



February 25–March 3

Drug Manufacturers & Big Pharmaceuticals

Bristol Myers Squibb (BMY)

- A federal investigation concluded that Bristol-Myers Squibb did not violate any federal securities laws last summer when it was negotiating a drug-patent settlement with Canadian drug maker Apotex Inc. Last summer Apotex tried to sell a generic version of Bristol-Myers' blockbuster blood-thinning drug Plavix, which it did during the latter half of the summer, resulting in a loss of \$500-\$600 million in lost profits for Bristol-Myers.

Merck & Co. (MRK)

- On Friday, the jury made a split decision in the first phase of the latest Vioxx trial. In one case, the jury ruled that the New Jersey drug-maker adequately warned doctors about the risks associated with Vioxx while in another case it decided in favor of the plaintiff. However, in both cases the jury decided that Merck did misrepresent the risks associated with the cox-2 inhibitor. Now the jury will decide if the firm is responsible for any damages that should be awarded. Overall, Merck has won eight cases and lost four.

Biotechnology

Merck Serono S.A. (SRA)

- On Thursday, Merck Serono S.A. announced its fourth quarter earnings. During 2006, the firm experienced significant growth in both revenue and operating margin. Product sales increased 6.8% in 2006 and 8.5% during 4Q. Sales for Raptiva, a treatment for moderate to severe plaque psoriasis, more than doubled to \$70 million in 2006 and increased by 84% in the 4Q alone. Similar increases in sales were recorded for Rebif, the firm's treatment for Multiple Sclerosis; sales were up 14% in 2006 and 16% in the 4Q alone.

Generic Drug Producers

Mylan Laboratories Inc. (MYL)

- Mylan Laboratories lost the legal battle it waged against pharmaceutical giant Pfizer on Wednesday when a judge ruled that Pfizer's patent on its multi-billion dollar high blood-pressure drug Norvasc would hold until September. The firm had challenged the patent so that it could sell a generic version of Norvasc on the market starting in March. However, the judge upheld Pfizer's patent until September because of trials of pediatric exclusivity that extend the patent for six months. If Mylan were to introduce its generic version it would be responsible for paying triple damages to Pfizer. Mylan announced that it will appeal the ruling.

Teva Pharmaceuticals Industrials Ltd. (TEVA)

- The FDA approved a generic equivalent of Xanax, a drug used to treat anxiety and panic disorders, called Alprazolam, for use in the U.S. Teva's drug generic form of Xanax is available

in extended release tablets. Pfizer originally manufactured the drug before the patent expired. Barr Laboratories and Mylan Laboratories manufacture and sell their own generic versions of Xanax.

Health Management & Health Insurers

Aetna Inc. (AET)

- On Thursday, Aetna ended its contract with Laboratory Corp. of American Holdings, the second-largest provider of diagnostic tests. The third largest health insurer in the U.S. made an agreement with Lab Corp's rival Quest Diagnostics shortly thereafter, an agreement that will begin July 1 and last until 2012.

Medical Laboratories & Research

Pharmaceutical Product Development Inc. (PPDI)

- Ranbaxy, India's largest drug firm, announced that US-based PPD Inc. has acquired an exclusive worldwide rights to develop, manufacture and market Ranbaxy's cholesterol-lowering novel statin. PPD Inc. plans to continue additional preclinical trials before submitting the drug to the FDA in April for formal review. PPD Inc. will be responsible for all expenses associated with additional trials and potential marketing costs. Per the agreement between the two firms, if the drug is sold in the US, Ranbaxy will still receive payments based on sales of the drug. Despite the announcement, the stock price continues to decline, closing for the week at \$31.13, down \$2.50 since the market opened on Monday.

Medical Instruments & Supplies

Baxter International Inc. (BAX)

- This past week Baxter International completed the sale of its transfusion supply products business to private equity fund Texas Pacific Group and hedge fund Maverick Capital Ltd. For \$540 million. The two private investors plan to rename the newly purchased division to Fenwall Inc., which will produce blood-collection products, storage equipment and other transfusion-related services to clients. According to the terms of the deal, Baxter will continue to provide services to Fenwall after the closing to assist in the transition phase.

Medtronic Inc. (MDT)

- Medtronic had submitted a new device designed to monitor the conditions of patients suffering from heart-failure. On Thursday, the FDA rejected the company's petition and ruled not to approve the device, citing limited evidence that the device would lead to fewer hospitalizations from heart-failure patients. The company will continue to study the device and conduct additional trials in the hopes that they will produce more convincing evidence that would merit an FDA recommendation for approval. The stock dropped \$1 or 2% when the stock traded the day following the announcement

Sources Cited

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