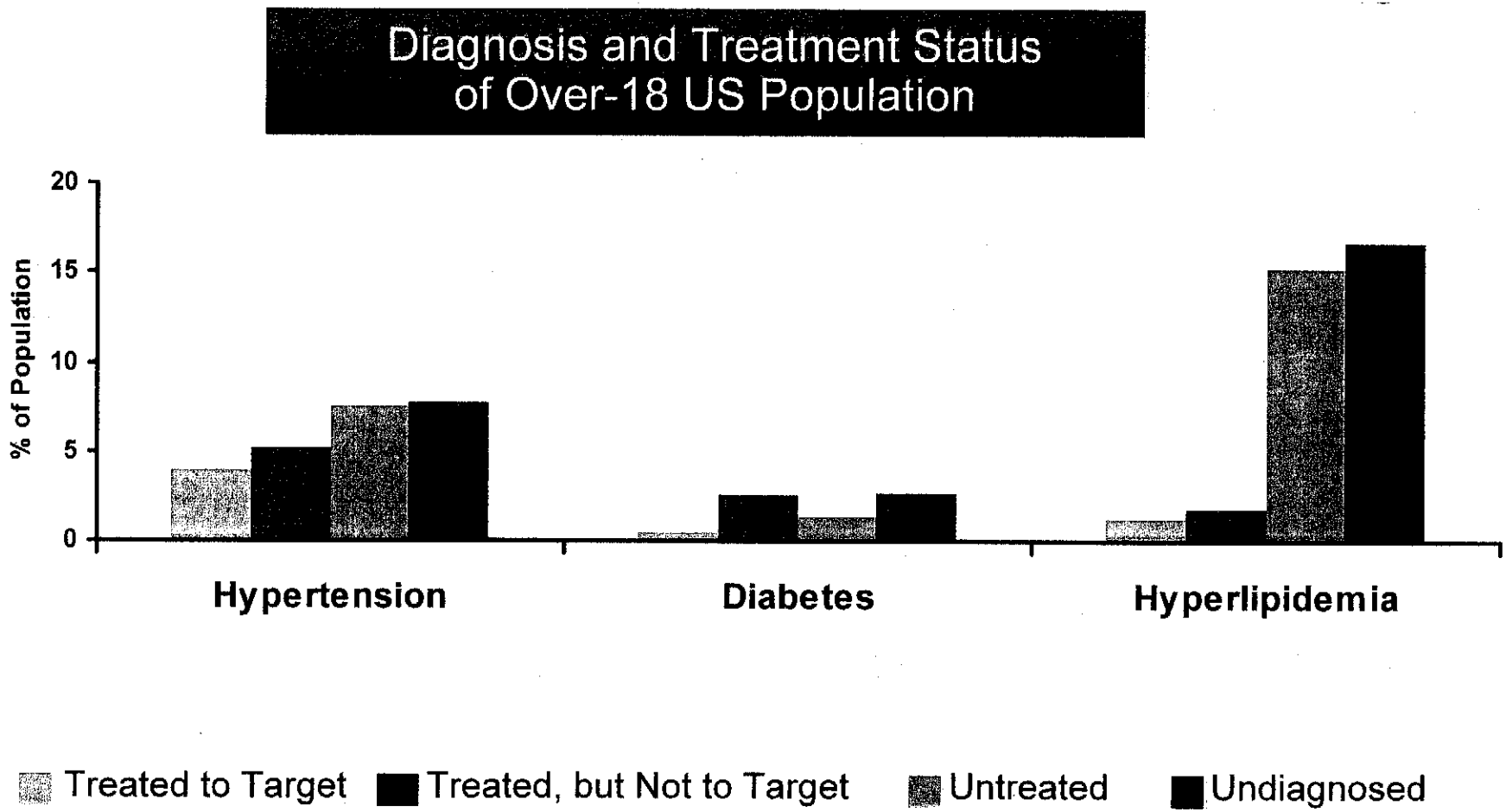
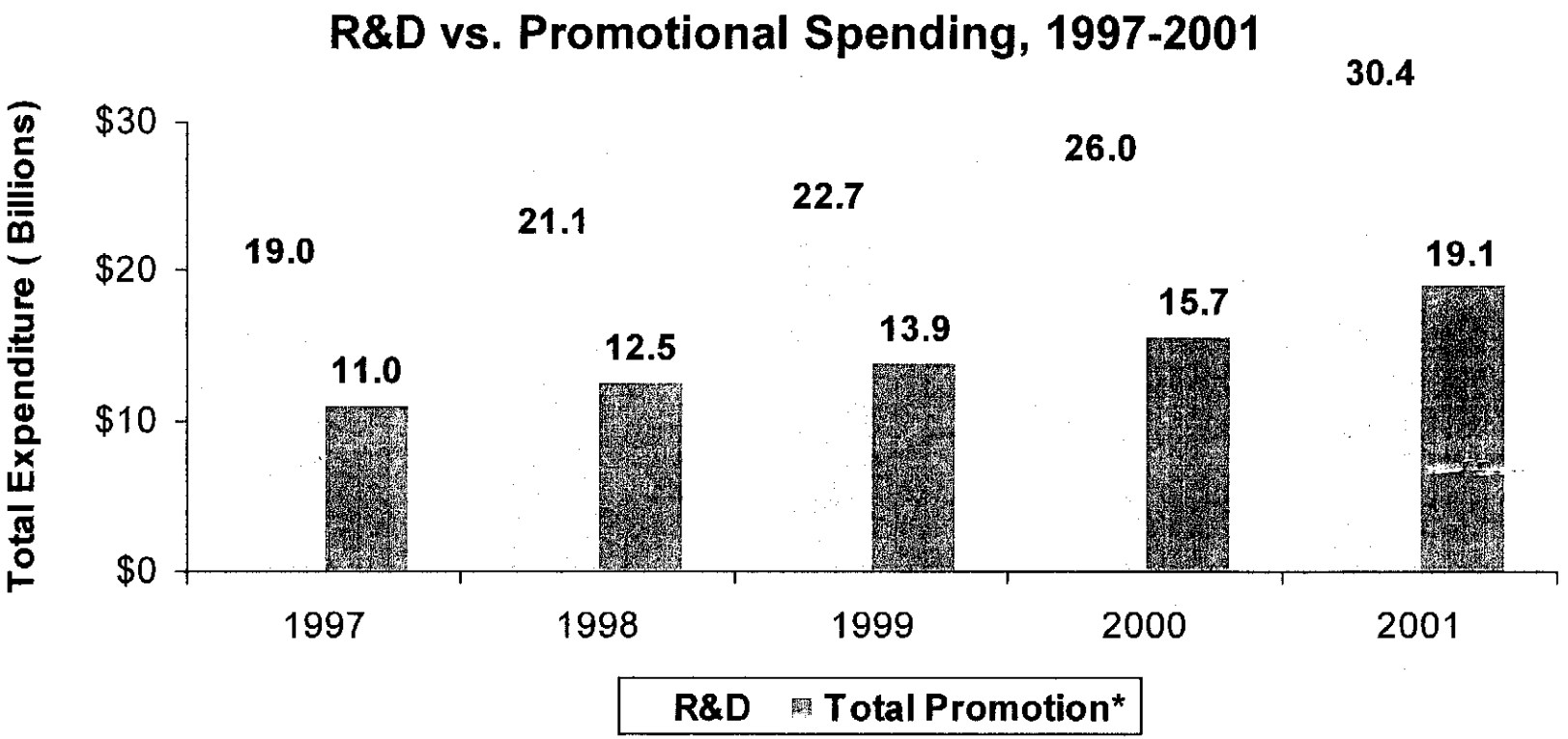
Two Business Problems for the Pharmaceutical Industry: Undiagnosed Patients, and Patients Who Forget to Take Their Medicine



Source: Centers for Disease Control and Prevention, www.cdc.gov. NHANES III, 2001.

EXHIBIT 2
DATE 2-8-05
HB 532

US Government Finds Pharmaceutical Industry Spends 50% More on R&D than Marketing

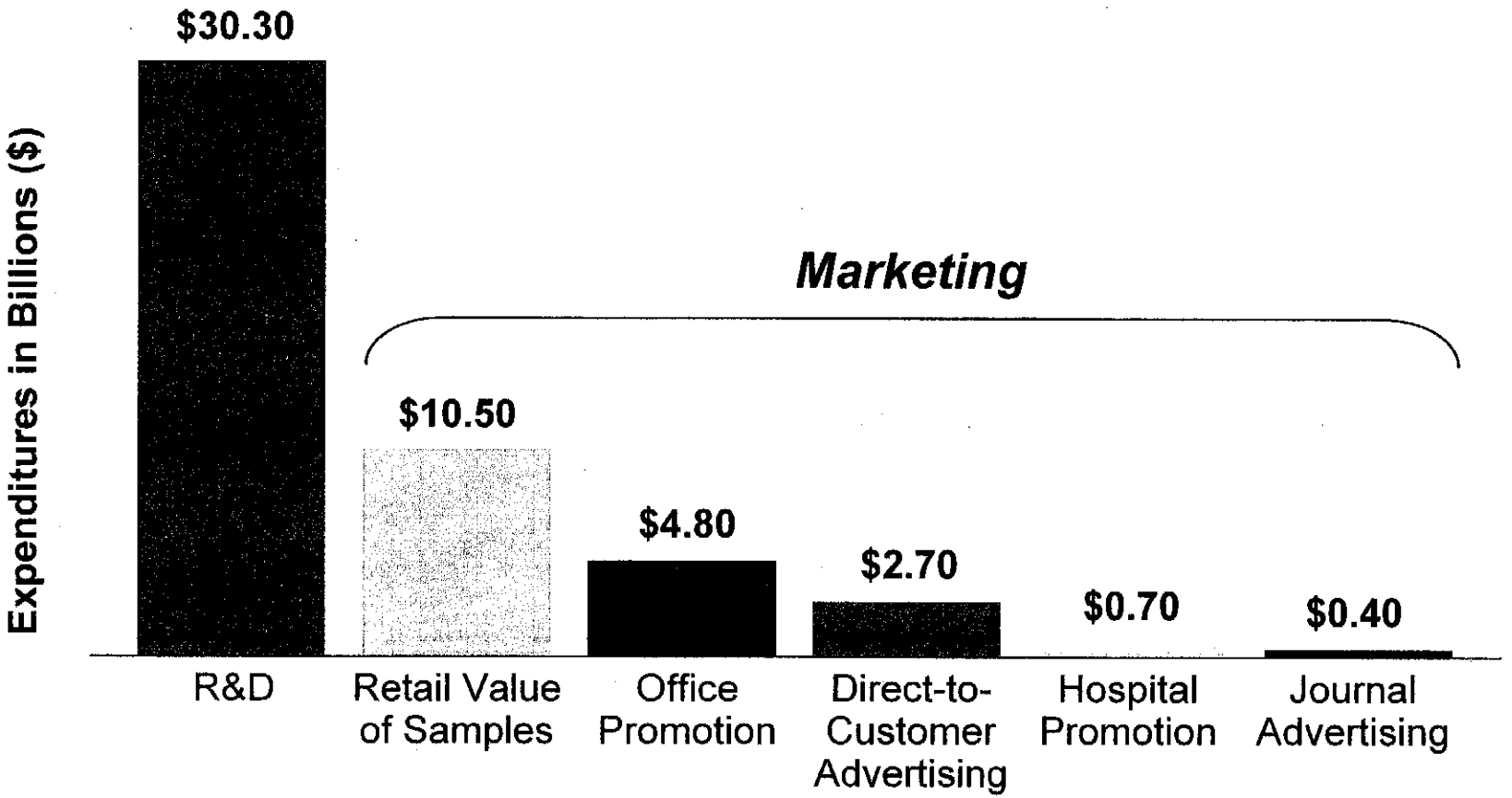


*Total promotion includes DTC, retail value of samples, office & hospital promotion, and professional journal advertising.

Source: U.S. General Accounting Office (GAO). FDA Oversight of Prescription Drug Advertising Has Limitations. October 2002.

Product Samples Are a Significant Share of Total Promotional Spending

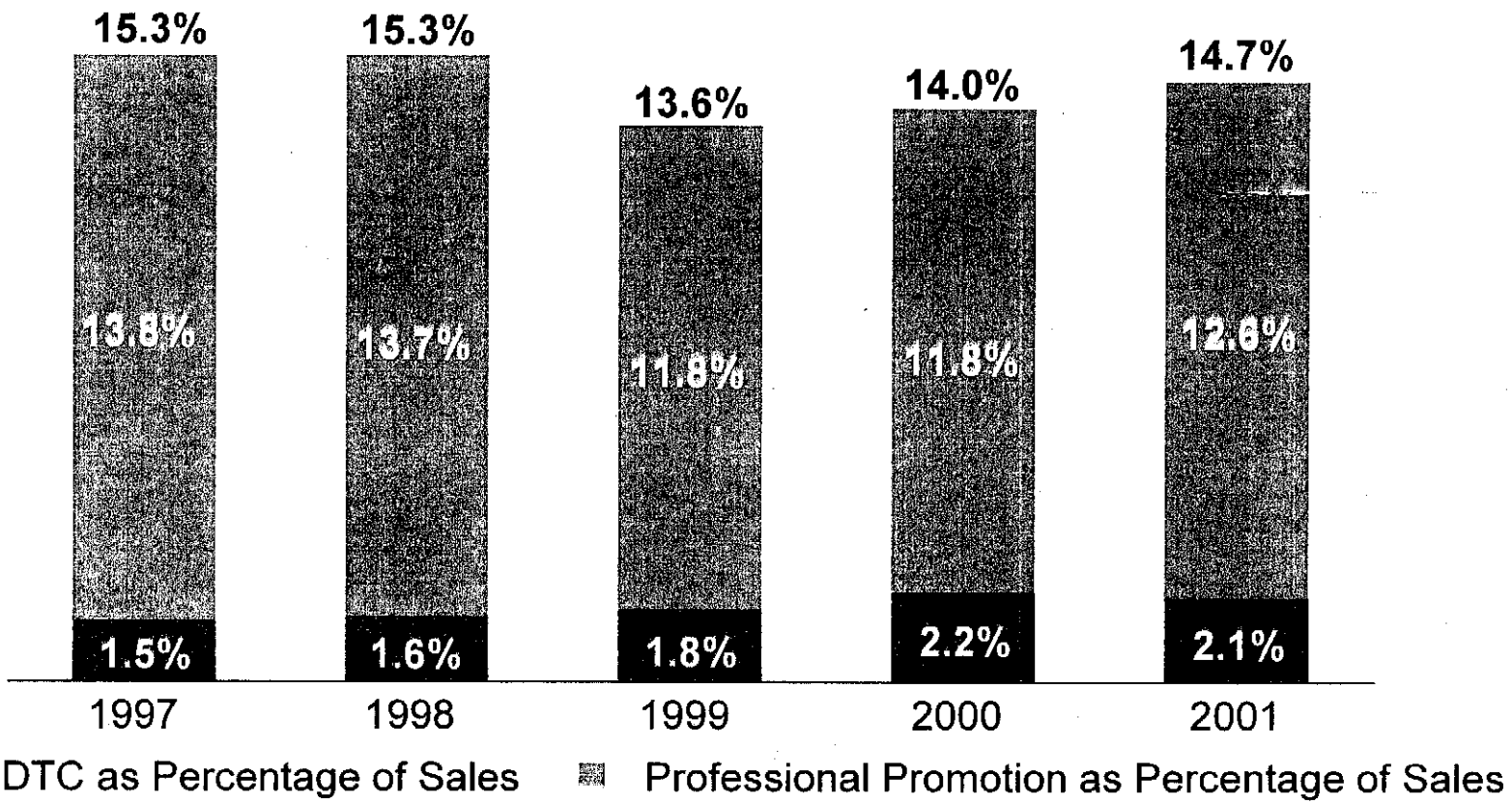
Pharmaceutical Industry's Annual R&D Investment Far Exceeds the Total Value of Marketing Spending, as Reported by GAO



Sources: GAO Report. October 2002.

Share of Revenue Going to Promotion Has Been Flat

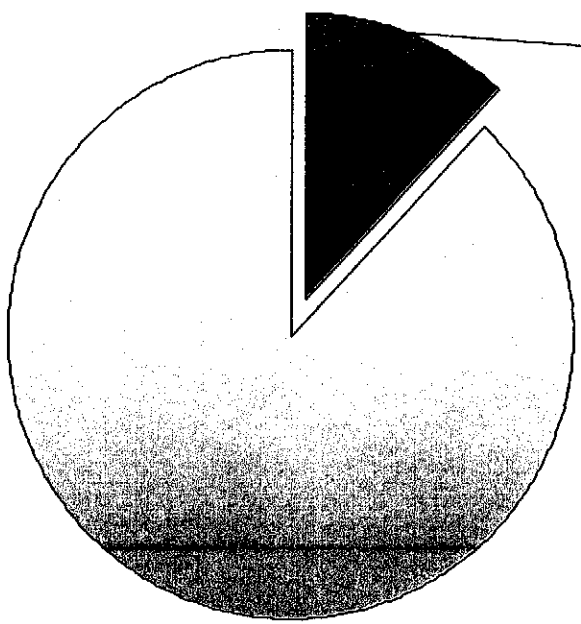
Sales and Marketing Spending as Percent of Total Sales (Including DTC as Share of Total), Major Pharmaceutical Firms, 1997–2001



Source: GAO (marketing data) and PhRMA (sales), following methodology of Rosenthal M, Berndt E, et al. Promotion of prescription drugs to consumers. *N Engl J of Med*. 2002; 346(7) 498-505.

New Diagnoses and Resulting Prescriptions Cost Money, But by DTC-Inspired Use Is Not the Primary Spending Growth Engine

Factors Driving Prescription Drug Spending Increase, 1999-2000



- New product introductions
- Expanded use of existing products due to lower treatment thresholds, aging population
- Price changes

Source: Rosenthal M, et al. Demand effects of recent changes in prescription drug promotion. Kaiser Family Foundation. June 2003.