

12 | Abbott Laboratories

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HEADCOUNT	66,663	
YEAR ESTABLISHED	1888	
PHARMA REVENUES*	\$12,395	-9%
TOTAL REVENUES*	\$22,476	+1%
NET INCOME	\$1,717	-49%
R&D BUDGET	\$2,255	+24%

DRUGS APPROVED/LAUNCHED

<i>Drug</i>	<i>Indication</i>
humira	Crohn's disease, ankylosing spondylitis, psoriatic arthritis

DRUGS PENDING APPROVAL

<i>Drug</i>	<i>Indication</i>
humira	juvenile rheumatoid arthritis, moderate to severe chronic plaque psoriasis
niaspan and simvastatin	cholesterol

DRUGS IN PHASE IIB AND BEYOND

<i>Drug</i>	<i>Indication</i>
kaletra	HIV infection
adalimumab	Crohn's disease, ulcerative colitis
niacin ER/simvastatin tablets/atorvastatin	hyperlipidemia, mixed dyslipidemia
abt-335	hypercholesterolemia dyslipidemia
divalproex	bipolar disorder
clarithromycin	Crohn's disease

EARLY RESEARCH PROJECTS

<i>Drug</i>	<i>Indication</i>
abt-263	cancer
abt-751	non-small-cell lung cancer

abt-869	cancer
mva 85A	HIV Infections, TB
abt-751	acute lymphoblastic leukemia (ALL)

DRUGS COMING OFF PATENT

<i>Drug</i>	<i>Indication</i>
omnicef	antibiotic (2007)
depakote	bipolar disorder (2008)
prevacid	acid reflux (2009)

TOP SELLING DRUGS

<i>Drug</i>	<i>Indication</i>	<i>\$</i>	<i>(+/- %)</i>
humira	rheumatoid arthritis	\$2,044	46%
depakote	bipolar disorder	\$1,308	19%
kaletra	HIV/AIDS	\$1,135	13%
trikor	cholesterol	\$1,048	13%
biaxin	antibiotic	\$816	-23%
ultane/sevorane	anesthetic	\$799	-9%
omnicef	antibiotic	\$637	29%
synthroid	hyperthyroidism	\$534	-4%

Account for 67% of total pharma sales, up from 54% in 2005.

* Does not include TAP Pharmaceutical Products JV income. Also, 2005 was the last year of recording Mobic sales, leaving a \$1.2 billion revenue shortfall.

A PART FROM FINANCIAL LOSSES FROM the formerly prosperous Boehringer-Ingelheim distribution agreement for Mobic, patent expiration for Omnicef and some controversy surrounding its AIDS drug, Kaletra, Abbott fared well in 2006. Humira's success continues with three new indications for ankylosing spondylitis, psoriatic arthritis, and recently Crohn's disease, and potentially another indication for Psoriasis on the way. The company's pharmaceutical initiatives include a focus on cutting-edge cancer drugs and a progressing lipid management pipeline. In the medical products arena, the company launched Xience, its drug-coated stent in Europe and Asia in October 2006 and is awaiting approval in the U.S.

Impending financial losses for Abbott during the next few years include its antibiotic Omnicef, which lost patent protection in May 2007 and saw sales of \$637 million in 2006. Also, the Depakote patent is set to expire in 2008 and with sales reaching \$1.2 billion in 2006, loss of exclusivity will be a blow.

Abbott's investment strategy for balancing its medical and

pharmaceutical portfolios, appears to be paying off. The company has made several prosperous acquisitions during the last few years. These include: Knoll Pharmaceuticals in 2001 (resulting in Humira), TheraSense (blood glucose monitoring) in 2004, and Guidant's vascular business (resulting in Xience) and Kos Pharmaceuticals (lipid management medicines), both in 2006.

Also, in an effort to enhance focus on these segments, at the beginning of 2007 Abbott sold its core lab diagnostics business to GE for \$8 billion in cash. Abbott's Molecular Diagnostics and Diabetes Care businesses will remain part of Abbott.

Pharmaceuticals Front

Humira revenues in 2006 were a whopping \$1.2 billion, up 38%. The growth continued in 1Q2007 with \$571 million in sales, up 46%. With three new indications to date and the pending Psoriasis indication in the U.S. and EU, the drug is poised for further growth. Abbott is now targeting 2007 Humira sales

of more than \$2.8 billion. The keep up with the drug's unprecedented growth, in April Abbott opened its new state-of-the-art biologics manufacturing facility in PR to support the long-term supply Humira. Abbott's lipid management portfolio has grown through a July 2006 pact with AstraZeneca and the acquisition of Kos Pharmaceuticals at the end of the year. Abbott and AZ are collaborating to develop and commercialize Crestor and next-generation TriCor combo therapy. Complementing this agreement, Abbott acquired Kos that has medications for chronic cardiovascular, metabolic and respiratory diseases, for \$3.7 billion, further expanding its presence in the \$20 billion lipid management market.

"Kos Pharmaceuticals is an excellent strategic fit for Abbott, both scientifically and commercially," said Miles D. White, chairman and chief executive officer, Abbott. "This acquisition expands Abbott's presence in the lipid management market and will provide several on-market and late-stage pipeline products. Kos also complements our existing commercial and R&D expertise, and increases our R&D spending capacity." Also, in April Abbott submitted a NDA for a fixed-dose combination of Niaspan and simvastatin (the generic version of Zocor), targeting multiple lipid parameters in a single pill.

In recent months, Abbott's oncology initiatives included an extended discovery partnership with Caprion for antibody targets in lung cancer and a pact with Genentech for some help with two of its anti-cancer compounds. Abbott and Caprion began working together on lung cancer targets three years ago,

which has resulted in a series of potential targets. The extended agreement allows Abbott to retain exclusive rights to 10 targets in lung cancer identified by Caprion for up to two years.

In a reversal of roles, Abbott enlisted the oncology expertise of Genentech for its investigational anti-cancer compounds, ABT-263 and ABT-869 for which the two companies will share further development and commercialization. Abbott's ABT-263, designed to block a protein called Bcl-2, works by restoring the body's ability to destroy its own damaged cells and ABT-869 works instead by choking off the flow of nutrients to cancer cells. Both compounds are currently in Phase I trials in several tumor types. Phase II trials for ABT-869 will begin this year.

"We hope that the combination of Abbott's scientific discoveries and Genentech's experience in oncology can help bring these promising compounds to patients," said John Leonard, M.D., vice president, global pharmaceutical R&D, Abbott. "It takes significant resources to discover and develop new medicines. We believe that our collaboration with Genentech, in addition to our pipeline of other cutting-edge scientific approaches to fighting cancer, will allow Abbott to build a world-class oncology franchise."

Kaletra Controversy: Seizing Drug Patents

In April of this year, Abbott agreed with World Health Organization (WHO) to expand access to Kaletra and offered the governments of more than 40 low and low-middle income countries a new price of \$1,000 per patient per year. Although this price is lower than any generic price available and is 55% less than the average current price for these countries, negotiations with Thailand remain at a standstill.

Following in Brazil's footsteps in 2005, Thailand continues to seek cheaper prices for Kaletra and efforts to establish agreements with Abbott have been futile. Thailand, like Brazil, has threatened to issue compulsory licenses to begin selling generics that effectively would break Abbott's patent protection.

Abbott responded aggressively at first, refusing to sell several of its new drugs in Thailand. But now, Abbott has backed off and is offering to further cut the price of Kaletra in Thailand if the country will agree not to allow the sale of generics. According a spokeswoman for Abbott, Thailand's health ministry has expressed interest in the offer, but a resolution hasn't been reached. As yet unresolved, Thailand's government is still planning to move ahead to make generic versions of several patented AIDS drugs, Kaletra may be among them. ■—KB

THE LOWE DOWN

ABBOTT'S ANOTHER COMPANY THAT OCCUPIES the same mental space as J&J. Their medical device business both keeps the cash flow going and takes them out of the pharma mainstream in some people's perceptions. If their stents catch on like they're hoping, even more of their revenue could be coming from something other than pharma.

But they belong right in the middle of things. They've got another one of those broad-front strategies, from diagnostics though biologics to small molecules. Their anti-TNF antibody Humira seems to be doing well in a bruising market space, and they're a force to reckon with in several therapeutic areas (such as anti-infectives). And like everyone else (or so it seems), they've also been making some big oncology investments. One thing that you don't associate them with (rightly or not) is with a huge number of small-company collaborations, but their longstanding alliance with Takeda shows that they're not afraid to make deals.

Near-term, then, they seem to be in reasonably good shape, which is probably why you don't see them splashed all over the financial press so much. Who wants to read about a company where things are going OK?

—Derek Lowe

AS WE GO TO PRESS

IN JULY 2007, ABBOTT AND Brazil's health ministry reached an agreement on pricing for Kaletra. Abbott will cut the price by nearly 30% from \$1.04 per pill to 73 cents, which is predicted to save the Brazilian government \$10 million annually. The price per pill will drop to 63 cents in 2008. The government claims that it spent \$495 million on antiretroviral drugs in 2005, a twofold increase from 2001. ■—GYR