



# **Focusing on Differentiated Medicine**

*Roche's position in the changing healthcare environment*

**Sanford C. Bernstein's**

**20th Annual Strategic Decisions Conference**

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*New York, June 2<sup>nd</sup> 2004*

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# The Changing Healthcare Environment

Roche - growth from differentiated medicine

# Our view of the Healthcare market

## *A changing environment*

### Market Profitability and Growth

- Increasing pressure on drug pricing and healthcare costs - requires clear clinical differentiation of products

### R&D Costs and Productivity

- Investment in new technologies needed to stay competitive
- High value and risk minimized phase III products

### R&D Structure

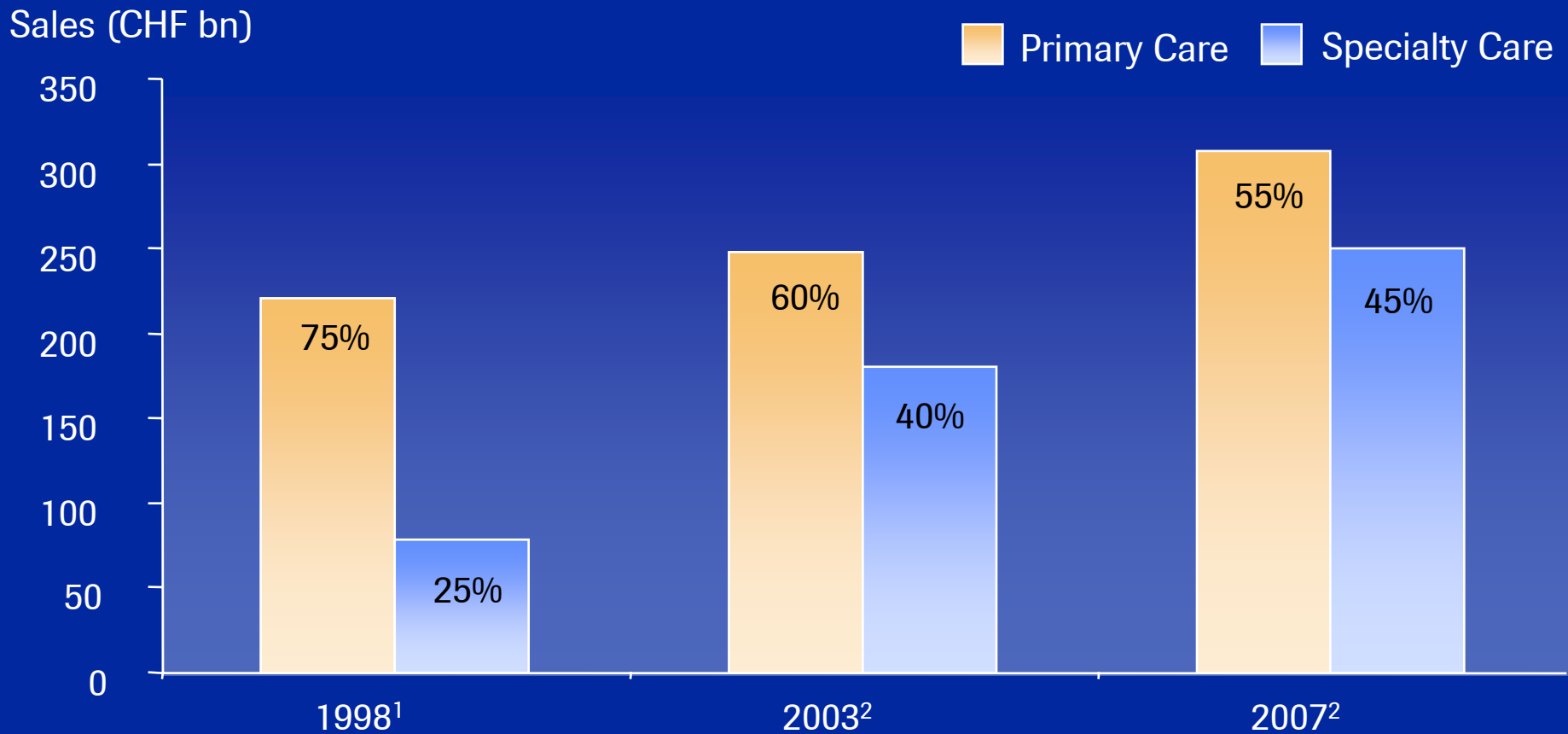
- Mega- Mergers may not enhance R&D productivity
- Decentralized and manageable R&D units enhance innovation

### Integrated Healthcare

- Early diagnosis, treatment selection and therapeutic monitoring will be a competitive advantage

# More treatments initiated in hospitals

Definition based on where treatments are initiated (GP vs. hospital specialist) as opposed to where a sale happens (retail vs. hospital)

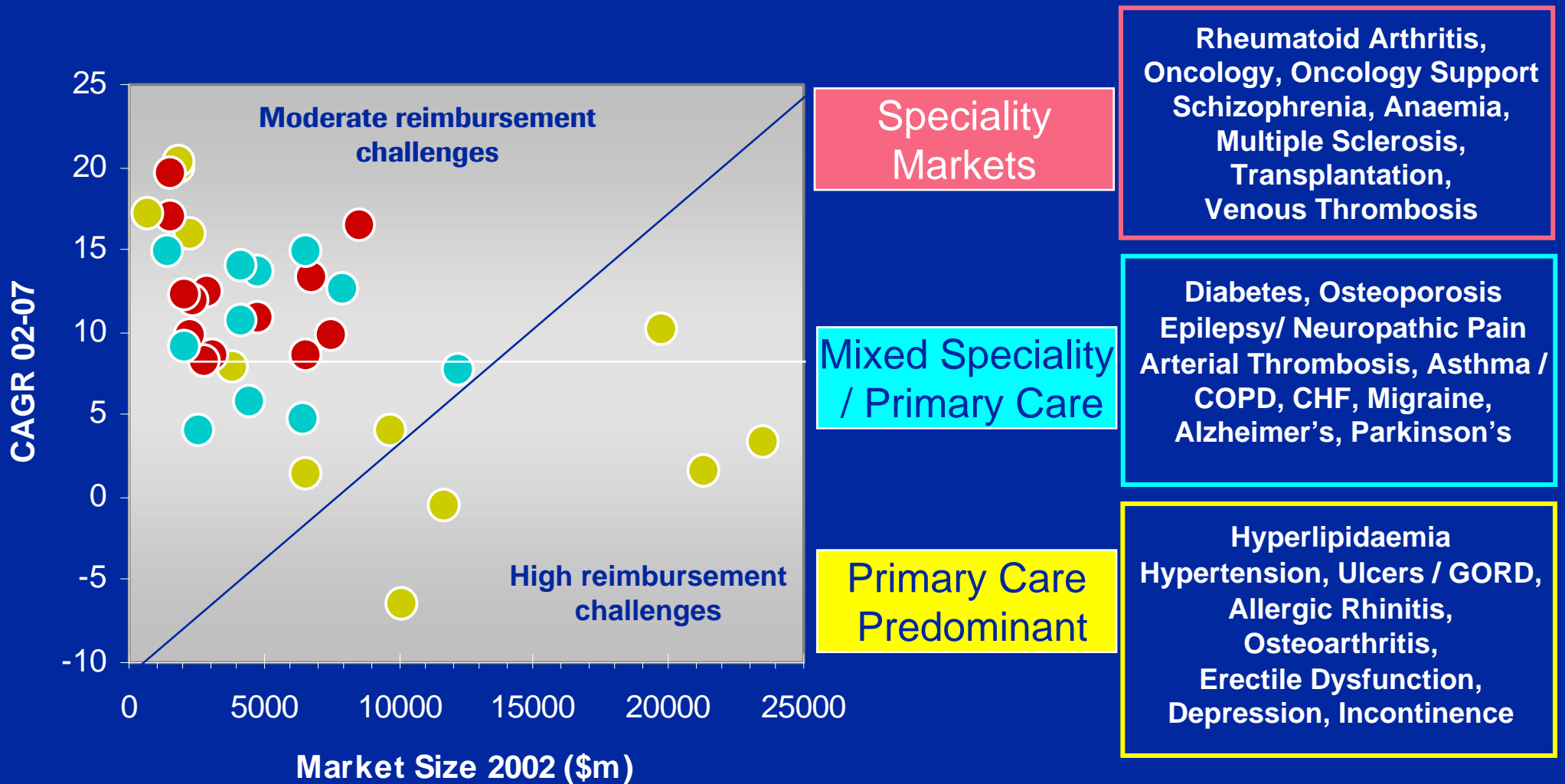


1. Based on IMS (top 200 drugs worldwide)

2. Based on Wood Mackenzie bottom-up forecasts which account for c. 75 % of top-down estimates of global Pharma market – (CHF 510bn)

Source: Wood Mackenzie, IMS, Marakon analysis

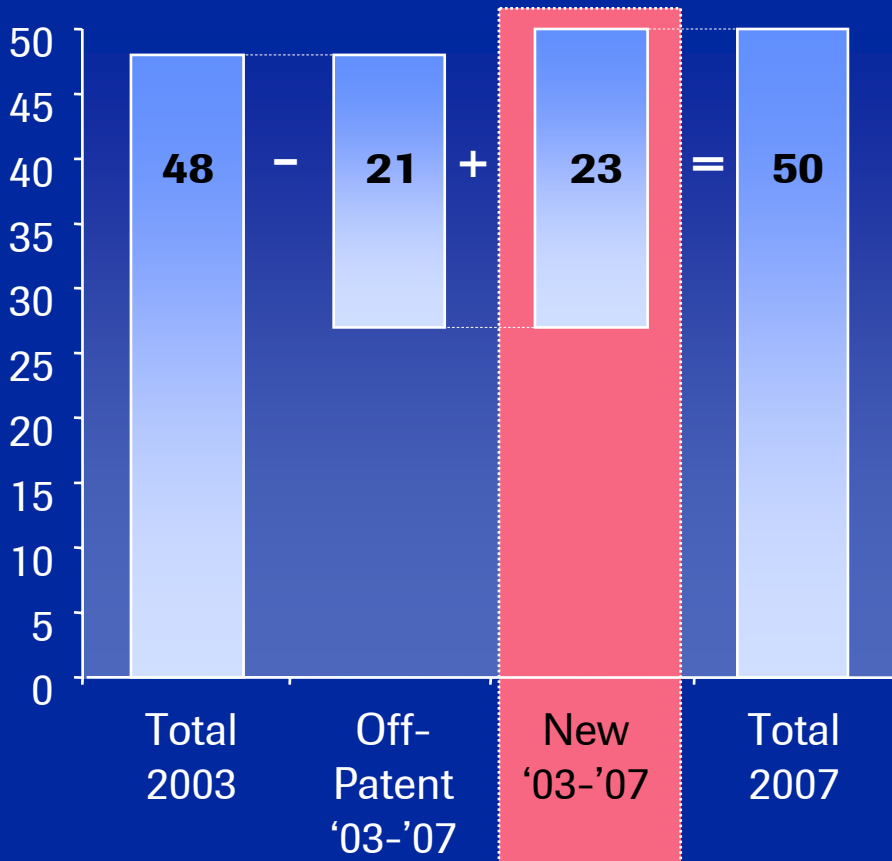
# More re-imburement challenges likely in primary care markets



# Increased number of blockbusters coming from Specialty Care

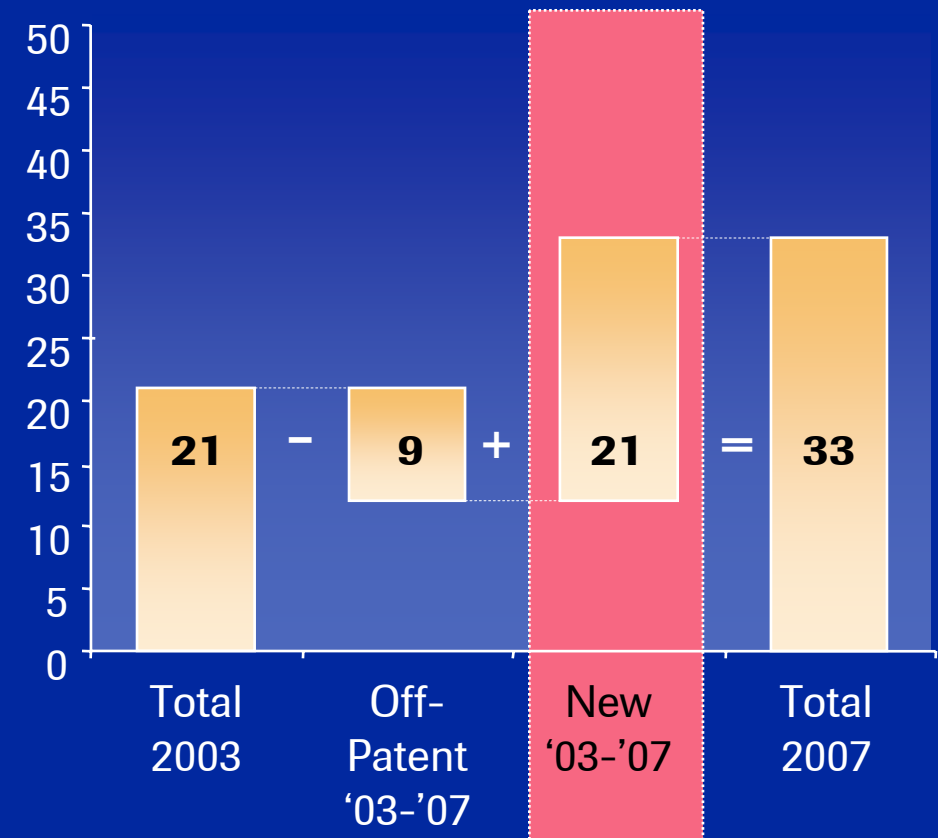
**Total # Primary Care Blockbusters is projected to be stable**

# of Blockbusters



**Total # Specialty Care Blockbusters is projected to grow significantly**

# of Blockbusters



Note: Blockbusters defined as global sales > USD 1.0bn = CHF 1.4bn based on Wood Mackenzie definition  
 Source: Wood Mackenzie 2003, Brokers reports, Marakon analysis

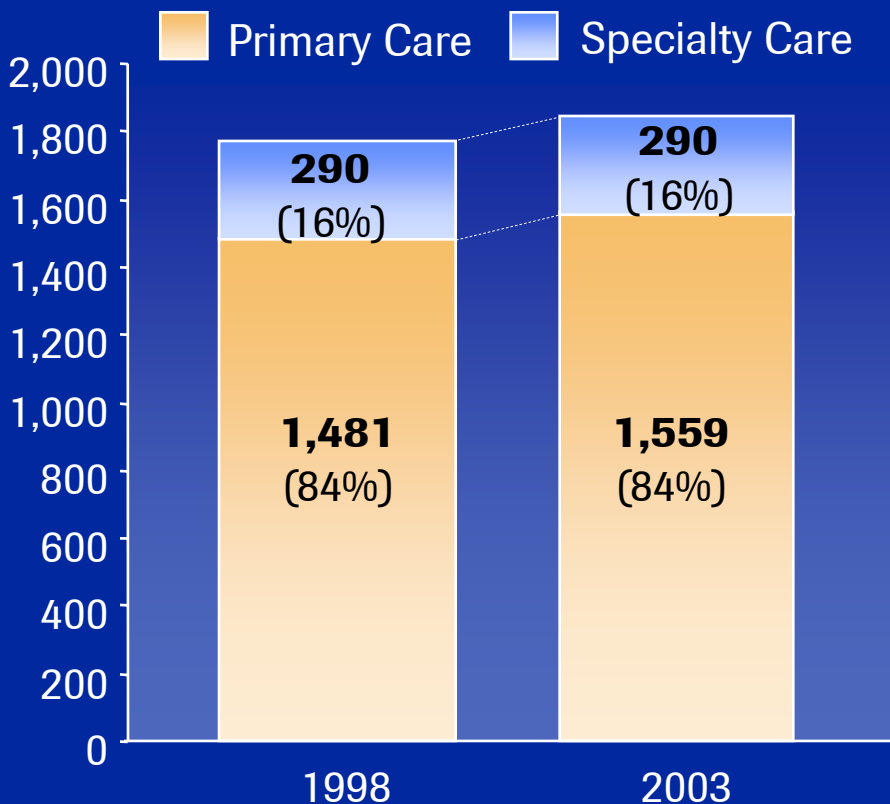
# Differentiated products enable higher prices



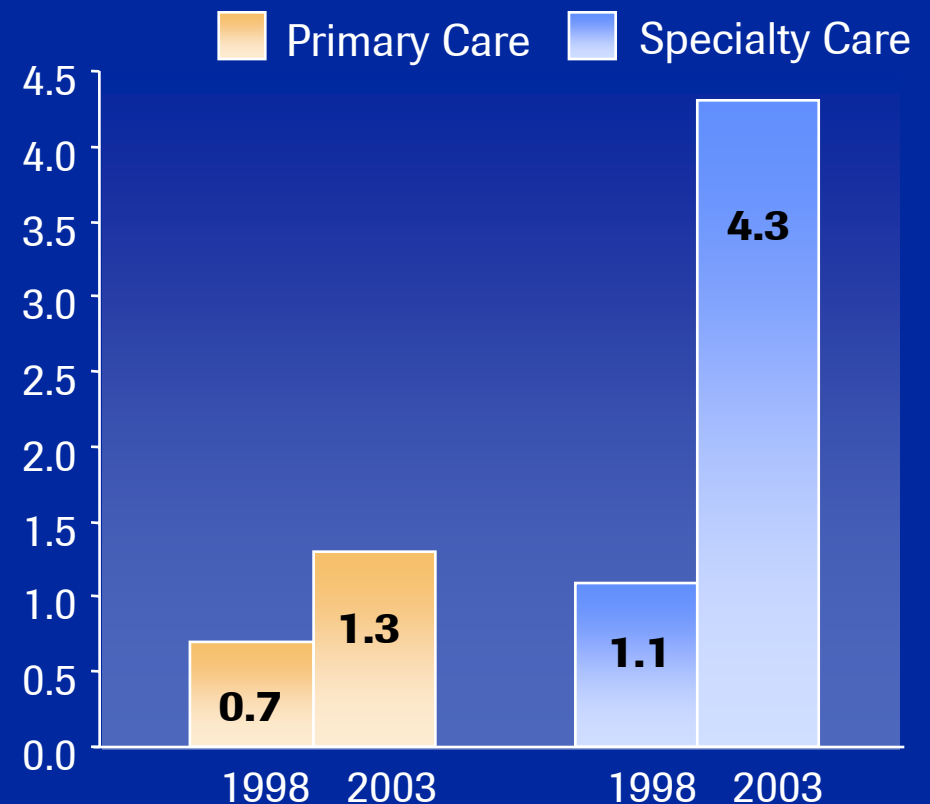
Specialty Care volume is not changing...

... but price per unit is higher for Specialty Care and has grown faster

Volume  
(Stand. Units bn)

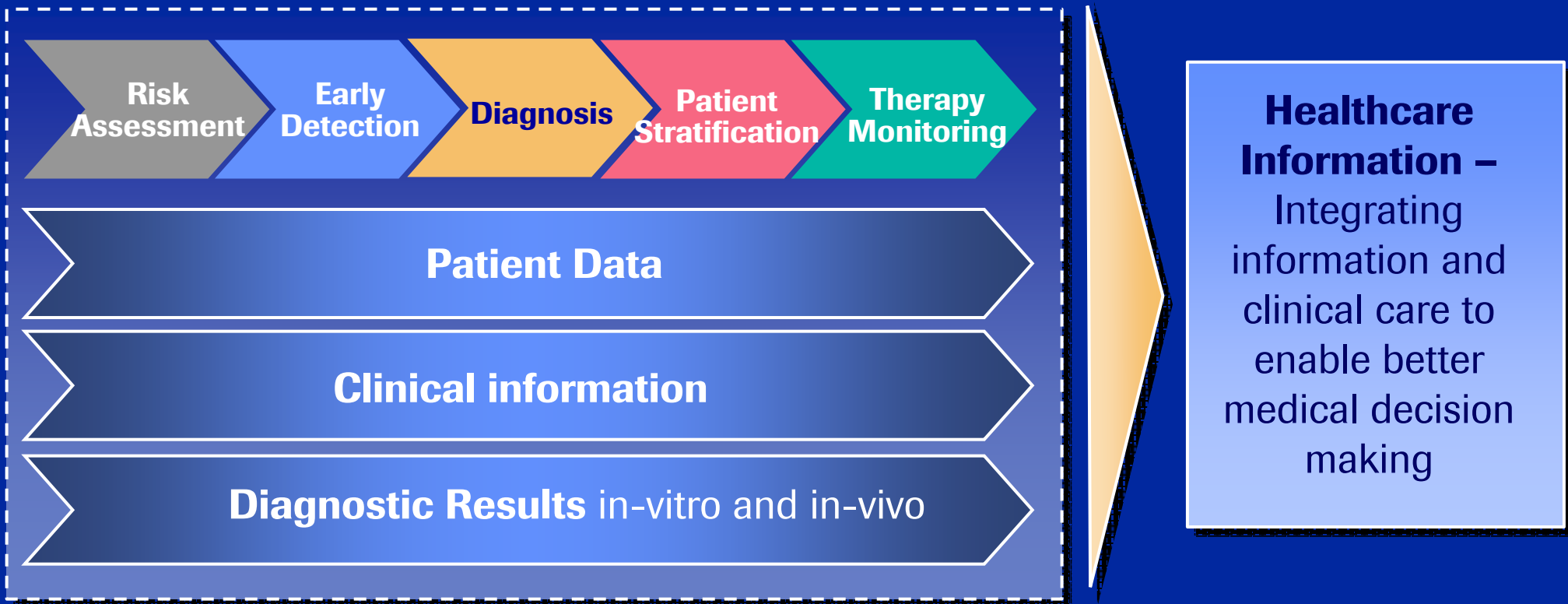


Av. Price per Unit<sup>1</sup> (CHF)



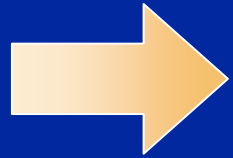
1. Standard unit defined as 'Number of units' divided by 'Smallest common dose of a product form'. Number of units = Number of tablets, ml or grams sold x number of packages sold x Size of package.  
Source: IMS (top 200 drugs worldwide), Marakon analysis

# Shift towards individualized medicine

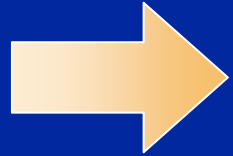


# Differentiated medicine

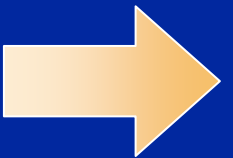
*Driven through innovation*



Fewer re-imburement challenges



Lower Sales and Marketing costs

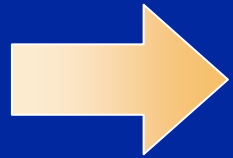


Offer significant sales potential

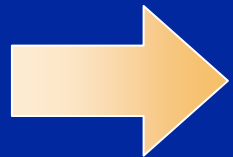
# The Changing Healthcare Environment

**Roche - growth from differentiated medicine**

# Roche is back to a strong growth performance



We outperformed the market with our key brands in all major territories in 2003



We have the portfolio to perform into the future

# Roche's Strategy



**Maximize existing assets**

**Optimize R&D  
Operations**

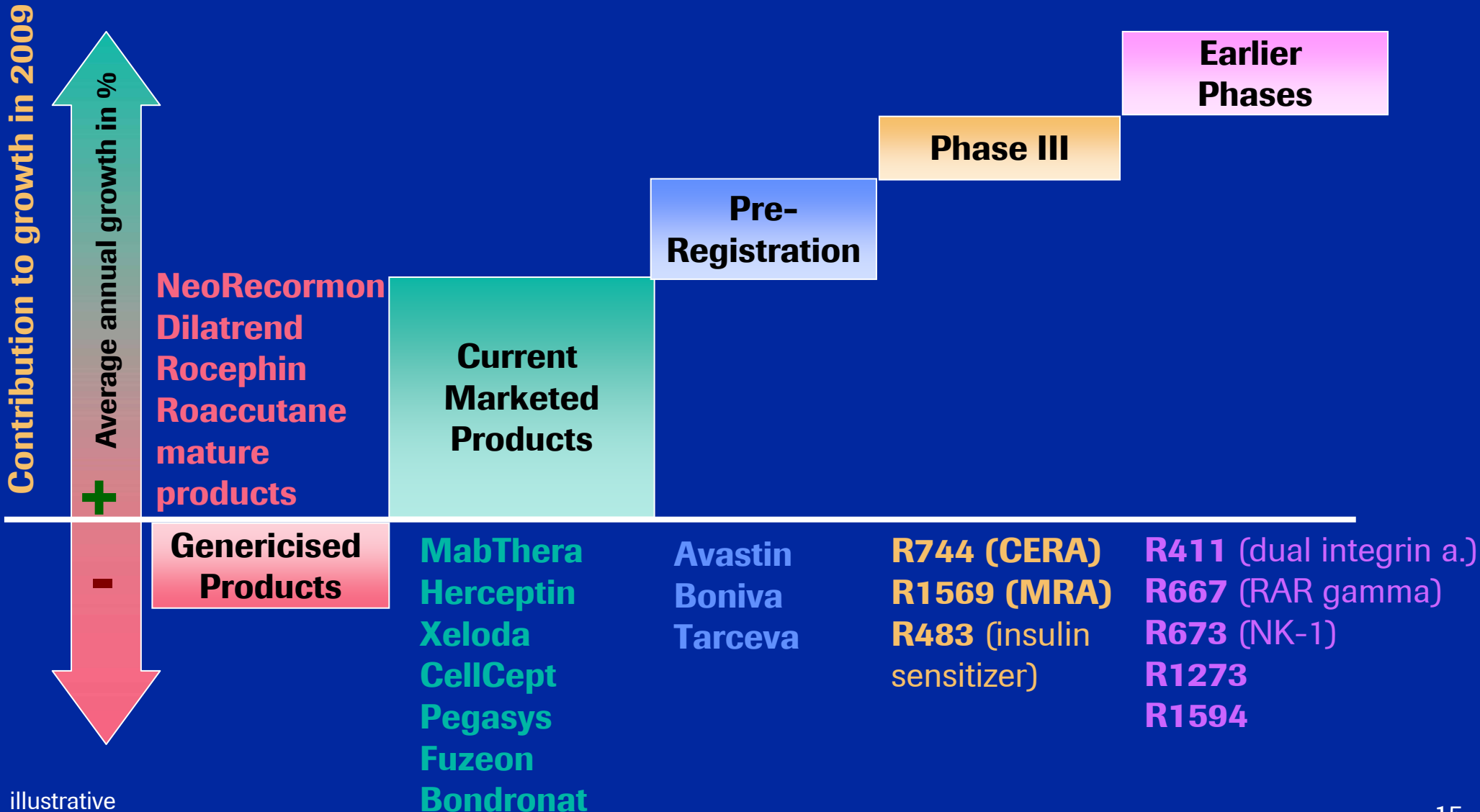
**Medically  
Differentiated  
products**

**Utilize external  
sources  
of Innovation**

**Group Strategy (Hub & Spokes)**

# Next 5-yr growth coming from tangible assets

*Supported by products with low development risk*



illustrative

# Strong presence in Specialty Care

*Growing brands in key franchises*

## Hepatitis

Pegasys  
Copegus

## Oncology

MabThera  
Herceptin  
Xeloda  
Avastin  
Tarceva

## Anaemia

NeoRecormon  
R744 (CERA)

## Transplant

CellCept

## Rheumatoid Arthritis

MRA  
MabThera

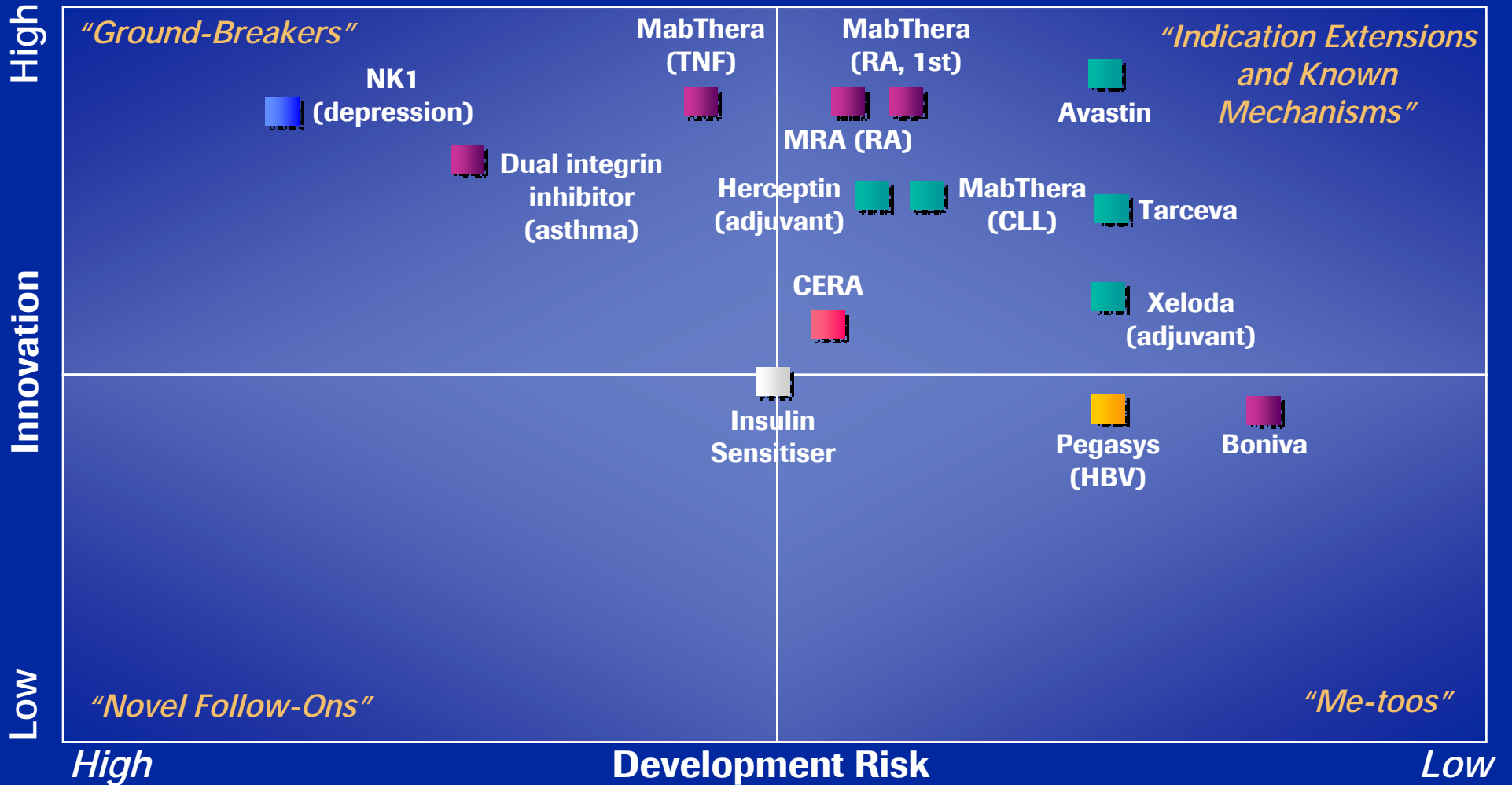
Launched products

Pre-registration or pipeline products

# Roche pipeline

## *Innovative and risk balanced*

### Phase II and III late stage



## Selective entry into primary care

*We will decide on how to proceed, based on differentiation*

### Primary Care

Boniva

R483 (Insulin Sensitizer)

R411 (asthma)

R673 (depression)

**Differentiated products – alone or with a partner**

# Late stage pipeline

Registration (or in preparation)	Full phase III	In preparation for phase III
<p>Boniva</p> <p>Avastin (RoW)</p> <p>Tarceva in NSCLC (relapsed)</p> <p>MabThera (1<sup>st</sup> line iNHL)</p> <p>Pegasys HBV</p>	<p>CERA in anemia (renal)</p> <p>Boniva (iv)</p> <p>MabThera in RA (TNF failures)</p> <p>MRA in RA (J)</p> <p>Lucentis (US)</p>	<p>CERA in oncology</p> <p>MRA in RA (RoW)</p> <p>Avastin CRC adjuvant studies</p> <p>R483 in type 2 diabetes</p>
<p>Pegasys coinfection (HCV/ HIV)</p>	<p>Xeloda adjuvant studies</p> <p>Herceptin adjuvant studies</p> <p>Avastin in various cancers</p> <p>MabThera in CLL</p> <p>MabThera in iNHL maintenance</p>	<p><b>Late phase II</b></p> <p>Tarceva in glioblastoma</p> <p>R411 in asthma</p> <p>MabThera in RA (signs and symptoms)</p>

# Value creation



## *Current*

## *Future*

Xeloda

Herceptin

Avastin

Molecular  
Diagnostics

Pegasys

Diabetes  
Care

NeoRecormon

Immuno-  
Diagnostics

CellCept

MabThera

Boniva

Tarceva

R744 (CERA)

MRA

Insulin sensitizer

MabThera in RA

# Summary

- Challenges of the healthcare system require differentiated medicines
- Relatively low risk growth
- Modest vulnerability to generics
- Specialty Care will continue to be our main business, with key products in key franchises (oncology, hepatitis)
- Selective entry into Primary Care segments - with differentiated medicines