



Diagnostics: providing healthcare solutions

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Diagnostics – a significant part of Roche

Strategy to create and expand markets

Market trends

US market offers growth potential

Roche Diagnostics: a significant business

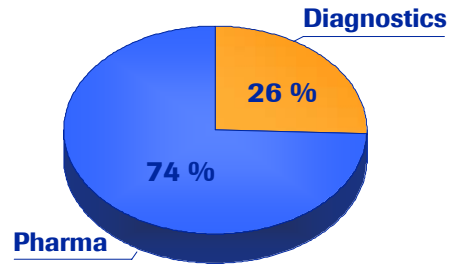
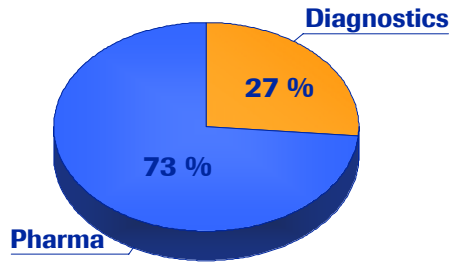
Over 25 % Roche Group sales & EBITDA



Diagnostics

Sales¹ CHF 29.5 bn

EBITDA¹ CHF 9.2 bn



¹ Roche Group 2004, continuing business

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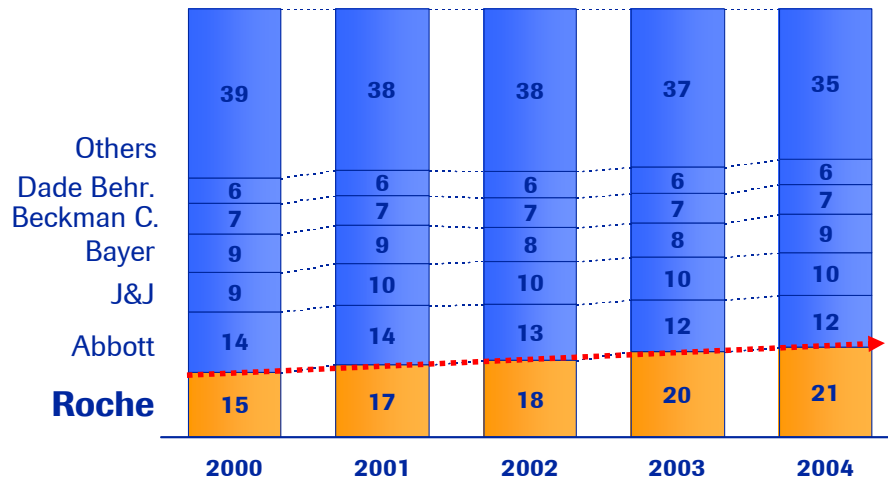
Consistently growing above industry

Gaining share from a high base



Diagnostics

% market share

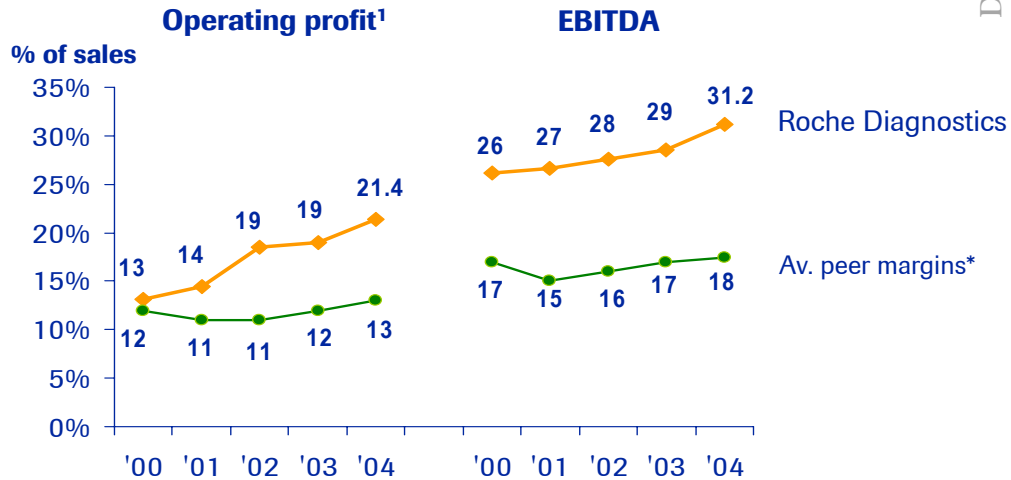


Source: Roche analysis, Boston Biomedical Consultants, company reports

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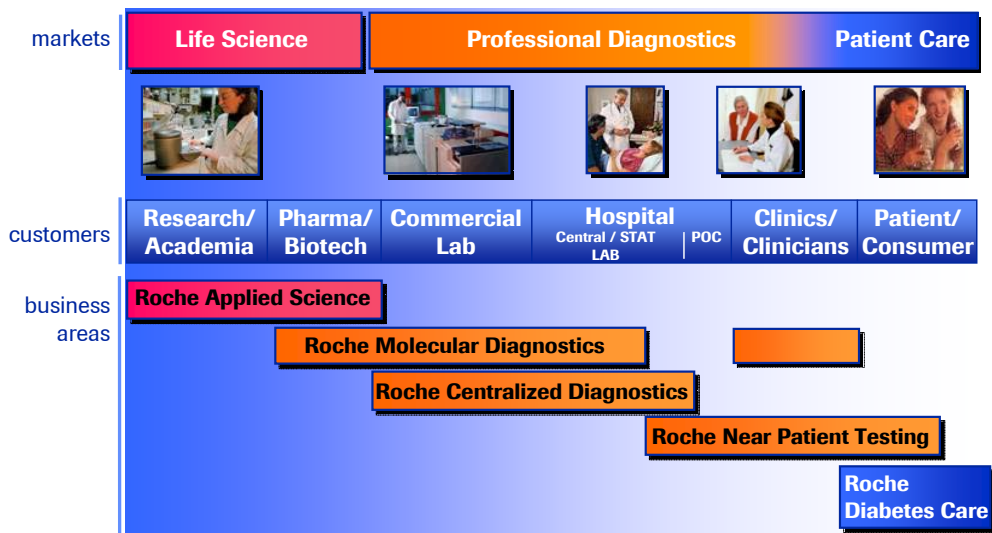
Margins outpacing competitors *Significant contributor of profit*



¹ before exceptional items
 * Company margins includes Abbott Diag., Bayer Diag., Beckman Coulter, Becton Dickinson, Dade Behring, JNJ (Ortho & Lifescan)



Broadest customer base in industry *Cross leveraging across business areas*

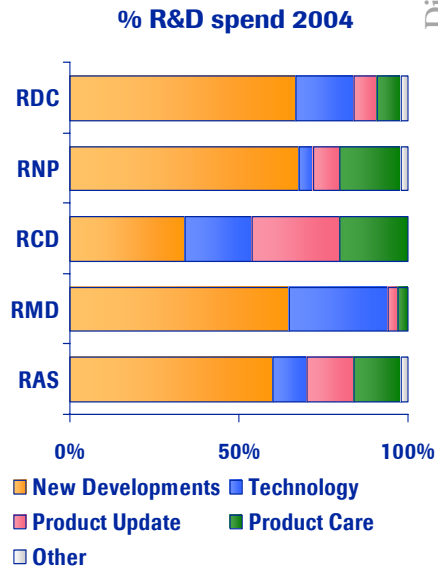
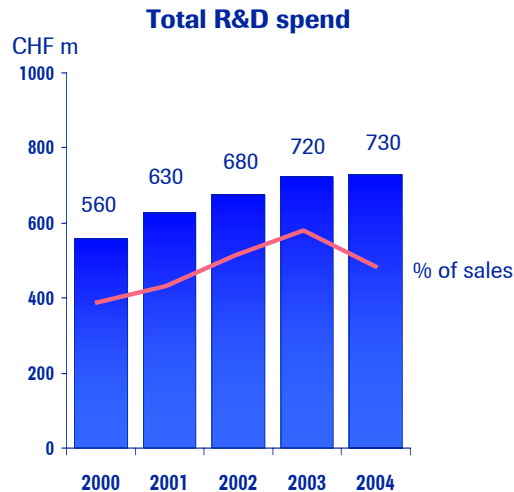


Investing significantly above competition

Primary focus on new markers and technology



Diagnostics



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Roche Diagnostics

Solid, low risk business offering high return



Diagnostics

Financial Performance

- sales growth out-pacing market
- significantly higher profitability than peers

Market Leader

- market leader in all regions
- number one in most attractive segments
- broadest customer base

Broad Portfolio

- extensive portfolio high-value products
- extensive, focused R&D spend
- track record market shaping innovations

Strong market position and innovative portfolio will allow Roche to lead and shape the future of modern diagnostics

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Diagnostics – a significant part of Roche

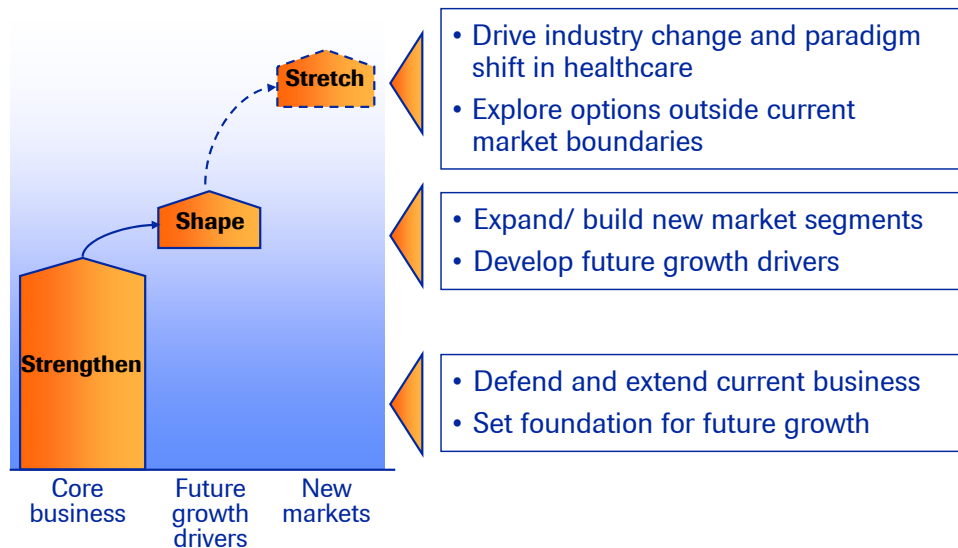
Strategy to create and expand markets

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US market offers growth potential

Growth strategy

Strengthen core business, shape current markets, stretch market boundaries



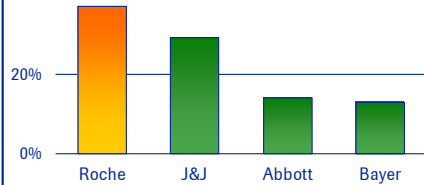
1. Strengthen leadership in profitable, high-growth segments



Diagnostics

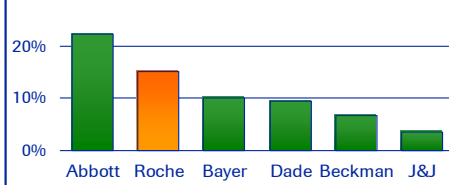
Blood Glucose Monitoring

2004 Est. mkt share*



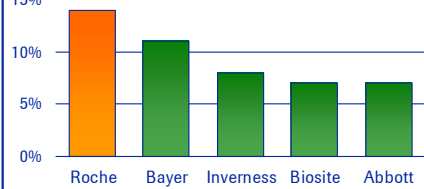
Immunochemistry

2004 Est. mkt share*



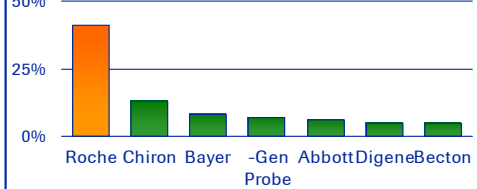
Near Patient Testing

2004 Est. mkt share*



Molecular Diagnostics

2004 Est. mkt share*



* includes blood glucose strips & meters, devices & lancets; excludes urine glucose strips; based on tracking 14 key countries incl. Japan
 ** includes NAT blood screening & HPV testing
 source: Company Reports, Roche analysis

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Diabetes Care: Grow Accu-Chek leadership



Diagnostics

Complete portfolio of innovative products

Grow and strengthen Accu-Chek brand

- state-of-the-art products
- cross leverage blood glucose monitoring, insulin delivery and data management



Differentiation through innovation



Continuous Strip



Measuring Needle



Lancing Strip

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Accu-Chek Tape Cassette

When the future becomes reality



Diagnostics



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Centralized Diagnostics: Gain leadership in Immunochemistry

Building on existing systems, striving for novel solutions



Diagnostics

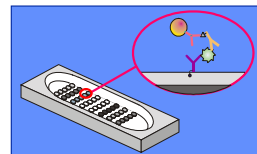
Complexity and cost reduction

- consolidate technologies, platforms and reagents
- tailor made solutions – integrating all parts of the process chain
- leverage “Serum Work Area” to gain market leadership in Immunochemistry



New technologies/ marker discovery

- develop new system technology to obtain competitive edge
- develop and commercialize new, high-value tests



Protein Array (IMPACT)

Immunological **M**ulti-**P**arameter **C**hip **T**echnique

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Molecular Diagnostics: Capitalize expertise to shape emerging markets

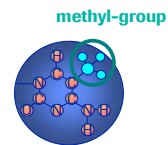
Grow and strengthen market leadership

- develop new market segments
 - early detection/ screening
 - monitoring disease/ relapse
- expand blood screening
- provide fully automated solutions



New technologies/ marker discovery

- real-time PCR
- microarray
- methylation



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Near Patient Testing: Driving decentralization of testing

Grow and strengthen market leadership

- capitalize broad menu reach
- health-economic cost-benefit studies



+

Integrating broad menu with convenient systems

- simplified products
- integrated uniform platform for acute diagnostics



+



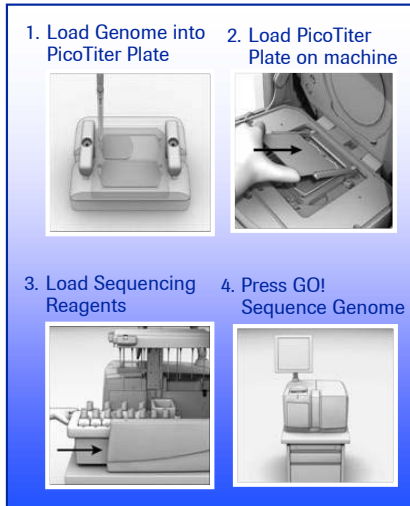
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Applied Science and 454 Life Sciences

Exclusive agreement enabling scientific discovery



Diagnostics



- Complete System: instrument, reagents and software
- Applications for de-novo and re-sequencing of DNA
- Ultra high throughput
 - 20 m nucleotide bases per 4 hr run
- ~100 times faster, up to 90 % less expensive than current approaches
- Time to result performance enables new applications
 - large scale comparative of whole genome sequencing
 - large scale sequencing of PCR amplicons

For research use only

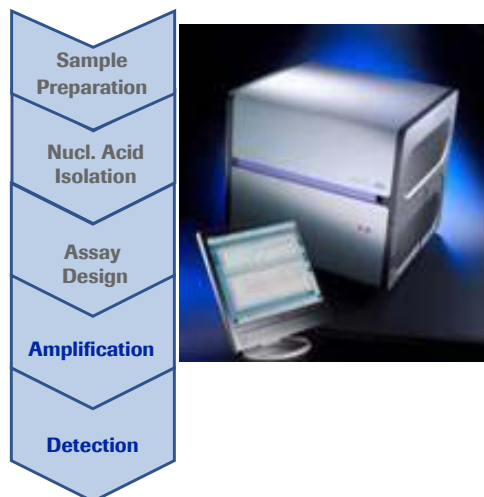
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LightCycler 480

Modular high throughput real-time PCR system



Diagnostics



- Complete modular instrument
 - 96 / 384
- Applications include
 - disease research
 - array validation and target identification
 - gene knockdown verification
- Main benefits
 - performance
 - accuracy at high speed
 - versatility through modularity
 - exchangeable blocks
 - data analysis modules

For research use only

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2. Shape diagnostic market

Focusing on disease areas with highest unmet diagnostic needs

Oncology	Inf. Diseases	Cardiovascular	Infl/ Bone	Metabolic
Colon Cancer	HIV	Coronary artery disease	Osteoporosis	Diabetes
Breast Cancer	Hepatitis	Chronic heart failure	Rheumatoid Arthritis	Pharmacogenomics
Lung Cancer	CMV			
Prostate	TORCH			
Leukemia/ Lymphoma	HPV			
	Sepsis			
	Blood Screening			

Disease Areas may contain launched products and/ or products under development



Oncology research program based on clinical need, medical value and technology match

Cancer site	Screening	Diagnosis	Relapse prediction	Therapy prediction	Monitoring
Breast					
Colon					
Prostate					
Blood/bone marrow					
Liver					
Bladder					
Lung					

TaqMan/ multiplexed PCR
 Microarrays
 Elecsys
 IMPACT (Protein Array)

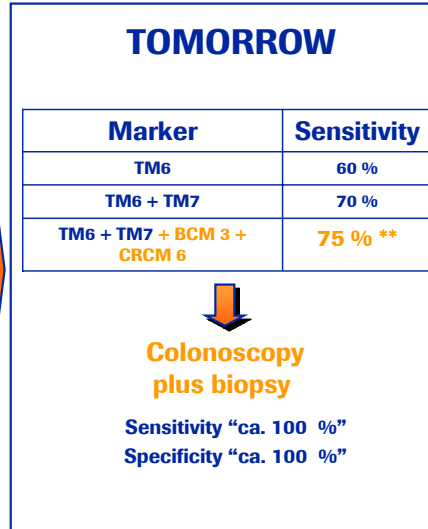
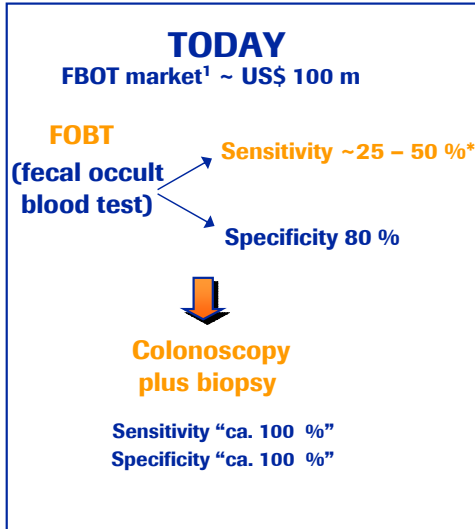
No. targets: 1-10 1000 - 100,000 1- 3 Up to 20 ²⁰

Proteomics program: Colorectal Cancer

Promising novel markers identified



Diagnostics



¹ Source: company reports

* FOBT sensitivity: Collins et al. Annals Internal Medicine 2005; 142: 81 Imperiale et al. NEJM 2004; 351:2704

** preliminary internal results comparing cancer against healthy in validation set only

Genomics program: Leukemia



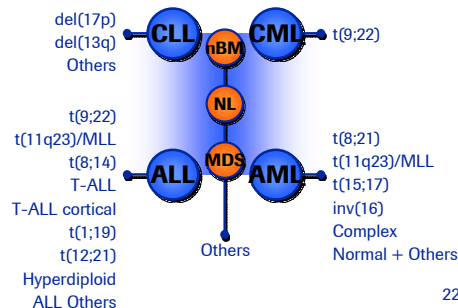
Diagnostics

Need for better diagnosis

- Heterogeneous disease caused by genetic abnormalities
- Distinction between chronic, acute and sub-classifications essential for successful treatment (~20 subgroups)
- No single test currently sufficient to establish diagnosis
- Current tests (approx. 8) subjective, with up to 7 days turnaround
- Lack standardization and automation, and require highly skilled staff

Leukaemia Microarray

- sub-classification of major leukaemia classes
- potential to replace other research methods/ technologies
- research program '05/ '06

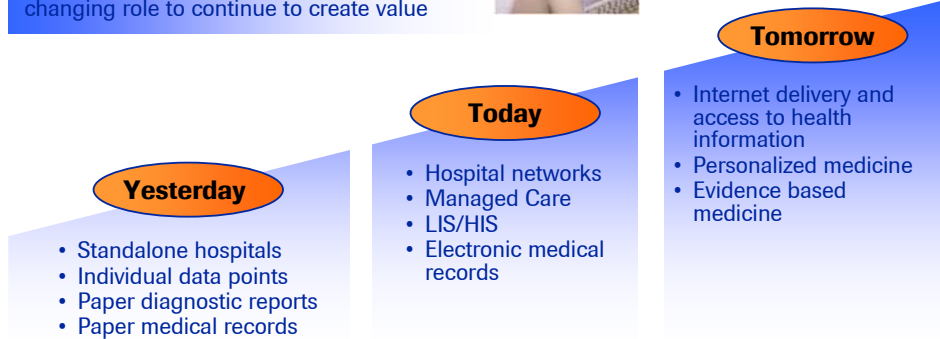


3. Stretch: Emergence of New Roles

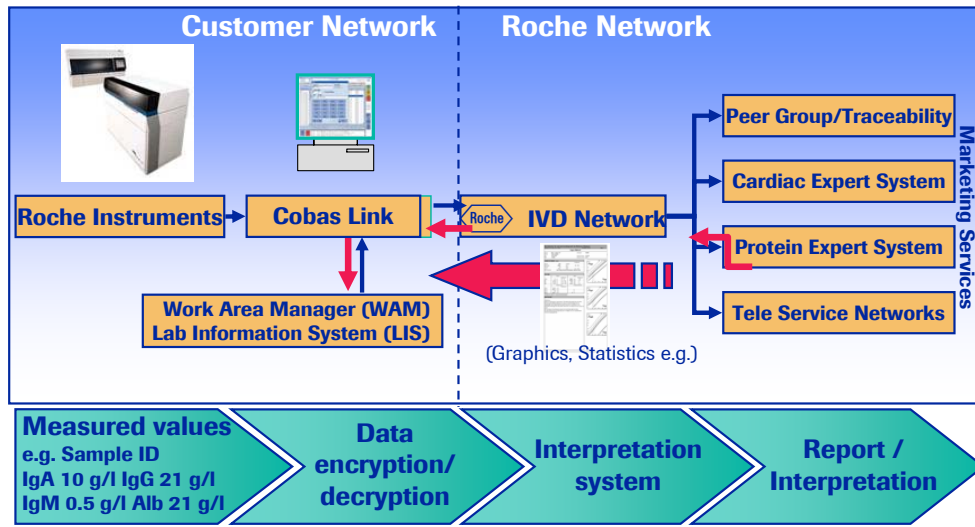
Why is Actionable Health Information important?

The Challenge

As healthcare delivery becomes more integrated and information based, traditional players risk commoditization. Traditional players must participate in the changing role to continue to create value



Roche IVD Network *Stepping into new business*



WAM examples include DataCare, OmniLink, cobas IT 1000
LIS examples include Omega 1000

Diagnostics – a significant part of Roche

Strategy to create and expand markets

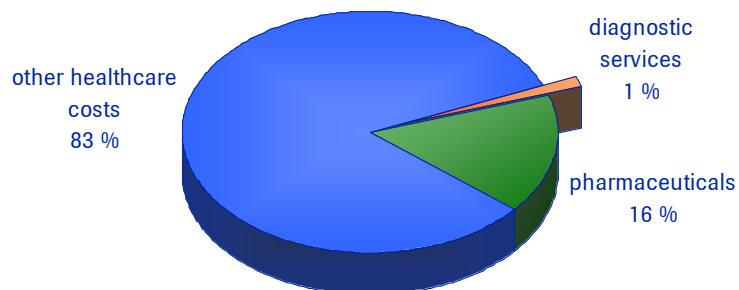
Market trends

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IVD testing <1 % of healthcare care spend

.. but influences 60-70 % of medical decisions

World-wide healthcare spend \$2,500 bn



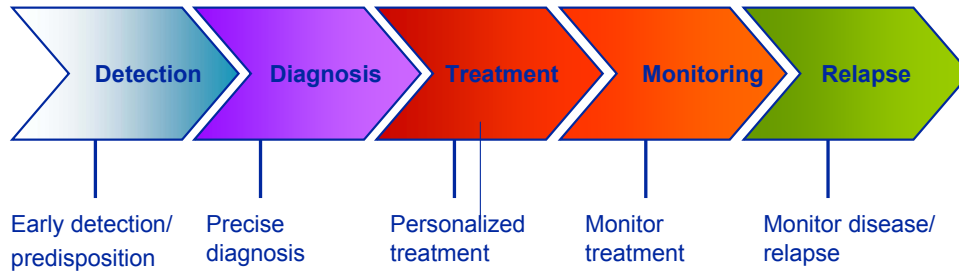
Diagnostics will gain in importance and market potential as therapies and use of resources are optimized

The Diagnostics solution



Diagnostics

- Healthcare systems are looking to save money
- Diagnostics saves across the entire healthcare spectrum



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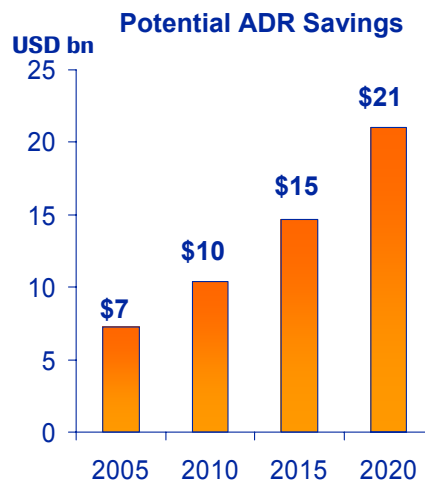
Diagnostics value proposition



Diagnostics

Tailoring medicine for efficient healthcare

- Over 2 million adverse drug reactions (ADRs) per year
- AmpliChip CYP450 could cut costs in 44 % of cases
- US health spending forecast growth 7.3 % per annum
- US health care system could potentially save \$21 bn by 2020



Calculation:

Total ADRs
 ADRs associated with drug metabolized by CYP450 Enzyme (75 % of 59% x total ADRs)
 Cost per ADR (from above)

2'000'000 Lazarou et al
 885'000 Phillips et. al.
 \$4'685 Classen et. al

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Roche will drive the change



Diagnostics

- Diagnostics makes healthcare more efficient
- Tests that save healthcare budgets can command higher prices
- Roche can contribute across the healthcare spectrum
- We are focusing on high value based pricing models

Modern diagnostics will address two of today's major healthcare challenges: cost and safety

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Diagnostics

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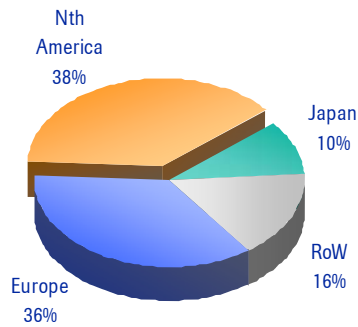
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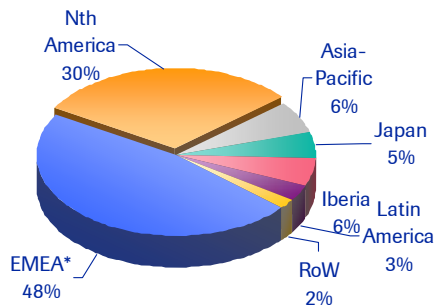
Roche Diagnostics

US market represents large opportunity

**IVD market 2004
US \$28.5 bn**



**Roche Diagnostics 2004
CHF 7.8 bn**



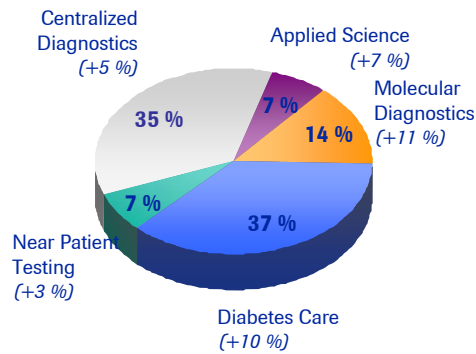
* Europe, Middle East and Africa (ex. Iberia)



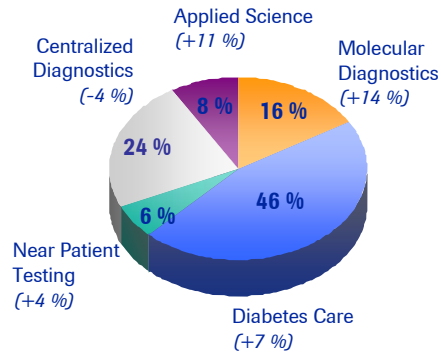
Sales by Business Areas

Roche US growing above local market

**Roche Total Diagnostics sales 2004
CHF 7.8 billion (+8 %)**



**Roche US Diagnostics sales 2004
US\$ 2.4 billion (+6 %)**



Growth in local currencies

Roche Diagnostics

Market leader in all key regions



Market share 2004

	USA		Europe*		Japan		APAC	
1	Roche	(14%)	Roche	(28%)	Roche	(10%)	Roche	(19%)
2	J&J	(13%)	Abbott	(13%)	Abbott	(9%)	Abbott	(13%)
3	Abbott	(11%)	Bayer	(9%)	Sysmex	(8%)	Bayer	(7%)

* Europe, Middle East and Africa (excl. Iberia)
 ** includes industrial business

Source: Roche analysis, Company reports

Top 8 leading product groups (75 % of sales)



New products driving growth in each segment



WW market rank	U.S. market rank	Product (s)	Market segment
1	2	Accu-Chek meters	Blood glucose monitoring
1	3	cobas c	Clinical Chemistry (including COBAS INTEGRA products, RD/ Hitachi systems and MODULAR clin chem systems)
2	7	cobas e	Immunochemistry (Elecsys & E170 products)
1	1	Amplicor HIV, HCV, HBV	Molecular Diagnostics - Virology
1	2	AmpliScreen	NAT Blood Screening
2	2	Accu-Chek pumps and infusion systems	Insulin pump business
1	1	CoaguChek	Coagulation monitoring (POCT)
3	4	OMNI	Blood gas & electrolytes (POCT)

Source: Roche analysis, Company reports

US market

Growth drivers and challenges

Centralized Diagnostics

- Introduce next generation SWA systems - cobas 6000
- Gain Immunochemistry market share
- Expand menu of high value test

Molecular Diagnostics

- Establish pharmacogenomics market - AmpliChip CYP450
- Develop HPV testing market - file Amplicor HPV Test
- Expand NAT blood screening business

Near Patient Testing (POCT)

- Drive reimbursement coagulation patient self-testing
- Increase OMNI S penetration
- Expand Hospital glucose

Diabetes Care

- Renew glucose portfolio through launch Accu-Chek Aviva and Accu-Chek Compact Plus
- Re-enter insulin pump market with Accu-Chek Spirit