**Analysis of Proposed Consent Order
To Aid Public Comment**

The Federal Trade Commission ("Commission") has accepted provisionally an agreement containing a proposed Consent Order from The Upjohn Company ("Upjohn") and Pharmacia Aktiebolag ("Pharmacia"), under which Upjohn and Pharmacia will be required to divest U.S. assets relating to the research and development of a chemotherapeutic drug for the treatment of colorectal cancer ("Pharmacia's 9-AC Assets") to a Commission approved purchaser. In addition, the Commission has accepted an Interim Agreement to Maintain Research and Development, under which Pharmacia and Upjohn will be required to continue fulfilling the previously established 9-AC research and development plan and its obligations to the National Cancer Institute.

The proposed Consent Order has been placed on the public record for sixty (60) days for reception of comments by interested persons. Comments received during this period will become part of the public record. After sixty (60) days, the Commission will again review the agreement and the comments received and will decide whether it should withdraw from the agreement or make final the agreement's proposed Order.

Pursuant to an agreement dated August 20, 1995, Upjohn and Pharmacia propose to merge their respective businesses in a transaction valued at approximately $13.9 billion. Based on 1994 sales, the combined company would rank among the top ten pharmaceutical manufacturers worldwide, and it would be the fifth largest drug company in the United States.

The proposed complaint alleges that the merger, if consummated, would violate 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 market for the research, development, manufacture and sale of topoisomerase I inhibitors for the treatment of colorectal cancer in the United States. Topoisomerase I inhibitors are a specific class of chemotherapeutic drugs that inhibit the multiplication of cancer cells inside the body. By curtailing cancer cell growth, topoisomerase I inhibitors may aid in the treatment of colorectal cancer, a form of cancer that does not respond well to currently available chemotherapy agents.

While no topoisomerase I inhibitor has yet been approved for sale in the United States, it is anticipated that sales of all topoisomerase I inhibitors for the treatment of colorectal cancer will exceed $100 million by 2002. Approximately 443,000 people in the United States are diagnosed with colorectal cancer each year. For most solid tumors, the first method of treatment is surgery, with radiation therapy and chemotherapy typically used as adjuncts to the surgery.

Current protocols for colorectal cancer suggest that patients be treated with the chemotherapy agents 5-fluorouracil ("5FU") and either leucovorin or levamisole. For those patients whose cancer recurs, the survival rate is only fifteen percent. Topisomerase I inhibitors are expected to increase the rate of survival for colorectal cancer patients.

The proposed Consent Order would remedy the alleged violation by replacing the lost competition that would result in the U.S. from the merger. Presently, only a very small number of companies worldwide are developing topoisomerase I inhibitors. Upjohn has the U.S. rights for CPT-11, a topoisomerase I inhibitor developed in Japan by Yakult Honsha and Daiichi. Pharmacia has the worldwide rights for 9-AC under a Cooperative Research and Development Agreement with the National Cancer Institute. Upjohn's and Pharmacia's products may be effective treatments for colorectal cancer. Because the information obtained during the Commission's investigation about the status of pharmaceutical research projects is highly confidential, the Commission cannot disclose publicly what, if any, other research projects are currently underway on topoisomerase I inhibitors.

Under the proposed Consent Order, Pharmacia and Upjohn are required to divest 9-AC assets relating to the research and development of 9-AC for sale in the United States. As a result, two independent pharmaceutical companies will continue to research and develop their respective topoisomerase I inhibitors in the United States following the proposed merger.

The proposed Order requires that if Upjohn and Pharmacia fail to divest the product within 12 months, a trustee will be appointed to divest Pharmacia's 9-AC Assets in the U.S. as well as either a worldwide exclusive or a nonexclusive worldwide (excluding the U.S.) license for 9-AC. The Order also requires Upjohn and Pharmacia to provide technical assistance and advice

to ensure that the acquirer is capable of continuing present research and development and to produce 9-AC, if needed by the Acquirer for its clinical trials.

An Interim Agreement is incorporated into the proposed Order to protect the ongoing research and development of 9-AC. In the Interim Agreement, Pharmacia and Upjohn commit to continue the planned research and development of 9-AC pending the divestiture required under the Order. The Interim Agreement remains in effect until Pharmacia has divested its 9-AC Assets pursuant to the Order.

Under the provisions of the Order, Upjohn and Pharmacia are also required to provide the Commission a report of compliance with the divestiture provisions of the Order within sixty (60) days following the date the Order becomes final, and every sixty (60) days thereafter until Upjohn and Pharmacia have completed the required divestiture.

The purpose of this analysis is to facilitate the public comment on the proposed Order, and it is not intended to constitute an official interpretation of the agreement and proposed Order or to modify in any way their terms.