



# The future challenges of Healthcare

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This presentation contains certain forward-looking statements.

These forward-looking statements may be identified by words such as “believes”, “expects”, “anticipates”, “projects”, “intends”, “should”, “seeks”, “estimates”, “future” or similar expressions or by discussion of strategy, goals, plans or intentions.

Various factors may cause actual results to differ materially in the future from those reflected in forward-looking statements contained in this presentation among others:

1. Pricing and product initiatives of competitors;
2. Legislative and regulatory developments and economic conditions;
3. Delay or inability in obtaining regulatory approvals or bringing products to market;
4. Fluctuations in currency exchange rates and general financial market conditions;
5. Uncertainties in the discovery, development or marketing of new products or new uses of existing products;
6. Increased government pricing pressures;
7. Interruptions in production;
8. Loss of or inability to obtain adequate protection for intellectual property rights;
9. Litigation;
10. Loss of key executives or other employees; and...
11. Adverse publicity or news coverage

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## The key drivers of the 21<sup>st</sup> century (I)



20<sup>th</sup> century

21<sup>st</sup> century

stability



volatility

hierarchy



networks

value in hardware



value in software

brand is key



cost leadership is key

economic value generation  
in Europe, US



economic value generation  
in US, Europe, Asia

population centers  
Europe, US



population centers US,  
Asia, Latin America

## The key drivers of the 21<sup>st</sup> century (II)



20<sup>th</sup> century

21<sup>st</sup> century

Innovation creates  
sustainable advantages



Innovation advantage  
short-lived

Brand power



Channel power

Providers decide on  
value spending



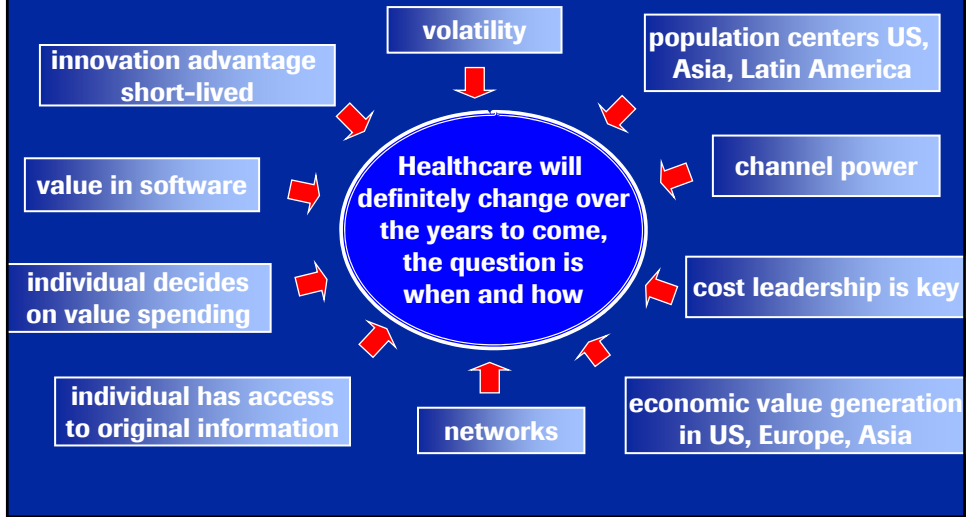
Individual decides on  
value spending

Information is filtered



Individual has access  
to original information

# How relevant are these drivers for the healthcare industry?



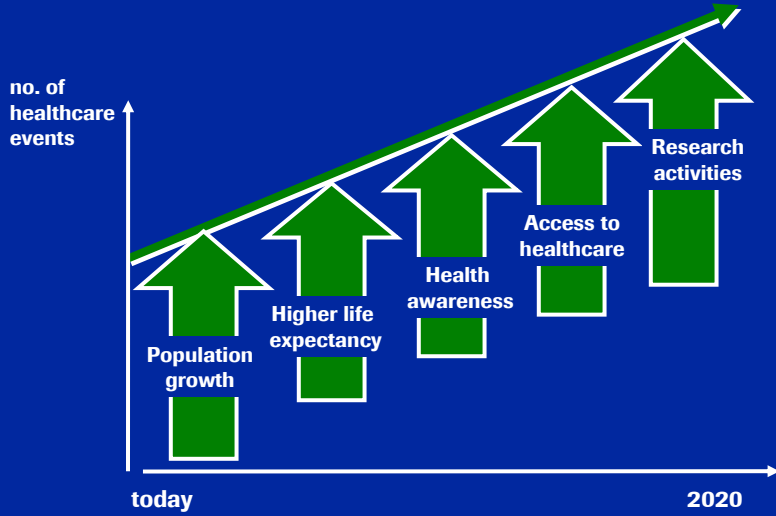
# No change from the past: Health remains a basic need of mankind



"Healthcare events" dominate or at least influence the life of most people

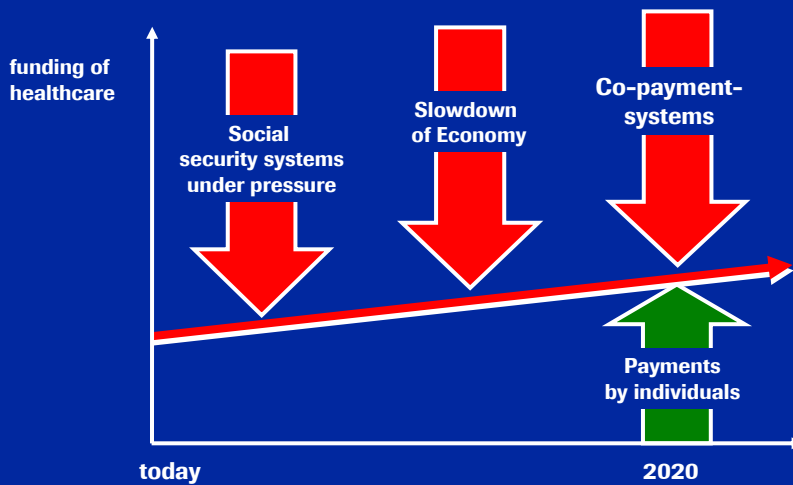
*No change from the past:*

**There is an big increase in demand for healthcare**



*Will become even tougher:*

**There are not enough funds to pay for all demands**

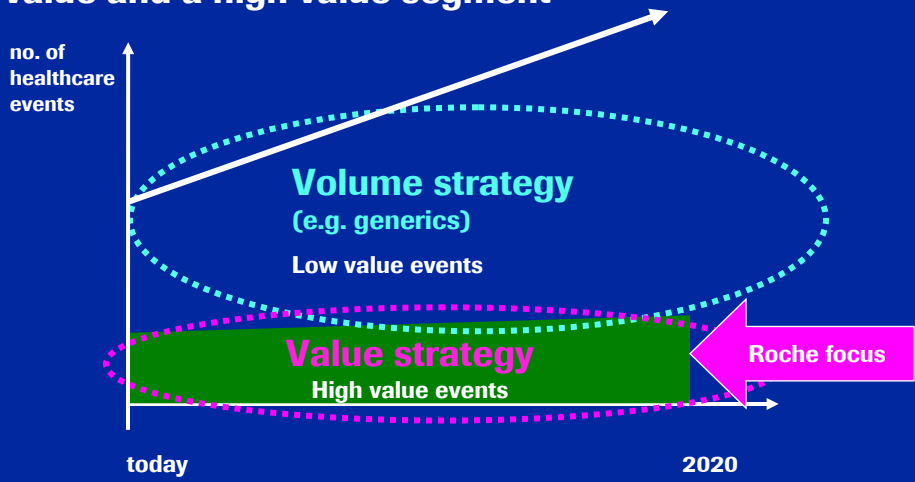


**Cost pressure a reality today and even tougher in the future**

*The Roche assessment*



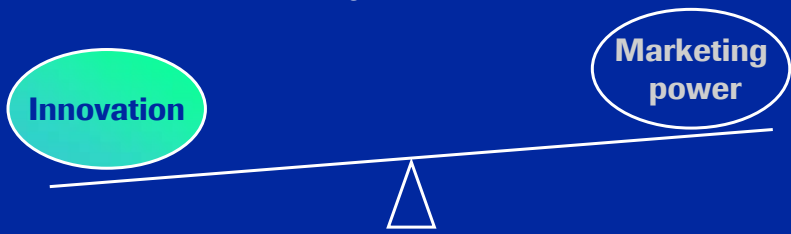
**The healthcare market will split into a low value and a high value segment**



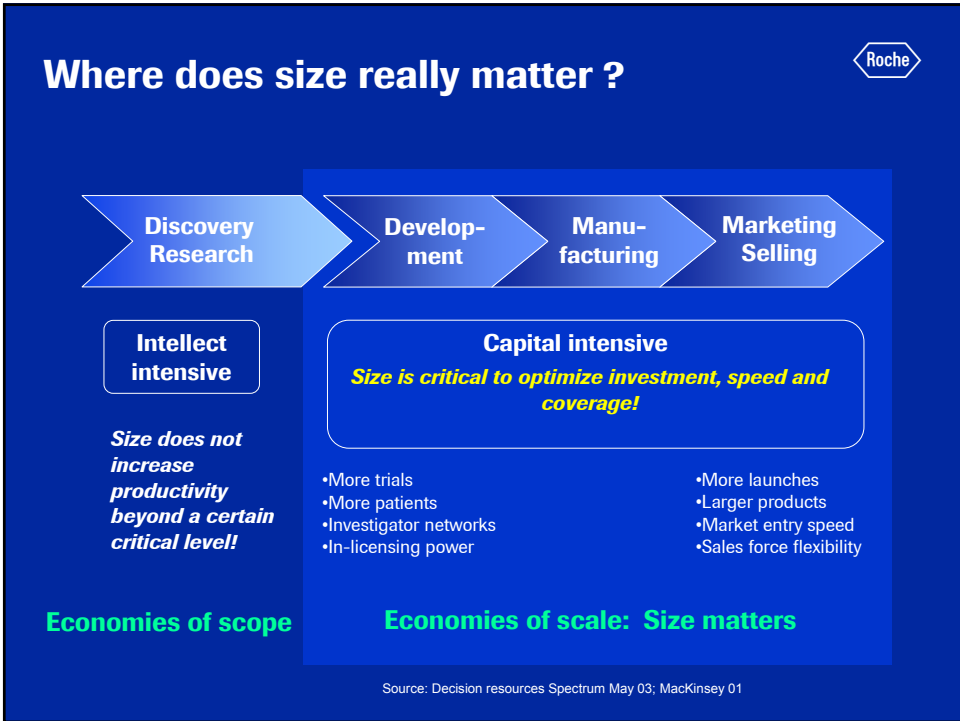
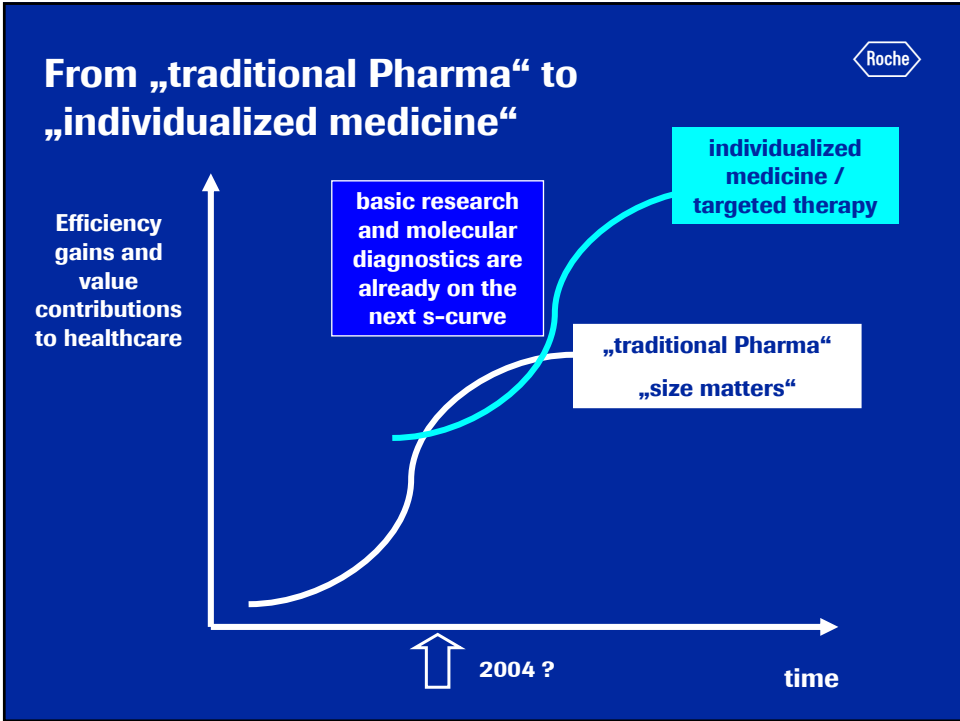
**Roche strategic choice: Innovation is key !**



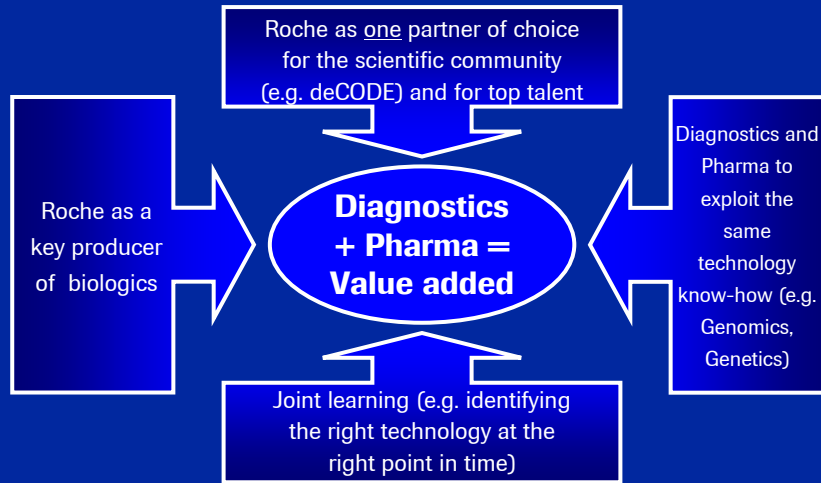
Only if we create relevant proven benefit for the customer  
= medically differentiated products  
we will be able to create high value returns



1. Innovative products continue to command high prices and reimbursement,
2. Selling "average /me-too" products by sheer marketing power becomes more and more difficult



## A unique Roche advantage: two high tech businesses joining forces where it adds value

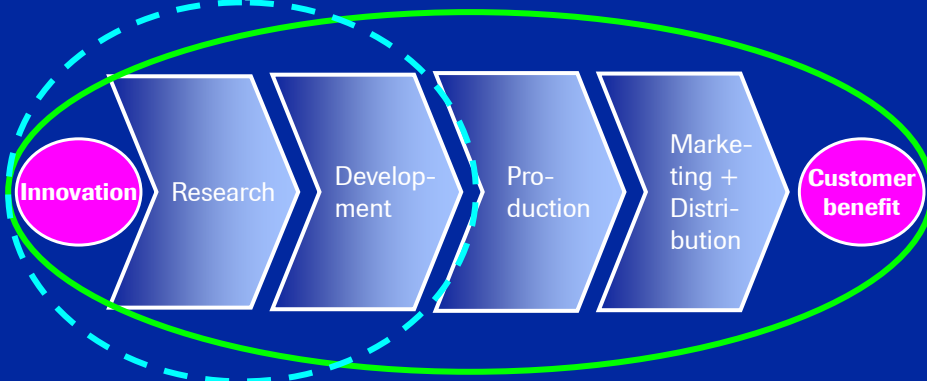


## We are open to innovation generated by third parties

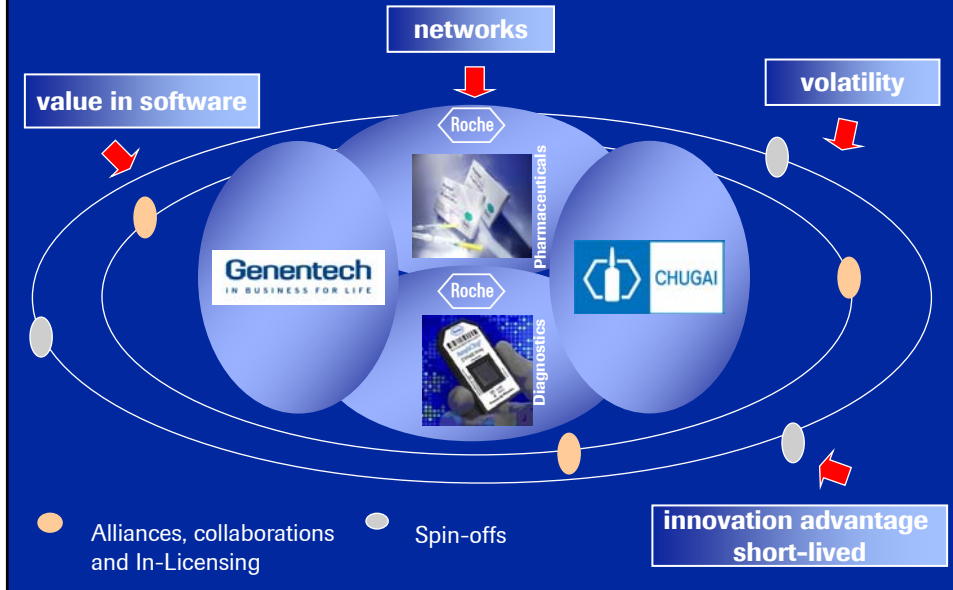


"Biotech" companies

"Pharmaceutical" companies



# The unique Roche innovation cosmos

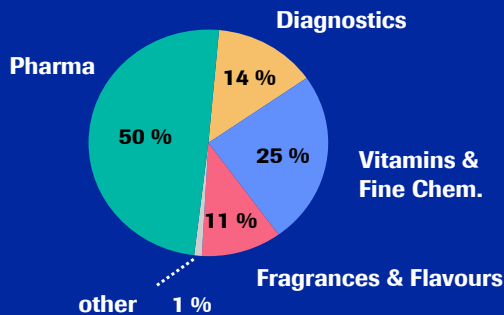


# Roche is actively shaping its future



... by building new futures for non-core businesses

Starting point 1990 ...  
CHF 9.7 billion



## Sales and spin-off's

- Kontron
- Medi-Physics
- Feeds
- Gynecological products
- RBL
- ABX
- Medi-Lab
- Rolic
- DePuy (1998)**
- MFA
- Novuspharma
- Fragrances & Flavours;**
- Givaudan (2000)**
- Basilea
- BioXell
- Vitamins & Fine**
- Chemicals (2003)**
- RCH (2004)**

## Roche is now the most focused global healthcare Group

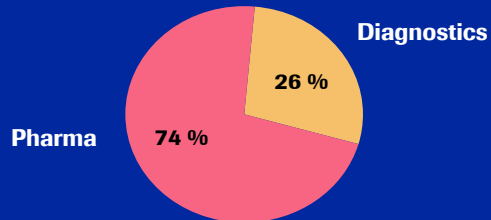


### + Acquisitions

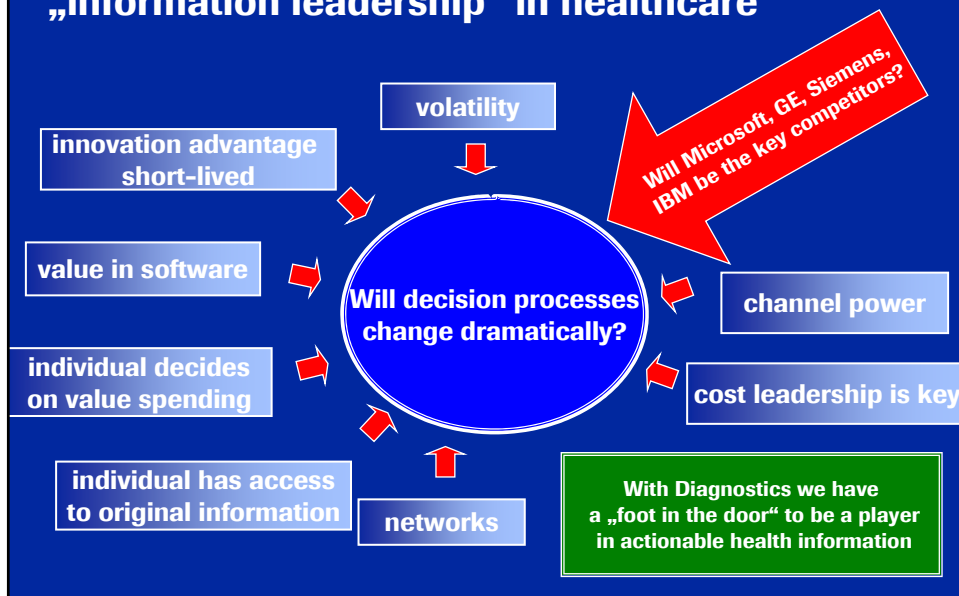
**Genentech (1990)**  
 Nicholas  
 FDO  
**PCR (1991)**  
 CompuChem  
 Fisons  
**Syntex (1994)**  
 MFA  
 OTC F//RP  
 Tastemaker  
**Boehringer Mannheim (1997)**  
 AVL  
**Chugai (2002)**  
**Disetronic (2003)**  
**IGEN (2004)**

### Result 2003

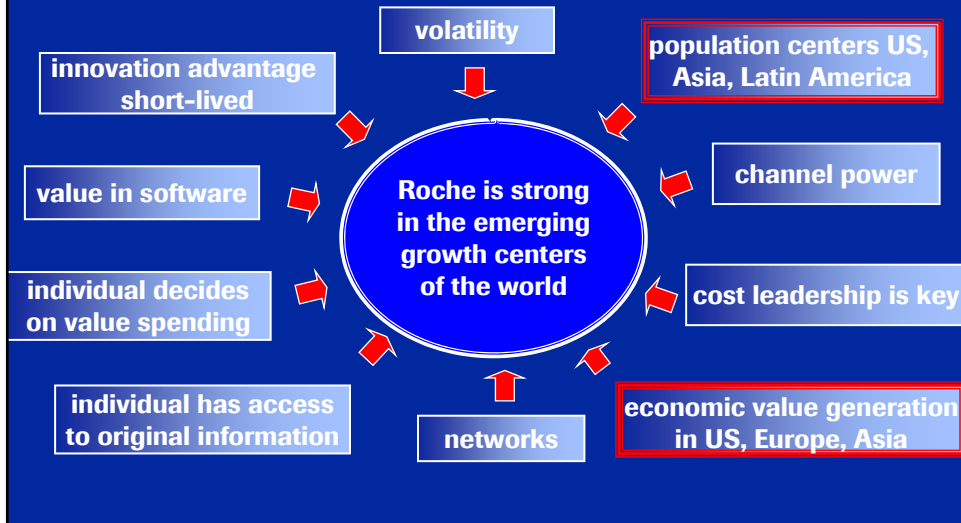
CHF 29.0 billion



## A lot is speculated about the fight for „information leadership“ in healthcare



## Will Roche be marginalised geographically because we focus on high value business?



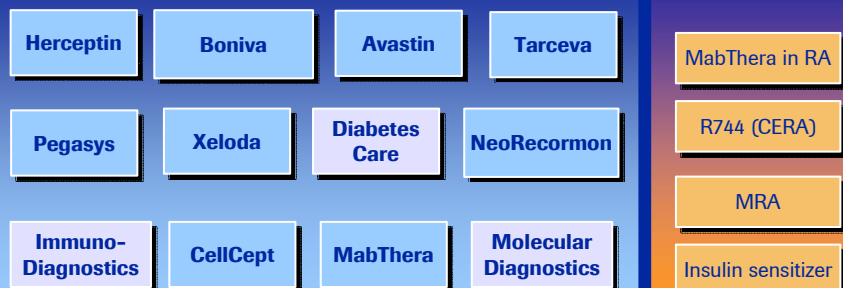
## Roche has a unique profile for investors



### Roche: unique geographic risk diversification



### Roche: unique "pillars of value" risk diversification



Future pillars

# Roche ambition: to be a unique investment opportunity in the healthcare industry

