

Phillips'

Be good to your colon and it will be good to you.

THE MARKET

Sooner or later, regardless of age, nearly everyone suffers from constipation. While it's usually not a serious problem, it can cause significant discomfort. Symptoms may include bloating and sluggishness, loss of energy, the feeling that clothes are too tight, and possibly even dull headaches. Most people can avoid constipation by getting enough exercise, drinking up to eight glasses of water a day, and making sure their diet includes foods rich in fiber.

If irregularity lasts long enough, many people become irritable and may not feel like going out and doing things as they normally do. But there's no need to keep suffering. Phillips'® makes a family of products that can relieve constipation and keep you on the road to regularity. Phillips' products are safe, gentle, and stimulant-free. Phillips'® Milk of Magnesia has provided stimulant-free relief of constipation for over 125 years.

Most recently, Phillips expanded beyond laxatives as the first brand to offer overall digestive health products.

ACHIEVEMENTS

Unlike other brands that work "overnight" (relief within 6 to 12 hours) with stimulants, Phillips' is unique among overnight laxative brands because it does not make use of stimulants that affect the motility of the intestines. Magnesium hydroxide (the main ingredient in the most current Phillips'

products) draws water into the bowel from the adjacent tissue and thus softens and lubricates stool, making it easier to pass. Phillips' works more naturally with one's body than stimulant-

based laxatives. The main benefit to consumers is that Phillips' will not cause cramps — unlike stimulants, which can lead to cramping, only aggravating the user's discomfort.

In 2006 the Phillips' brand name celebrated its 100-year anniversary of trademark registration. Generations of families have trusted Phillips' products for their health, comfort, and well-being — a relationship that shows no signs of slowing down for the next 100 years.

A brand trusted by millions, Phillips' has expanded beyond laxatives by being the first laxative brand to introduce probiotic supplements designed to help consumers maintain a healthy digestive system. Launched in July 2008, Phillips' Colon Health is a nutritional supplement that

contains three strains of probiotics that can naturally restore balance in the digestive system — helping to relieve occasional diarrhea, constipation, gas, and bloating for better long-term digestive health.

HISTORY

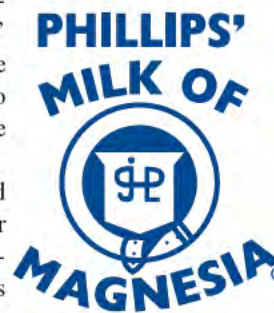
Chas. H. Phillips invented the original Phillips' formula in 1873, manufacturing it through the Chas. H. Phillips Chemical Company. This organization dates back to 1819, when Charles H. Phillips entered the pharmaceutical manufacturing business. To operate his company, Phillips acquired a tract of land in Glenbrook, Connecticut, in 1849, where Phillips' Milk of Magnesia was manufactured until 1976.

Chas. H. Phillips ran the company until his death in 1882. The company was incorporated in 1885 as the Chas. H. Phillips Chemical Company and was then operated by his four sons, A. N. Phillips, C. E. H. Phillips, W. D. Phillips, and J. B. Phillips.

In 1923 Sterling Products acquired the Chas. H. Phillips Chemical Company. Sterling created three Phillips' products: Phillips' Milk of Magnesia Toothpaste (1924), Phillips' Dental Magnesia & Tooth Powder (1925), and Phillips' Milk of Magnesia Tablets (1931).

An important early figure in Phillips' history is Forde Morgan, MD. Morgan became associated with the Chas. H. Phillips Chemical Company in 1897 in the capacity of detail man — interviewing doctors, dentists, hospitals, and druggists and promoting the company's products, particularly Milk of Magnesia. He demonstrated products at medical and dental conventions and prepared and revised labels and literature. When Sterling acquired the company, Dr. Morgan was selected as medical director and manager of detail men. He held this position until his death in 1938.

Bayer HealthCare, one of the largest marketers of over-the-counter medications, acquired the North American operations of Sterling Products in 1995, primarily to reclaim the U.S. trademark rights to its name ("Bayer") and flagship aspirin product, which the American government auctioned off to Sterling during the First World War. Since then, the Phillips' franchise has become an important part of Bayer's portfolio in the United

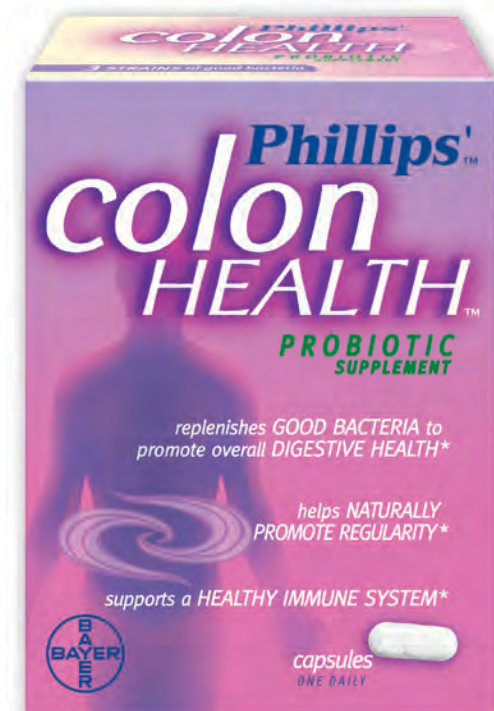




States, being marketed alongside other heritage brands like Bayer® Aspirin and Alka-Seltzer®. Phillips'® Milk of Magnesia is now manufactured at Bayer's facilities in Myerstown, Pennsylvania.

THE PRODUCT

Phillips' Milk of Magnesia contains magnesium hydroxide and generally produces a gentle bowel movement anywhere from 30 minutes to six hours after taking it. Phillips' is also available in



a Stool Softener, which contains docusate sodium, the number-one doctor-recommended stool-softening ingredient. Stool Softeners, which were introduced in 1997, do not actually stimulate a bowel movement, but rather allow a bowel movement without straining.

To appeal to different consumer preferences, Phillips' is available in a variety of forms: the Original liquid Milk of Magnesia formula, Chewable Tablets, Soft Chews, and Caplets. All contain different forms of the same ingredient: magnesium. The dates of introduction and the different Phillips' flavors are as follows:

- Phillips' Milk of Magnesia Original (1872), Fresh Mint (1956), and Wild Cherry (1992) formulas.
- Phillips' Milk of Magnesia Chewable Tablets (1931): Mint flavor.
- Phillips' Milk of Magnesia Concentrated (1990): Fresh Strawberry flavor.
- Phillips' Caplets, a laxative dietary supplement containing magnesium oxide (2004).



Over 50 percent of people who frequently suffer from constipation also suffer from hemorrhoids. The makers of Phillips' also make extra-gentle Phillips' M-O®. It contains mineral oil, a lubricant, to help the stool pass, providing soothing comfort for people suffering from hemorrhoids. This formula is available in a Refreshing Mint flavor.

RECENT DEVELOPMENTS

With millions of Americans facing gastrointestinal health issues, demand for probiotic supplements is on the rise. To meet consumers' needs in this emerging category, Bayer introduced Phillips' Colon Health in 2008. Designed to help consumers maintain a healthy digestive system, Phillips' Colon Health is a nutritional supplement that contains the three most common and most researched strains of probiotics that naturally restore balance in the digestive system. Phillips' Colon Health replenishes good bacteria in the system to promote overall digestive health. Each capsule contains 1.5 billion life cells that survive through stomach acid so they can reach the intestines where they go to work. Phillips' Colon Health also helps to naturally restore regularity and support a healthy immune system.

PROMOTION

For almost 15 years, Phillips' utilized the same main characters, "Raymond and Maureen," in their advertising. The couple delivered Phillips' message in a light and funny fashion — quite an accomplishment, given the sensitive and rather

personal nature of the service that the product offers. While "Raymond and Maureen" was a successful approach to marketing the Phillips' line, the brand departed from those characters following the untimely death of Gail Neely ("Maureen"). Instead, the brand introduced its similarly lighthearted "Librarian" commercial, which continues to drive success for Phillips' Caplets and the franchise. With its latest product introduction, Phillips' Colon Health, advertising has evolved into a more direct, tongue-in-cheek approach when discussing colon health and the symptoms associated with it. It's about having an open discussion with a friend about an important issue that should not be considered taboo.

BRAND VALUES

Phillips' is a brand that people trust with one of the most intimate of functions. The values most associated with the Phillips' brand are as follows:

Trust. Phillips' has a long heritage and has been trusted for over 100 years. The products are a staple in many households.

Gentle. Consumers use the word "gentle" to describe Phillips' products not only on their own but also because this characteristic is what makes Phillips' different from other brands in the category. They work more naturally with your colon and do not induce cramps like stimulant laxatives do.

Light. With a somewhat unpleasant topic like constipation, the brand positions itself with a message that has a positive and light feel that avoids taking itself too seriously.

Comfort. In a word, consumers feel comfort when they use and have used Phillips' — a testament not only to the action of the product itself, but also the relationship that the brand has established with consumers for more than a century.

THINGS YOU DIDN'T KNOW ABOUT PHILLIPS

- Phillips' products have been recommended for uses other than relieving constipation. In 1898 Phillips' Milk of Magnesia was discovered to minimize nausea following operations under anesthesia (especially chloroform). In the same year, the product was recommended for children's oral hygiene.
- For a number of years, Phillips' marketed Milk of Magnesia Cleansing Cream.
- Phillips' Milk of Magnesia was featured in the 1939 New York World's Fair Hall of Pharmacy, promoted by "The Girl in the Mystery Box" (an early version of television), who gave information about the product and answered inquiries from Fairgoers.
- Chas. H. Phillips patented "hydrate of magnesia mixed in water"; he coined the term "Milk of Magnesia" due to its milky appearance.