

# ROYALTY PHARMA

## Summary Description

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### BUSINESS OVERVIEW

Royalty Pharma acquires high quality, revenue-producing intellectual property (“royalty interests”) in leading pharmaceutical and biotechnology products. Royalty Pharma currently owns a diversified portfolio of royalties in 14 products: 10 leading, marketed biopharmaceutical products, two products under FDA review, one product candidate in Phase III clinical trials and one product candidate with an uncertain regulatory path.

### BUSINESS HIGHLIGHTS

- ▶ **Outstanding Track Record:** Royalty Pharma has a proven record of executional excellence and financial discipline in evaluating and structuring royalty transactions.
  - In 1987, pioneering proof-of-principle transaction by the original founders of Royalty Pharma for the funding of the clinical development of Neupogen, rHGH, ReoPro and tPA.
  - First royalty acquisition transaction by predecessor entity to Royalty Pharma in 1992.
  - 14 successful transactions since 1996 - In 2004, Royalty Pharma realized revenue and operating cash flow of \$122 million and \$115 million, respectively, up by 83% over 2003.
- ▶ **Attractive Growth Opportunities:** Royalty Pharma is operating in a rapidly growing market for pharmaceutical royalties.
  - The biopharmaceutical royalty market has grown approximately 30% per annum since 1991, twice the growth rate of the pharmaceutical industry during that period. This growth indicates the coming of age of this market as an innovative and valuable alternative source of funding for royalty holders.
  - Royalty Pharma currently has a pipeline of over 30 royalty interests under consideration for purchase. These royalties are based on products in a variety of therapeutic areas.
  - Over 28 product approvals in 2004 provide ample acquisition opportunities, as nowadays almost all newly approved products carry royalties of some sort.
- ▶ **Low Risk Profile:** Royalty Pharma long-term financial performance is driven by an existing and well-diversified portfolio of royalty interests in leading pharmaceutical and biotechnology products.
  - Royalty Pharma focuses on approved products with a favorable regulatory risk profile, and products that are used in critical care situations that face less pricing pressure.
  - Royalty Pharma has royalty interests in products that are marketed by leading pharmaceutical and biotechnology companies (including Amgen, Genentech, Glaxo, J&J, Lilly, Novartis, and Roche). Moreover, Royalty Pharma’s revenues are calculated as a percentage of product sales (top-line driven), and do not bear other risks associated with direct investment in life sciences companies, including high R&D and infrastructure costs, product development and commercialization risks, marketing costs, and product liability exposure.
  - Royalty Pharma’s royalty portfolio is rated “AAA” or equivalent by S&P and Moody’s.
  - Royalty Pharma’s financial performance and investment returns are not subject to the volatility of capital markets.
- ▶ **Royalty Pharma’s Efficient Corporate and Capital Structure Allows for Transactions of Unparalleled Size and Scope.**
  - In a ground breaking transaction on January 9, 2004, Royalty Pharma acquired a royalty interest in Neupogen/Neulasta from Memorial Sloan Kettering Cancer Center for \$263 million.
  - Using its accumulated experience and significant transactional flexibility, Royalty Pharma strives to structure its transactions to meet the needs of individual royalty holders.

**HISTORICAL FINANCIAL INFORMATION**

(\$ in millions)	1997	1998	1999	2000	2001	2002	2003	2004E
Total Revenues	\$2.50	\$10.60	\$19.00	\$29.10	\$35.70	\$47.70	\$67.00	\$121.97
% Growth		324%	79%	35%	47%	36%	37%	82%
Operating Expenses	-1.7	-1.8	-2.8	-4.3	-3.7	-4.7	-5.1	-6.6
Operating Cash Flow	\$0.80	\$8.80	\$16.20	\$24.80	\$32.00	\$43.10	\$62.00	\$115.30
% Margin	32%	83%	85%	85%	90%	89%	92%	95%

Note: Operating cash flow is based on total revenues less operating expenses, excluding one-time items.

**OVERVIEW OF ROYALTY INTERESTS**

The following tables provide summary information about each of Royalty Pharma's royalty interests.

**Products Approved by the FDA**

Product	Principal Indication	2004 Sales (\$ in millions)	Marketing Company	Royalty Sales Region(s) <sup>(1)</sup>	Patent Expiration / Contract Termination Date
<i>Rituxan</i>	Non-Hodgkin's B-Cell lymphoma	\$1,668 <sup>(2)</sup>	<b>Genentech, Inc.</b> / 	U.S., Canada, Australia, New Zealand and S.A.	October 14, 2014
<i>Neupogen / Neulasta</i>	Neutropenia associated with chemotherapy	3,020 <sup>(3)</sup>		U.S., European Union and other regions	December 31, 2013
<i>Thalomid</i>	Erythema nodosum leprosum (ENL) in leprosy <sup>(4)</sup>	310 <sup>(2)</sup>	 / 	Worldwide	Jan. 27, 2015 (U.S.) Various (ex-U.S.)
<i>ReoPro</i>	Adjunct to angioplasty	363 <sup>(3)</sup>	 / 	Worldwide	December 31, 2007
<i>Retavase</i>	Heart attack treatment (acute myocardial infarction)	N/A <sup>(5)</sup>		U.S.	March 25, 2014
<i>TOBI</i>	<i>P. aeruginosa</i> infections associated with cystic fibrosis	207 <sup>(3)</sup>	<b>CHIRON</b>	Worldwide	October 19, 2014 (U.S.), Various (ex-U.S.)
<i>Targretin Capsules</i>	Cutaneous T-cell Lymphoma	16 <sup>(6)</sup>		Worldwide	December 31, 2016
<i>Zenapax</i>	Kidney transplant rejection	N/A <sup>(5)</sup>		U.S., Canada, Australia, New Zealand and S.A.	April 30, 2008
<i>Simulect</i>	Kidney transplant rejection	N/A <sup>(5)</sup>		U.S. and Canada	April 30, 2008
<i>Zerit</i>	HIV / AIDS	272 <sup>(3)</sup>		Worldwide	June 24, 2008 (U.S.), Various (outside U.S.)

**Products Awaiting FDA Approval**

<i>Lasofloxifene</i>	Osteoporosis, breast cancer reduction and LDL cholesterol	Submitted to FDA for approval		Worldwide	10 years from first commercial sale on a region-by-region basis
<i>Bazedoxifene and bazedoxifene / Premarin</i>	Osteoporosis and hormone replacement therapy	Phase III	<b>Wyeth</b>	Worldwide	10 years from first commercial sale on a region-by-region basis
<i>Alvimopan</i>	Post-operative ileus and opioid bowel dysfunction	Submitted to FDA for approval	<sup>(7)</sup>   / 	Worldwide	December 8, 2013

(1) References to "worldwide" in this column are to all regions where royalties are paid.

(2) U.S. sales reported by the marketing companies.

(3) Worldwide sales reported by the marketing companies.

(4) Thalomid has only been approved by the FDA to treat ENL in leprosy. Celgene has publicly disclosed that the product is being used and is at various stages of testing for other indications in cancer and inflammatory diseases. Approval for the European market was recently submitted by Pharmion.

(5) Sales not reported publicly by the marketing company.

(6) Royalty Pharma estimates.

(7) In co-development with Adolor Corporation.