

Consent Agreement, the companies would be required to: (1) divest all of Pfizer's worldwide rights and assets relating to its overactive bladder drug, darifenacin, to Novartis AG; (2) divest Pfizer's worldwide rights and assets relating to its combination hormone replacement therapy, femhrt, to Galen Holdings plc; (3) return to Natestch Pharmaceutical Company, Inc. all rights to make, use, and sell Natestch's intranasal apomorphine product ("IN APO") for the treatment of erectile dysfunction; (4) divest all of Pharmacia's rights and assets in the field of sexual dysfunction relating to its D2 dopamine receptor agonist, PNU-142,774, to Neurocrine Biosciences, Inc.; (5) renegotiate a 1999 license and supply agreement between Pharmacia and Novartis for Deramaxx, Novartis's canine arthritis drug, to enable Novartis to operate as an independent competitor, rather than a partner, of the merged entity; (6) divest all of Pfizer's U.S. rights and assets relating to its lactating cow and dry cow mastitis products to Schering-Plough Corporation; (7) divest all of Pharmacia's worldwide rights and assets relating to its over-the-counter hydrocortisone-based cream, Cortaid, to Johnson & Johnson ("J&J"); (8) divest all of Pfizer's U.S. and Puerto Rican rights and assets relating to its over-the-counter motion sickness product, Bonine, to Insight Pharmaceuticals Corporation; and (9) divest all of Pfizer's worldwide rights and assets relating to its Halls over-the-counter cough drop business to Cadbury Schweppes plc.

The proposed Consent Agreement has been placed on the public record for thirty days for receipt of comments by interested persons. Comments received during this period will become part of the public record. After thirty days, the Commission will again review the proposed Consent Agreement and the comments received, and will decide whether it should withdraw from the proposed Consent Agreement or make final the Decision and Order ("Order").

Pursuant to an Agreement and Plan of Merger dated July 13, 2002, between Pfizer and Pharmacia, Pfizer proposes to acquire 100 percent of the issued and outstanding shares of Pharmacia in a stock-for-stock transaction valued at approximately \$60 billion. The Commission's Complaint alleges that the proposed acquisition, if consummated, would constitute a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the markets for: (1) extended release treatments for overactive

bladder; (2) combination hormone replacement therapy products; (3) treatments for erectile dysfunction; (4) treatments for canine arthritis; (5) treatments for lactating cow mastitis; (6) treatments for dry cow mastitis; (7) over-the-counter hydrocortisone creams and ointments; (8) over-the-counter motion sickness medications; and (9) over-the-counter cough drops. The proposed Consent Agreement will remedy the alleged violations by replacing the lost competition that would result from the merger in each of these markets.

Extended Release Treatments for Overactive Bladder

Extended release drugs for the treatment of overactive bladder ("OAB") are used by over 2.4 million Americans. Extended release OAB drugs help to reduce or eliminate the three primary symptoms of OAB frequency, urgency, and urge incontinence to enable OAB patients to live normal, active lives. Extended release products, dosed at once or twice-a-day, offer a more convenient dosing schedule and fewer side effects than older, generic products that must be taken three-times-a-day. Annual sales of extended release OAB products total \$760 million in the United States, and the market is growing rapidly.

The U.S. market for extended release OAB products is a duopoly. Pharmacia markets Detrol and Detrol LA, twice and once-a-day products, respectively. J&J markets Ditropan XL, the only other extended release OAB product available in the United States. Pfizer is seeking approval from the Food and Drug Administration ("FDA") to market its own extended release product, darifenacin, and is one of the two best-positioned firms seeking to enter the market.

Entry into the market for extended release OAB products is difficult, time-consuming, and costly. De novo entry is estimated to take at least eight years and cost upwards of \$375 million. Pfizer, along with one other company, Yamanouchi Pharma America ("Yamanouchi"), are the only two firms well-positioned to enter the market within the next two years. Other firms that have undertaken efforts to develop an extended release OAB product are well behind Pfizer and Yamanouchi.

The proposed acquisition would cause significant anticompetitive harm in the U.S. market for extended release OAB products by eliminating potential competition between Pfizer and Pharmacia. With only two firms currently marketing extended release OAB products to customers in this market (Pharmacia and J&J), the entry of

Pfizer and Yamanouchi would likely increase competition and reduce prices for extended release OAB products. Accordingly, allowing Pfizer to control both the Pharmacia extended release OAB products and its own competing product would reduce the number of rivals in the future from four to three and likely force customers to pay higher prices for extended release OAB products. The proposed acquisition would also reduce competition in the research and development of extended release OAB products.

The proposed Consent Agreement therefore requires the parties to divest Pfizer's extended release OAB product, darifenacin, to Novartis AG no later than ten business days after the Pharmacia acquisition is consummated. Novartis is well-positioned to continue Pfizer's development efforts and poses no separate competitive concerns as an acquirer of the darifenacin assets. If the Commission determines that Novartis is not an acceptable purchaser, or if the manner of the divestiture is not acceptable, Pfizer and Pharmacia must divest the darifenacin assets to a Commission-approved buyer no later than six months from the date the Order becomes final. Should they fail to do so, the Commission may appoint a trustee to divest the darifenacin assets.

The proposed Consent Agreement contains several provisions designed to ensure that the divestiture is successful. Pfizer and Pharmacia are required to provide transitional services to the darifenacin buyer relating to regulatory approvals and manufacturing of darifenacin. Pfizer is required to continue contract manufacturing darifenacin until Novartis obtains the FDA approvals necessary to manufacture darifenacin independently from Pfizer. The proposed Consent Agreement also requires Pfizer and Pharmacia to provide incentives to certain employees to continue in their positions until the divestiture is accomplished. For a period of 18 months from the date the assets are divested, Pfizer and Pharmacia will provide the darifenacin buyer an opportunity to enter into employment contracts with individuals who have experience relating to darifenacin. Pfizer and Pharmacia are also required to provide incentives to these individuals to accept employment with the darifenacin acquirer. For a period of one year following the divestiture date, Pfizer and Pharmacia are prohibited from hiring any employees of the acquirer of the darifenacin assets who have responsibility related to darifenacin. Finally, Pfizer and Pharmacia must take steps to maintain