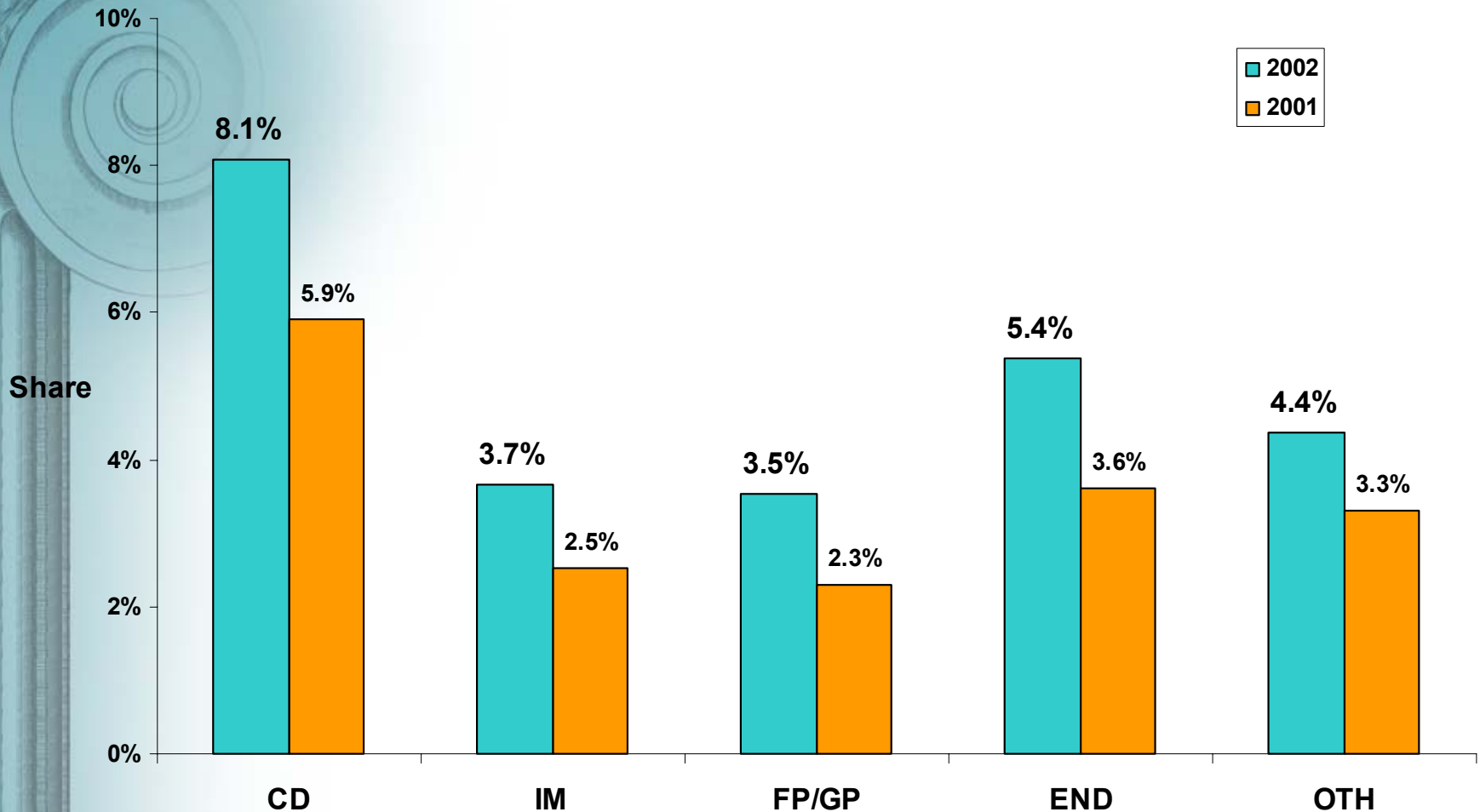
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- NEJM 11/29/01;348:1583-1592  
- The Lancet 1994; 344:1383-1389



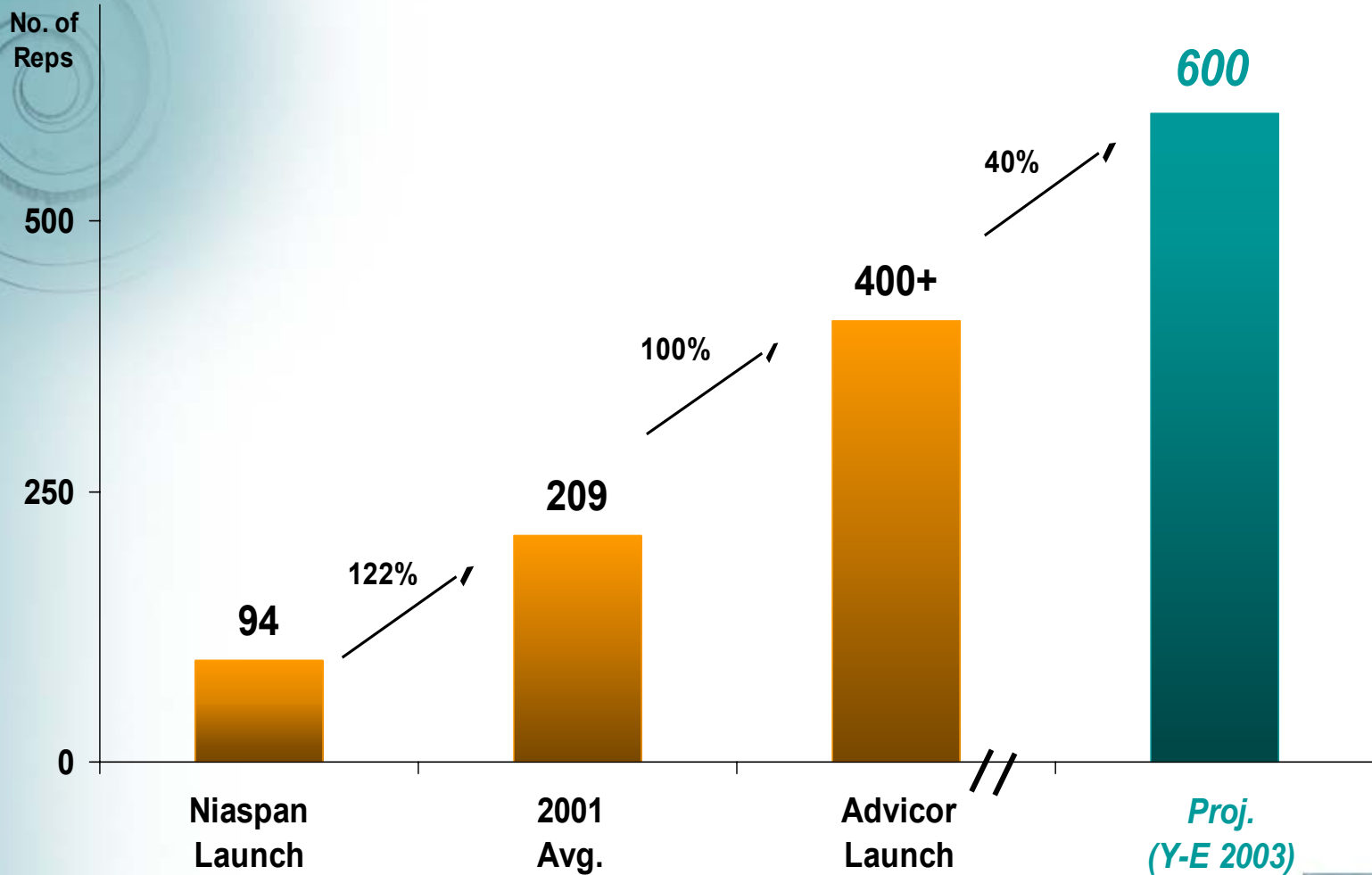


# Kos Franchise Share by Specialty

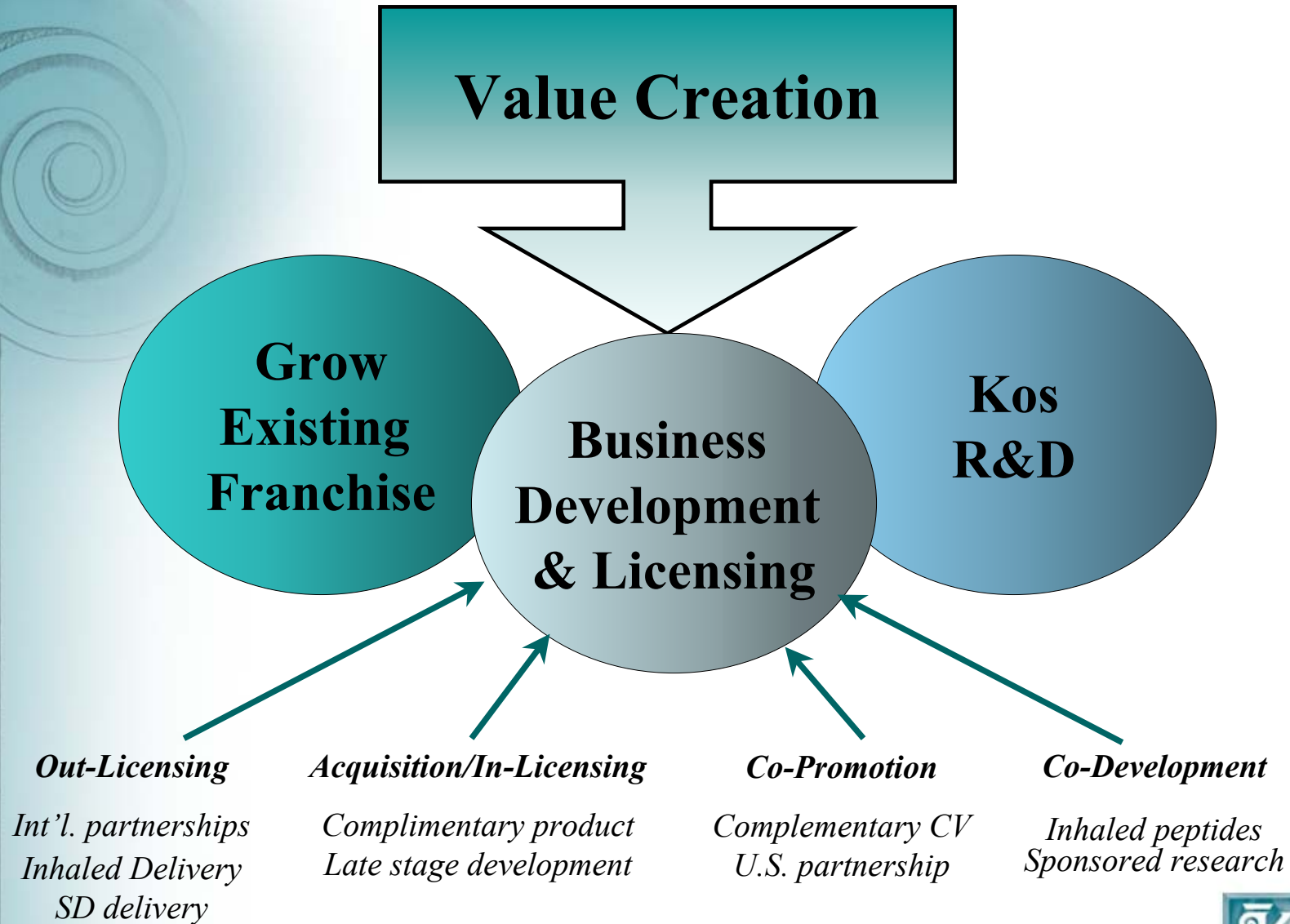
(Share of TRx among Kos Targets)



# Sales Force Firepower



# Kos – Creating Shareholder Value





alliance with



- Ideal Partner
- Potential in over *100 Countries*
- Worldwide rights to *Niaspan/Advicor, excl. N.A. & Japan until patent expiry*
- *\$61 MM in payments*
  - \$15 MM in up-front payments
  - \$46 MM in milestones payments
- *25% royalty* (includes CGS)
- Kos to manufacture products & obtain regulatory approval
- Merck responsible for phase IV and marketing



# The Dyslipidemia Opportunity

## 2004 Projection

	<u>US</u>		<u>Europe</u>		<u>Japan</u>	
	(mils)	(%)	(mils)	(%)	(mils)	(%)
Prevalence	48.5	--	<b>84</b>	--	10.5	--
Diagnosed	24.2	50 <sup>1</sup>	38	45 <sup>1</sup>	5.8	55 <sup>1</sup>
Drug-Treated	13	55 <sup>2</sup>	12	32 <sup>2</sup>	3.2	65 <sup>2</sup>
Memo:						
Market ('01) (\$B)	\$9.1		\$3.8		\$3.0	

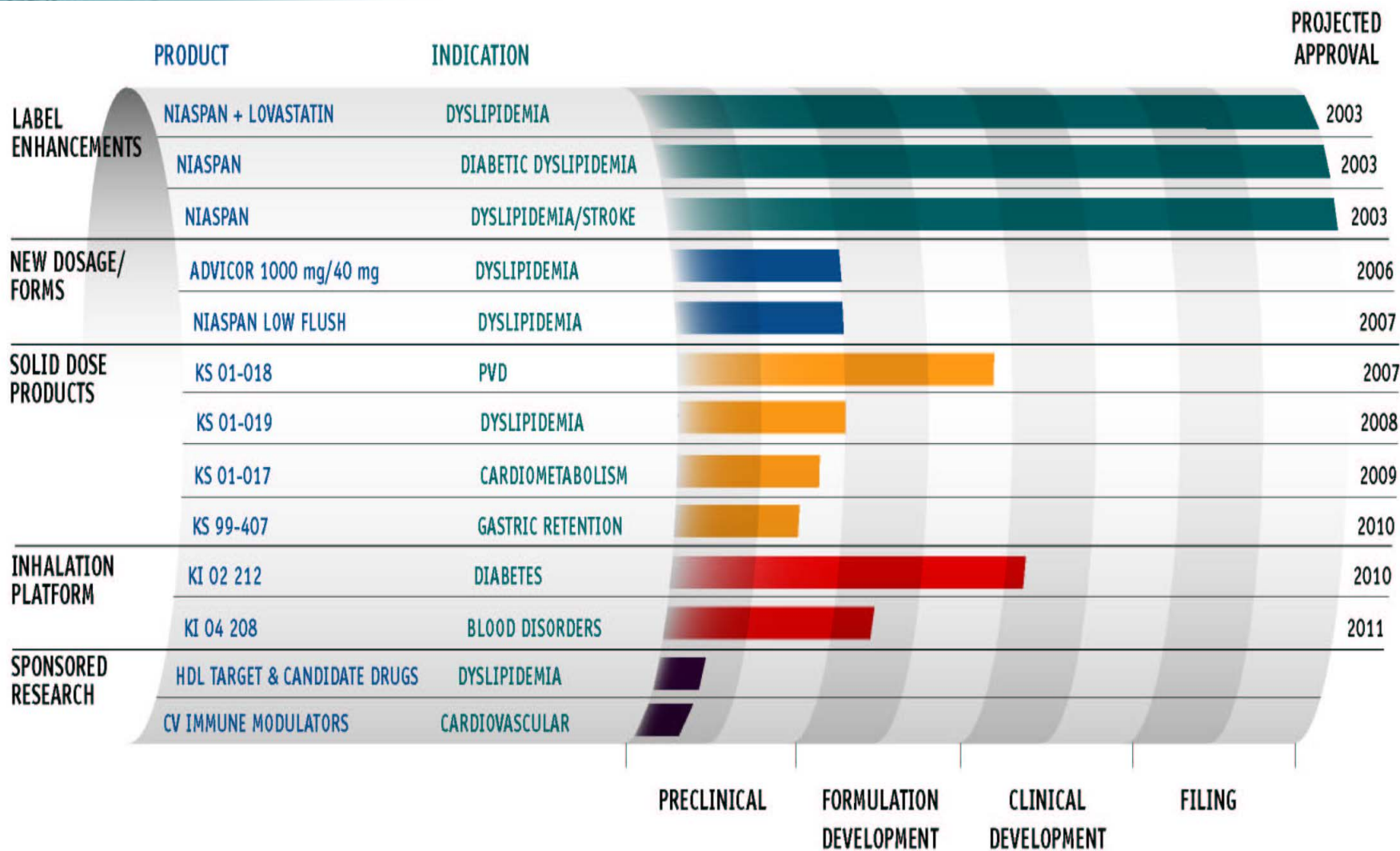
1. Percentage of total prevalence
2. Percentage of diagnosed

Source: Decision Resources, Inc.





# A Full, Focused R&D Pipeline



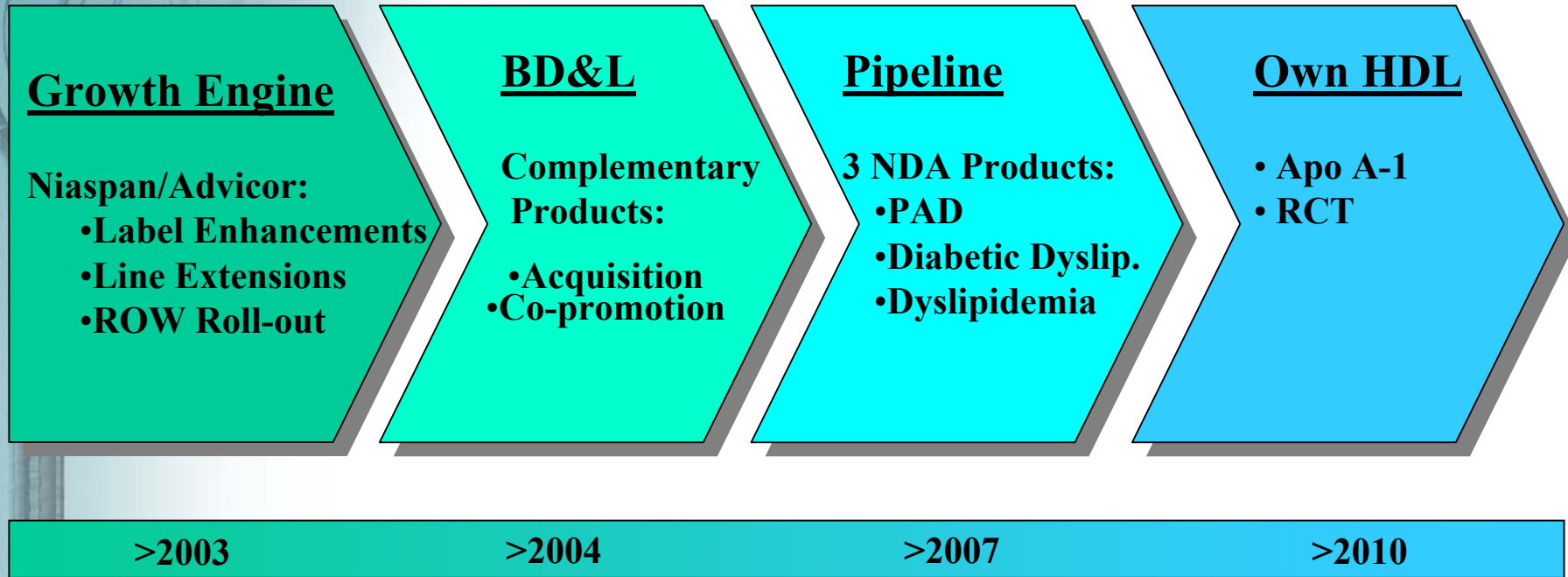
# NDA Pipeline Potential

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





# Kos: The Plan for Growth



# Financial “Vision” Goals

- Achieve full year *profitability for 2003*
- Generate *\$1.0 Billion in total revenue (>'07)*
- Foster productive sales force; Generate *\$1.0 MM/rep (>'07)*
- Introduce *2 products through BD&L* activity (>'04)
- Generate *1/3 of revenue* from non Niaspan/Advicor sales (>'07)
- Invest *10% of revenue* in R&D (>'07)
- Achieve *> 40% operating income margins (>'07)*
- Commercialize *one product per year (>'07)*



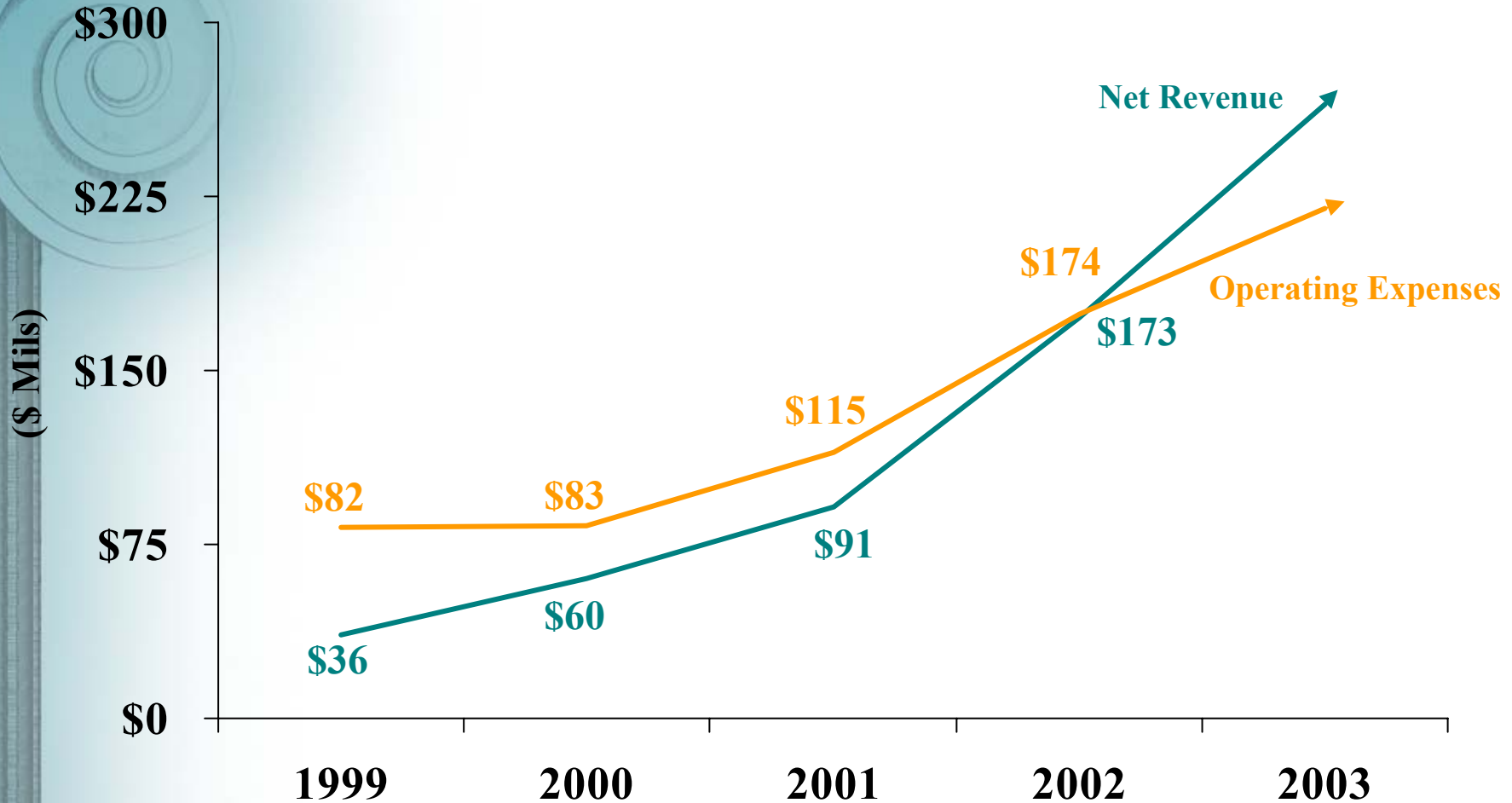
# Principal 2003 Goals

- ✓ *Report new IMPACT study results*
- ✓ *Publish ADVOCATE data*
- ✓ *Present Pilot data on Inhaled Protein Insulin*
  - *Initiate clinical development of 3 NDA projects*
  - *Increase revenue by at least 60% from 2002*
  - *Achieve profitability on a full year basis; proj. EPS \$0.65 – \$0.75*
  - *Receive approval of sNDA's for stroke and diabetes*
  - *Win U.K. approval for Niaspan and Advicor*
  - *Seek partners for Niaspan/Advicor in Canada and Japan*
  - *Seek product acquisition or co-promotion to leverage sale force*
  - *Increase sales force to 600*



# Profit Breakout

## Operating Expenses & Net Revenue



# Kos – Investment Thesis

- Robust *Revenue Growth*
- Highly *differentiated products* in large cholesterol market
- Growing *market share*
- Strong internally developed *R&D pipeline*
- *Near-term profitability*
- Strong *P&L leverage*
- International contribution from *Merck KGaA Alliance*
- Depth in *talent and experience*





**Kos Pharmaceuticals, Inc**  
**“Turning Vision into Reality”**

**Adrian Adams, President & CEO**

**UBS Warburg**

**Global Specialty Pharmaceuticals Conference**  
**June 4-5, 2003, New York**

