



**Roche:**

*Focusing on high value businesses*

**Dr. Erich Hunziker**

*CFO*

**William M. Burns**

*Head of Pharma*

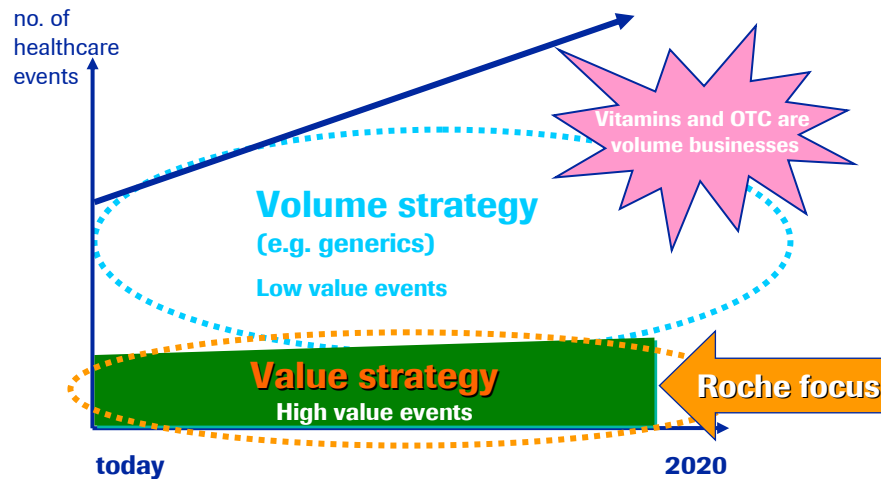
**Presentation to Analysts**

*Basle, July 19th 2004*

## We are focusing on high value businesses



*Roche Consumer Health divestiture rounds up our strategic focus*



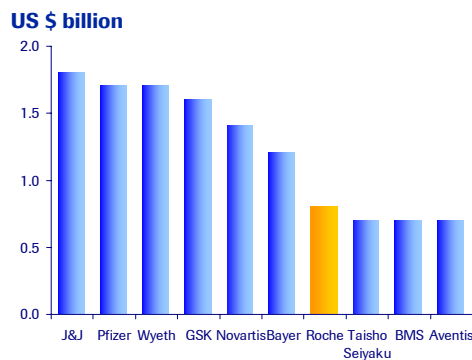
3

## OTC competitive environment



*Roche Consumer Health has the opportunity to become a leader*

### OTC revenues 2003



source: IMS September 2003, Marakon estimates

- OTC market highly fragmented
  - top 10 make up ~1/3 market share
- Industry consolidation a likely scenario
- Various strategic alternatives evaluated:
  - continuation of wholly owned business, with organic growth and investment
  - arms-length solution, with new partner and/ or JV
  - sell to third party

4

## Orlistat OTC US switch license



### *Strategic partner for the US*

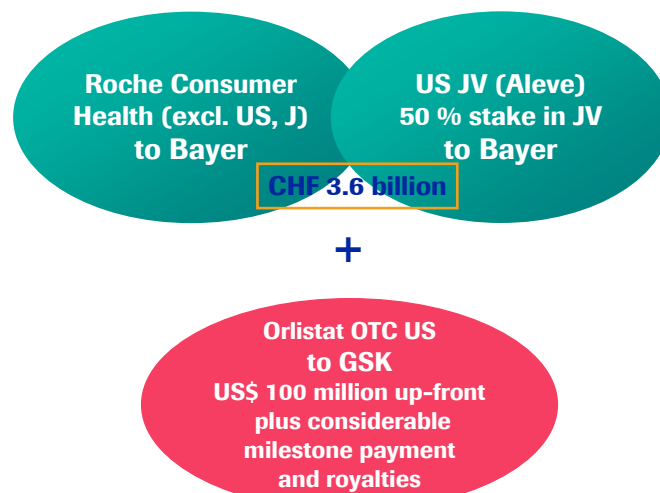
- Weight management market in the US offers substantial business opportunity
- Glaxo will put one of the strongest OTC organizations fully behind Orlistat OTC
- Through royalty stream Roche to participate in value creation from OTC switch

5

## Sharpening focus on pillars of high value creation



### *....and optimizing value of other businesses*



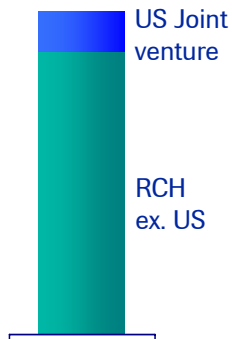
6

## Best solution for Roche & our shareholders

*Maximizing value through Roche Consumer Health divestment*



**Total  
CHF 3.6 billion**



**Implied transaction multiples**

	2003
<b>EV/Sales</b>	<b>2.3</b>
<b>EV/EBIT</b>	<b>14.3</b>
<b>EV/EBITDA</b>	<b>12.5</b>

7

## Focusing on high growth, high margin business



	with RCH	ex. RCH	Δ
<b>Sales growth<sup>1</sup></b>	+19 %	+20 %	+1 %
<b>Operating profit margin<sup>2,3</sup></b>	21.1 %	21.3 %	+0.2 pp
<b>Exceptional book gain</b>	-	CHF 2+ billion	CHF 2+ billion
<b>Cash</b>	-	CHF 3+ billion	CHF 3+ billion

<sup>1</sup> local growth 2003 vs 2002

<sup>2</sup> before exceptional items

<sup>3</sup> FY 2003

8

## The transactions signed

### Summary



#### Business activity

CHF bn

Roche Consumer Health business (incl. US JV) to Bayer	3.6
Orlistat OTC US to GSK (US \$100 million up-front payment)	0.1

<b>Total</b>	<b>3.7</b>
--------------	------------

Plus considerable milestone payment and royalties on Orlistat

9

## Summary



- Strategic focus on high value business implemented
- Maximized value of OTC assets through running a professional and transparent auction process
- Positive effect on margins and growth for the Roche Group
- Deal neutral to accretive on an EPS line
- Strengthened focus on pillars of value creation

10