

The future challenges of Healthcare

Dr. Erich Hunziker
CFO – F. Hoffmann La Roche Ltd.

San Francisco, January, 2006

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

For marketed products discussed in this presentation, please see full prescribing information on our website – www.roche.com

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



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

3

The view of Pharma has changed



In the nineties

- Strong demand for drugs
- Strong earnings growth: sales growth drives margins expansion
- Pharma low risk: defensive qualities
- Blockbuster business model: in particular for GP drugs

and nowadays

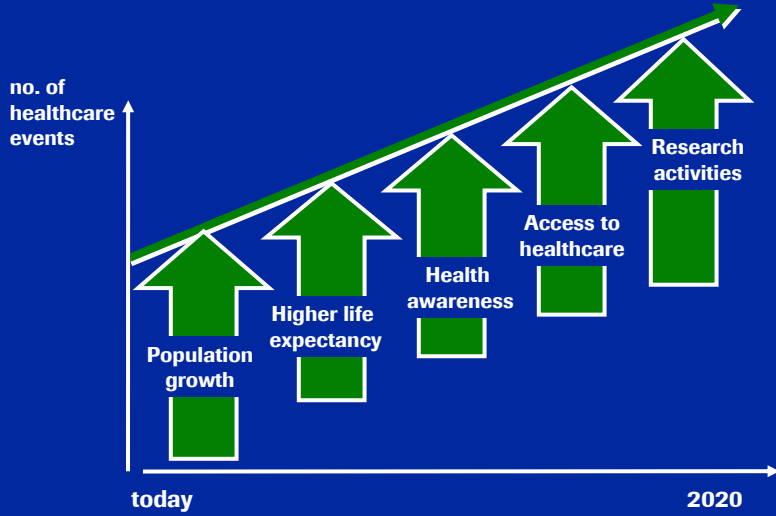
- Growth rates slowing down in average
- Price pressure: limited budgets for health care systems
- Investors more focusing on risks: patent, regulatory and liability
- Blockbuster also in specialty care

From sector approach to evaluation of individual companies

4

No change from the past:

There is an big increase in demand for healthcare

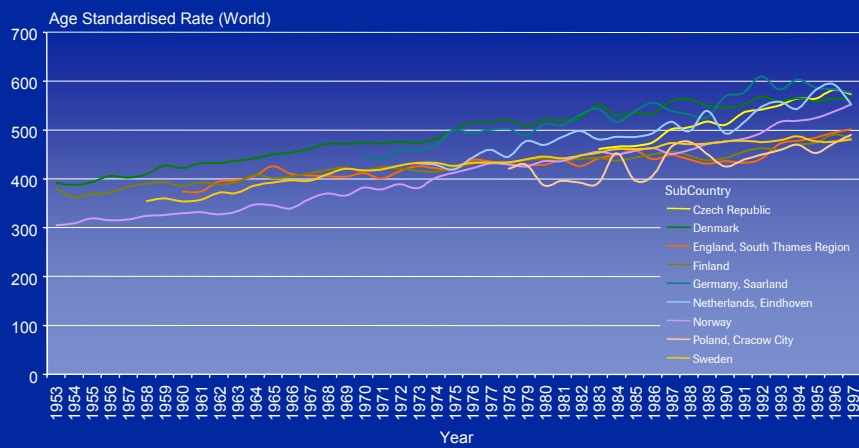


5

Incidence of cancer increasing



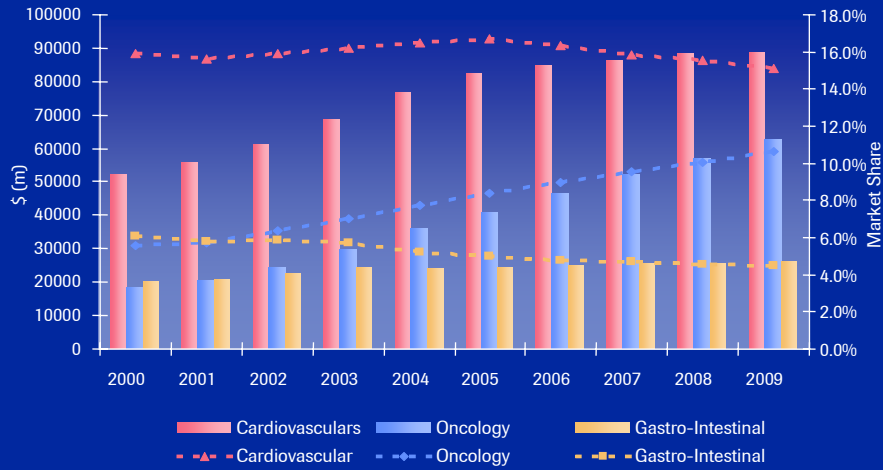
Cancer Disease: All sites but non-melanoma skin



Source: A pan European comparison regarding patient access to cancer, Karolinska Institute 2005

6

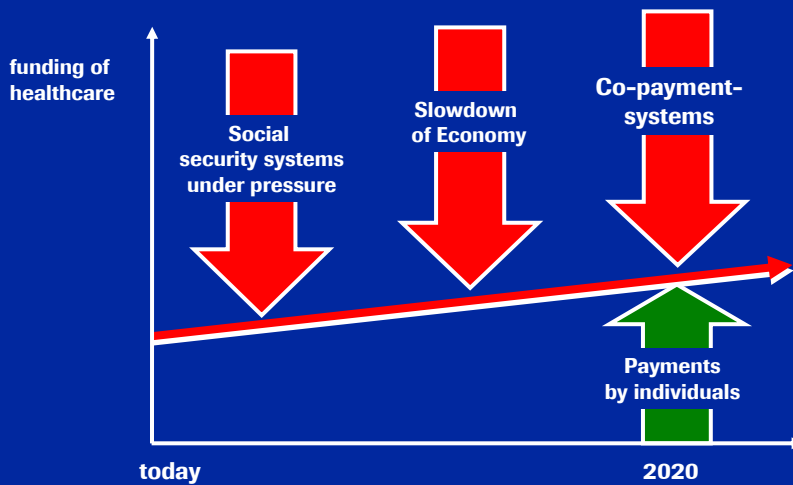
The oncology therapy area is forecast to increase its share of the global market from 5% in 2000 to 10.5% by 2009



Source: Wood Mackenzie

7

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

8

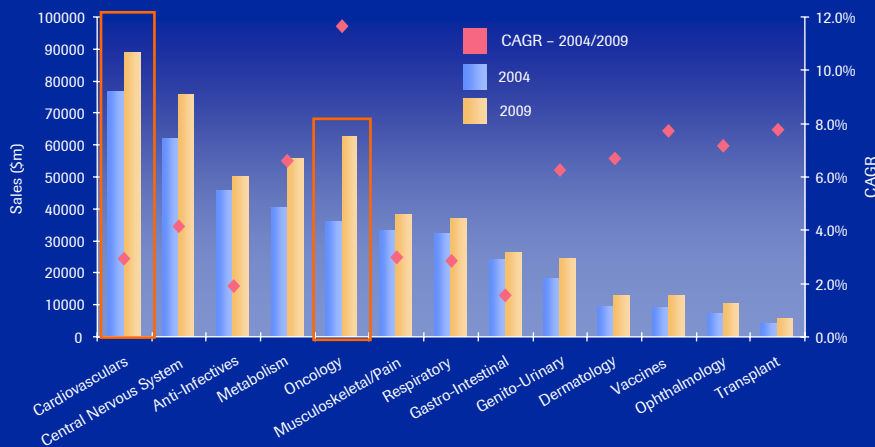
Cancer- a similar burden to society as cardiovascular disease



| | EU 25 | | | EU 15 | | |
|---------------------------|-------------------|--------------|------------|-------------------|--------------|------------|
| | Total DALYs | DALY /1000 | % | Total DALYs | DALY /1000 | % |
| All disease groups | 58,807,846 | 129.7 | 100 | 47,092,868 | 124.2 | 100 |
| Mental disease | 14,857,720 | 32.8 | 25.3 | 12,379,282 | 32.7 | 26.3 |
| Cardiovascular disease | 10,088,093 | 22.2 | 17.1 | 7,637,493 | 20.1 | 16.2 |
| Cancer | 9,839,035 | 21.7 | 16.7 | 7,989,864 | 21.1 | 16.9 |
| Injuries | 5,099,011 | 11.2 | 8.7 | 3,644,620 | 9.6 | 7.7 |
| Respiratory disease | 3,523,243 | 7.8 | 5.9 | 3,167,675 | 8.4 | 6.7 |

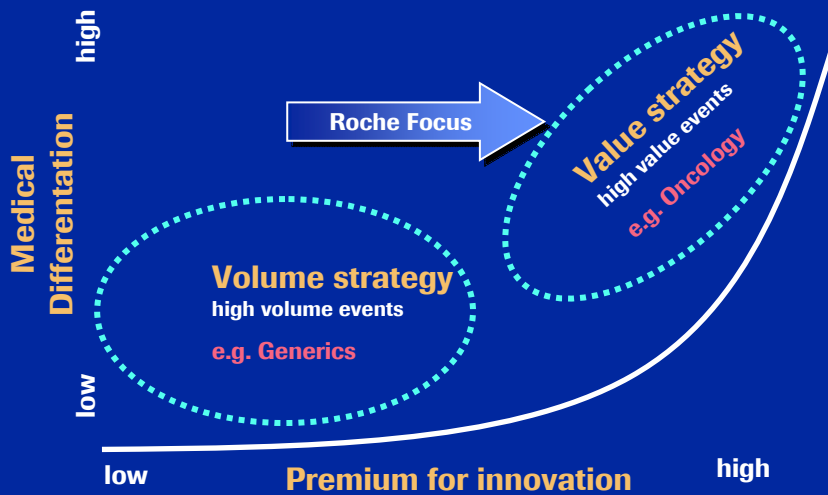
DALY: Disability – Adjusted Life Years. Integrated measure of mortality and disability developed by the WHO. One DALY is one lost year of 'healthy' life and the burden of disease as a measurement of the gap between actual health and an ideal situation
 Source: A pan European comparison regarding patient access to cancer, Karolinska Institute 2005

But still a comparably low public expenditures on oncology



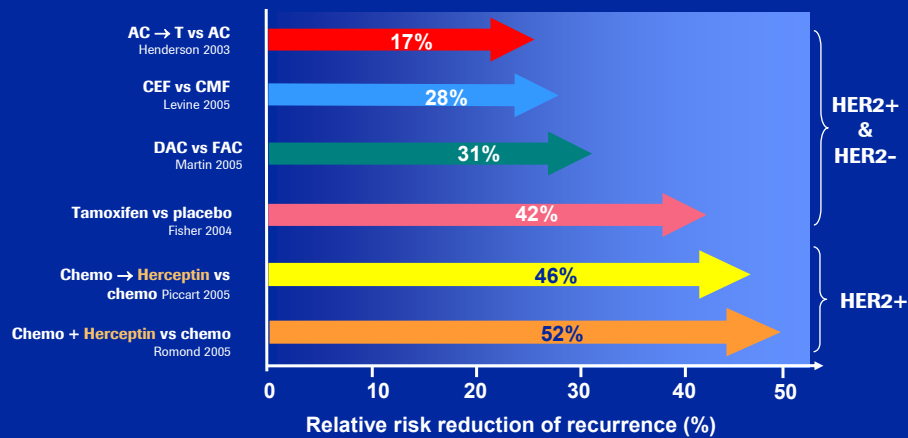
Source: Wood Mackenzie

Premium for innovation' must be earned by 'medical differentiation'



11

New treatment options offer substantial benefits to patients. Example: Early Breast Cancer:



Best chance of a cure with new adjuvant treatment options

A = doxorubicin; C = cyclophosphamide; D = docetaxel; E = epirubicin; F = 5-fluorouracil; M = methotrexate; T = paclitaxel

12

Roche strategic choice: Innovation is key !



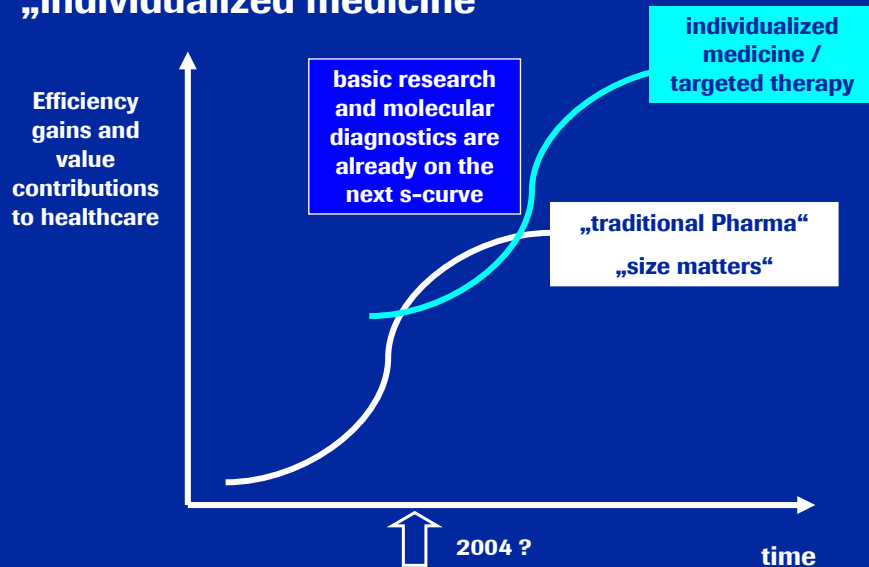
Only if we create relevant proven benefit for the customer
= **medically differentiated products**
we will be able to create high value returns



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

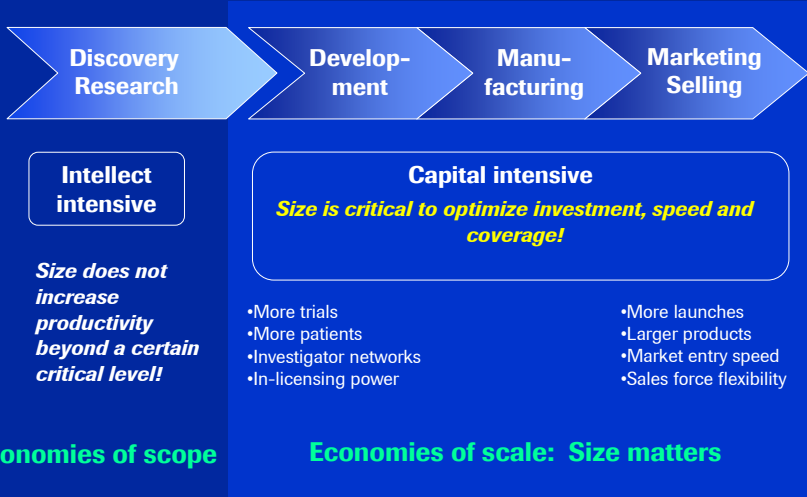
13

From „traditional Pharma“ to „individualized medicine“



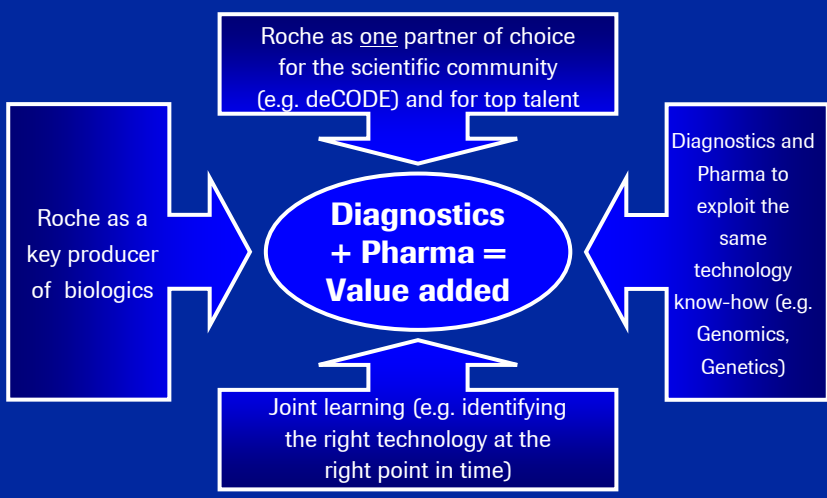
14

Where does size really matter ?



Source: Decision resources Spectrum May 03; MacKinsey 01

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

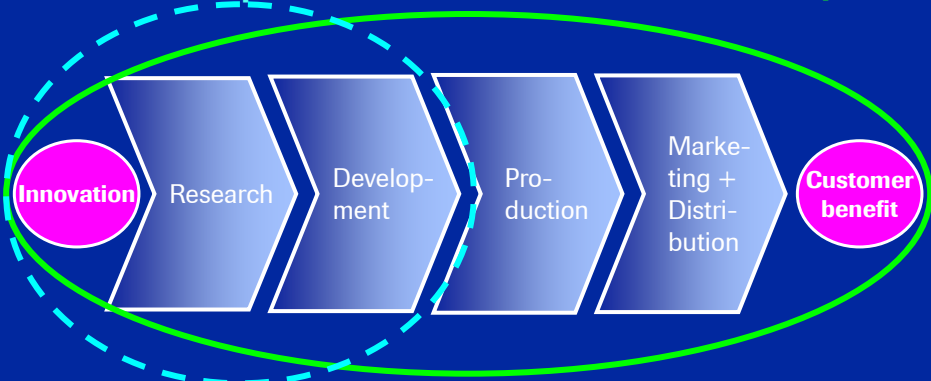


We are open to innovation generated by third parties

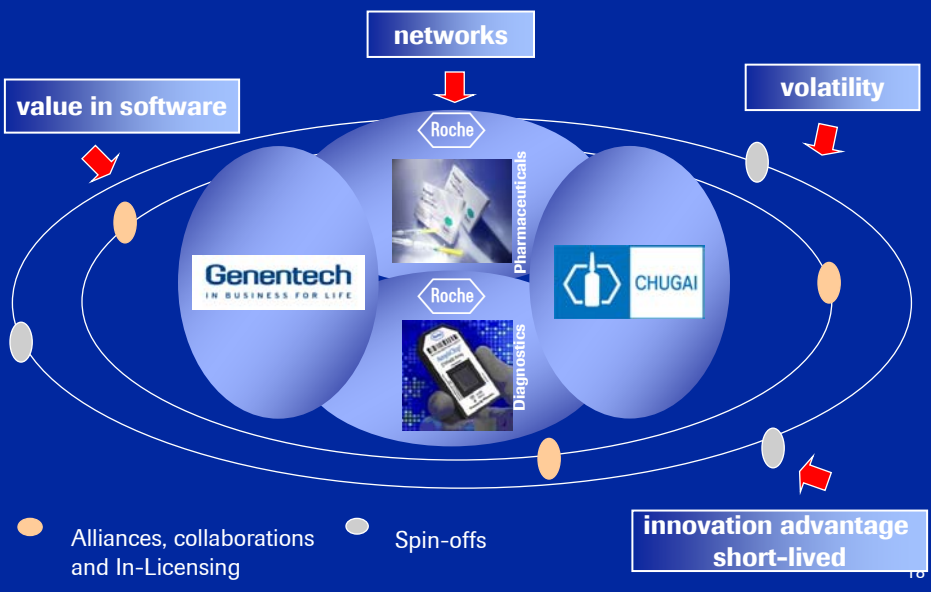


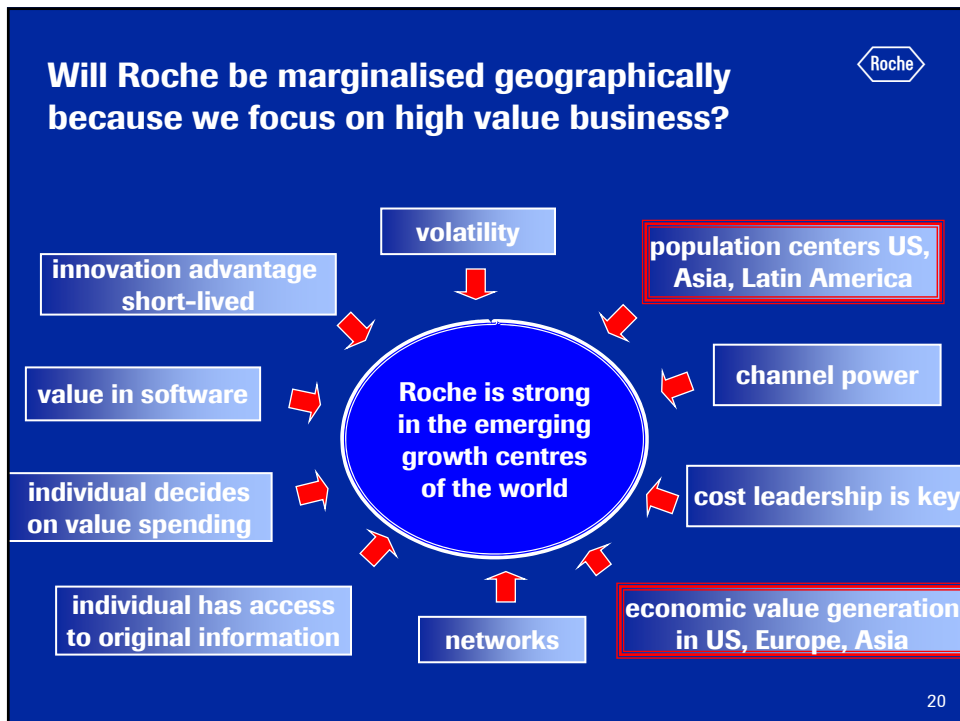
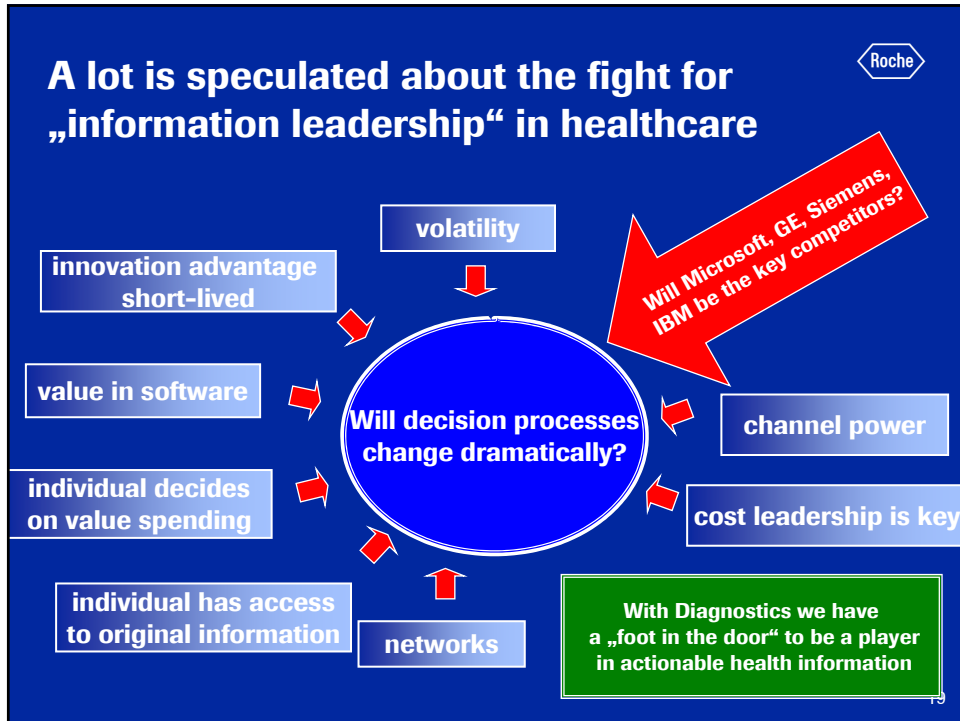
"Biotech" companies

"Pharmaceutical" companies



The unique Roche innovation cosmos





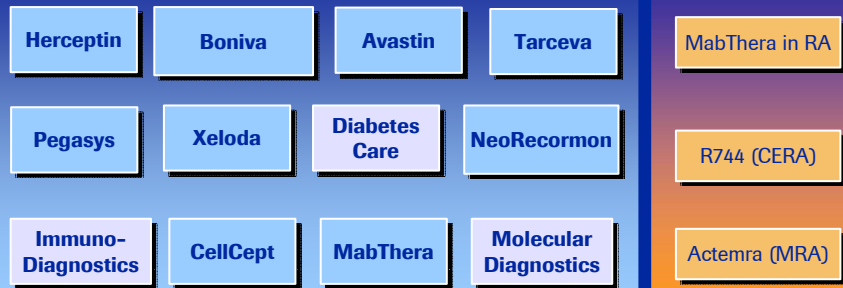
Roche has a unique profile for investors



Roche: unique geographic risk diversification

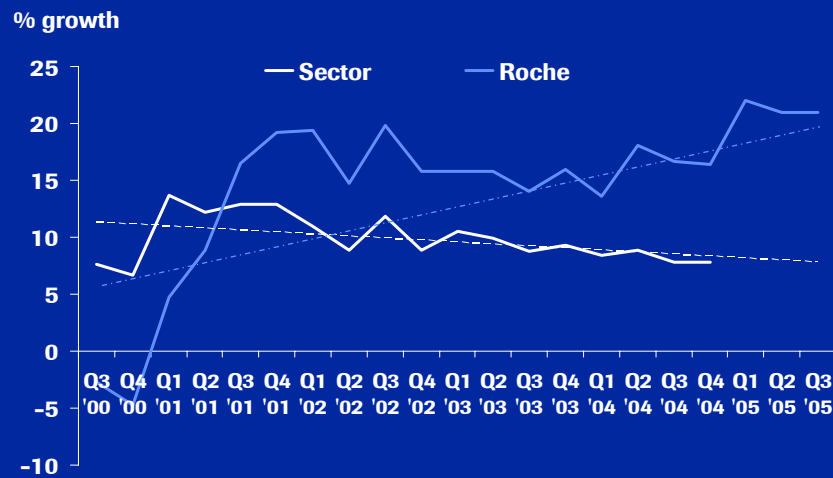


Roche: unique “pillars of value” risk diversification



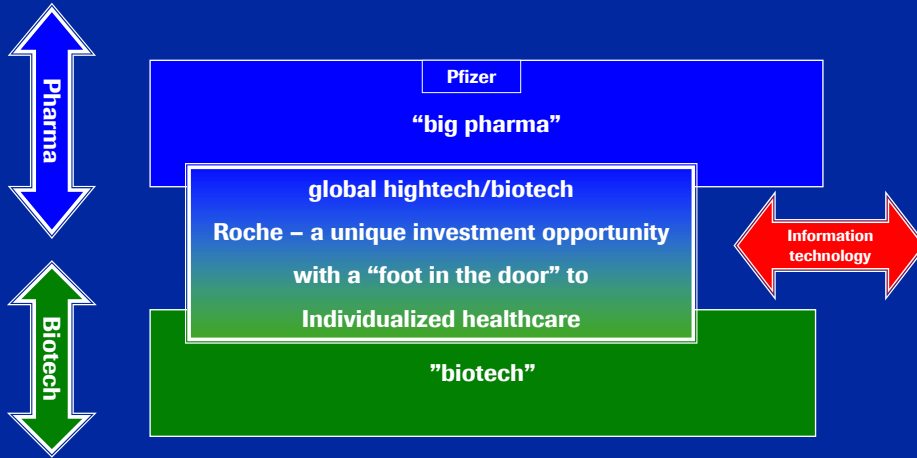
Future pillars

Roche: Leading growth rate in the specialty sector based on differentiated medicines



Source: IMS

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



23

