

Industry Outlook

Moody's Corporate Finance

May 2008

U.S. Pharmaceuticals

Table of Contents:

Overview	2
Key Trends and Rating Implications	3
2010 - 2012 Patent Expirations Rapidly Approaching	3
Pipelines Will Be Insufficient To Offset Patent Cliff	4
Hurdles to FDA Approval Appear Higher	5
Balance Sheets Still Healthy, But Cash Accumulating Off-Shore	7
Share Repurchase Activity Accelerating	8
Legislation May Bring Further Challenges	9
Creative Business Model Changes to Come?	10
Challenges To Branded Companies Spell Opportunities For Generics	10
Conclusions	11
Appendix: Macro Stress Scenario Analysis For The U.S. Pharmaceutical Industry	12
Related Research	13

The Outlook for the U.S. pharmaceutical industry is negative. This Outlook expresses Moody's expectations for the fundamental credit conditions in the industry over the next 12 to 18 months.

- Looming 2010 - 2012 patent expirations are drawing closer, while the threat of at-risk launches from generic companies is increasing.
- FDA is taking a slower — and apparently more cautious — approach to drug approvals.
- Pharmaceutical companies have highly liquid balance sheets. In reality, the majority of cash is accumulating off-shore and may be available only with adverse tax consequences.
- Rising pressure from shareholders may lead to more aggressive share repurchases, larger acquisitions or even more significant changes to the business model.
- Legislative changes are likely to be negative for the branded pharmaceutical industry.
- Generic pharmaceutical companies may benefit from many of these dynamics.

Analyst Contacts:

New York 1.212.553.1653

Michael Levesque
Senior Vice President

Diana Lee
Vice President/Senior Credit Officer

Costas Chrysostomou
Vice President/Senior Credit Officer

Daniel Goncalves
Associate Analyst

John Diaz
Team Managing Director



Moody's Investors Service

U.S. Pharmaceuticals

Overview

Moody's has maintained a negative Outlook on the U.S. pharmaceutical sector since October 2007, when we lowered our Outlook from stable in light of increasing concerns about looming patent expirations.

The U.S. pharmaceutical industry's profitability and cash flow remain strong and litigation exposures have declined. But the industry, long one of the stalwarts among non-financial corporate sectors, has entered a period of unprecedented uncertainty.

Drug companies face significant exposure to patent expirations beginning at the end of the decade; balance sheets are being propped up in part by off-shore cash; the Food and Drug Administration appears to be growing more cautious about green-lighting drugs and generic competitors are likely to exploit seemingly friendly court rulings by pushing their alternatives to the market before patent challenges are resolved.

As a result of these exposures, the branded pharmaceutical companies face mounting credit risk. In addition to the impending loss of revenue and cash flow, upcoming patent exposures place even more pressure on companies to achieve successful pipeline results. In light of tightening regulatory standards for drug approval, drug pipelines have faced many disappointing pipeline setbacks.


We believe these challenges create higher event risk related to aggressive financial strategies to invigorate weak stock price performance. To date, shareholders do not appear satisfied with the significant cost restructurings that are ongoing throughout the industry. In addition, the industry remains under intense media scrutiny, exacerbated by the recent backlash over Merck and Schering-Plough's Vytolin cholesterol drug trial, conducted under the name ENHANCE, which showed that the drug is no more effective than a generic. Federal investigators are examining whether the companies delayed disclosures of trial data, an allegation strongly denied by the drug companies. A combination of factors will shape the branded drug industry's credit quality for the next several years. But on balance we expect the negative factors to outweigh the positives, resulting in negative movement in ratings and rating outlooks over the next 12 to 18 months.


Positive Factors	Negative Factors
Good volume trends	Patent expirations 2010-2012
Recent and upcoming product launches	FDA approval hurdles
Cost restructuring efforts	Future legislative efforts
Liquidity and cash flow still strong	Rising pressure from shareholders
Continuation of U.S. employer-based health coverage	M&A activity
General success of Medicare Part D	Potential for more radical business model shifts

U.S. Pharmaceuticals

The following table shows pharmaceutical ratings and outlooks as of May 2008. There has generally been a negative bias in the direction of rating actions over the past six months.

Company	Rating	Outlook	Type**
Johnson & Johnson	Aaa	Stable	Brand
Pfizer	Aa1	Negative	Brand
Eli Lilly	Aa3	Stable	Brand
Merck	Aa3	Developing	Brand
Genentech	A1	Stable	Brand
Bristol-Myers Squibb	A2	Stable	Brand
Amgen	A3	Stable	Brand
Allergan	A3	Stable	Brand
Wyeth	A3	Stable	Brand
Schering-Plough	Baa1	Negative	Brand
Teva	Baa2	Stable	Generic
Royalty Pharma*	Baa2	Stable	Brand
Biogen Idec*	Baa3	Stable	Brand
Barr	Ba1	Stable	Generic
Watson	Ba1	Stable	Generic
APP Pharmaceuticals*	Ba3	Stable	Generic
King	Ba3	Stable	Brand
Axcan*	B1	Stable	Brand
Warner-Chilcott	B1	Stable	Brand
Mylan	B1	Stable	Generic
Stiefel	B1	Negative	Brand
Generics Int'l (Qualitest)*	B2	Stable	Generic
Graceway	B2	Stable	Brand
Valeant	B2	Stable	Brand
Elan	B3	Positive	Brand

 = Positive change over last 6 months

 = Negative change over last 6 months

* New rating assigned in last 6 months

** Based on whether the majority of revenue is derived from branded vs. generic products

Key Trends and Rating Implications

2010 - 2012 Patent Expirations Rapidly Approaching

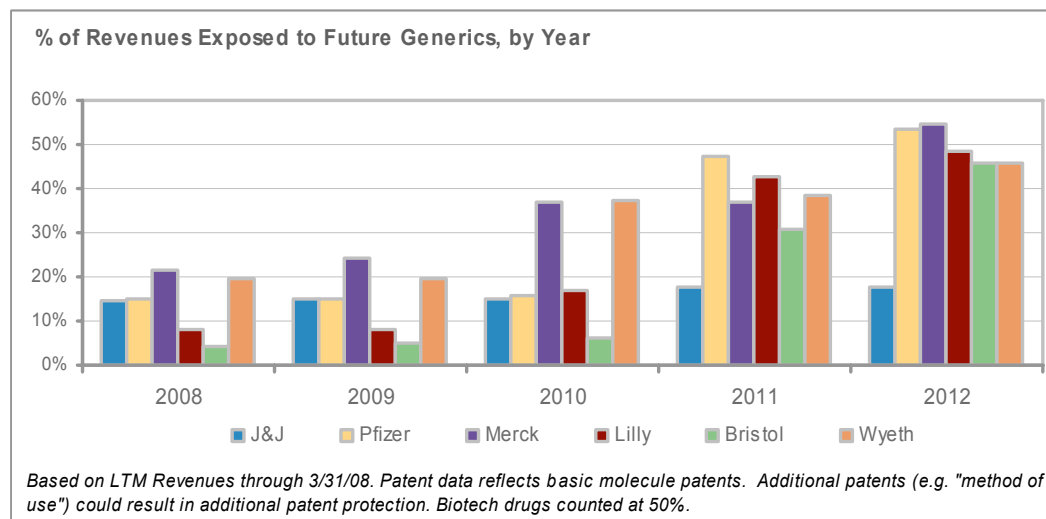
The U.S. branded pharmaceutical industry faces high patent expirations between 2010 and 2012, with additional significant patent expirations just beyond that time period.

Large drugs subject to generic competition between 2010 and 2012 include Pfizer's Lipitor, Bristol-Myers Squibb's Plavix, Eli Lilly's Zyprexa, Merck's Cozaar and Wyeth's Effexor XR. Based on current revenues, Moody's believes that these five large pharmaceutical companies will face generic competition on products

U.S. Pharmaceuticals

that currently represent over 45% of their existing revenues. The exposure of several companies – namely Merck and Wyeth – is more heavily weighted to the earlier portion of this time frame.

The chart below shows cumulative annual patent exposures through 2012 for these five companies, as well as Johnson & Johnson, which faces less severe patent exposure because of its significant diversity. The information reflects known patent expirations on basic drug molecules (i.e. “compound” patents). For some products, additional patents on manufacturing processes, methods of use, or modified drug formulations could provide longer marketing exclusivity, but Moody's believes this may be far from certain.



In addition to the “scheduled” patent expirations shown above, many branded companies face patent challenges on key products. We believe the threat of “at risk” generic launches – launches that occur prior to the resolution of a patent case – is rising in light of several important developments in the branded versus generics battle.

Teva Pharmaceuticals launched generic Protonix in December 2007, following a federal judge's refusal several months earlier to bar the company from selling the drug, despite objections from Wyeth. (Litigation is continuing between Wyeth and Teva.)

Generic companies may also be further emboldened to attempt such at-risk launches by two 2007 court decisions that appear to favor generics, though they did not involve pharmaceutical companies. In *KSR v. Teleflex*, the U.S. Supreme Court appeared to lower the hurdle for companies to prevail on certain patent claims; and the federal court ruling *In re Seagate Technology* could make it harder for branded companies to claim triple damages for lost profits in patent infringement cases.

The industry has faced periods of high patent exposures in the past and credit profiles indeed weakened during such periods. Between 2003 and 2006, for example, Moody's lowered ratings on a number of large drug companies including Schering-Plough, Merck, Bristol-Myers Squibb and Pfizer. Although other operating challenges, including litigation and pipeline failures were often present, exposure to patent expirations was a key factor in these actions.

Pipelines Will Be Insufficient To Offset Patent Cliff

The ability of a pharmaceutical company to offset the loss of revenue from patent expirations depends on growth in existing products as well as successful execution from its pipeline. Our current assessment of late-stage pipelines on an aggregate basis is approximately “Baa,” which we view as modest, and unlikely to fully offset the effect of upcoming patent expirations.

The decline in our pipeline assessment since 2003 reflects our view that the commercial potential from the industry's Phase III pipeline is less robust than in earlier years. Our peak sales estimates in the chart below

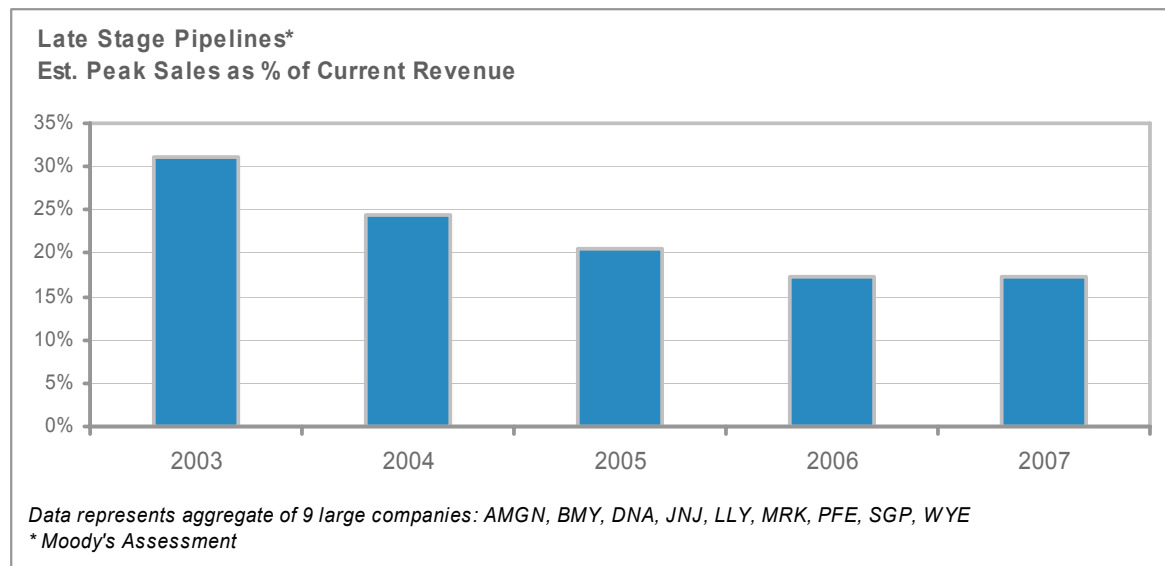
U.S. Pharmaceuticals

are meant to represent a reasonable revenue projection of annual sales approximately 5 to 7 years after launch.

In certain important product categories (e.g., cholesterol, antidepressants, and schizophrenia) we remain cautious about ascribing high commercial potential to new compounds until we see clear differentiation relative to drugs that are currently available.

In addition, formularies – preferred drug lists eligible for insurance and federal reimbursements – are becoming a more significant factor. As a recent example, J&J's recent launch of schizophrenia drug Invega has performed below expectations, in part because of formulary restrictions adopted by managed care companies. In addition, our view of Wyeth's Pristiq is somewhat tempered by the uncertain willingness of payors to provide preferred formulary positioning to the product, in light of the pending patent expiration of Wyeth's Effexor XR.

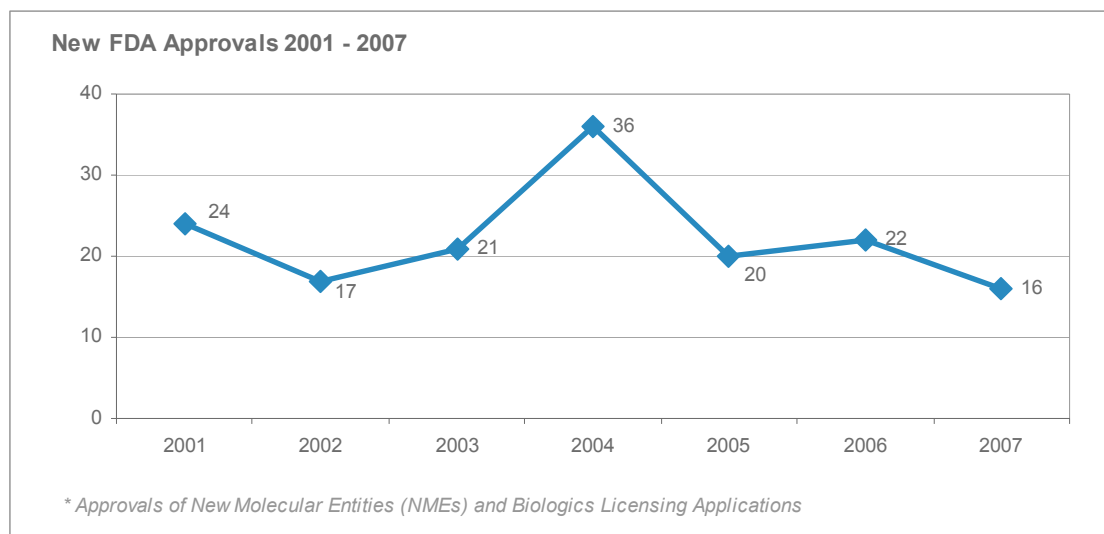
Pipeline deterioration also reflects product launches occurring since 2003, since we remove products from our pipeline assessment approximately 12 months after launch. We believe that companies have not been fully successful at replenishing their pipelines with drugs that have the same commercial potential as these blockbusters. Key launches since 2003 have included Pfizer's neurology drug Lyrica, Eli Lilly's antidepressant Cymbalta and Merck's HPV vaccine Gardasil. The decline also reflects several pipeline failures including Pfizer's torcetrapib.



Hurdles to FDA Approval Appear Higher

During 2007, the FDA approved 16 new drug applications (NDAs) involving new chemical entities (i.e. excluding line extensions on existing products). This figure includes both traditional small molecule drugs as well as biotechnology products. The pace of new approvals has slowed compared to prior years and the approval rate is significantly lower than in 2004, when FDA approvals hit a decade peak of 36, more than double 2007 approvals. The slower approval rate, which follows a number of controversies over the safety of some FDA-approved drugs, indicates the FDA is likely taking a more cautious position on new drug approvals.

U.S. Pharmaceuticals



In addition, Moody's has observed a large number of NDA filings that have received either non-approvable letters, or approvable letters—often subject to additional clinical trials and therefore representing a delay in the expected approval time. Delays can pose not only a short term disappointment, but can also result in a shorter time period of marketing exclusivity prior to a molecule's patent expiration. The chart below summarizes recent FDA actions of this nature. The most noteworthy of these (based on Moody's assessment of market potential) is Merck's cholesterol treatment Cordaptive, which received a non-approvable letter in April 2008. In several cases, including Wyeth's Aprela and Vivant, companies have disclosed clear information as to necessary steps for product approval, such as additional analysis of clinical data for Vivant. Consequently, the timeframe for approval of the two Wyeth applications has been pushed out several years beyond Moody's original expectations. In other cases, including Cordaptive, the nature of the delay has not been disclosed, and it is unclear what additional information would be required to receive approval, or the timeframe that would be required.

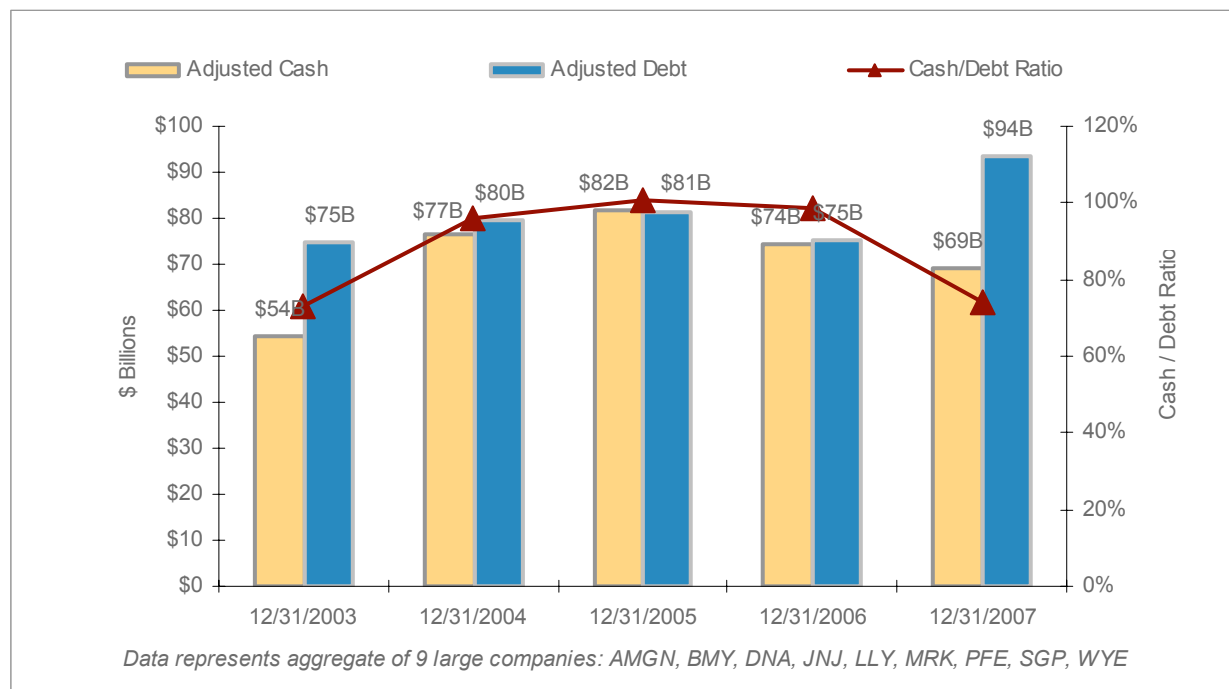
Recent FDA Rejections and Delays

Drug	Company	Indication	FDA Action
Arxxant	Eli Lilly	Diabetic peripheral neuropathy	Approvable Aug-06, Lilly appealed, FDA rejected appeal in Mar-07
Zyprexa LAI	Eli Lilly	Schizophrenia	Non-approvable letter Feb-08
Advair (in COPD)	GSK	COPD	Non-approvable letter Aug-07
Trexima	GSK/Posen	Migraine	Approvable letter Sep-07
Ceftobiprole	J&J	Anti-biotic	Approvable Mar-08
Arcoxia	Merck	Pain	Non-approvable letter Apr-07
Cordaptive	Merck	Cholesterol management	Non-approvable letter Apr-08
Claritin/Singulair Combination	Merck/Schering-Plough	Allergic rhinitis	Non-approvable letter Apr-08
Prexige	Novartis	Pain	Non-approvable letter Sep-07
Accomplia (Zimulti)	Sanofi	Obesity	FDA panel votes against approval Jun-07, application withdrawn
Vivant	Wyeth	Osteoporosis	2nd approvable letter Dec-07
Aprela	Wyeth	Osteoporosis & menopause	Planned FDA filing being delayed
Bifeprunox	Wyeth	Schizophrenia	Non-approvable letter Aug-06

U.S. Pharmaceuticals

Balance Sheets Still Healthy, But Cash Accumulating Off-Shore

Strong balance sheets and high levels of cash and investments relative to debt have supported high credit ratings of pharmaceutical companies. The ratio of cash coverage of debt remains healthy, but peaked at December 31, 2005 and is now declining. Moody's "adjusted cash" represents reported cash, cash equivalents, and fixed income investments, haircut by 10% to 30% (company-specific) based on estimated repatriation taxes.



Gross debt levels for the nine largest companies rose from year-end 2006 to year-end 2007. Major uses of cash resulting in incremental debt for certain companies include:

- Schering-Plough's acquisition of Organon;
- J&J's higher level of share repurchases;
- Pfizer's high U.S. cash needs including share repurchases and shareholder dividends; and
- Genentech's acquisition of Tanox.

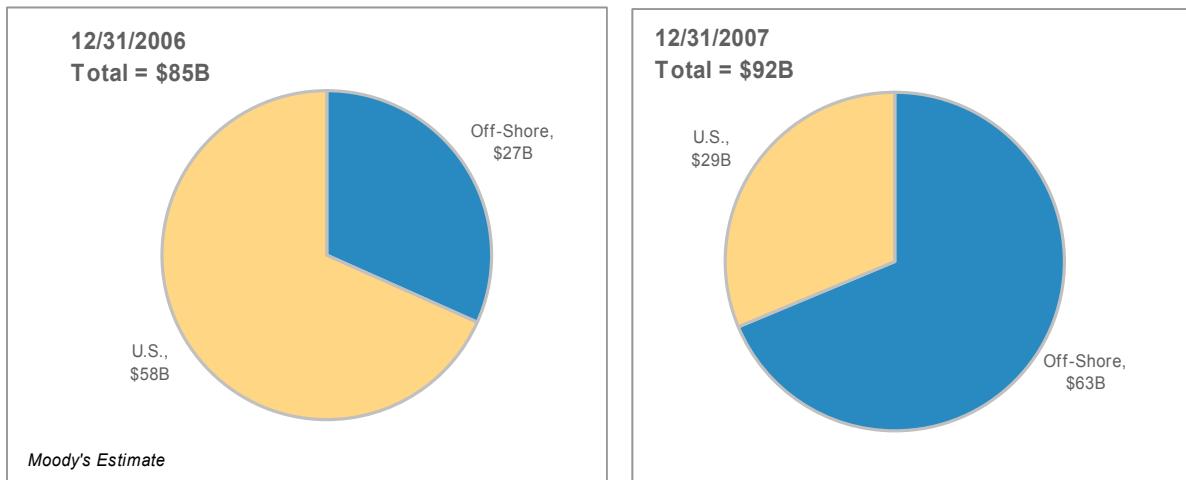
Despite the decline since 2006, the industry's adjusted cash-to-debt ratio remains healthy at 73% (just below Moody's 75% "Aaa" level). We expect, however, that cash to debt is more likely to decline than to grow, because we anticipate greater acquisition and share repurchase activity in 2008.

In addition, the healthy cash to debt ratio somewhat masks the off-shore nature of the majority of the industry's cash and investments. After the American Jobs Creation Act went into effect in 2005, most U.S. drug companies were able to geographically rebalance their cash holdings through repatriation, i.e. paying dividends from foreign subsidiaries to U.S. subsidiaries. These repatriations enhanced the level of cash held in the U.S.

However, the past several years of U.S. cash needs (dividends, repurchases, acquisitions of U.S.-based companies) have depleted U.S. cash levels while cash has accumulated off-shore. Therefore, even though the industry's total cash and investment holdings has grown, the amount considered "U.S. based" has rapidly decreased. The chart below shows Moody's estimate of the mix between U.S. and off-shore cash as of year-end 2006 and year-end 2007. These numbers reflect reported cash, cash equivalents and marketable fixed income investments before Moody's haircuts for repatriation taxes.

U.S. Pharmaceuticals

U.S. Pharmaceutical Industry Location of Cash & Investments

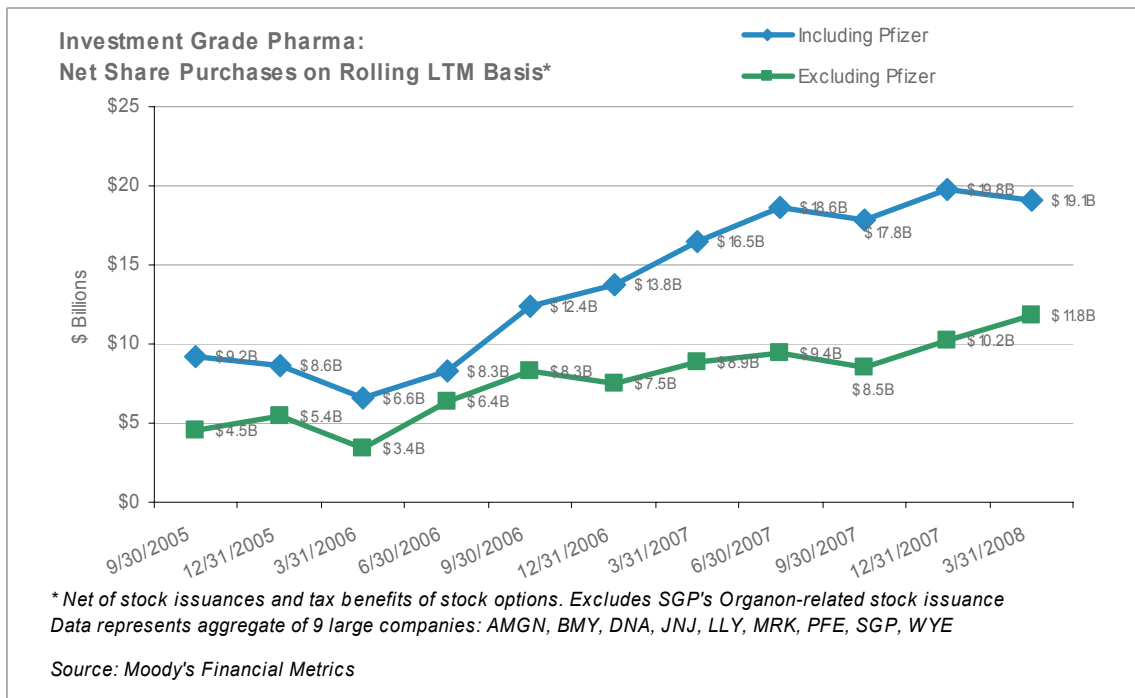


We expect additional migration of cash balances off-shore. Thus far, the ratings implications of this migration have been essentially neutral. However, as U.S. cash needs grow, companies may decide to issue incremental debt, even as cash grows off-shore. Moody's does not believe it is appropriate to ignore this phenomenon and only consider net debt ratios, primarily because off-shore cash is not earmarked for debt reduction, and could be readily spent, for example, on the acquisition of a non-U.S. company.

Share Repurchase Activity Accelerating

The chart below shows that share repurchases on a rolling last-twelve-months basis have steadily increased. We have shown the data both including and excluding Pfizer, since Pfizer earmarked for share repurchases a large portion of the proceeds from its \$15 billion sale of Pfizer Consumer Health.

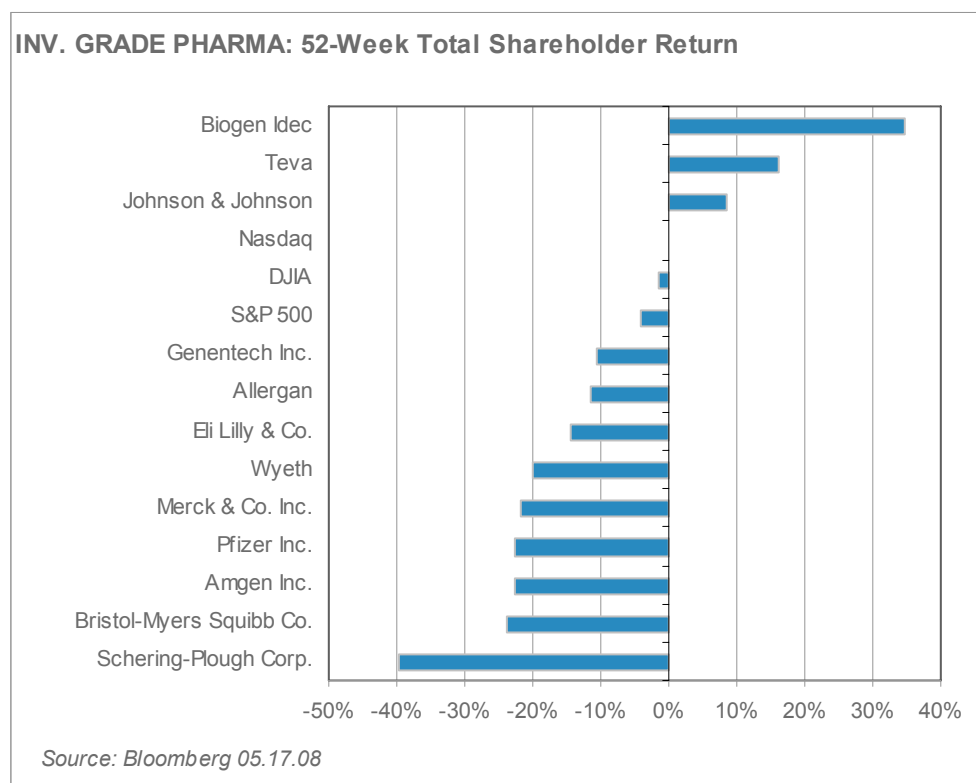
We anticipate that the trend towards higher share repurchases occurring across many industries will continue. Pressure from shareholders could be especially intense for pharmaceutical companies because of net debt levels that are still relatively low compared to other sectors.



U.S. Pharmaceuticals

The chart below summarizes 52-week total shareholder returns through May 17, 2008 and indicates that returns for the majority of large pharmaceutical and biotech companies have lagged various indices. We believe that weak shareholder returns may increase the likelihood of more aggressive share purchases or acquisitions. We believe that U.S. companies may begin to follow their European counterparts and pursue more aggressive financial strategies at the expense of their credit ratings. Since 2007, downgrades of European companies have included:

- AstraZeneca's \$15.6 billion purchase of MedImmune, resulting in a 2-notch downgrade to A1 from Aa2 in July 2007;
- GlaxoSmithKline's GBP12 billion share repurchase strategy announced in July 2007, resulting in a 2-notch downgrade to A1 from Aa2; and
- Novartis's pending \$39 billion acquisition of Alcon announced in April 2008, resulting in a 2-notch downgrade to Aa2 from Aaa.



Legislation May Bring Further Challenges

Over the next several years, we anticipate that new legislative activity in the U.S. is more likely to pose challenges for large branded pharmaceutical and biotechnology companies.

Initially, the focus of healthcare reform may be on expanding access for the uninsured population. These efforts could result in a favorable uptick in pharmaceutical utilization. However, a number of initiatives introduced in Congress during 2007, which remain in committee status, could have a more negative effect on utilization or pricing. The near-term likelihood during an election year of these proposals being passed by both Houses and signed by President Bush appears low. Following the elections, however, Moody's believes that these proposals are likely to resurface and may create negative pressure for branded drug manufacturers. These bills include:

- **Generic Biologics.** Currently there is no legislative pathway for the FDA approval of a "generic" version of a biotech drug, sometimes referred to as "follow-on biologics." Several bills (H.R. 1038, H.R. 1956, S. 1505, S.1695) have been introduced in 2007 that would establish such a process, but Congress has not

U.S. Pharmaceuticals

yet passed any of these bills. We view a regulatory pathway for follow-on biologics as inevitable. We expect that few generic companies will initially have biotechnology capabilities but that this market represents a lucrative long-term opportunity. We also anticipate that regulatory agencies will require generic companies to conduct human clinical trials, rather than abbreviated application processes. These factors should help reduce the rate of erosion facing branded biotechnology products.

- **Reimportation.** Various bills have been proposed (including H.R. 1218) that would allow the reimportation of drugs originally sold to the Canadian market back into the United States. Reimportation remains highly debated, with safety concerns frequently cited as a risk factor. The volume of drugs sold in the Canadian market would be inadequate to supply a significant portion of the U.S. Market; we estimate the Canadian retail pharmaceutical market totaled \$15 billion in 2007, compared to \$206 billion in the United States (based on data from IMS Health). However, we believe reimportation could still create incremental pressure on the prices of some drugs in the U.S. market.
- **Medicare Part D Negotiations.** A bill passed by the House of Representatives in early 2007 (H.R. 4) to reform Medicare part D did not pass in the Senate. Near-term pressures to dramatically change Medicare Part D appear unlikely, now that the program has gained traction and seniors appear generally satisfied with the plan. However, we believe that long-term cost pressures on the Medicare program may lead to the reconsideration of this proposal, which could create incremental pricing pressure for the pharmaceutical industry. The bill is discussed more fully in Moody's Special Comment "Pharmaceutical Industry: Implications of Proposed Medicare Part D Reform" (January 2007).

Creative Business Model Changes to Come?

In the wake of the challenges outlined above, Moody's believes the traditional pharmaceutical model may undergo a significant upheaval.

We believe it is possible that newer business models could emerge before the end of the decade. Increasing emphasis on shareholder value could lead to additional divestitures of non-core assets (animal health, medical devices or consumer products), potentially with negative credit implications because of reduced diversity and stability.

More creative strategies could entail splitting pharmaceutical businesses into "growth" and "value" components. Abraxis BioScience is an example of a smaller pharmaceutical company pursuing this strategy, raising debt within the "value" business (injectible generic products) to fully capitalize its "growth" business (branded oncology products and a pipeline) with high levels of cash and no debt. In November 2007, Moody's assigned a first-time rating of Ba3 to APP Pharmaceuticals, LLC, the injectible generic business.

We now see increasing likelihood of mergers between large drug companies. Arguably the pharmaceutical industry has "excess capacity," based on similar molecules that exist in the drug pipelines of different companies. Examples of drug mechanisms that are in the pipeline at more than one company include DPP-IV inhibitors for diabetes, GLP inhibitors for diabetes, factor X inhibitors for thrombosis, and cannabinoid receptor agonists for obesity. Considering the significant R&D costs to achieve regulatory approval, followed by substantial marketing costs, combining and pruning drug pipelines may prove a strong impetus for merging.

In short, Moody's believes that many strategic options may be placed on the table, from acquiring smaller companies or combining large firms to divesting assets or dividing the business. In some cases, credit quality could improve because of greater scale and diversity, better pipelines, and opportunities to reduce costs. However, the overall credit implications of these strategies will likely be more negative than positive, since higher financial leverage is likely to be a key component of these initiatives.

Challenges To Branded Companies Spell Opportunities For Generics

The generic drug industry should see growth opportunities in the next several years as trends in the U.S. and global markets continue to favor generic utilization. The years 2010 through 2012 could become boom years for generic players, based on the large number of blockbusters coming off patent. Longer term, generic

U.S. Pharmaceuticals

companies with biotechnology expertise could see even more upside, but these opportunities will be realized only if regulatory approvals can be obtained, and if the medical community accepts follow-on biologics as safe alternatives.

Moody's ratings of generic drug companies have been largely constrained at the "Ba" level, with the exception of Baa2-rated Teva, which enjoys a leading position in global markets, excellent success at first-to-file opportunities, and diversity from its branded product division. We continue to view M&A risk as high within the generic sector, as the integrations of recent acquisitions (Barr/Pliva, Watson/Andrx) have essentially been completed, and acquisition appetite may be increasing. The recent acquisition of the generics division of Merck KGaA by Mylan Inc. represents one of the largest acquisitions in the sector, and employed considerable debt financing. Combined with Mylan's earlier acquisition of Matrix Laboratories, an India-based supplier of active pharmaceutical ingredients ("API"), Mylan is transforming itself from a U.S.-focused generic company to a global player with increased vertical integration.

If Moody's becomes comfortable that M&A event risk has abated within the generic sector, there could be potential for upward ratings movement. In such a scenario, generic companies with the following characteristics may be positioned for rating upgrades: (1) diverse product portfolios and strong market positions; (2) successful vertical integration; (3) strong pipelines; (4) track record of manufacturing compliance; and (5) biotechnology capabilities.

Conclusions

The fundamental credit outlook for U.S.-based pharmaceutical companies remains negative. We expect negative pressure on ratings and rating outlooks, and this pressure may not abate until after the 2010 through 2012 patent expiration period.

Moody's will be monitoring the following:

- Changes in strategic direction, including expansion into non-pharmaceutical areas or conversely, divestitures of non-pharmaceutical assets
- The ability of the industry to prepare for upcoming patent expirations through internal R&D programs and in-licensing opportunities
- The effect of legislative changes
- How companies deploy their large levels of cash and investments
- The extent to which companies balance shareholder-friendly strategies with a desire to maintain high credit ratings

In some situations – such as a large acquisition or a substantial change in financial policies – ratings may undergo significant, rapid transition. In other cases, changes in strategy and risk appetite may be more incremental and methodological, resulting in a more gradual adjustment of credit ratings. As the pharmaceutical industry responds to its key challenges, Moody's foresees a long-term scenario in which the ratings of large traditional pharmaceutical companies migrate lower towards the "A" category.

U.S. Pharmaceuticals

Appendix: Macro Stress Scenario Analysis For The U.S. Pharmaceutical Industry

In January 2008, Moody's published a consensus view among global financial institutions of global economic activity, as well as three plausible macroeconomic stress scenarios, to provide a consistent framework for examining the potential effects of global economic conditions on individual industries. Moody's economists see a low probability for the three risk scenarios. Indeed, as described by Moody's chief international economist, Pierre Cailleteau, the global economy is likely to continue a "gentle decoupling" between rapidly growing emerging economies and slower growth advanced economies, with the overall global economy continuing to grow. However, the economy currently faces a high risk of transition to a less favorable scenario and Moody's believes it is important to analyze the impact of such alternative scenarios as part of our Industry Outlooks (See "Mapping the Near Future: Macro Stress Scenarios for 2008-2009," published in January 2008).

Under the central scenario, Moody's sees continued robust growth globally: 3.2% in 2008 and 3.6% in 2009, with faster growth in emerging economies. These economies typically have under-penetration of healthcare products and services, and represent a growth opportunity for the pharmaceutical industry. Nonetheless, the opportunities for international growth do not offset the significant challenges faced by U.S. pharmaceutical companies, particularly the approaching cliff period of U.S. patent expirations. Also in this scenario, the dollar remains on a downward trend. Although this trend results in higher reported revenues because of currency translation, its effect on profits is typically neutral for many pharmaceutical companies because a large portion of the cost base is also in non-U.S. currencies.

In brief, the three global risk scenarios outlined in the report are: i) a sharp decoupling by non-U.S. economies from the U.S. economy under a scenario where the U.S. turns very negative, ii) stagflation, inflation escalates while activity is stagnant in the U.S., while the rest of the world continues to grow and iii) stagnation, in which a broad-based global economic slowdown occurs.

Of these scenarios, we see stagnation as having the largest negative effect on the pharmaceutical industry. Stagnation would likely lead many developed countries with national health systems to seek ways to reduce healthcare expenditures. Potential measures could include implementing greater price or access restrictions on pharmaceutical products. In the U.S., anemic growth could lead to increased unemployment and a reduction in the insured population, which enjoys good access to pharmaceutical products. Companies with products more heavily tied to elective procedures—including aesthetic procedures—could suffer the most.

U.S. Pharmaceuticals

Related Research

Rating Methodologies

- Global Pharmaceutical Industry, November 2004 (89947)
- Moody's Approach to Global Standard Adjustments in the Analysis of Financial Statements for Non-Financial Corporations – Part 1, February 2006 (96760)

Special Comment

- Industry Snapshot: Large U.S. Pharmaceutical Companies, First Quarter 2008 (March 2008) 108187
- Pressure on Pharmaceutical Industry Creates Long-Term Corporate Governance Challenges, September 2007 (104848)
- The Effect of Share Repurchases on Corporate Credit Ratings, October 2007 (104749)
- Healthcare: Is M&A the Magic Pill, April 2007 (102870)
- Pharmaceutical Product Safety Risk: How Moody's Assesses This Risk In Its Credit Ratings, May 2007 (103085)
- Pharmaceutical Industry: Implications of Proposed Medicare Part D Reform, January 2007 (101828)
- A "Scorecard" for Risk Mitigation in the Pharmaceutical Industry, August 2006 (92309)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

U.S. Pharmaceuticals

Report Number: 109201

Author(s)	Editor	Production Associate
Michael Levesque	Phyllis Plitch	Fabian Alvarez

© Copyright 2008, Moody's Investors Service, Inc. and/or its licensors and affiliates (together, "MOODY'S"). All rights reserved. **ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.** All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moody.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."



Moody's Investors Service