

the confidentiality of certain information related to darifenacin.

Combination Hormone Replacement Therapies

Combination hormone replacement therapies ("HRT"), which consist of both estrogen and progestin, are used by women with intact uteri to control moderate to severe menopausal symptoms. Although recent safety concerns have been raised by the National Institutes of Health ("NIH") about long term use of HRT, there are no effective substitute products available to control menopausal symptoms. Total sales of combination HRT products in the United States in 2002 were approximately \$807 million.

The market for combination HRT is highly concentrated. There are three significant competitors in the combination HRT market: Wyeth, Pfizer, and Pharmacia. Post-acquisition, the top two competitors Wyeth and Pfizer would control almost 94 percent of the combination HRT market.

Entry into the market for combination HRT products is difficult, time-consuming, and costly. Additionally, because of the safety concerns raised by the NIH's Women's Health Initiative study, a new entrant into the combination HRT market may need to meet higher standards to receive FDA approval. The expected entry of generic competitors for combination HRT products is more than two years away.

The proposed acquisition would further concentrate the market for combination HRT products and eliminate competition between Pfizer and Pharmacia. The loss of Pharmacia as an independent competitor in the combination HRT market would likely result in higher prices and fewer product choices for consumers.

The proposed Consent Agreement preserves competition in the combination HRT market by requiring the parties to divest Pfizer's combination HRT product, femhrt, to Galen Holdings plc no later than ten business days after the Pharmacia acquisition is consummated. Galen is well-positioned to market femhrt because it is a company that specializes in marketing women's health products, including an oral contraceptive and an estrogen-only HRT product. However, if the Commission determines that Galen is not an acceptable purchaser, or if the manner of the divestiture is not acceptable, Pfizer and Pharmacia must divest the femhrt 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 femhrt assets.

The proposed Consent Agreement contains several provisions designed to ensure that the divestiture of femhrt is successful by requiring the parties to divest all of Pfizer's rights and assets relating to femhrt, including all historical research and development data, sales and marketing materials, and intellectual property. For a period of six months from the date the assets are divested, Pfizer and Pharmacia will provide the femhrt buyer an opportunity to enter into employment contracts with individuals who have experience relating to femhrt. For a period of one year following the divestiture date, Pfizer and Pharmacia are prohibited from hiring any employees of the acquirer of the femhrt assets who have responsibility related to femhrt. Pfizer and Pharmacia must also take steps to maintain the confidentiality of certain information related to femhrt. Finally, Pfizer would continue to package femhrt at its Puerto Rico facility until another packager is brought online by the acquirer of the femhrt assets.

Treatments for Erectile Dysfunction

Erectile dysfunction ("ED") affects 30 million men in the United States and half of the male population between the ages of 40 and 70. Approximately 4 million men take prescription drugs to treat ED. The U.S. market for drugs to treat ED is valued at over \$1 billion today and is expected to exceed \$1.5 billion by 2005 as the population ages and as awareness of the condition increases.

Pfizer dominates the ED market with its well-known product, Viagra. Pfizer has a market share in the United States in excess of 95 percent. Pfizer also has a second-generation Viagra-like product in development for ED. Pharmacia currently has two products in clinical development for ED: IN APO and PNU-142,774.

With the exception of Pharmacia's two products in development, entry into the market for drugs to treat ED is unlikely. Pfizer owns an extensive patent portfolio which protects Viagra. Patent litigation initiated by Pfizer with the most significant potential entrants is likely to prevent entry in the next two years.

The proposed acquisition would cause significant anticompetitive harm in the U.S. market for drugs to treat ED by eliminating potential competition between Pfizer and Pharmacia. Given Pfizer's position as a monopolist in the ED market, entry by Pharmacia would increase competition and reduce prices in the market. Accordingly, allowing

Pfizer to acquire Pharmacia's two ED products in development would preserve Pfizer's monopoly in the ED market in the future.

The proposed Consent Agreement therefore requires Pharmacia to return all of its rights in one of its products, IN APO, to Nastech Pharmaceutical Company, Inc. and to divest all of its rights and interests in its other product, PNU-142,774, for the field of human sexual dysfunction to Neurocrine Biosciences, Inc., within ten business days after the Pharmacia acquisition is consummated. Both Nastech and Neurocrine have sufficient research and development expertise to continue development of the products that each is obtaining from Pharmacia.

The proposed Consent Agreement requires Pfizer and Pharmacia to ensure that the divestitures to Nastech and Neurocrine are successful. Pfizer and Pharmacia are required to provide Nastech and Neurocrine the opportunity to enter into employment contracts with individuals who have experience relating to IN APO or PNU-142,774. For a period of one year following the divestiture date, Pfizer and Pharmacia are prohibited from hiring any employees of the acquirers of the IN APO or PNU-142,774 assets who have responsibility related to the products. Pfizer and Pharmacia must also take steps to maintain the confidentiality of certain information related to IN APO or PNU-142-774.

Treatments for Canine Arthritis

Canine arthritis affects an estimated 8.5 million of all dogs in the United States. Approximately 1.8 million arthritic dogs are treated with prescription canine arthritis drugs. Sales for prescription canine arthritis drugs in the United States in 2001 totaled approximately \$81 million, and the U.S. market is expected to grow to over \$110 million by the end of 2003.

The market for prescription canine arthritis drugs is highly concentrated. Pfizer markets Rimadyl, the leading product in the U.S. market that held a 70 percent market share in 2001. Wyeth, through its Fort Dodge Animal Health division, markets EtoGesic. Through a license and supply agreement with Pharmacia, Novartis launched its own canine arthritis product, Deramaxx, in February 2003.

Entry into the market of drugs to treat canine arthritis is difficult, costly, and time-consuming. Besides the safety and efficacy testing required for FDA approval of canine arthritis drugs, firms entering the market must develop palatable dosing formulations for use at home. Achieving a palatable delivery