



# The New Schering-Plough

***Fred Hassan, Chairman and CEO***

# THE SITUATION WE INHERITED

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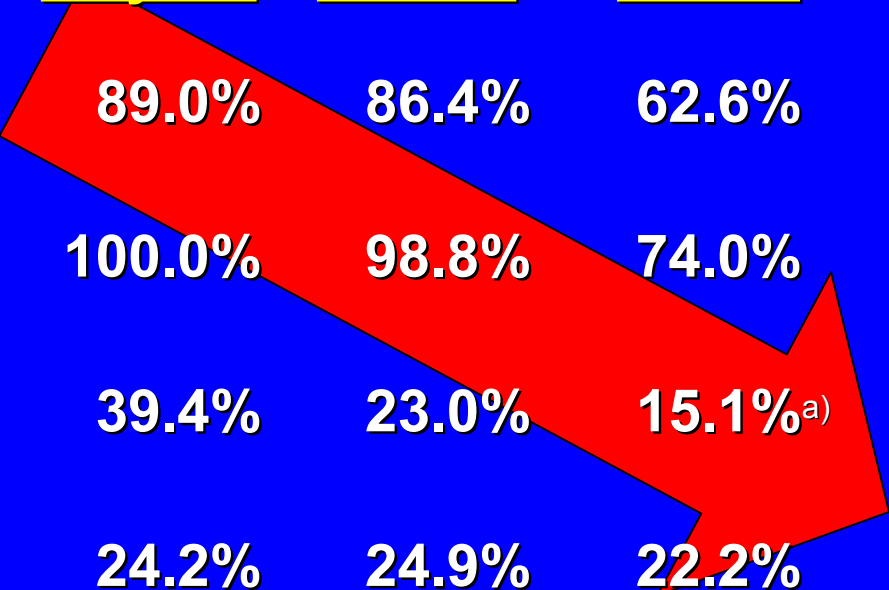
## An Unusual Convergence of Challenges

- **CLARITIN Loss**
- **Regulatory and Legal Challenges**
- **Downward Slopes of Market Shares**
  - **Impending REBETOL Generics  
(2002 U.S. Sales: \$865 Million)**
- **Declining Demand → Need to Reduce  
Trade Inventories**

# THE SITUATION WE INHERITED

## U.S. Market Share Declines

<u>Product</u>	<u>TRx Market Shares*</u>		
	<u>July '02</u>	<u>Jan '03</u>	<u>Jul '03</u>
PEG-INTRON	89.0%	86.4%	62.6%
REBETOL	100.0%	98.8%	74.0%
CLARINEX/CLARITIN RX	39.4%	23.0%	15.1% <sup>a)</sup>
NASONEX	24.2%	24.9%	22.2%



\*Source: IMS July '02, Jan. '03, July '03

a) Based on IMS Information as of July '03. Actuals for the Total Defined Antihistamine Market. Total Defined Antihistamine Market includes CLARINEX, CLARINEX REDITABS, CLARITIN REDITABS, CLARITIN-D12, CLARITIN-D24 and CLARITIN SYRUP.

# THE SITUATION WE INHERITED

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## Access & Scale To Compete

- **\$1.5 Billion Annual R&D Spending**
- **11,700 Sales Reps (Globally)**
- **Global Market-Leading Franchises**

# THE SITUATION WE INHERITED

## Strong Product Positions In Selected Markets

**INTRON Franchise**



**Hepatitis C**

**REMICADE\***



**Rheumatoid Arthritis**

**CLARINEX/NASONEX**



**Allergy**

**ZETIA**



**Cholesterol (Non-Statin)**

**TEMODAR**



**Brain Cancer**

**CAELYX\*\***



**Breast Cancer**

\* International rights except Japan and parts of Far East

\*\* Worldwide rights except U.S., Japan & Israel

# LONGER TERM . . .

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## ZETIA and ZETIA/Simvastatin Opportunity

- **Cholesterol Market - #1 Market In The World\***
- **Zocor - Not Just #2 Statin, But #2 Best Selling Pharmaceutical In The World\***
- **ZETIA - On Track to Become Most Widely Prescribed Non-Statin Product**
- **ZETIA/Simvastatin - Important New Entry That Will Successfully Compete Against Any Statin**

# SUMMARY

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- **Company Failed To Reinvent Itself**
- **Multiple Areas Of Under Funding**
- **Second Half '02 Sales Force Cuts Inflicted Further Damage**

**HOWEVER . . .**

- **We Believe The Company Can Be Turned Around**

# WHERE WE ARE TODAY

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**Need For . . .**

**Transformational Change**

**NOT**

**Just Incremental Improvement**



# ACTIONS TAKEN

## Calendar

- ✓ 4/20/03 Board of Directors Elects New CEO
- ✓ 4/22/03 360 Degree Review by New CEO Announced
- ✓ 5/13/03 Announced Fundamental Changes to Business Model
- ✓ 7/07/03 Rolled Out Major Organizational Changes
- ✓ 8/22/03 Announced Results of 100-Day, 360 Degree Review

# ACTIONS TAKEN

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## Value Enhancement Initiative

- ✓ Voluntary Early Retirement Program
- ✓ Dividend Reduction
- ✓ Profit Sharing and Routine Bonus Elimination for 2003
- ✓ Routine Merit Pay Increases Frozen
- ✓ Cutbacks in Travel, Meeting and General Costs

# ACTIONS TAKEN

## New Senior Talent → Breadth & Depth

- ✓ Chairman, Consumer Health Care
- ✓ Senior Vice President, Global Human Resources
- ✓ Executive Vice President and President, GPB
- ✓ Senior Vice President, Global Licensing
- ✓ Senior Vice President, Specialty Care Customer Group
- ✓ Senior Vice President, Primary Care Customer Group
- ✓ President, EUCAN Region
- ✓ Executive Vice President, W.W. Regulatory Affairs, W.W. Quality Assurance and Project Management, SPRI
- ✓ Group Vice President, GPB Finance
- ✓ Senior Vice President, Analytical, Chemical, Pharmaceutical and Biotechnology Development, SPRI
- ✓ Senior Vice President, Global Business Operations
- ✓ Group Vice President, Global Communications
- ✓ Vice President, Primary Care Sales

# **NEXT STEPS - BUILDING THE TURNAROUND**

- **Ensure Business Integrity, Quality and Compliance**
- **Implement A Tight and Effective Business Model**
  - **Coherent Strategy Linked to Implementation**
  - **Minimum Layers - Shared Services**
  - **Global Attitude With Local Focus**
  - **Regulators/Authorities - Treated As Customers**
  - **Risk Reduction Through New Products**

# **NEXT STEPS - BUILDING THE TURNAROUND**

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- **FIX and BUILD** → Transformational Change To Create High Quality Operation
- Maximize ZETIA and ZETIA/Simvastatin Opportunities
- Regain Franchise Strength In Allergy and Hepatitis C
- Pursue In-Licensing With Fiscal Prudence

# OUTLOOK

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**“Moving Parts”**

**Have An Important Effect on EPS**

**Because**

**Base U.S. CLARITIN Rx Business**

**Has Evaporated**

# OUTLOOK

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## Major Moving Parts:

- ➔ **PEG-INTRON Volatility**
- ➔ **REBETOL Generics**
- ➔ **CLARINEX Stabilization and Growth**
- ➔ **NASONEX Stabilization and Growth**
- ➔ **Consent Decree Progress**
- ➔ **Legal Issues Progress**

# FACTORS IMPACTING 2004 VS. 2003

## Favorable Impacts

- Higher ZETIA Alliance Revenue
- Value Enhancement Initiative Savings

## Unfavorable Impacts

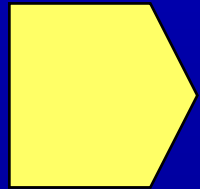
- REBETOL Generics
- Difficult Comparisons in H1 Due to Downward Market Share Slopes
- Investment in ZETIA/Simvastatin
- Investment in Other Launches (e.g., ASMANEX)
- Additional Phase II, III, IV Clinical Trials
- 2003 Expiration of Astra Agreement for LOSEC (Approx. \$130 Million)



# ACTION AGENDA

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**New Thinking, New Capabilities, New Urgency**



**Stabilize**



**Repair**



**Turnaround**



**Build the Base**



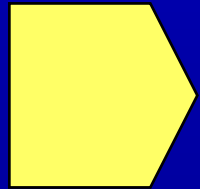
**Breakout**

**SGP**

# ACTION AGENDA

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**New Thinking, New Capabilities, New Urgency**



**Stabilize**



**Repair**



**Turnaround**



**Build the Base**



**Breakout**

**A Long Haul  
Yielding A  
Successful  
Turnaround**



**Cautionary Factors that May Affect Future Results (Cautionary Statements Under the Private Securities Litigation Reform Act of 1995).**

**This presentation may contain "forward-looking statements" within the meaning of the Securities Litigation Reform Act of 1995. Forward-looking statements use words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "project," "intend," "plan," "potential," "will," and other words and terms of similar meaning in connection with a discussion of potential future events, circumstances or future operating or financial performance. You can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts.**

**In particular, forward-looking statements include statements relating to Schering-Plough's business and research prospects and financial performance, future actions, expenses and our programs to reduce expenses, the outcome of contingencies such as litigation and investigations, growth strategy and financial results.**

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**SGP**



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