Forward-Looking Statements

This presentation contains forward-looking statements related to future events or our future financial performance, including forward-looking statements regarding our competitive position, trends in customer demand, potential business growth, opportunities to leverage our financial model, our market position, potential increases in our revenue, customer base and market interest in our solutions, expansion of scope and increasing efficiency of consulting engagements, new service offerings, market conditions and future revenue growth and profitability. Actual releases of future versions of our software, including any new features and/or functionality that may be included therein, will be on a when-and-if available basis only, and whether any new version will actually be made available remains at the sole discretion of Pharsight.

These forward-looking statements involve risks and uncertainties, and factors that could cause actual results to differ materially include the following: uncertainties involved in pharmaceutical drug development, changes in government regulation of the pharmaceutical industry, and the failure of the market for Pharsight’s products and services to develop as expected, or for new customers beyond large pharmaceutical customers, who form a large component of our client base, to adopt our solutions. Further information on potential factors that could affect actual results is included in Pharsight's Quarterly Report on Form 10-Q, as filed with the Securities and Exchange Commission on November 12, 2004. All forward-looking statements are based on information available to Pharsight as of the date hereof, and Pharsight assumes no obligation to update such statements, whether as a result of new developments or otherwise.
Pharsight is...

Delivering breakthrough improvement in the clinical drug development process to pharmaceutical companies by...

- Accelerating client product time-to-market
- Improving client development efficiencies
Profile

Business and Products
- Market leading provider of data repository and report automation tools and PK/PD data analysis software
  - Pharsight® Knowledgebase Server™ (PKS™) Suite
  - WinNonlin®
- Opportunity to leverage and accelerate use of scientific methodology through new software application
  - Drug Model Explorer™ (“DMX™”)
- Unique provider of strategic scientific consulting and decision analysis delivering significant impact to customers’ drug development process

Recent Financial Performance
- Demonstrable progress towards achievement of long-term sustainable, profitable revenue growth, with...
  - 4 consecutive quarters of net income
  - 7 consecutive quarters of revenue growth
Our Market Opportunity: Drug Development Cost and Timeline

Research $25 Billion\(^1\)
- High throughput screening
- Combinatorial chemistry
- Genomics
- Rational drug design

Significant Productivity Increase and Investment

Clinical Development $48 Billion\(^1\)
- Long, risky and complex process
- Of 5,000 screened compounds, 250 enter preclinical testing, 5 enter clinical testing, 1 is approved by FDA\(^2\)
- Avg cost to develop new drug $802M\(^2\)
- Only 3 out of 10 drugs produce revenues that match or exceed R&D costs\(^2\)

Productivity Continues To Decline

---

\(^1\) 2002 Estimated Global Pharma and Biotech R&D Spending by Category: BioPharm International, March 2003
\(^2\) PhRMA 2003 Industry Profile, March 2003
Our Market Opportunity: Development Expenditure Estimates

2003 – 2008 CAGR

- Branded Pharma: 8.6%
- Generics: 22.6%
- Biotech: 2.7%
- Total Pharma: 11.0%

Phase I – III Estimated at 34% of Total Spend

Our Market Opportunity: Increasing Drug Failure Rates

- **Decreasing FDA Approval Rates**
  - Chance of drug successfully reaching FDA approval from Phase I has rapidly decreased
    - Today = 8% approval rate\(^1\)
    - 25 Years Ago = 14% approval rate\(^1\)

- **Impact of Shifting Failure Rates to Earlier Phases**
  - Shifting 5% of failures from Phase III to Phase I = $20M reduction in drug development costs\(^1\)
  - Shifting 5% of failures from Phase II to Phase I = $21M reduction in drug development costs\(^1\)
  - Improving ability to predict failure by 10% before beginning clinical trials = $100M reduction in drug development costs\(^1\)

---
\(^1\) Pacific Research Institute – Peter J. Pitts, Challenges and Opportunities in Health Care, *Financial Times* Global Pharmaceutical Conference, October 18-19, 2004
Our Market Opportunity: FDA Critical Path Initiative

March 2004 FDA Report

Innovation/Stagnation: Challenge and Opportunity on the Critical Path to New Medical Products

- Inefficient, costly development process has resulted in drastic slowdown in innovative medical therapies submitted for approval, while costs of product development have soared.
- Medical product development process is no longer able to keep pace with basic scientific innovation.
- New product development toolkit is urgently needed to improve predictability and efficiency along the critical path from laboratory concept to commercial product:
  - Better data management and use of computer based modeling to improve drug development decision making amongst identified opportunities.

- Pharsight software products and services portfolio is positioned to support both the FDA and our clients in the implementation of Critical Path Initiative objectives.
Overview of Key Software Offerings

- **WinNonlin**® ("WNL™")
  - Industry Standard for Pharmacokinetic ("PK"), Pharmacodynamic ("PD") Modeling and Non Compartmental Analysis

- **Pharsight® Knowledge Server™** ("PKS™")
  - Enterprise Data Management Systems for Secure Storage and Management of PK/PD Data

- **Trial Simulator™** ("TS2™")
  - Computer Assisted Clinical Trial Design & Simulation

- **WinNonMix®** ("WNM™")
  - Population Pharmacokinetic Modeling & Simulation

- **Drug Model Explorer™** ("DMX™")
  - Software-Based Communication Technology, Designed to Facilitate Quantitative Decision-Making in Drug Development
Key Software Offerings

WinNonlin® (“WNL™“)

Industry Standard for Pharmacokinetic (“PK”), Pharmacodynamic (“PD”) Modeling and Non Compartmental Analysis

- **Key Benefits**
  - Used to simulate effects of different dosing regimens and changes in pharmacokinetic parameters required in regulatory submissions
  - Increases productivity in modeling, analysis and reporting activities
    - Extensive built-in library of PK, PD and PK-PD models
    - One-button export of results, plots and tables to MS Word

- **Potential Growth Drivers**
  - Maintain market share under current subscription model via renewals
  - Provide upgrade path to support incremental new revenue opportunity
    - WNL 5.0 release announced for early fiscal year 2006

- **Sales Model**
  - Subscription license model
  - Low-cost inside sales force
  - Average selling price
    - $3,000 - $6,300 per seat
Key Software Offerings

Pharsight® Knowledge Server™ ("PKS™")

Enterprise Data Management Systems for Secure Storage and Management of PK/PD Data

- **Key Benefits**
  - Dramatically improves data management and data access
  - Increases productivity in analysis and reporting tasks
  - Reduces long data preparation cycle for PK analysis
  - Supports compliance with FDA requirements for electronic records and signature, CFR 21 part 11

- **Potential Growth Drivers**
  - Installed base of current large pharma clients – expand seat count within current clients
  - Optimize adoption pattern of industry – expand client-base beyond largest pharma into mid-size pharma and biotech
    - Tendency to follow the large-pharma leaders
  - Provide upgrade path, expanded utility
    - PKS 3.0 release announced for early fiscal year 2006

- **Sales Model**
  - Subscription and perpetual license model
  - Software license plus services
  - Direct sales force
  - Average selling price
    - $5,500 - $30,000 per seat
Key Software Offerings

Drug Model Explorer™ ("DMX™")
Software-Based Communication Technology, Designed to Facilitate Quantitative Decision-Making in Drug Development

- **Recently Released to Market**
  - Desktop application introduced in FY2004
  - Web-server application released Q3 FY2005

- **Key Benefits**
  - Facilitates more efficient collaboration within project teams to explore key drug attributes, and their respective uncertainties
  - **Powerful, user-friendly interface**
  - Enables more flexible scenarios & generates views of program data from underlying model outputs & simulated responses over defined problem-space

- **Potential Growth Drivers**
  - Expand client base of early adopters
  - Expand utility and footprint of application
  - Increase interoperability with other Pharsight tools

- **Sales Model**
  - Subscription and perpetual license model
  - Cross-sold with strategic consulting services
Software Products
Market Acceptance\(^1\)

- Over 900 customers (FY2004)
- All top 20 Pharma\(^2\) apply our computer-assisted drug development software products
- Our software applications are licensed for use on more than 3,000 researcher desktops
- 2 of the top 5 Pharma\(^1\) are early adopters of our new DMX\(^\text{TM}\) product
  - Importance of DMX\(^\text{TM}\) mentioned by 1 large client at recent FDA/DIAS workshop and AAPS
- 4 of the top 10 Pharma\(^1\) are PKS\(^\text{TM}\) customers
  - 7 of the top 20 Pharma\(^1\)
  - 14 PKS\(^\text{TM}\) customers to-date

---

\(^1\) As of fiscal quarter ended December 31, 2004
\(^2\) Pharma Exec 50: Pharmaceutical Executive, May 2004
Strategic Consulting Services
A formal, quantitative, model-based decision-making method

Increases drug development productivity
  Decreases late stage attrition
  Decreases time-to-market
  Increases # of drugs reaching market per $ invested

Implements clinical quality and commercial performance of final product
## Strategic Consulting Services

### Offerings

<table>
<thead>
<tr>
<th>Preclinical</th>
<th>Early Phase (I/IIa)</th>
<th>Late Phase (IIb/III)</th>
<th>Post-Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Candidate prioritization, selection &amp; preparation for first-in-man/proof-of-concept</td>
<td>Proof-of-concept strategy</td>
<td>Go/no-go decision support</td>
<td>Life-cycle management</td>
</tr>
<tr>
<td>Life-cycle planning</td>
<td>Dose-finding strategy</td>
<td>Pivotal registration trial design</td>
<td>– Phase IIIb/IV strategy</td>
</tr>
<tr>
<td>Biologic positioning</td>
<td>First-in-man dose</td>
<td>Dose-ranging trial design</td>
<td>Competitive positioning</td>
</tr>
<tr>
<td>Biomarker trial design</td>
<td></td>
<td></td>
<td>– Label expansion strategy</td>
</tr>
<tr>
<td>Dose-ranging trial design</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Level of Integration and Potential Impact

- Scaling (competitors, analogues)
- Clinical utility index analysis
- Adaptive trial and program design
- Product profile assessment
- Dose justification and optimization
- Support in-licensing and out-licensing decisions

**Strategic consulting services combined with novel technology (DMX™)**
Aventis turned to a Pharsight computer model to simulate later-stage clinical trials. Based on that simulation, “We stopped funding development of the compound. The ratio between the therapeutic benefit and side effect demonstrated that this compound was not as beneficial as Evista.”

Douglas estimates that the Pharsight computer model saved Aventis $50M to $100M, the cost of later-stage clinical trials. “We were able to switch to another project with a greater chance of success.”

Frank Douglas  Aventis Chief Scientific Officer and Executive VP of Drug Innovation and Approval
Strategic Consulting Services
Market Penetration – Current Clients

Top 5 Pharma
100% Market Penetration

Top 50 Pharma
30% Market Penetration

1 Pharma Exec 50: Pharmaceutical Executive, May 2004
Financial Overview
**FY04 Accomplishments**

**FY05 Objectives**

---

**Fiscal Year 2004 Results**

- **Positive revenue momentum**
  - Y-Y revenue growth of 27%

- **Effected operating efficiencies**
  - Y-Y reductions in operating loss of 84%

- **Achieved profitability in Q4**

- **Achieved positive annual operating cash flow**

- **Introduced new product offering (DMX)**

---

**Fiscal Year 2005 Objectives**

- **Continued revenue growth**
  - YTD Y-Y revenue growth of 34%

- **Profitability**
  - YTD net income of $1.9 million, or 12% of revenues

- **Expansion of DMX capabilities**
  - Release of DMX web-server in Q3

- **Additional new product development**
  - Announced planned release of WNL 5.0 and PKS 3.0 early fiscal 2006
### Summary Statement of Operations - Y/Y

**Current Quarter & Year-to-Date**

('000s except per share data)

<table>
<thead>
<tr>
<th></th>
<th>Q3 FY05</th>
<th>Q3 FY04</th>
<th>YTD FY05</th>
<th>YTD FY04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$6,462</td>
<td>$4,583</td>
<td>$16,568</td>
<td>$12,327</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>1,948</td>
<td>2,084</td>
<td>5,606</td>
<td>5,635</td>
</tr>
<tr>
<td>Gross profit</td>
<td>4,514</td>
<td>2,499</td>
<td>10,962</td>
<td>6,692</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>3,024</td>
<td>2,771</td>
<td>8,851</td>
<td>8,782</td>
</tr>
<tr>
<td>Income (loss) from operations</td>
<td>1,490</td>
<td>(272)</td>
<td>2,111</td>
<td>(2,090)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>1,411</td>
<td>(327)</td>
<td>1,926</td>
<td>(2,305)</td>
</tr>
<tr>
<td>Net income (loss) attributable to common stockholders</td>
<td>1,266</td>
<td>(472)</td>
<td>1,461</td>
<td>(3,080)</td>
</tr>
<tr>
<td>EPS (common), basic</td>
<td>$0.07</td>
<td>$(0.02)</td>
<td>$0.08</td>
<td>$(0.16)</td>
</tr>
<tr>
<td>EPS (common), diluted</td>
<td>$0.05</td>
<td>$(0.02)</td>
<td>$0.07</td>
<td>$(0.16)</td>
</tr>
<tr>
<td>WASO - basic</td>
<td>19,117</td>
<td>19,052</td>
<td>19,088</td>
<td>19,049</td>
</tr>
<tr>
<td>WASO - diluted</td>
<td>28,195</td>
<td>19,052</td>
<td>28,282</td>
<td>19,049</td>
</tr>
</tbody>
</table>
### Summary Operating Results by Segment – Y/Y
### Current Quarter & Year-to-Date

(’000s)

<table>
<thead>
<tr>
<th></th>
<th>Q3 FY05</th>
<th>Q3 FY04</th>
<th>YTD FY05</th>
<th>YTD FY04</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>%</td>
<td>$</td>
<td>%</td>
</tr>
<tr>
<td>SOFTWARE PRODUCTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>$4,153</td>
<td>100%</td>
<td>$2,284</td>
<td>100%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>3,597</td>
<td>87%</td>
<td>1,575</td>
<td>69%</td>
</tr>
<tr>
<td>Income (loss) from operations</td>
<td>1,397</td>
<td>34%</td>
<td>(155)</td>
<td>-7%</td>
</tr>
</tbody>
</table>

| STRATEGIC CONSULTING SERVICES |         |         |          |          |
| Revenues                     | $2,309  | 100%    | $2,299   | 100%     | $7,259   | 100%     | $6,082   | 100%     |
| Gross profit                 | 917     | 40%     | 924      | 40%      | 3,055    | 42%      | 2,100    | 35%      |
| Income (loss) from operations | 187     | 8%      | (59)     | -3%      | 306      | 4%       | (879)    | -14%     |
Summary Balance Sheet
December 31, 2004

('000s)

<table>
<thead>
<tr>
<th></th>
<th>Dec 31, 2004</th>
<th>March 31, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>$8,766</td>
<td>$10,027</td>
</tr>
<tr>
<td>Accounts Receivable, Net</td>
<td>6,393</td>
<td>3,770</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>15,725</td>
<td>14,517</td>
</tr>
<tr>
<td>Total Assets</td>
<td>16,584</td>
<td>15,294</td>
</tr>
</tbody>
</table>

| **LIABILITIES & STOCKHOLDERS' DEFICIT** |              |               |
| A/P & Accrued Expenses      | $3,345       | $2,518        |
| Deferred Revenue - Short Term| 7,954        | 7,987         |
| Notes Payable & Capital Leases| 1,875        | 1,930         |
| Total Current Liabilities   | 13,174       | 12,435        |

| Deferred Revenue - Long Term| 144          | 516           |
| Notes Payable - Long Term   | 438          | 1,094         |
| Redeemable Conv Pref Stock  | 6,266        | 6,164         |
| Stockholders Deficit        | (3,438)      | (4,915)       |
| Total Liabilities & S/H Deficit| 16,584     | 15,294        |
Equity Structure
(All share data as of December 31, 2004)

- **Common Shares O/S:** 19.1 million

- **Preferred Shares O/S:** 1.9 million
  - Series A 1.8 million / Series B 0.1 million

- **Common Equivalent Shares (as converted):** 26.6 million

- **PIPE Financing 6/02 and 9/02 = $7.5M**
  - 1.8 million Units = 1 share Series A redeemable convertible stock + 1 warrant
  - Preferred conversion ratio 1:4
  - Warrants exercisable for 1 share common @ $1.15
  - Dividend rights: 8%/annum cash or Series B shares
Quarterly Revenues
($000s)

Software Products
Strategic Consulting
Quarterly Gross Profit
(Percentage of Segment Revenues)

Strategic Consulting
Software Products

Q1 FY04  Q2 FY04  Q3 FY04  Q4 FY04  Q1 FY05  Q2 FY05  Q3 FY05
Sequential Profitability

(‘000s)

Profitability achieved Q4 FY04

Revenues

Costs & Expenses

Q1 FY04  Q2 FY04  Q3 FY04  Q4 FY04  Q1 FY05  Q2 FY05  Q3 FY05

$3,500  $4,000  $4,500  $5,000  $5,500  $6,000  $6,500
Quarterly Operating Cash Flow
('000s)

Q1 FY04  Q2 FY04  Q3 FY04  Q4 FY04  Q1 FY05  Q2 FY05  Q3 FY05

$-1,500  $-1,000  $-500  $0  $500  $1,000  $1,500
Summary

- Current Pharma Market Trends...
- Increasing Mindshare for Quantitative-Based Modeling & Simulation...
- Continuing Pharsight Investment in Revenue Optimization & Product Development...
- Financial Stability Achieved in FY04 and First 9 Months of FY05...

All Support Our Drive Towards Sustainable Growth and Profitability
## Executive Team

<table>
<thead>
<tr>
<th>Name</th>
<th>Position &amp; Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shawn O’Connor</td>
<td>President &amp; Chief Executive Officer</td>
</tr>
<tr>
<td></td>
<td>QRS, Diasonics Ultrasound, Peat Marwick</td>
</tr>
<tr>
<td>Cynthia Stephens</td>
<td>SVP &amp; Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>Rainmaker Systems, Calico, Quiver, Infoseek/</td>
</tr>
<tr>
<td></td>
<td>The Walt Disney Company</td>
</tr>
<tr>
<td>Mona Sowiski</td>
<td>SVP Drug Development Consulting Services</td>
</tr>
<tr>
<td></td>
<td>Mitchell Madison Consulting, CSC/APM Healthcare,</td>
</tr>
<tr>
<td></td>
<td>Stanford, Pitt</td>
</tr>
<tr>
<td>Daniel Weiner, PhD</td>
<td>SVP Software Products</td>
</tr>
<tr>
<td></td>
<td>IVAX, Merrell Dow, Syntex, Quintiles</td>
</tr>
<tr>
<td>William Gillespie, PhD</td>
<td>VP &amp; Lead Scientist, Consulting Services, East</td>
</tr>
<tr>
<td></td>
<td>Coast</td>
</tr>
<tr>
<td></td>
<td>GloboMax, FDA (CDER), Univ. of Texas at</td>
</tr>
<tr>
<td></td>
<td>Austin-College of Pharmacy</td>
</tr>
<tr>
<td>Greg Lee, PhD</td>
<td>VP Research &amp; Development</td>
</tr>
<tr>
<td></td>
<td>Sunrise Test Systems, Weitek, Schlumberger</td>
</tr>
<tr>
<td>Nancy Risch</td>
<td>VP Global Sales</td>
</tr>
<tr>
<td></td>
<td>BBN Corporation, Interleaf, GE, Wang</td>
</tr>
<tr>
<td>Russ Wada, PhD</td>
<td>VP Consulting Services, West Coast and Japan</td>
</tr>
<tr>
<td></td>
<td>Stanford, MiniMed Infusion Systems, Hughes Aircraft, TRW</td>
</tr>
<tr>
<td>Rene Bruno, PhD</td>
<td>Managing Director, Consulting Services, Europe</td>
</tr>
<tr>
<td></td>
<td>Genentech, Rhone-Poulenc Rorer, Syntex</td>
</tr>
</tbody>
</table>
Proprietary Notice

All contents Copyright ©2005 Pharsight Corporation. All rights reserved. The copyright for this document is owned by Pharsight Corporation.

No part of this document may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, for any purpose, without the express written permission of Pharsight Corporation. WinNonlin®, WinNonMix® and Pharsight® are registered trademarks of Pharsight Corporation. Pharsight Knowledgebase Server™, PKS™, PKS Reporter™, Drug Model Explorer™, DMX™, Trial Simulator™ and TS2™ are trademarks of Pharsight Corporation.

All other brand and product names are trademarks or registered trademarks of their respective holders.