



**Kos Pharmaceuticals, Inc.**  
**“Embracing Challenges, Exceeding  
Expectations, Forging New  
Frontiers”**

**Goldman Sachs , 25<sup>th</sup> Annual Global  
Healthcare Conference June, 2004**



# Safe Harbor

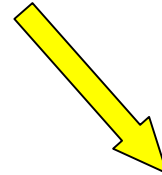
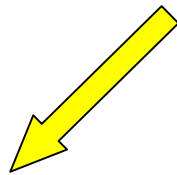
This presentation contains forward-looking statements that are intended to fall within the safe harbor provisions under the Private Securities Litigation Reform Act. Several factors could cause actual events to differ materially from the forward-looking statements, including those factors listed in the “Forward-Looking Information: Certain Cautionary Statements” section of the Company’s Annual Report on Form 10-K for the year ended December 31, 2003, filed with the Securities and Exchange Commission, and in other documents filed with the SEC.



# Kos: Our Strategic Premise

## Core Business Model

- Fully integrated specialty pharmaceutical company
- Reformulation of existing pharmaceutical products
  - *Low development costs*
  - *High success rates*
  - *Fast time to market*
- Chronic use of therapies in areas of high unmet need



**Cardiovascular  
Disease**



**Respiratory  
Disease**

# Our Journey So Far....

- 1988 - Founded by *Michael Jaharis, Dan Bell* and others formerly at Key
- 1993 - Established *inhalation drug delivery technology (ATI, IEP)*
- 1997 - Completed *IPO and follow-on offering*
- 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 *alliance with Merck KGaA* for Niaspan/Advicor
- 2003 - Established *Canadian alliance* with Oryx for Niaspan/Advicor
- 2003 - Established *U.S. co-promotion with Takeda* for Niaspan/Advicor
- 2003 - Achieved first *full-year of operating profitability*
- 2003 - Completed *highly successful equity offering; netting \$185m*
- 2004 - Strategic *acquisition of Azmacort® Franchise* from Aventis



# Our Corporate Goal

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





# Our Vision



*Connection to Our  
Customers*

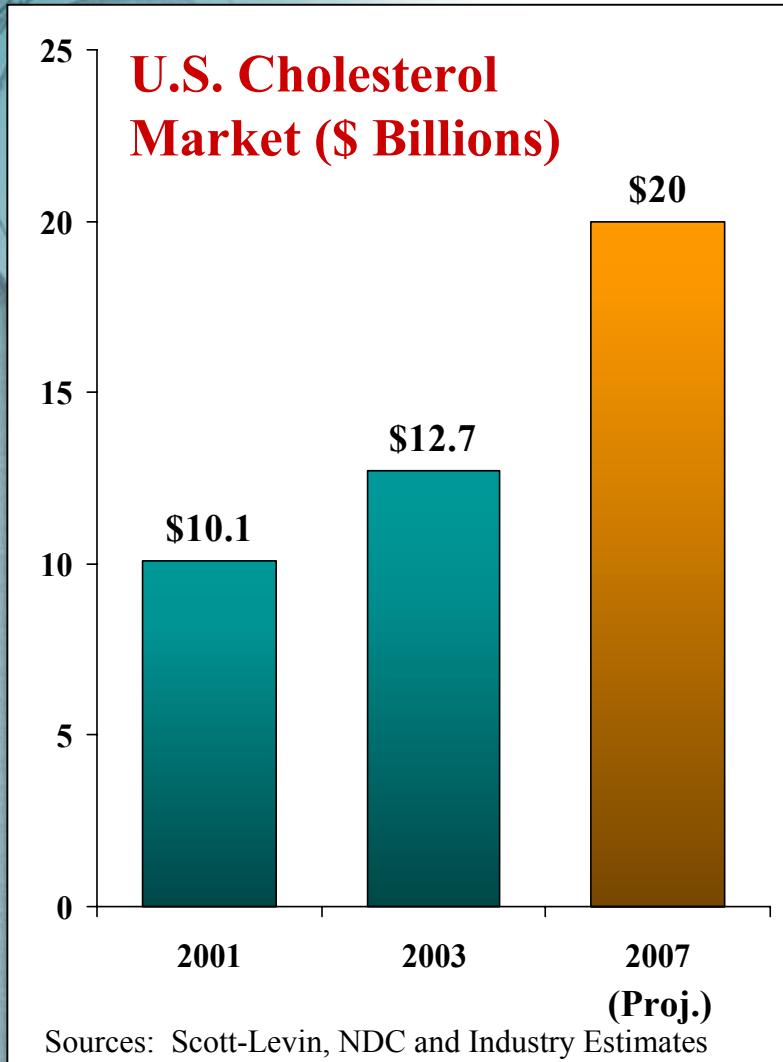
***Excellence in  
Product  
Commercialization***



*Pioneering Medicines  
for a Better Life*



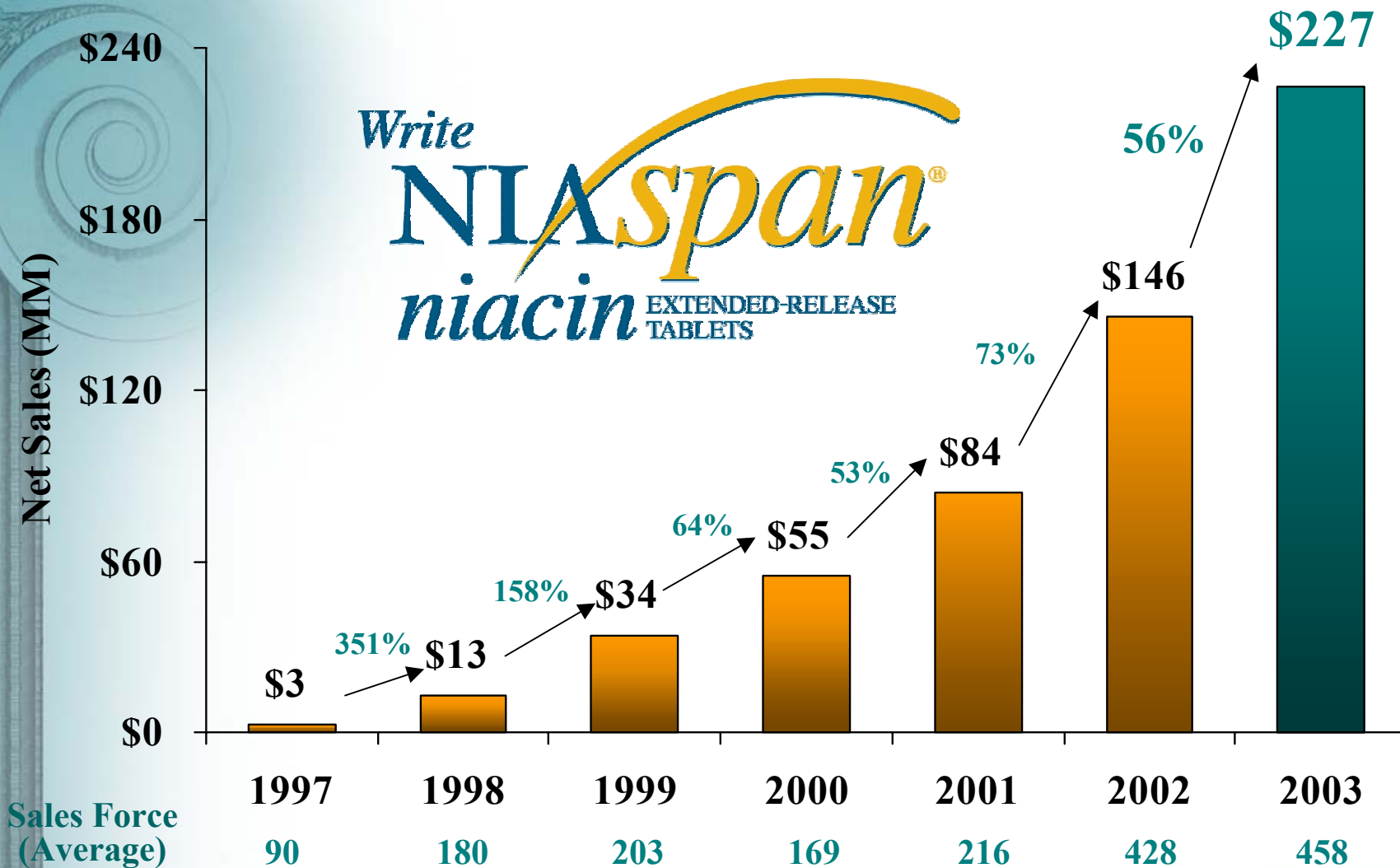
# Huge Market Opportunity



- **90M** adults w/LDL > 130 mg/dl
- **54M** adults w/HDL < 40 mg/dl
- **55M** adults w/ TGs > 150 mg/dl
- **47M** adults with Met Syndrome
- **13M** adults suffer from CHD
  - *2/3 CHD Patients* w/ low HDL
- **New AHA guidelines (CVD in women)**
  - Tripled number of potential patients to 28M
  - *Rx Niacin recommended*



# NIASPAN<sup>®</sup> Sales Growth



# ADVICOR<sup>®</sup> Sales Growth

Net Sales  
(\$ Mils)

\$80

**Advicor**<sup>®</sup>  
*NIACIN EXTENDED-RELEASE/  
LOVASTATIN TABLETS*

\$60

\$40

\$20

\$0

\$27

149%

\$67

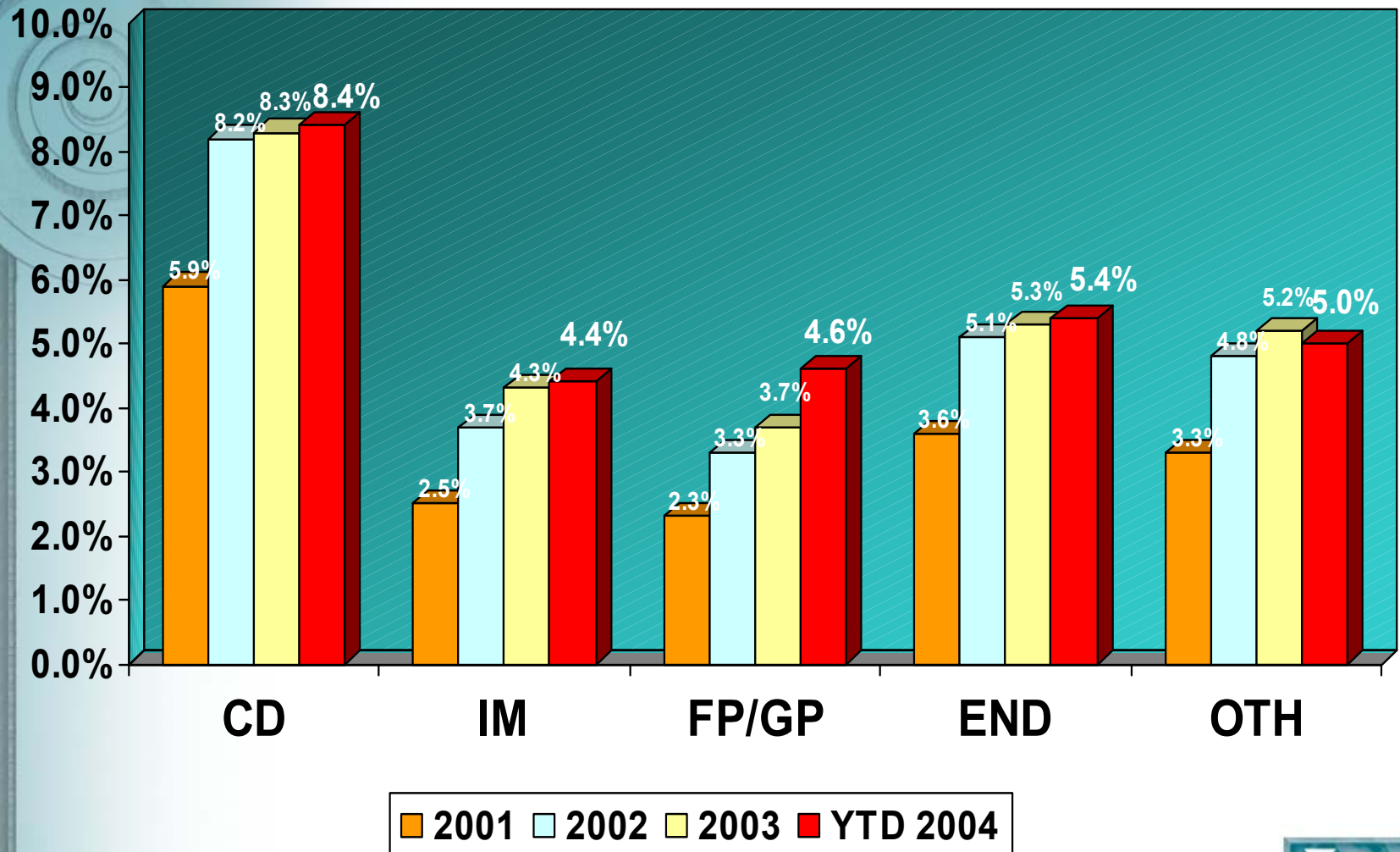
2002

2003



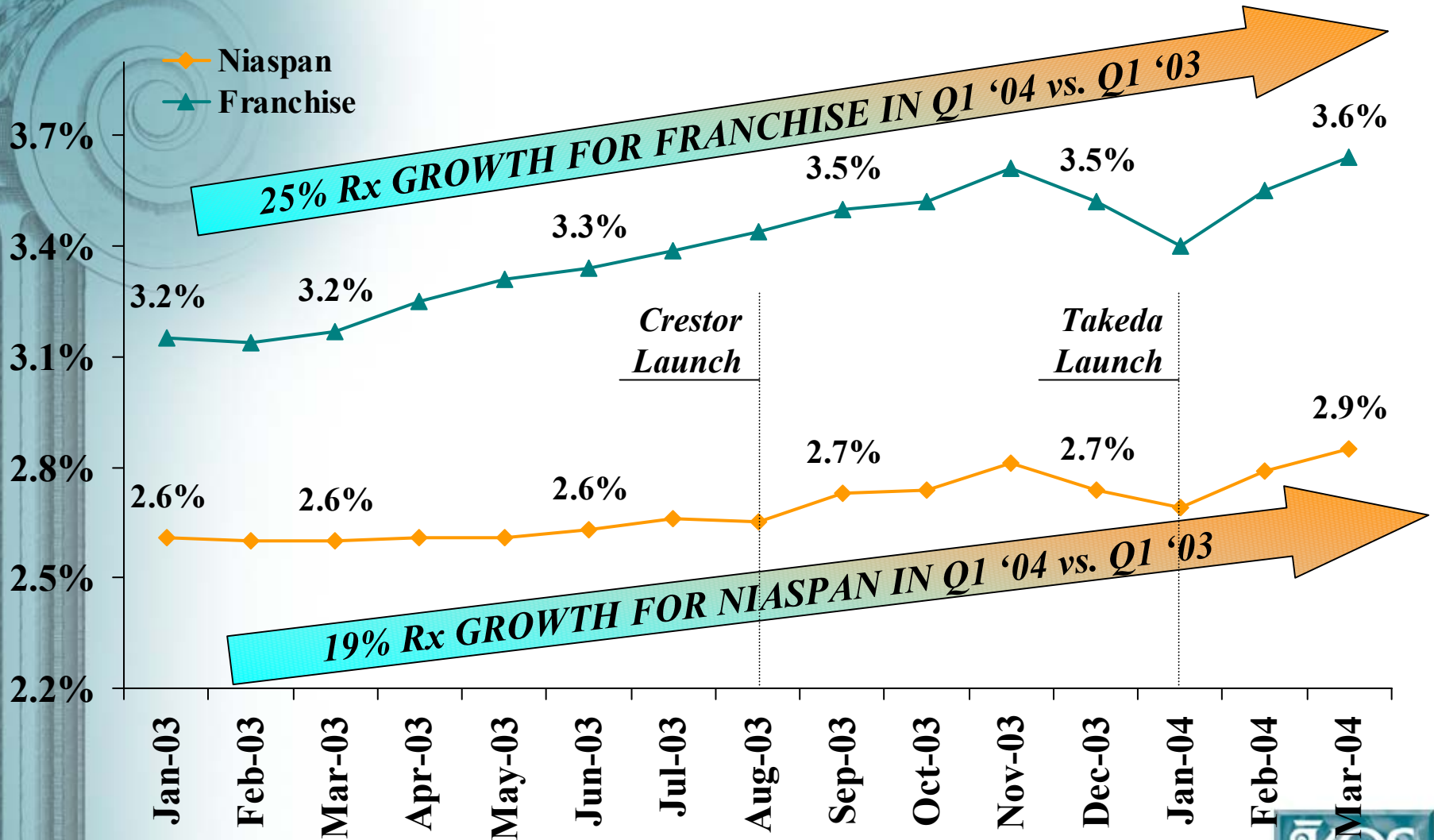
# Kos Franchise Market Share

Among Targets (43,000, Apr04)



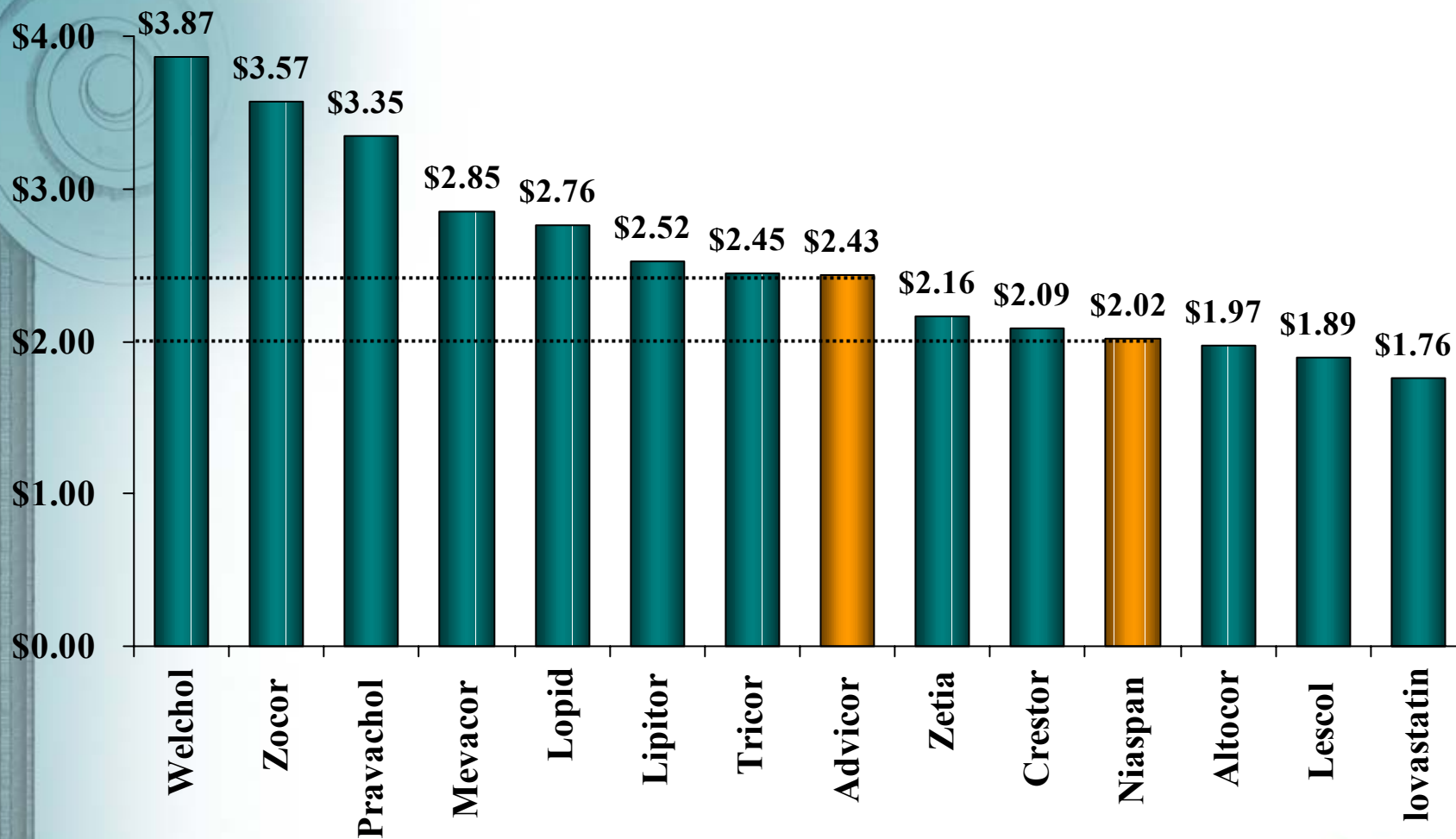
# Franchise Market Share

## New Prescriptions



# Competitive Pricing Overview

Weighted Average Daily Factory Selling Price



\*All product pricing as of April 13, 2004.





*Connection to Our  
Customers*



*Pioneering Medicines  
for a Better Life*

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

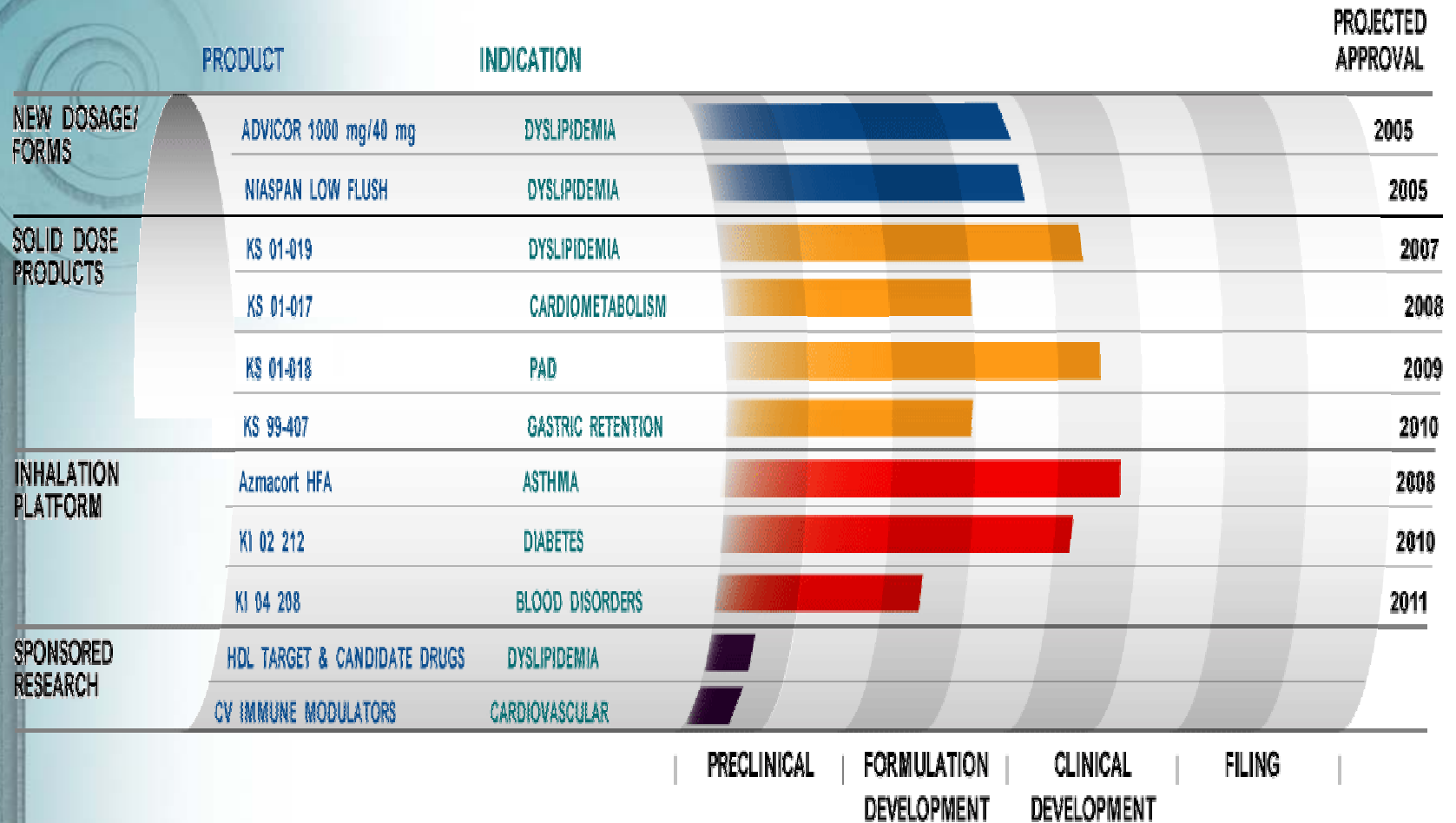


# Ongoing Clinical Studies

## (External and Internal)

	No. of Patients	Study Objective	Completion
<b>ANTHEM</b>	~200	Advicor in diabetic dyslipidemia	<i>1H 2004</i>
<b>ARBITER II</b>	200	Effects Niaspan + Statin on carotid plaque	<i>2H 2004</i>
<b>COMPELL</b>	300	Niaspan combo therapy	<i>1H 2005</i>
<b>Carotid MRI (Dr. Radar)</b>	70	Effects of Zocor vs. Zocor+Niaspan on plaque	<i>2H 2005</i>
<b>COURAGE</b>	2,500	Effects of Zocor or Zocor+Niaspan on PCI	<i>1H 2006</i>
<b>Carotid MRI (Dr. Brown)</b>	120	Effects of Lipitor+ Niaspan on plaque at various levels of LDL and HDL	<i>1H 2007</i>
<b>VADT</b>	1,700	Effects of statin or statin+Niaspan in diabetics	<i>2H 2007</i>

# 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 - 34% TGs + 15% HDL	48	\$17	> \$500



# Niaspan Patent Case

## United States

### Patents Issued and Pending

#### Issued

- (1) Method of Use\* ('428; 2017)
- (1) Use, Formulation\* ('930; 2013)
- (1) Formulation ('967; 2013)
- (1) Method of Use ('715; 2013)
- (1) Formulation ('691; 2013)

#### Pending

Several Pharmacokinetic/Formulation

\* Pending European application(s)

### Litigation Developments

#### Current Timeline

- Jan 2003: 3 Lawsuits Consolidated
- July 2004: Markman Hearings Conclude
- Feb 2005: Commencement of Trial
- Mar 2005: 30-Month Stay Expires

#### Key Events

- Jan 2004 – 4<sup>th</sup> Patent – *New Lawsuit*
- June 2004 – 5<sup>th</sup> Patent Issued to Kos





# Protecting Revenue 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 Lower-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 products





# Kos - Creating Shareholder Value

**1**  
**Grow Existing Franchise**

**3**  
**Business Development & Licensing**

**2**  
**Kos R&D**

**Out-Licensing**



**Acquisition/ In-Licensing**



**Co-Promotion**



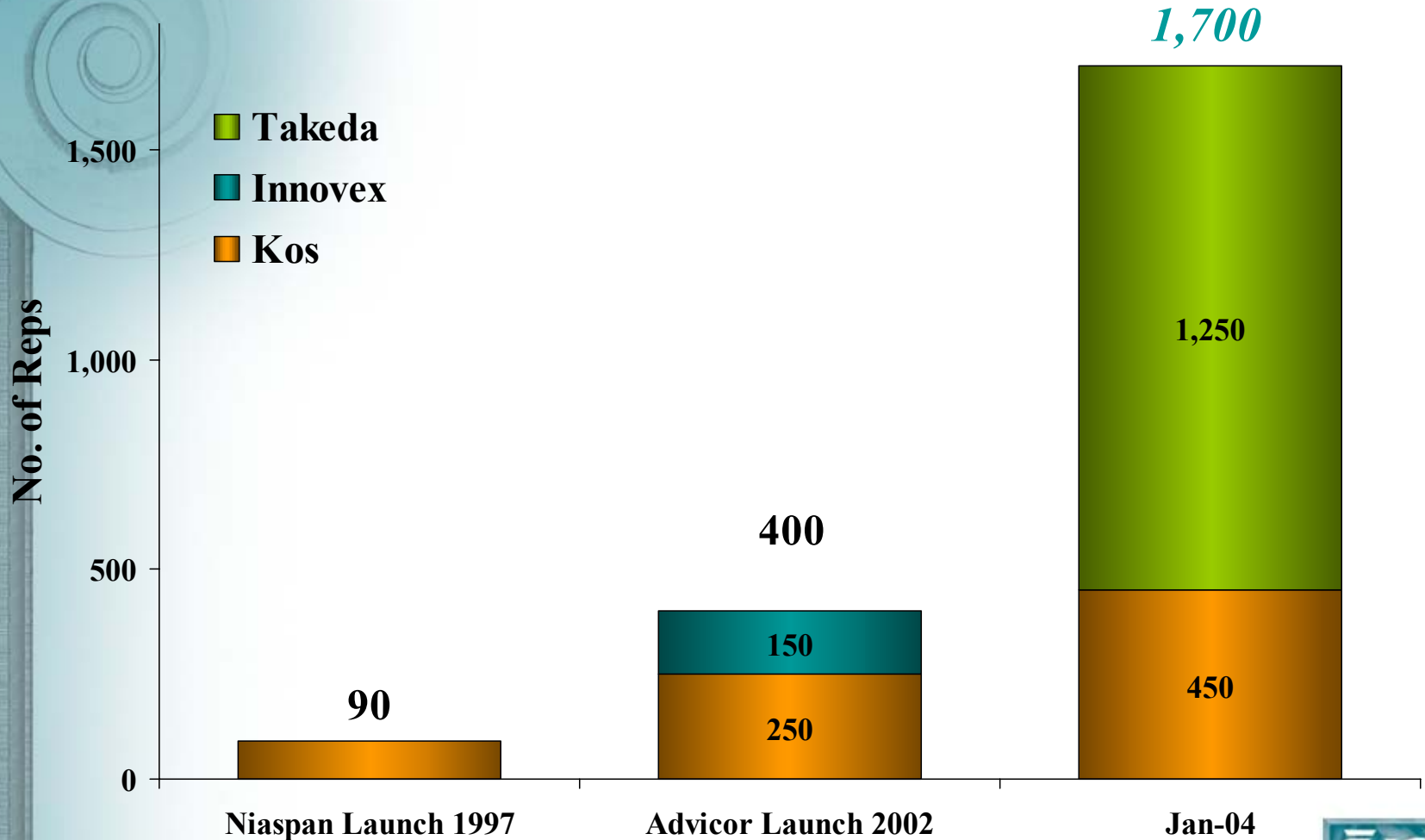
**Co-Development**

- Inhaled peptides  
- Sponsored research



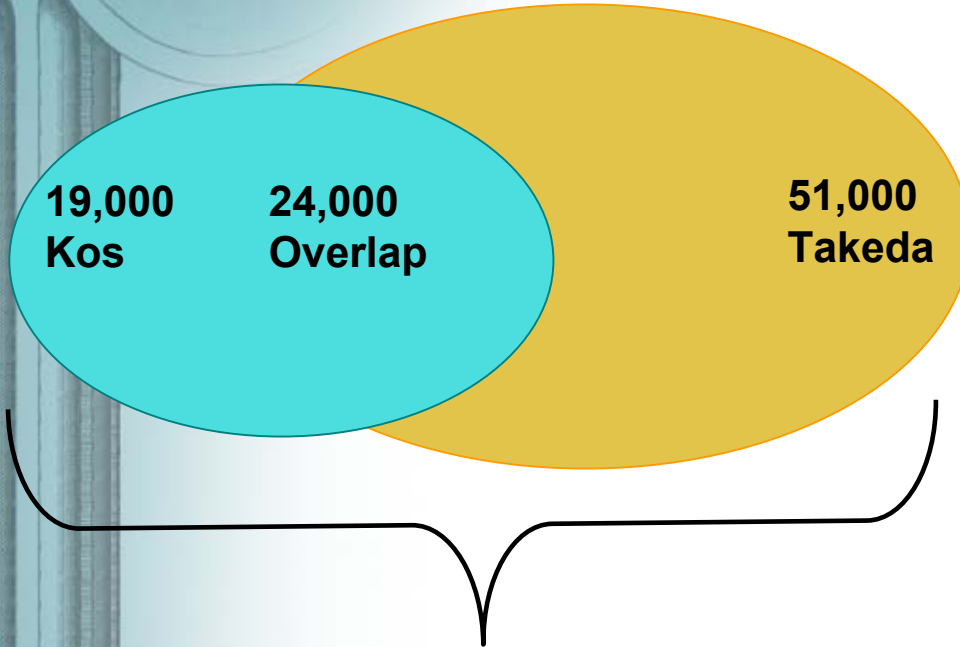


# Takeda Alliance Increases Scale



# Kos/Takeda Co-Promotion

## Increased Reach and Frequency



- More than doubled reach to a total of **94K** Docs.
  - Overlap of Docs= **24K**
  - **51K** new Takeda Docs;
    - 77% are PCP/IMs
- Account for **74%** of all cholesterol Rx's
- Reach and frequency strategy
- Initially Niaspan is the focal point to build franchise in PCP

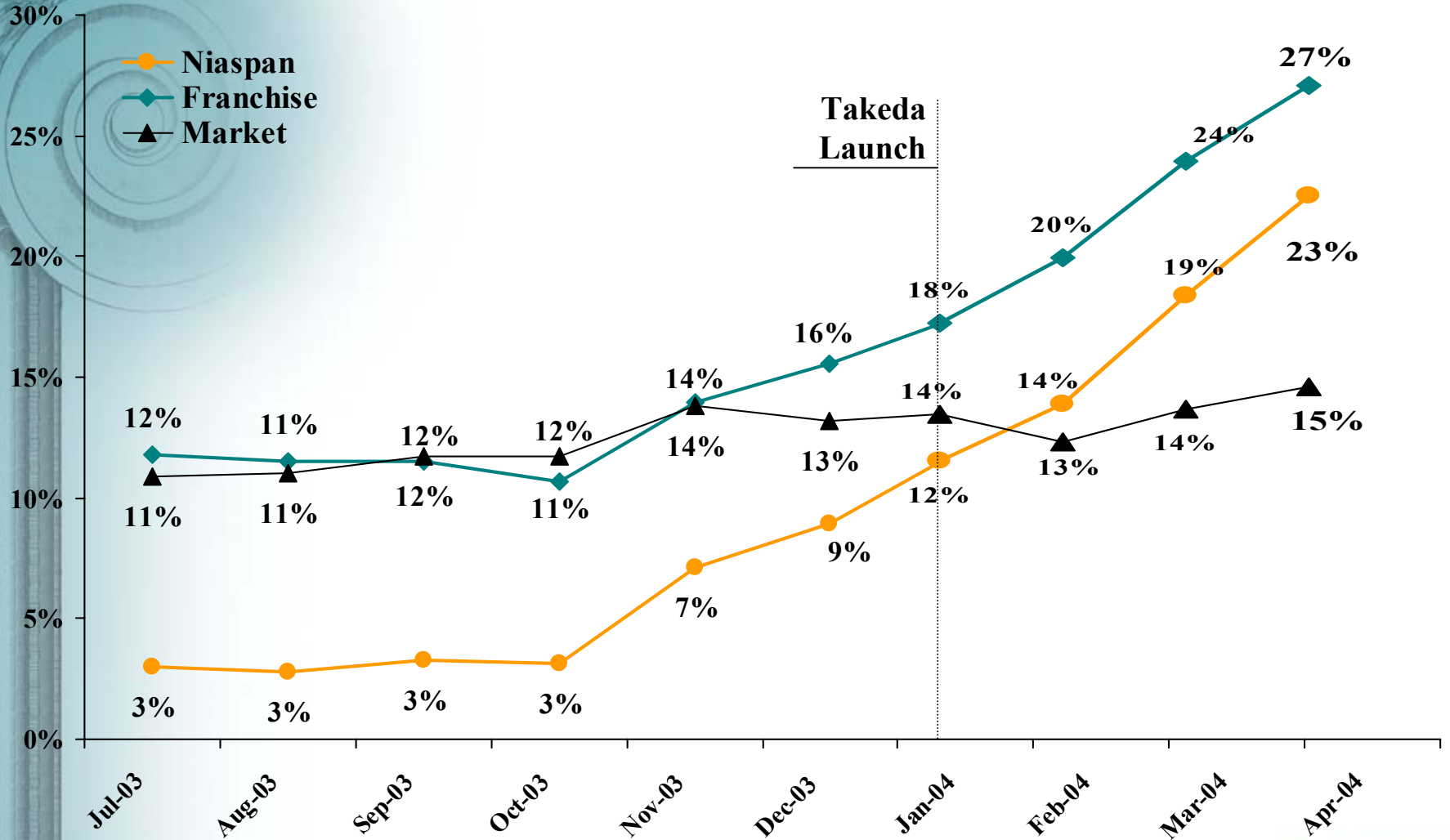
**74%** of US Cholesterol Rx's





# Encouraging Early Signs...

New Rx\* -Year-over-Year Growth



\* Based on 3-month moving average



# Background on *Azmacort*<sup>®</sup> (triamcinolone acetonide)

The built-in spacer  
delivers the right dose  
to the right place...  
every time!

**SURE  
SHOT**

Today's most  
widely used inhaled  
bronchial steroid!

**Azmacort**<sup>®</sup>  
(triamcinolone acetonide) Inhalation  
Aerosol

The benefits are built-in

- Inhaled corticosteroid for *treatment of asthma*; launched by RPR in 1984
- First steroid to incorporate *spacer device*
- Operates in \$6.3 billion market, *inhaled steroids account for 41% of market*
- Used for the treatment of mild-to-moderate asthma patients
- Widely used since launch; *most patient days of any steroid*
- Peak sales over \$250 million; *\$88 million for 2003*
  - Sales declining as Aventis has dramatically reduced promotions
- *HFA version of Azmacort* has received approvable letter from FDA





# Rationale & Next Steps

- **Strong Strategic Impact: Broadens Product Portfolio**
  - *Establishes Kos' commercial entry* into \$6.3 B respiratory disease market
  - *Positive cash flow*, help fund development of additional inhalation products
  - *Leverage existing reformulation and inhalation expertise*
    - Aerosolized devices technology
    - 28 scientists
    - *Strong inhalation IP position*; 42 issued patents, 13 pending
- **Strong Financial Impact**
  - *Increases annual top line* nearly 15% to ~\$475 M in 2004
  - *Purchase value: 2.3 x sales* for two products
- **Commercialization Strategy**
  - *Sales Force* recruitment, training, preparation
  - *Market* and product preparation



*Connection to Our  
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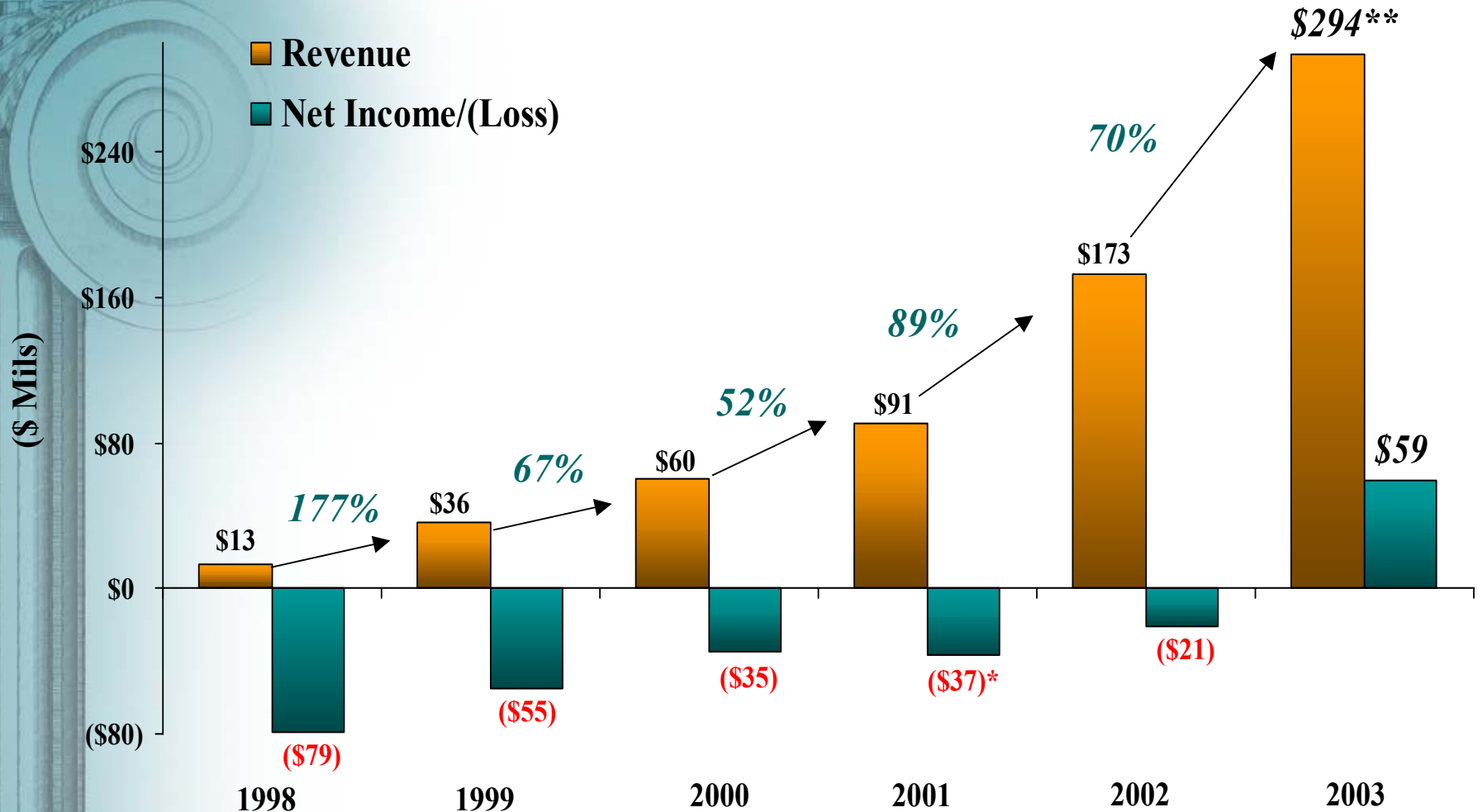
*Pioneering Medicines  
for a Better Life*

***Rapid & Sustainable  
Financial Growth***





# Substantial Annual Financial Growth



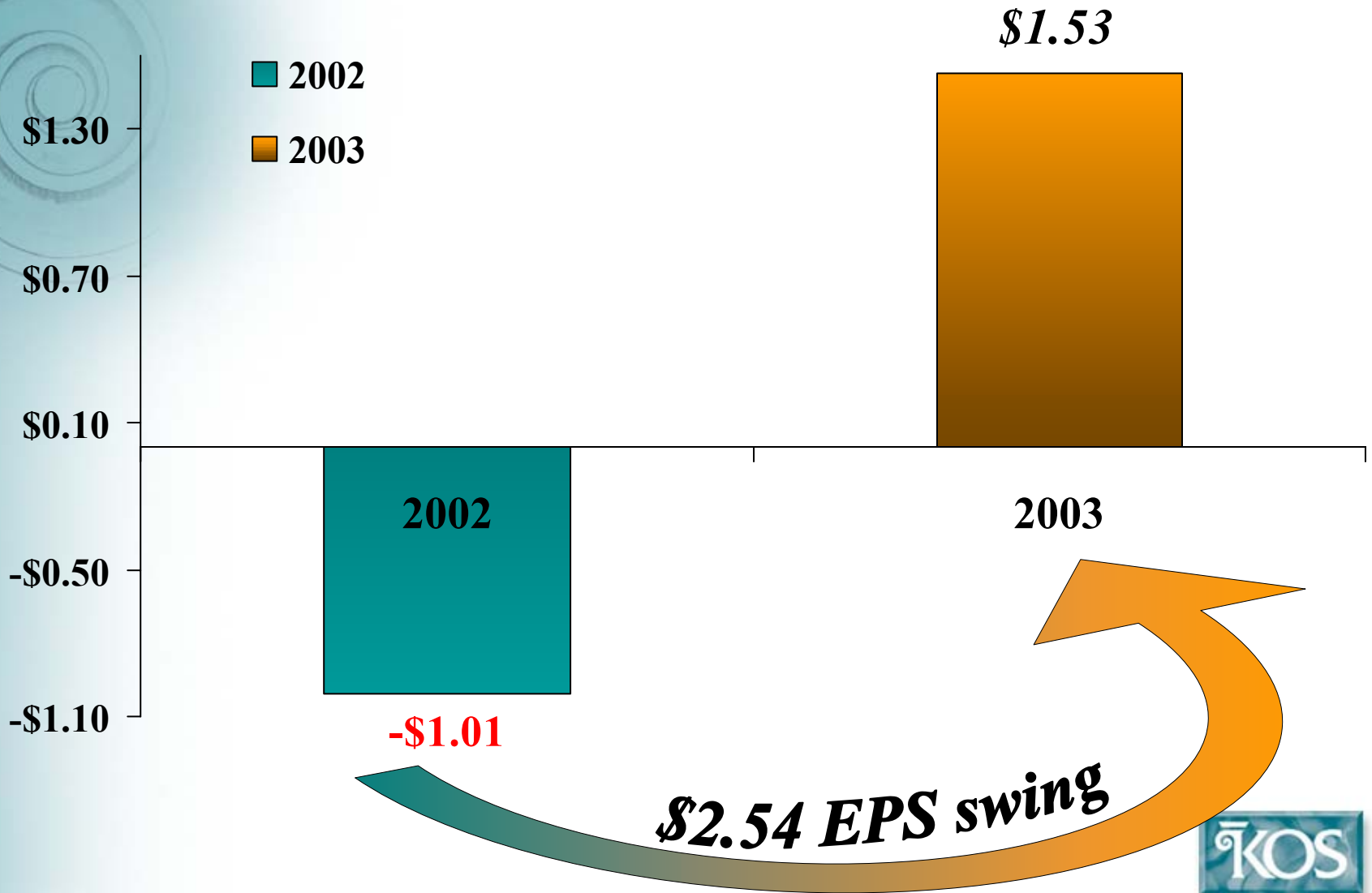
\* Excludes impact of one-time \$45 million settlement with BMS of which \$6 million was recorded as reimbursement of operating expenses and \$39 million as other income. As a result of this settlement, the Company reported Net Income of \$2.4 million for 2001.

\*\* Includes impact of one-time \$11 million revenue benefit resulting from a change in accounting estimate.





# Dramatic EPS Improvement



# Quarterly Highlights – 1Q 2004

- *Net revenue increased 65% to a record \$94.3 million from Q1 03\**
  - *Revenue increased 38% from Q1 03 (including revenue benefit)*
- *Net income increased 618%\*\* to \$15.8 million; **Quarterly EPS of \$0.34**\*\*\**
  - *GAAP net income of \$8.0 million vs. \$12.7 million in Q1 03*
  - *GAAP EPS of \$0.17 vs. \$0.35 in Q1 03*
- *NRXs reach 3.6% market share; TRXs reach 3.3% market share*
- *At quarter end, total cash balance of \$76.2 million*
- *Closed Azmacort® transaction with Aventis*
- *Received Fourth Patent Covering Niaspan® and Advicor®*
- *Completed European Mutual Recognition Procedure for Niaspan*
- *Received final approval to market Niaspan in Germany*

\* Excludes impact of one-time \$11 million revenue benefit resulting from a change in accounting estimate.

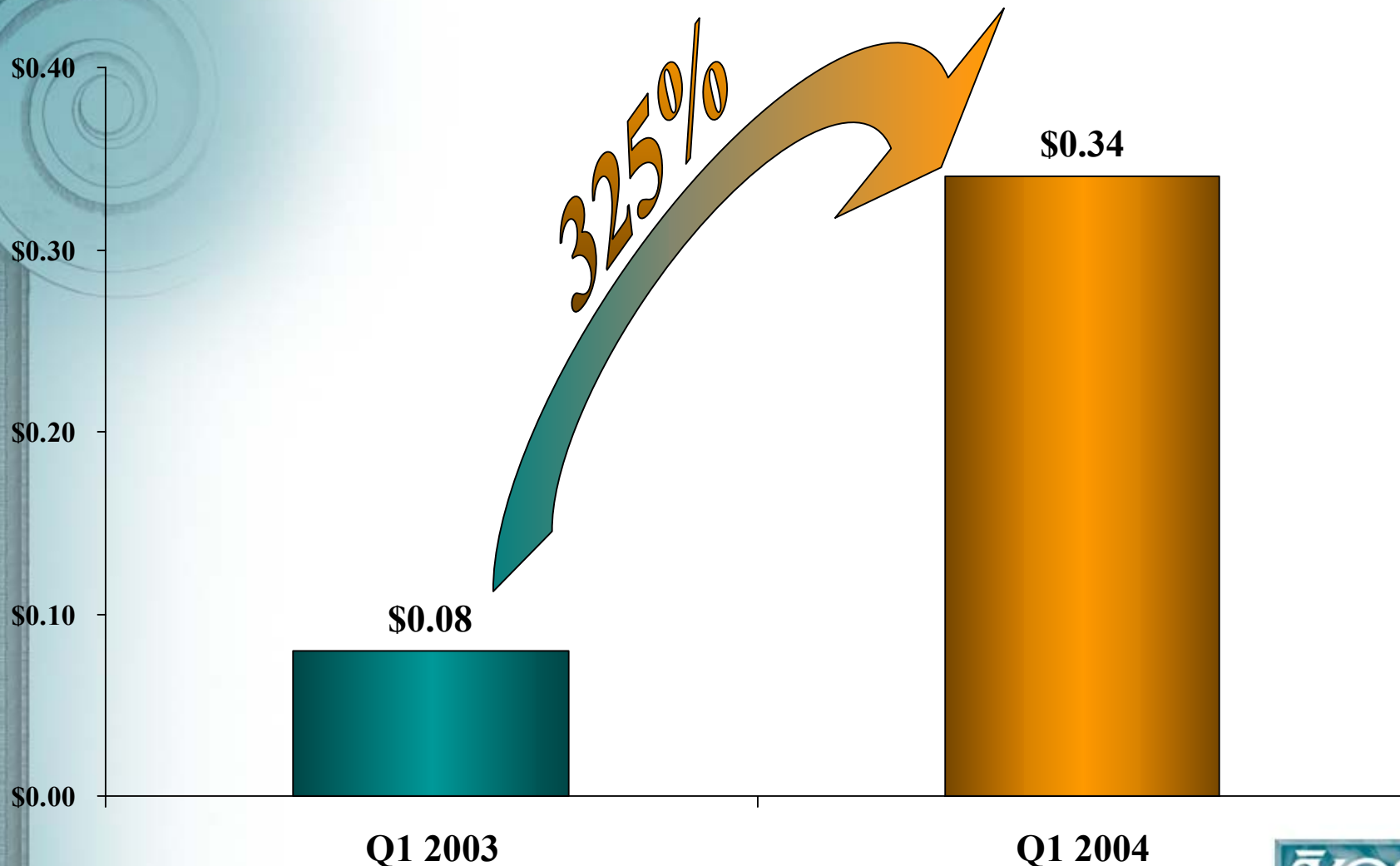
\*\* Excludes impact of one-time \$11 million revenue benefit resulting from a change in accounting estimate and the dilutive one-time events from the purchase of Azmacort and the accretive effect of the reversal of valuation allowance for net operating loss carryforwards (NOLs)

\*\*\* Excludes the dilutive one-time events from the purchase of Azmacort as well as the accretive effect of the reversal of valuation allowance for net operating loss carryforwards (NOLs)

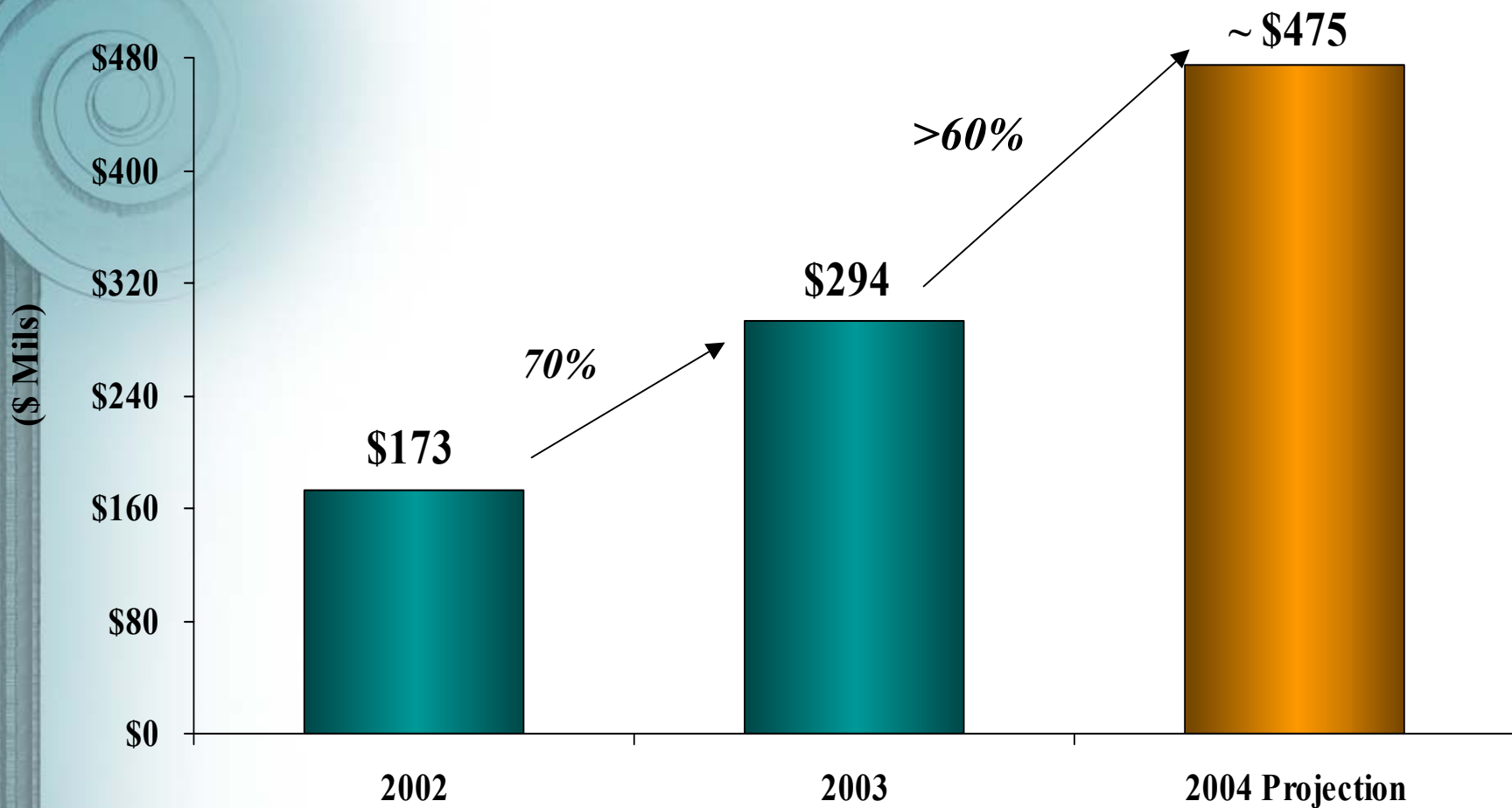


# Earnings Per Share

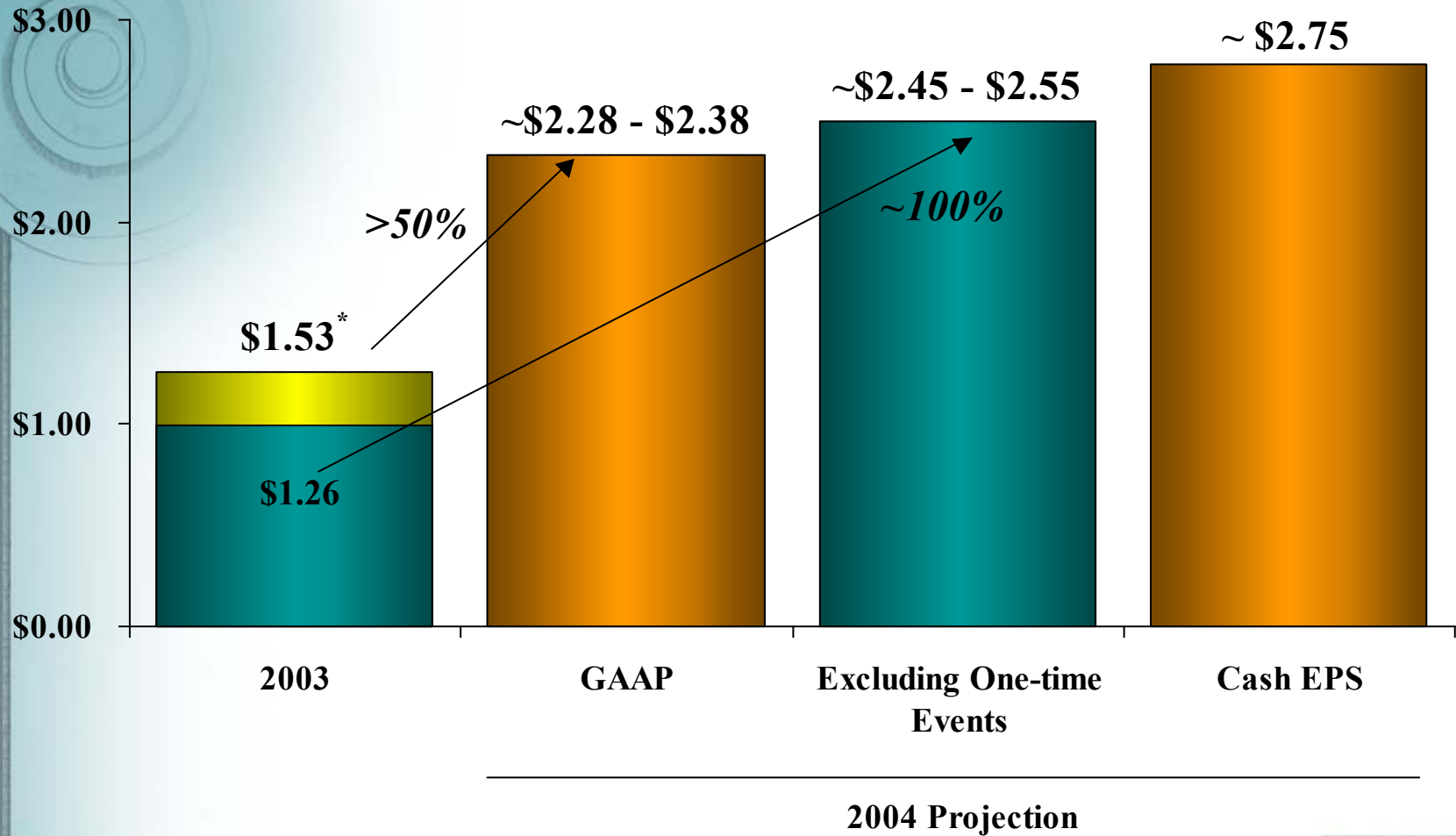
Excluding One-time Events



# Accelerating Sales Growth



# Robust 2004 EPS Outlook






\* Includes impact of one-time \$11 million revenue benefit resulting from a change in accounting estimate





# Quelling Investor Concerns


Investor Concerns...	Kos Deliverables!
Profitability?	\$59 M of Net Inc.; \$80 M Swing
Niaspan / Advicor Intl.?	
TRX Growth / Ltd Scale?	 = 1700 Reps
Cash “War Chest”?	\$184 M From Offering
Ability to Acquire a Product?	 2.3x Sales
Patent Case?	4 <sup>th</sup> and 5 <sup>th</sup> Patents Issued and Lifecycle Mgmt.



# Near Term Goals



*Seek acquisition or in-licensing of a product*

- *Successfully Re-launch Azmacort*
- *Receive European approvals for Niaspan & Advicor*
-  *Received marketing authorization for Niaspan in Germany*
- *Seek Japanese partnership for Niaspan*
- *Progress clinical programs*
  - **Enroll majority of patients for dyslipidemia and PAD NDA projects**
  - **Enroll majority of patients for COMPELL phase IV**
  - **Complete in-vivo efficacy study for inhaled insulin**
- *File regulatory documents for Niaspan lower-flush and Advicor 1000/40mg*
- *File IND for cardiometabolic product (KS 01 017)*
- *Grow Revenue by >60%; Grow Cash EPS by about 100%*



# Kos – Investment Thesis

- *Fully integrated specialty pharma* model
- **Highly differentiated cholesterol products; High potency HDL drugs**
- **Large and growing cholesterol market; significantly unmet need**
- **Growing market share; bolstered by Takeda U.S. co-promote**
- *Azmacort acquisition broadens portfolio, highly accretive*
- **Strong internally developed R&D pipeline**
- **International contribution from Merck KGaA and Oryx**
- **Strong P&L leverage and balance sheet**
- **Depth in talent and experience**



# Kos' 2003 Annual Report

Embracing Challenges

Exceeding Expectations

Forging New Frontiers

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