Roche

# Roche
# Turning innovation into customer benefit

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*UBS Warburg Swiss Alpine Summit*
*Gstaad, Switzerland, 23rd January 2004*

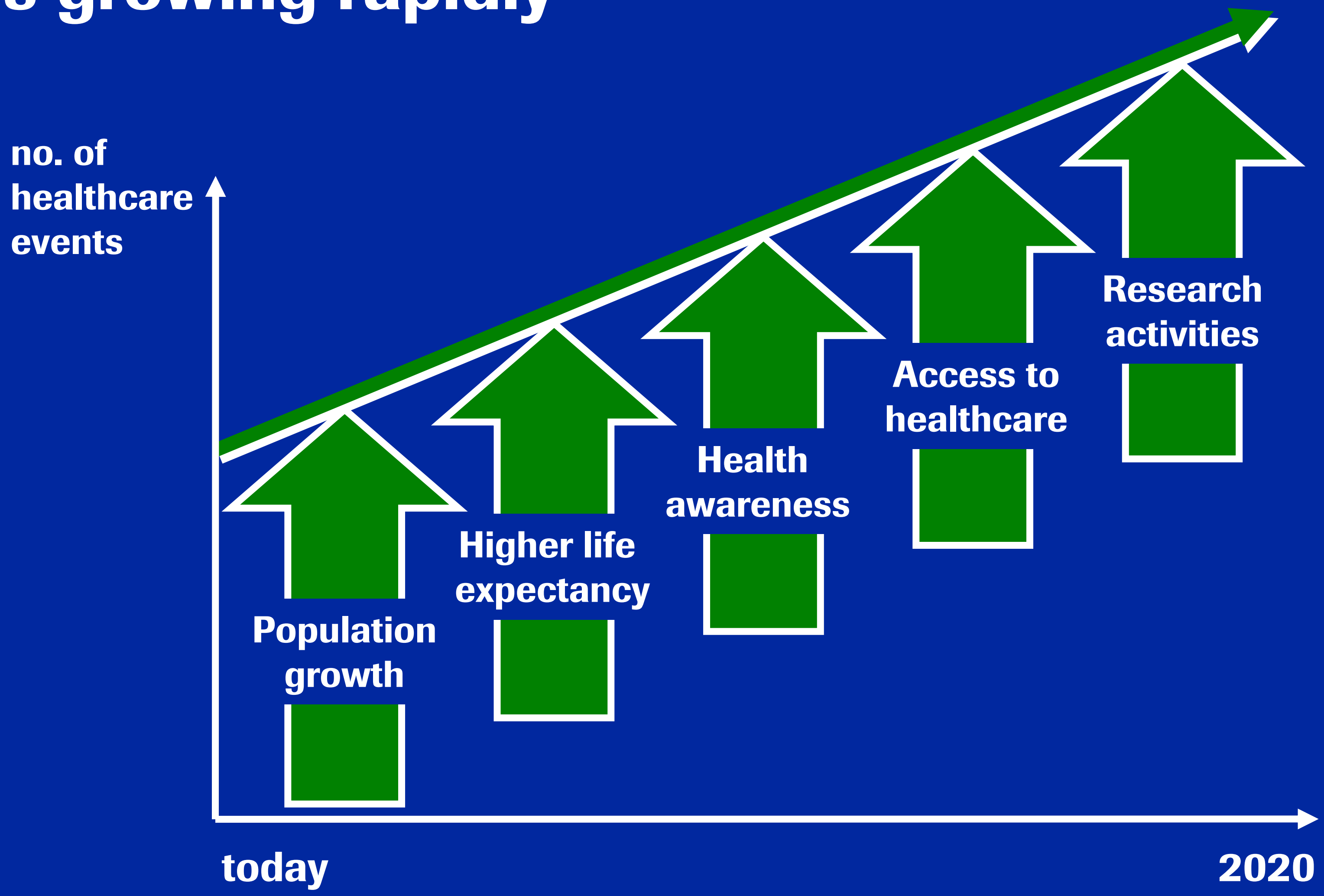
This presentation contains certain forward-looking statements. These forward-looking statements may be identified by words such as “believes”, “expects”, “anticipates”, “projects”, “intends”, “should”, “seeks”, “estimates”, “future” or similar expressions or by discussion of strategy, goals, plans or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

# How does Roche see the development of the healthcare market and the healthcare industry?

# Health - a basic need of mankind - now and in the future

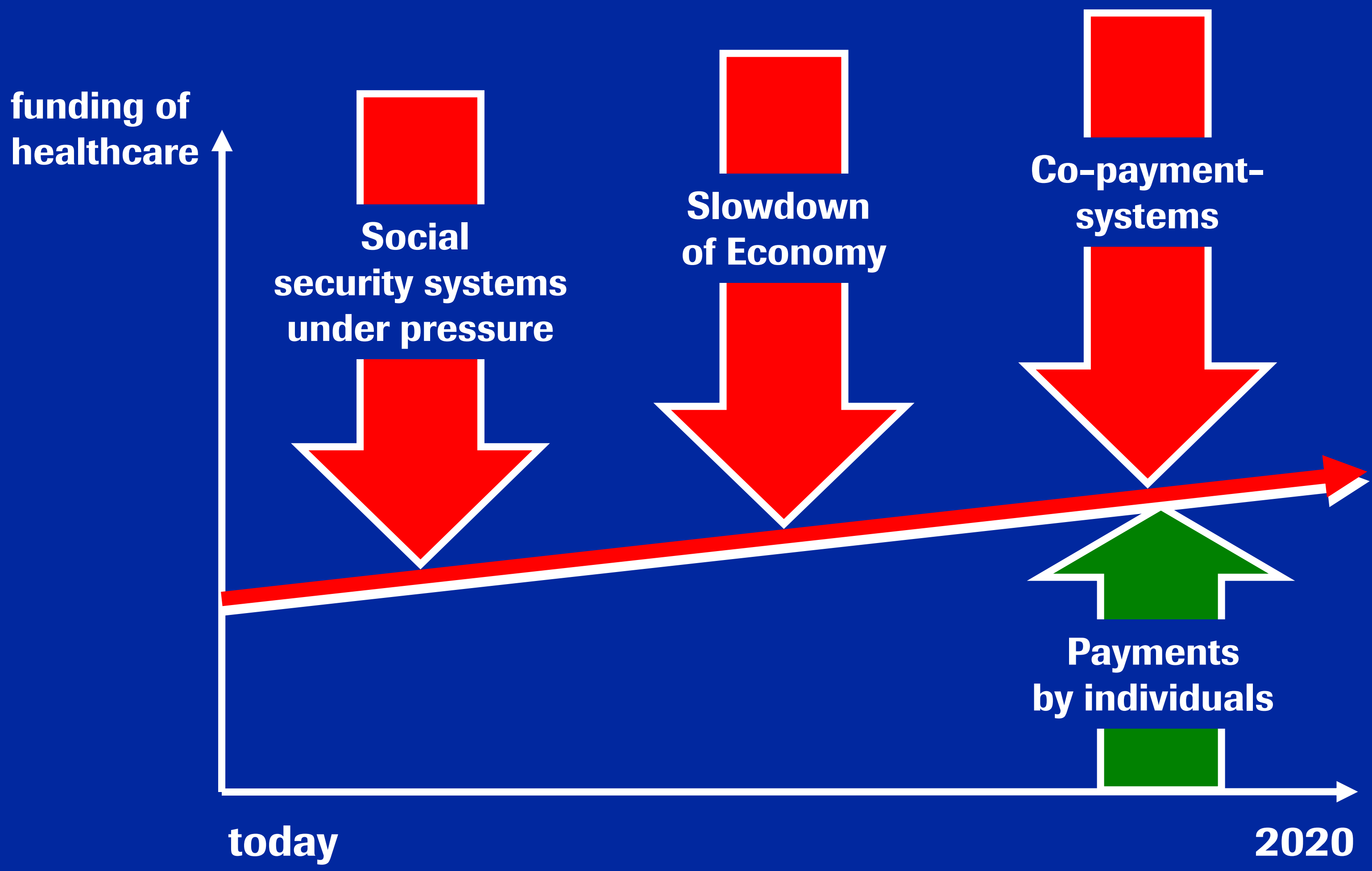

**"Healthcare events" dominate or at least influence the life of most people**

# The number of healthcare events is growing rapidly

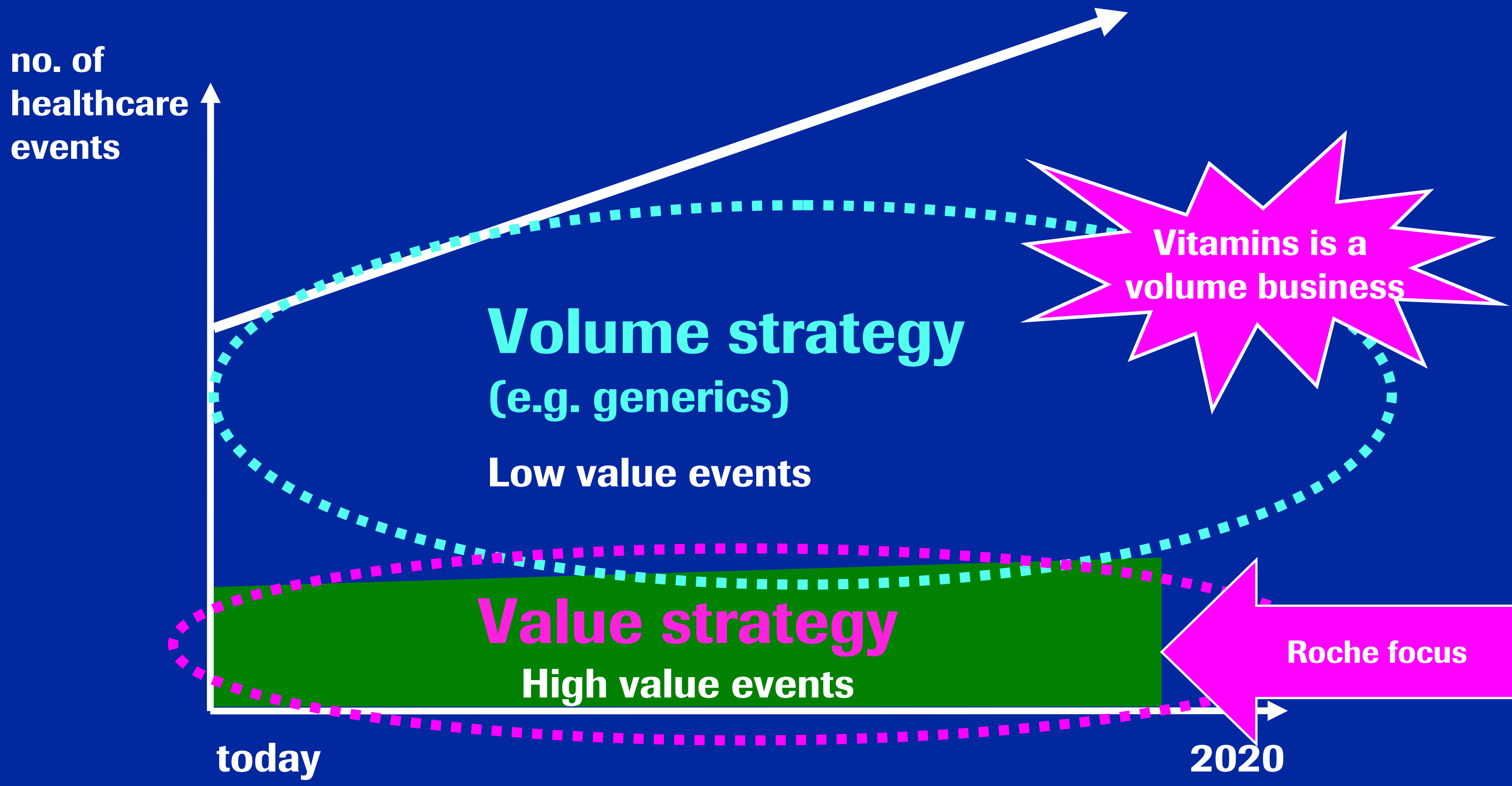


# Who will pay for all this?

*The funds available are increasing only slowly*

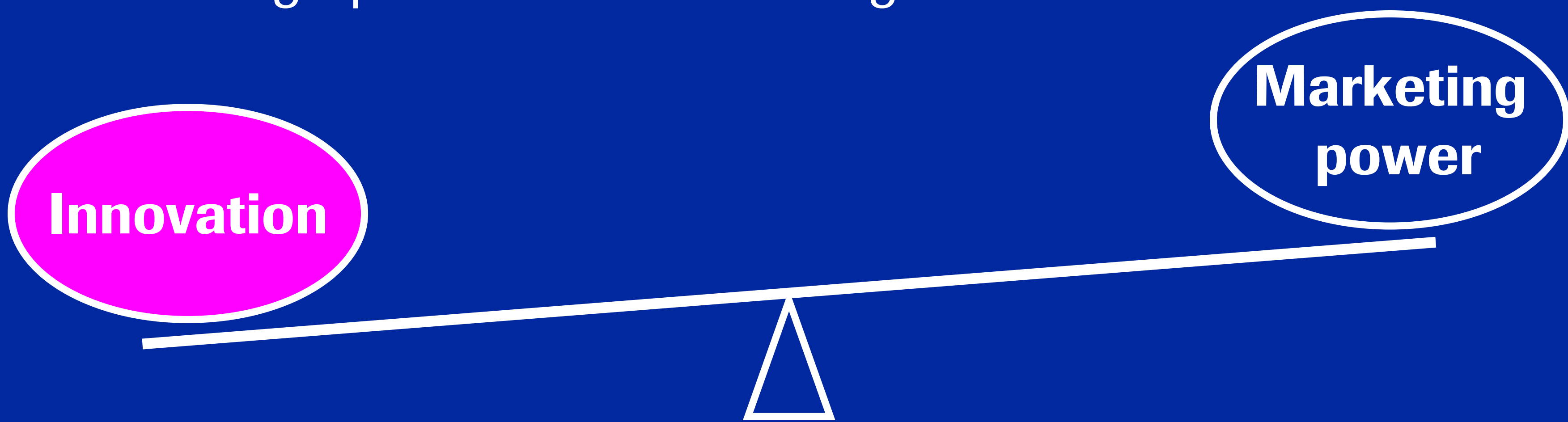


# Companies can be successful in both value segments



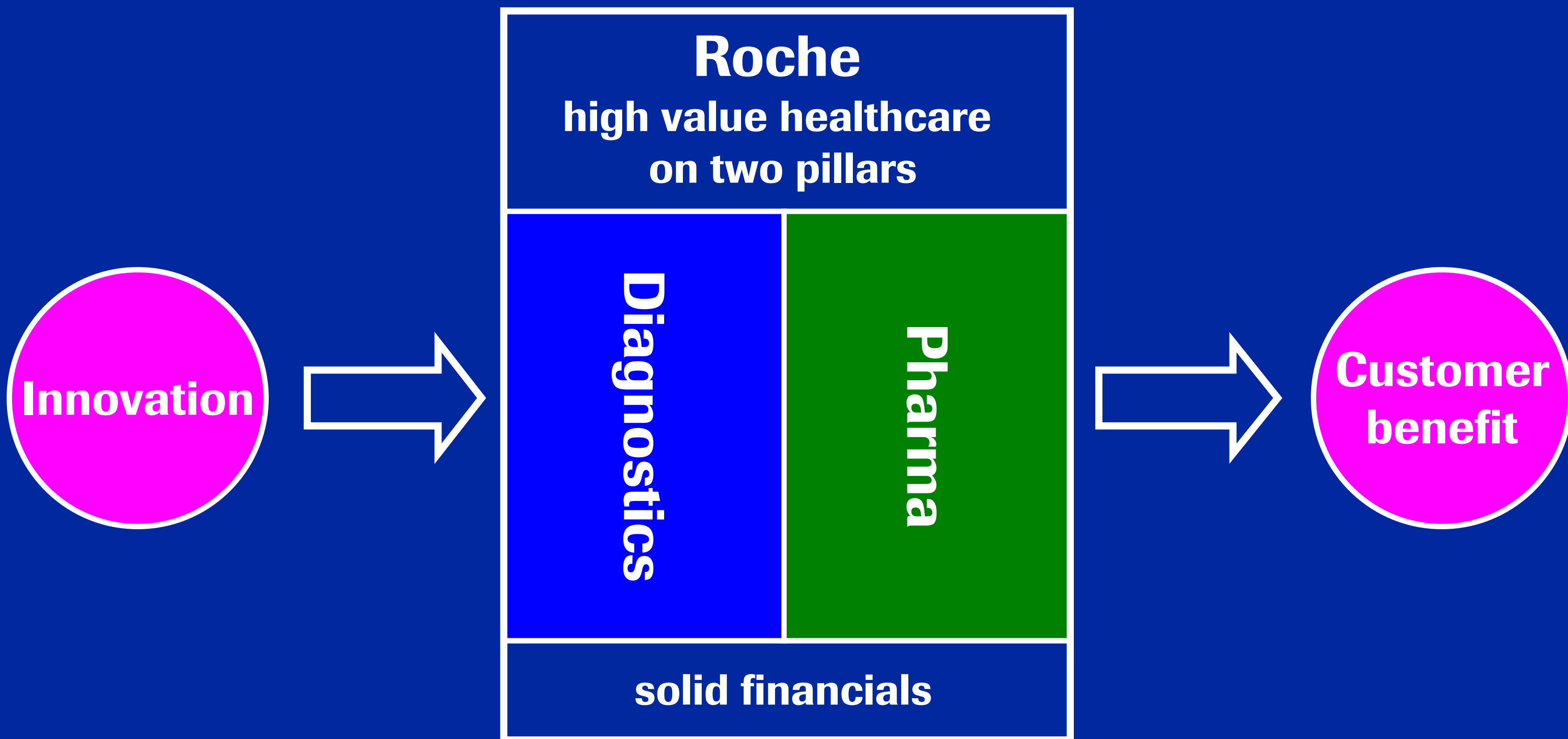
# What is the critical factor to be successful with a high value strategy?

Only if we create real proven benefit for the customer, we achieve a high price and therefore high value




**Innovation is the key driver in high value healthcare**

# Roche has decided to pursuing a high value strategy – controlling the whole value chain !

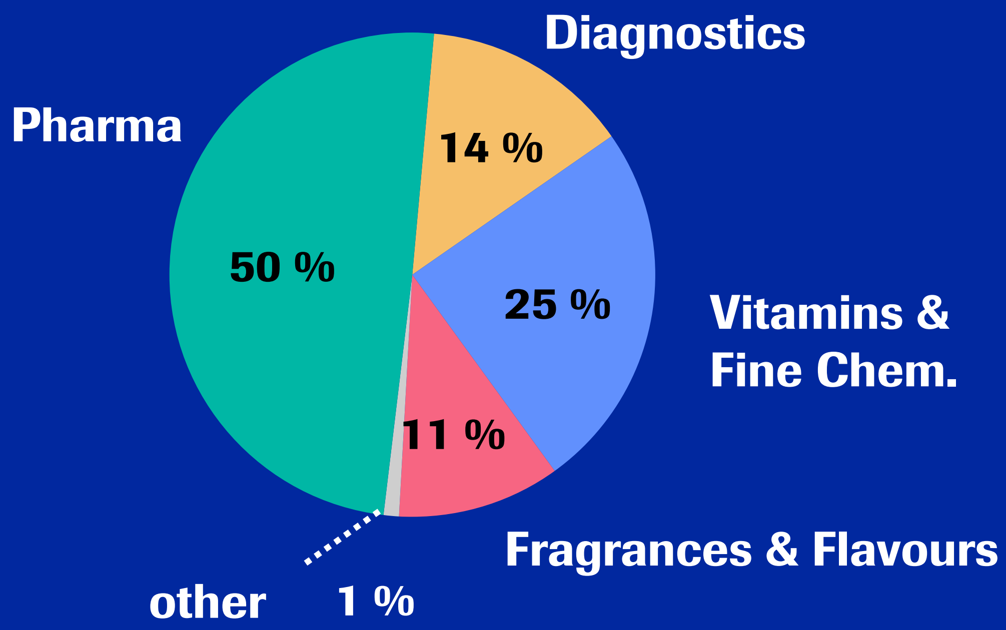



**Turning innovation into customer benefit**

# Roche is actively shaping its future

## *… by disposing of 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
Actelion
Novuspharma
**Fragrances & Flavours; Givaudan (2000)**
Basilea
BioXell
**Vitamins & Fine Chemicals (2003)**

# Roche is actively shaping its future

## *… through acquisitions as well*

Roche

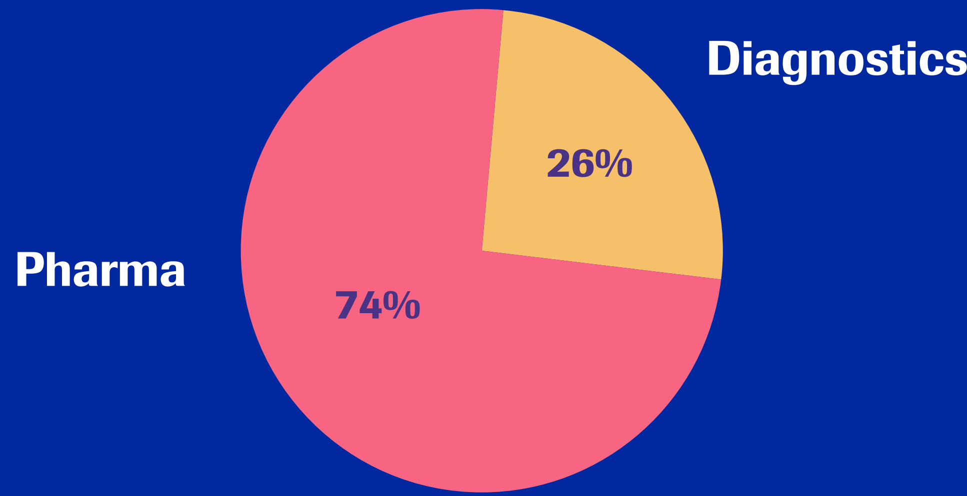
**+ Acquisitions**

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

* we expect this transaction to close first quarter '04

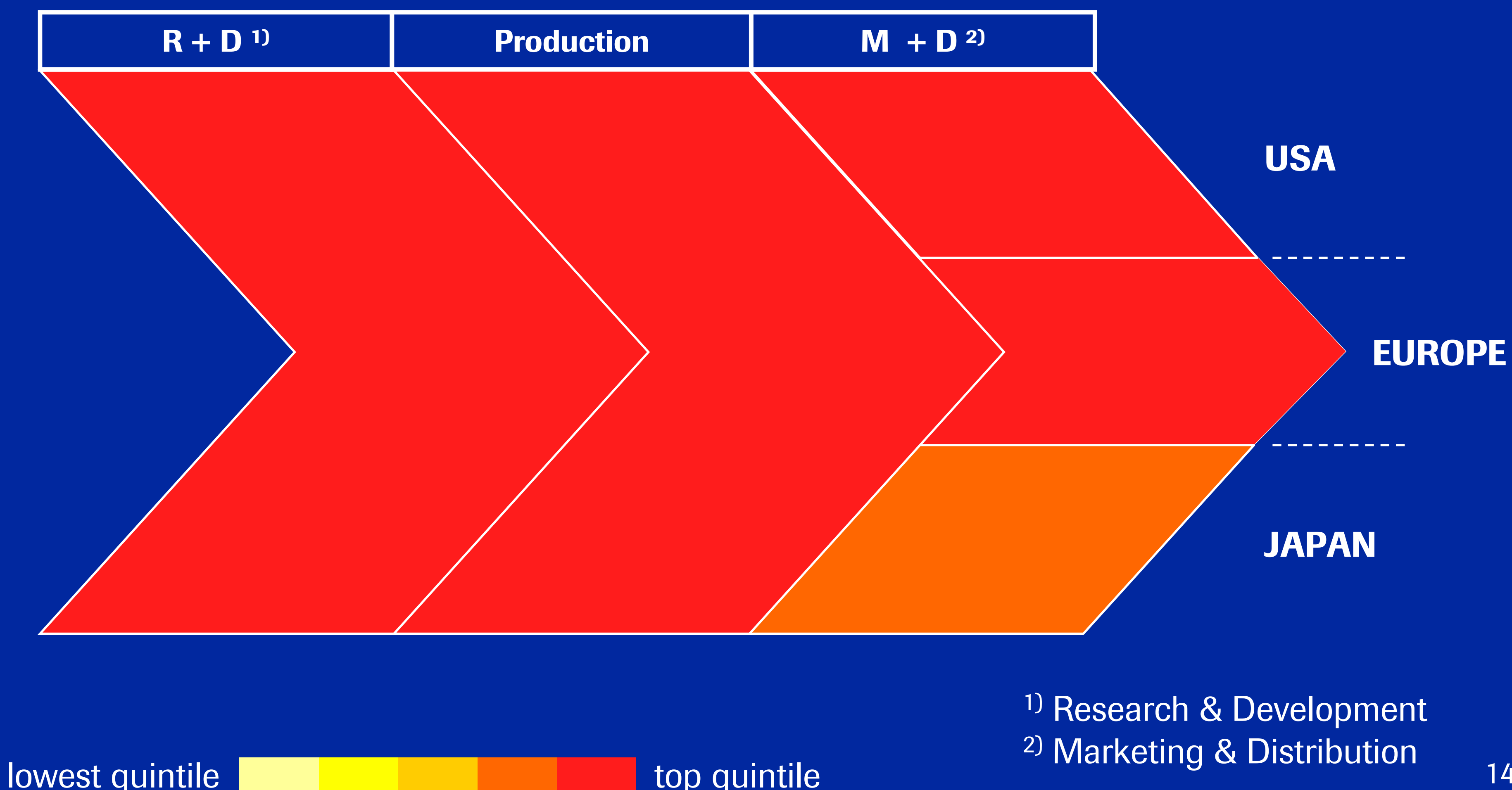
**Result nine months 2003**

**CHF 21.2 billion**



# Diagnostics Division

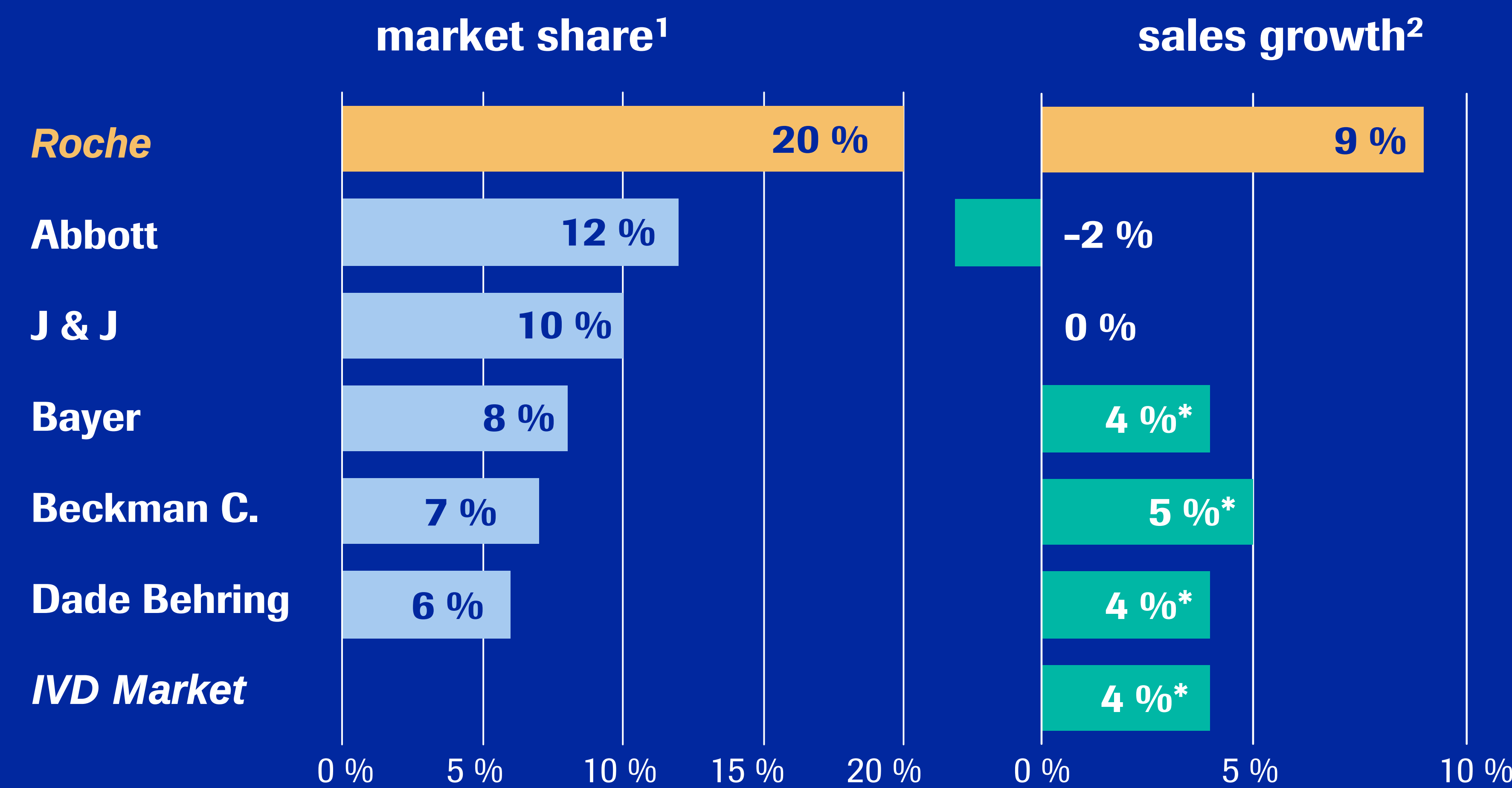
# The Diagnostics value chain: a very strong starting position to extend industry leadership!




1) Research & Development
2) Marketing & Distribution

# Roche continues to expand market leadership

*Growth more than double the market (YTD '03)*

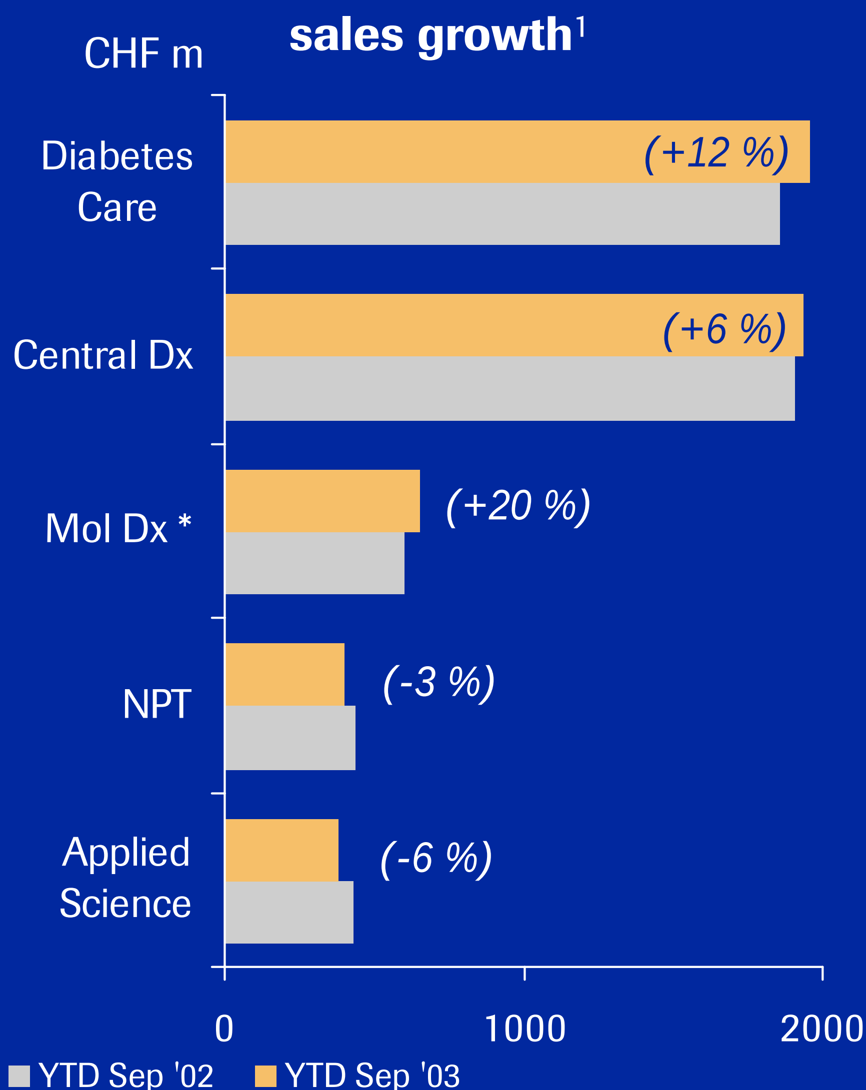



[1] source: company reports, Boston Biomedical Consultants, Roche analysis

[2] in local currencies, excludes Life Science research market

* half year results

# High margin areas outperform the market




- Diabetes Care gaining share in all regions despite slower than expected growth in glucose monitoring world market (YTD 5 %[2])
- Placement of immunochemistry platforms growing Centralized Diagnostics (>1,500 Elecsys & E170 placements ww YTD '03)
- Blood screening driving growth in Molecular Diagnostics
- Near Patient Testing impacted by divestitures of OPTI & DAT (underlying growth +6 %)
- Life Science market still affected by downturn in research & Biotech discovery

[1] local currencies [2] Roche analysis
* excludes Industrial Business; including +11 %

# Roche Diagnostics
*Growth driven by three key areas*

Roche

## Roche today

**#1 Diagnostics company**

**#1 in high growth areas**
- **molecular diagnostics**
- **diabetes care**

**growing > 2x IVD market**

## Focus

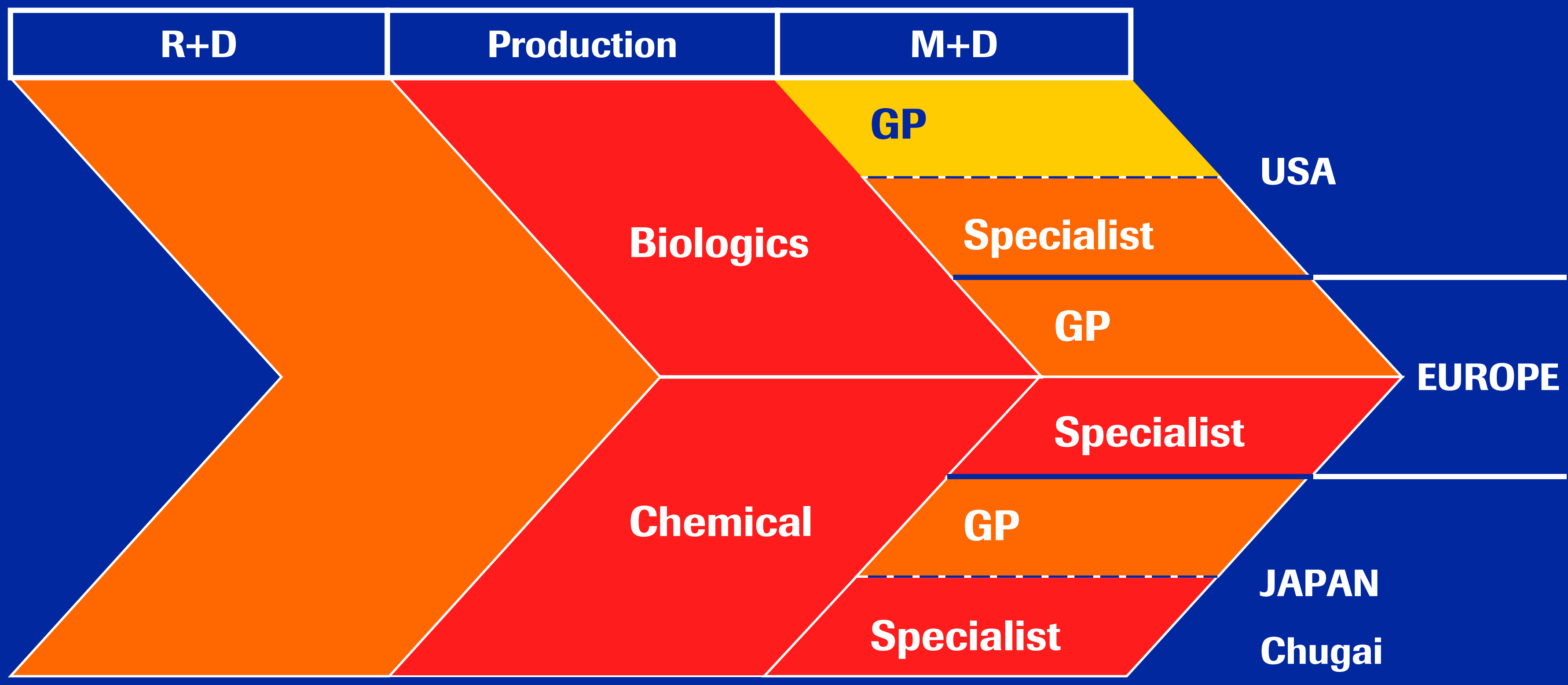
**Diabetes Care**
growth through cross
leveraging pumps &
blood glucose monitoring

**Molecular Diagnostics**
expand into early detection,
prevention & targeted therapy
→ cancer & genetics

**Immunochemistry**
drive placements & grow
market through new tests
with high medical value

# Pharmaceuticals Division

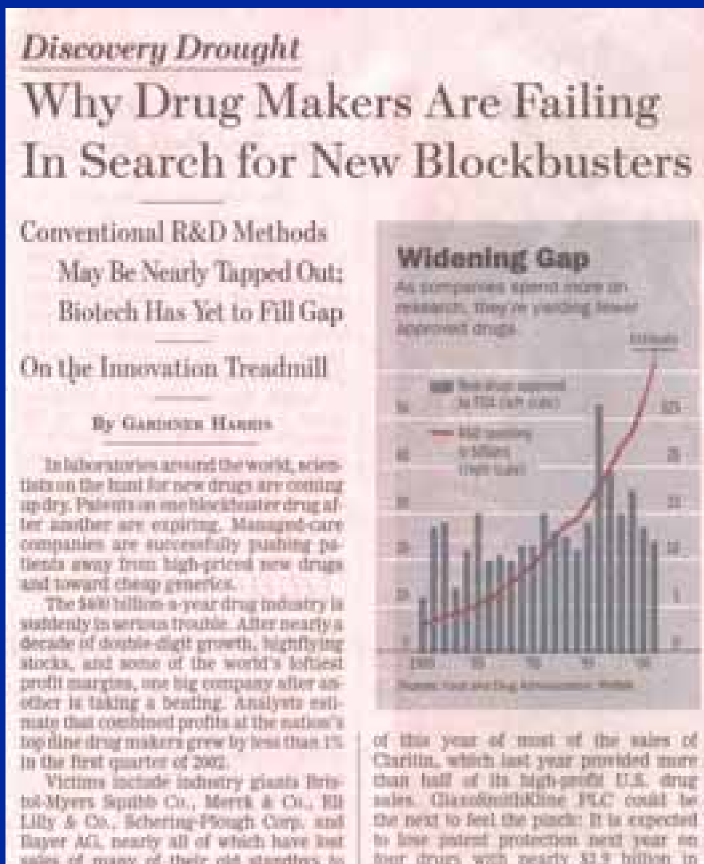
# Pharmaceuticals value chain: a solid starting platform to successfully compete in the top ten of the global healthcare industry on an on-going basis




lowest quintile — top quintile

# The threat

*Increasing R&D costs and decreasing NME approvals*



*Discovery Drought*

## Why Drug Makers Are Failing In Search for New Blockbusters

Conventional R&D Methods May Be Nearly Tapped Out; Biotech Has Yet to Fill Gap

On the Innovation Treadmill

By Gardiner Harris

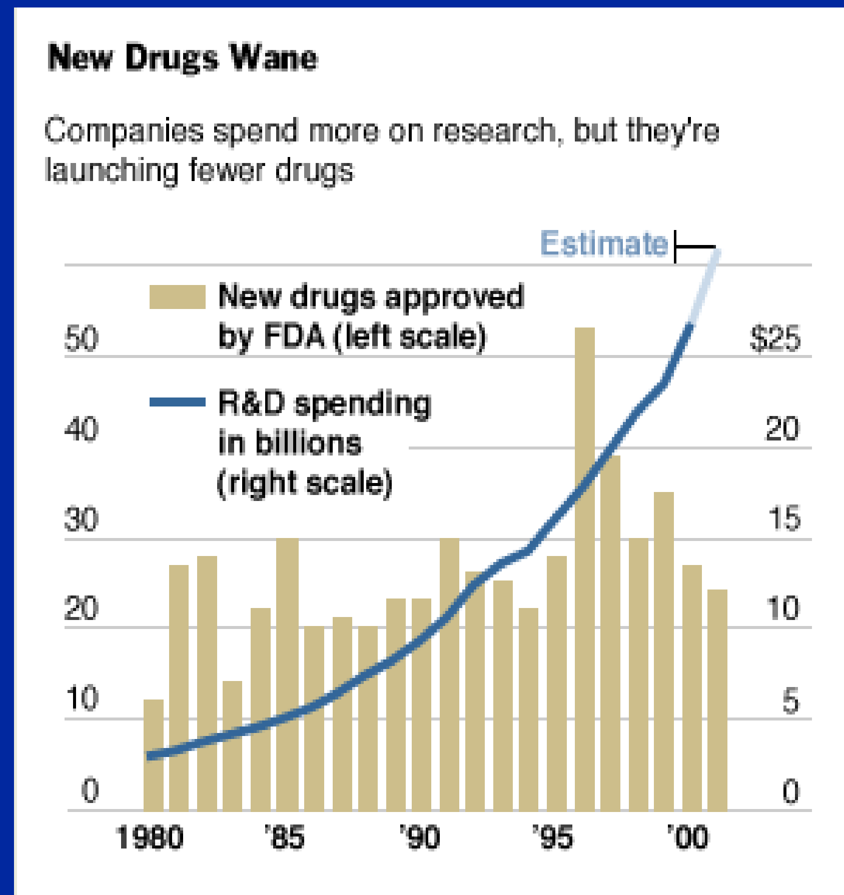
In laboratories around the world, scientists on the hunt for new drugs are coming up dry. Patents on one blockbuster drug after another are expiring. Managed-care companies are successfully pushing patients away from high-priced new drugs and toward cheap generics.

The [illegible] billion-a-year drug industry is suddenly in serious trouble. After nearly a decade of double-digit growth, highflying stocks, and some of the world's loftiest profit margins, one big company after another is taking a beating. Analysts estimate that combined profits at the nation's top-line drug makers grew by less than 1% in the first quarter of 2002.

Victims include industry giants Bristol-Myers Squibb Co., Merck & Co., Eli Lilly & Co., Schering-Plough Corp. and Bayer AG, nearly all of which have lost sales of many of their old standbys to

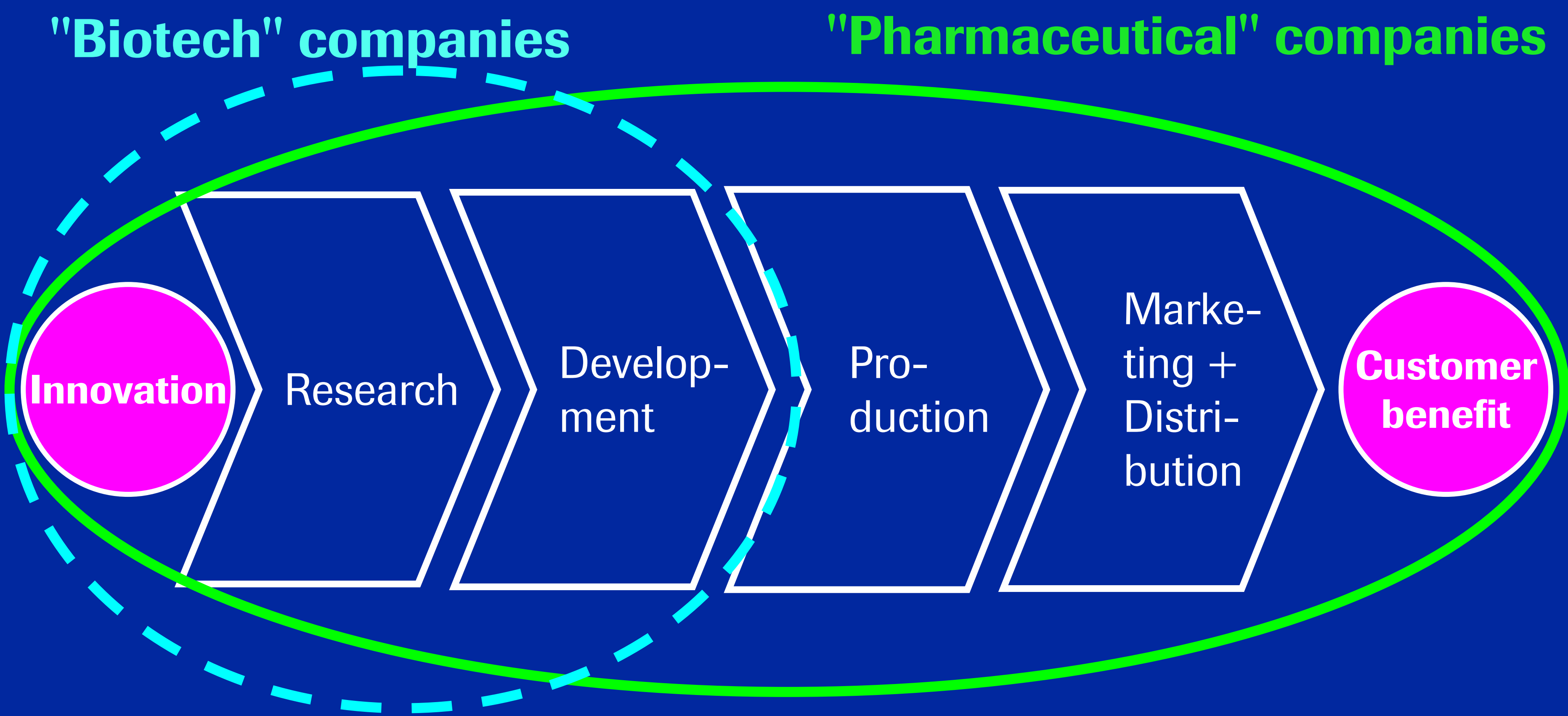
of this year of most of the sales of Claritin, which last year provided more than half of its high-profit U.S. drug sales. GlaxoSmithKline PLC could be the next to feel the pinch: It is expected to lose patent protection next year on four drugs with nearly [illegible] billion in

Widening Gap



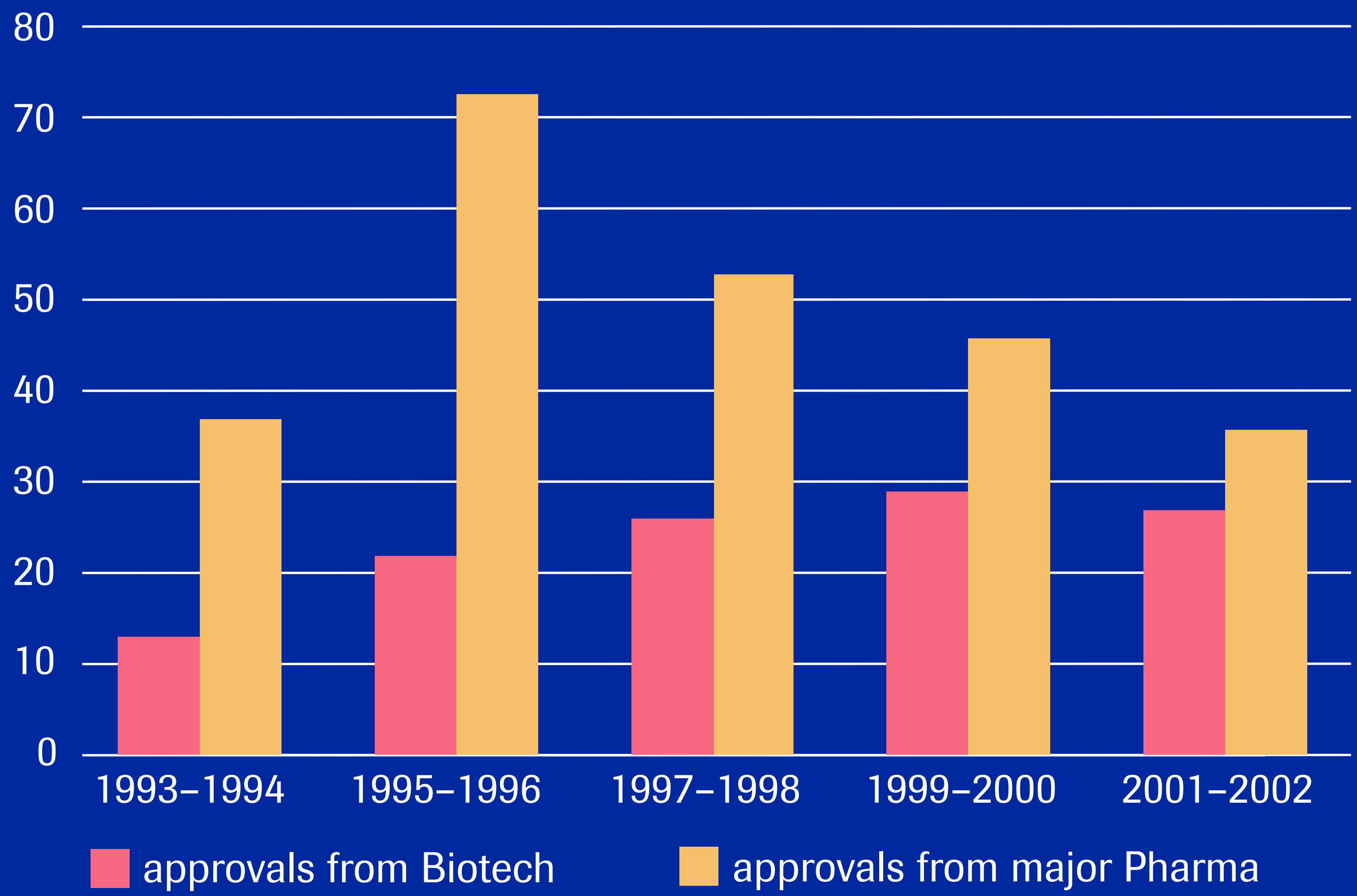
# Two ways to be successful in innovation

*Research focused or controlling the whole value chain*



# Biotech as new source of innovation

*A growing source of approved products*




FDA data base

# Biotech as emerging source of innovation

*Proliferation of Biotechs across US*

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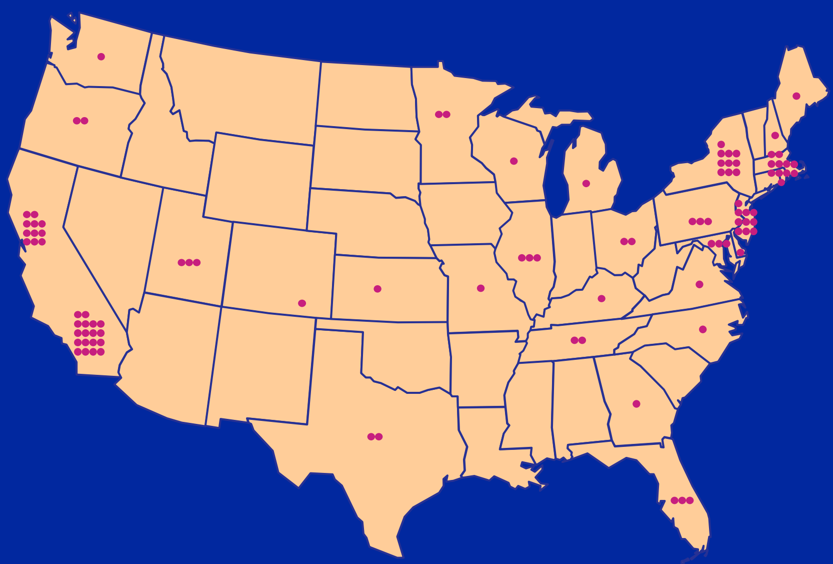
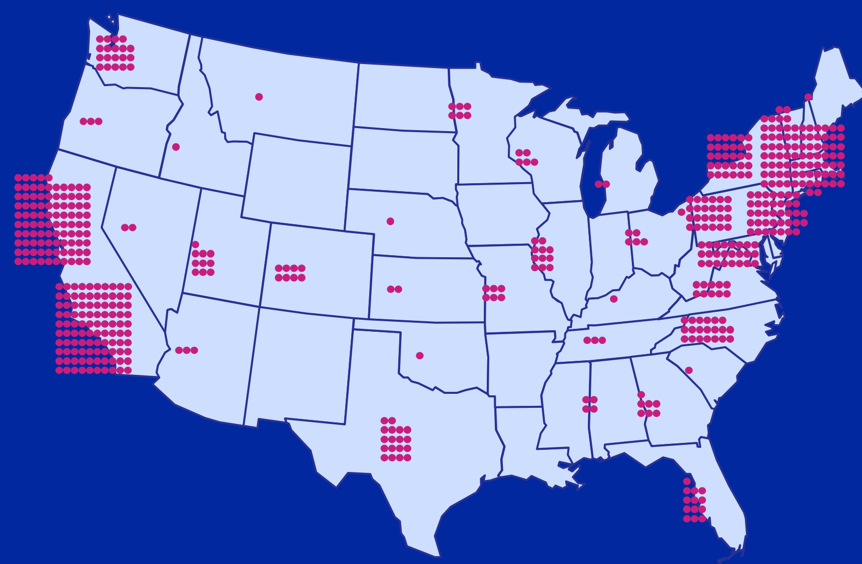
**1985**
**84 US - based companies**



**2002**
**573 US - based companies**

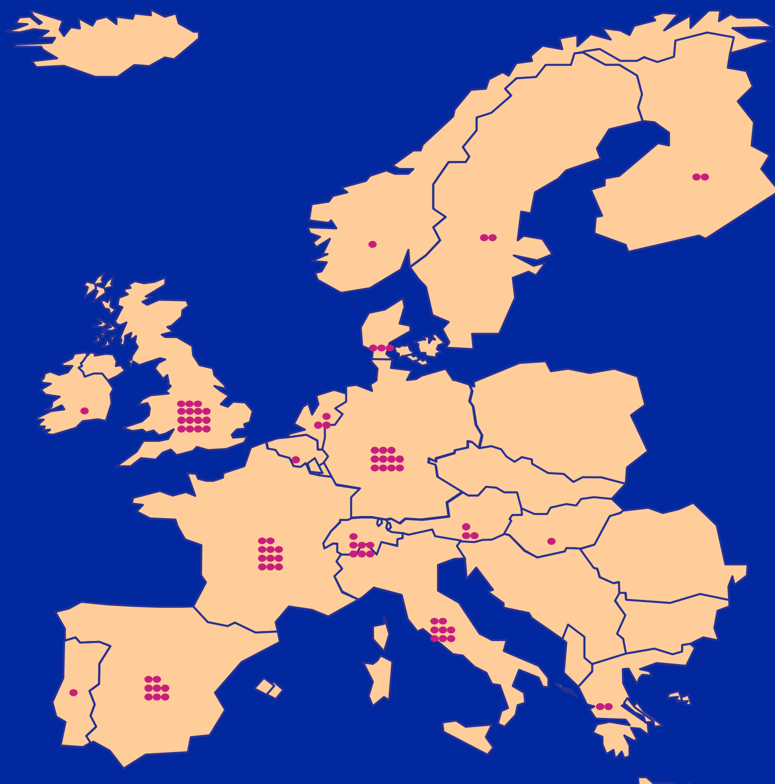


source: Pharma Ventures, BioWorld, DataMonitor, BIO org, Evaluate Pharma, Factiva, One Source, Venture Source, PhPRM, Biospace.com, internal data base

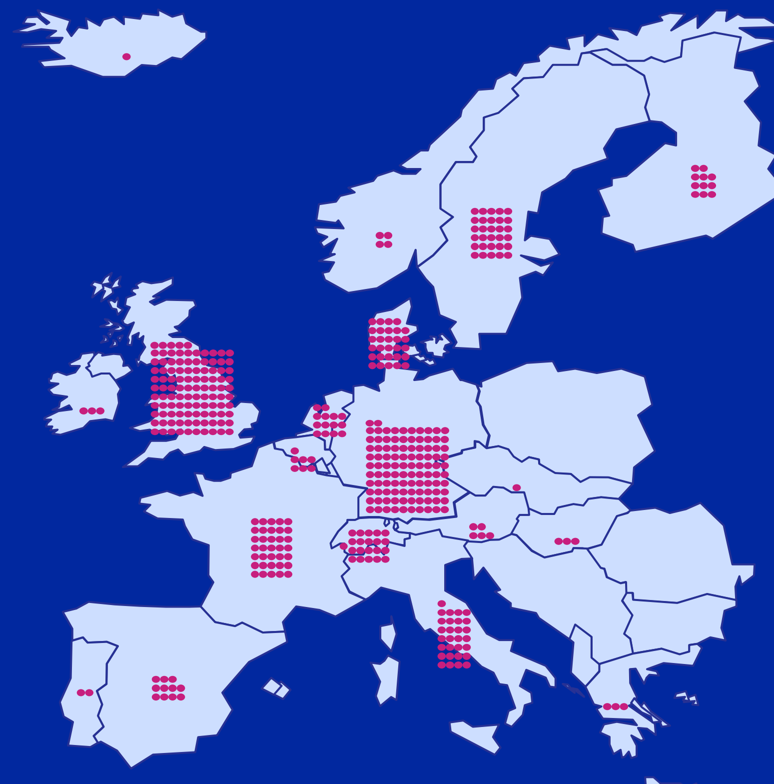
# Biotech as emerging source of innovation

*Proliferation of Biotechs across Europe*

## 1985
**93 Europe - based companies**



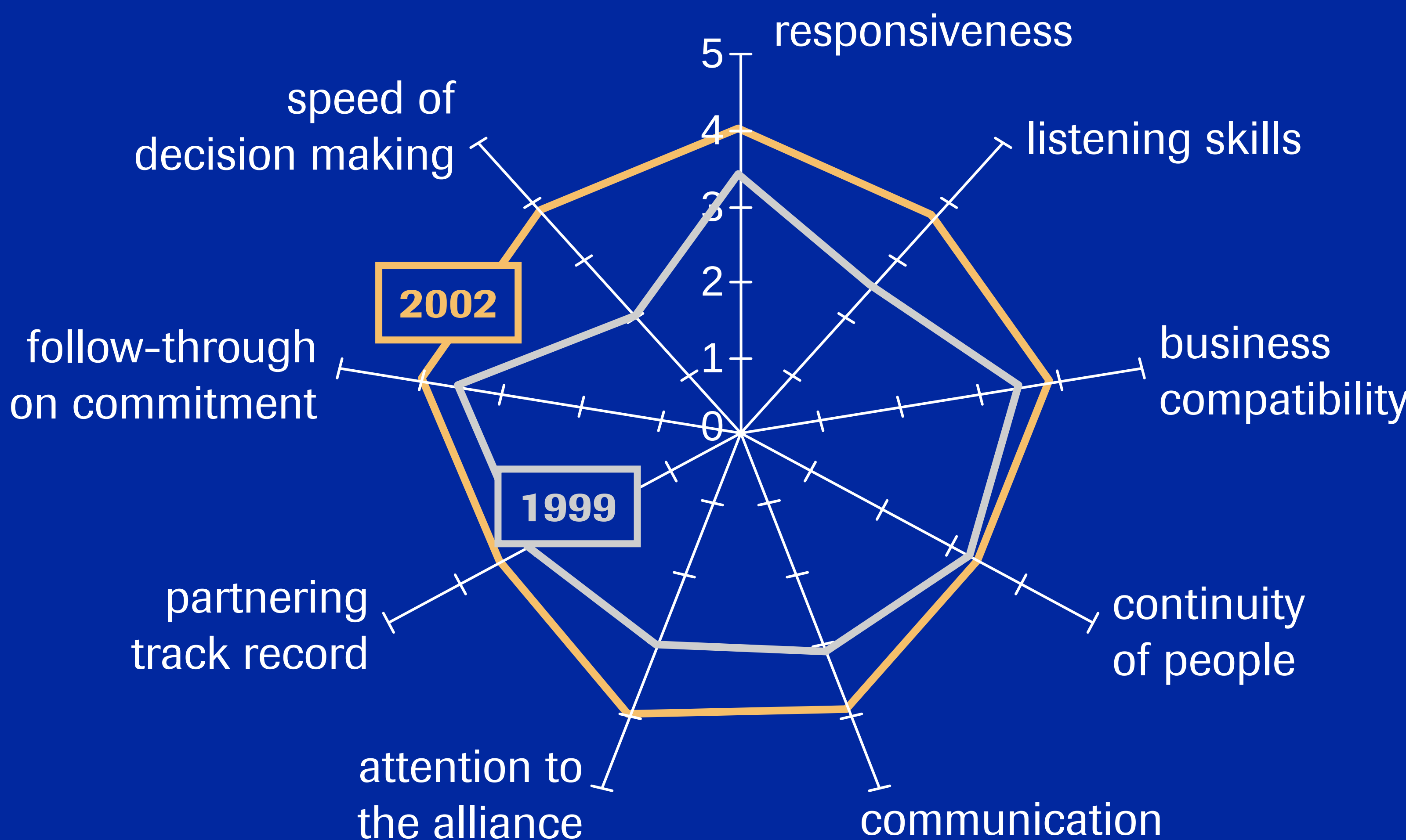
## 2002
**420 Europe - based companies**



source: Pharma Ventures, BioWorld, DataMonitor, BIO org, Evaluate Pharma, Factiva, One Source, Venture Source, PhPRM, Biospace.com, internal data base

# Roche becoming a preferred partner

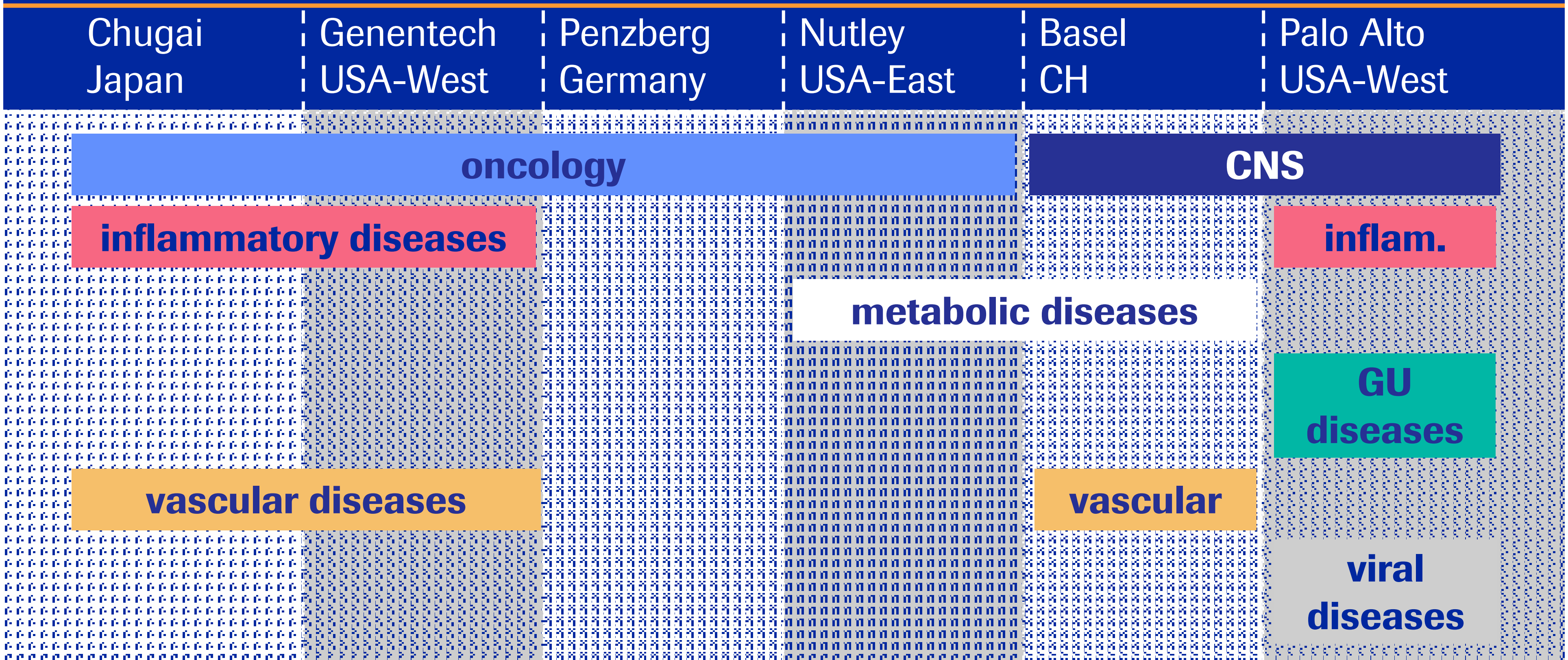
## *Well balanced & high quality*



# Roche Group discovery innovation sources

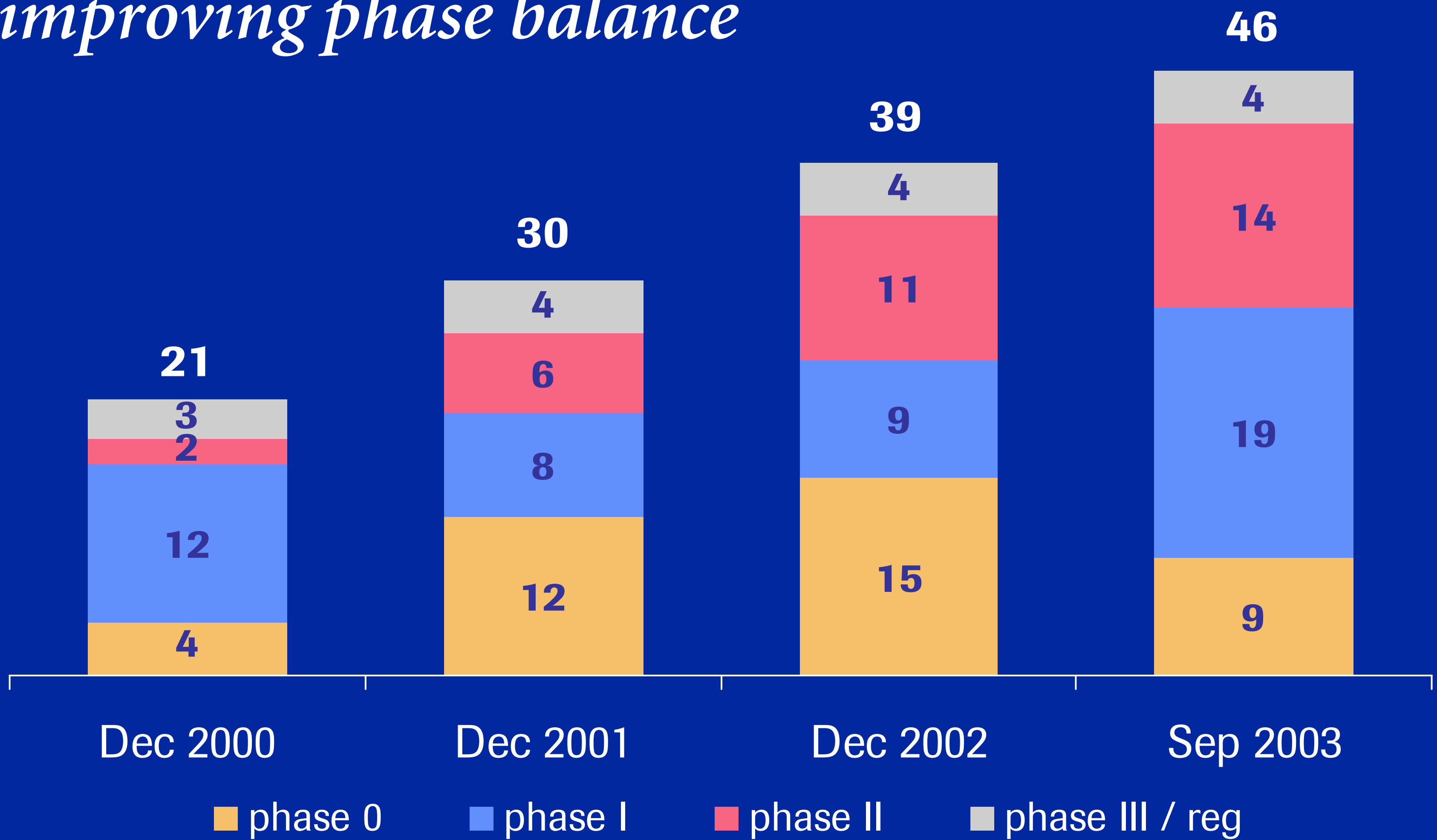
## *Strong in-house competence taps potential of science at all sites*

Focus on 7 therapeutic areas



# Growing the Roche Pharma $R_x$ pipeline

*Expanding the portfolio (no. of NME's) and improving phase balance*




NB: Roche managed, excludes participation through Genentech and Chugai as well as opt-in opportunities

# Roche R&D pipeline today

*Total of 65 NME's including 5 opt-in opportunities*

Roche

## phase 0

| | |
|---|---|
| R1315 | Alzheimer's |
| R1454 | solid tumors |
| R1485 | Alzheimer's |
| R1495 | HIV |
| R1497 | depression |
| R1499 | type 2 diabetes |
| R1554 | OAB |
| R1559 | solid tumors |
| R1594 | tumors |
| Gen | wound healing |
| antifungal (B) | |

## phase I

| | |
|---|---|
| R448 | COPD |
| R701 | OAB |
| R944 | HIV |
| R1068 | emesis |
| R1204 | depress./anxiety |
| R1295 | asthma |
| R1438 | type 2 diabetes |
| R1439 | type 2 diabetes |
| R1440 | type 2 diabetes |
| R1479 | HCV |
| R1484 | SUI |
| R1487 | RA |
| R1492 | solid tumors |
| R1500 | Alzheimer's |
| R1503 | RA |
| R1516 | anemia |
| R1518 | HCV |
| R1533 | Alzheimer's |
| R1550 | breast cancer |
| Gen | acute coronary synd. |
| Chu | multiple myeloma |
| Chu | osteoporosis |
| Chu | breast cancer |
| solid tumors (At) | |
| antifungal (B) | |

## phase II

| | |
|---|---|
| R411 | asthma |
| R450 | (alpha 1 agonist) SUI |
| R483 | (insulin sensitizer) type 2 diabetes |
| R667 | emphysema |
| R673 | (NK1) depression/anxiety |
| R724 | (T-1249) HIV |
| R744 | (next generation anemia treatment) |
| R1124 | emesis |
| R1270 | HCV |
| R1273 | (Omnitarg) solid tumors |
| R1461 | HPV |
| R1524 | renal transplant |
| R1536 | solid tumors |
| R1569 | RA |
| Gen | inflamm. bowel disease |
| Gen | macular degeneration |
| Chu | bone metastases |
| Chu | osteoporosis |
| Chu | CHD |
| Chu | gastroparesis |
| Chu | post hepatectomy |
| subarach. haemorrhage (Ax) | |
| antibiotic (B) | |

## phase III / registration

| | |
|---|---|
| R435 | (Avastin) oncology |
| R484 | (Boniva) osteoporosis |
| R1415 | (Tarceva) oncology |
| R1549 | (Pemtumomab) ovarian cancer |
| Gen | (Raptiva) psoriasis |
| Chu | (Antevas) subarach. haemorrhage |

Roche managed
participation through Genentech
participation through Chugai
opt-in opportunities
Antisoma (At)
Axovan (Ax)
Basilea (B)

Roche pipeline status on September 30, 2003

# Projected filing dates for Roche managed NDA's

Roche

## *New molecular entities and significant line extensions*

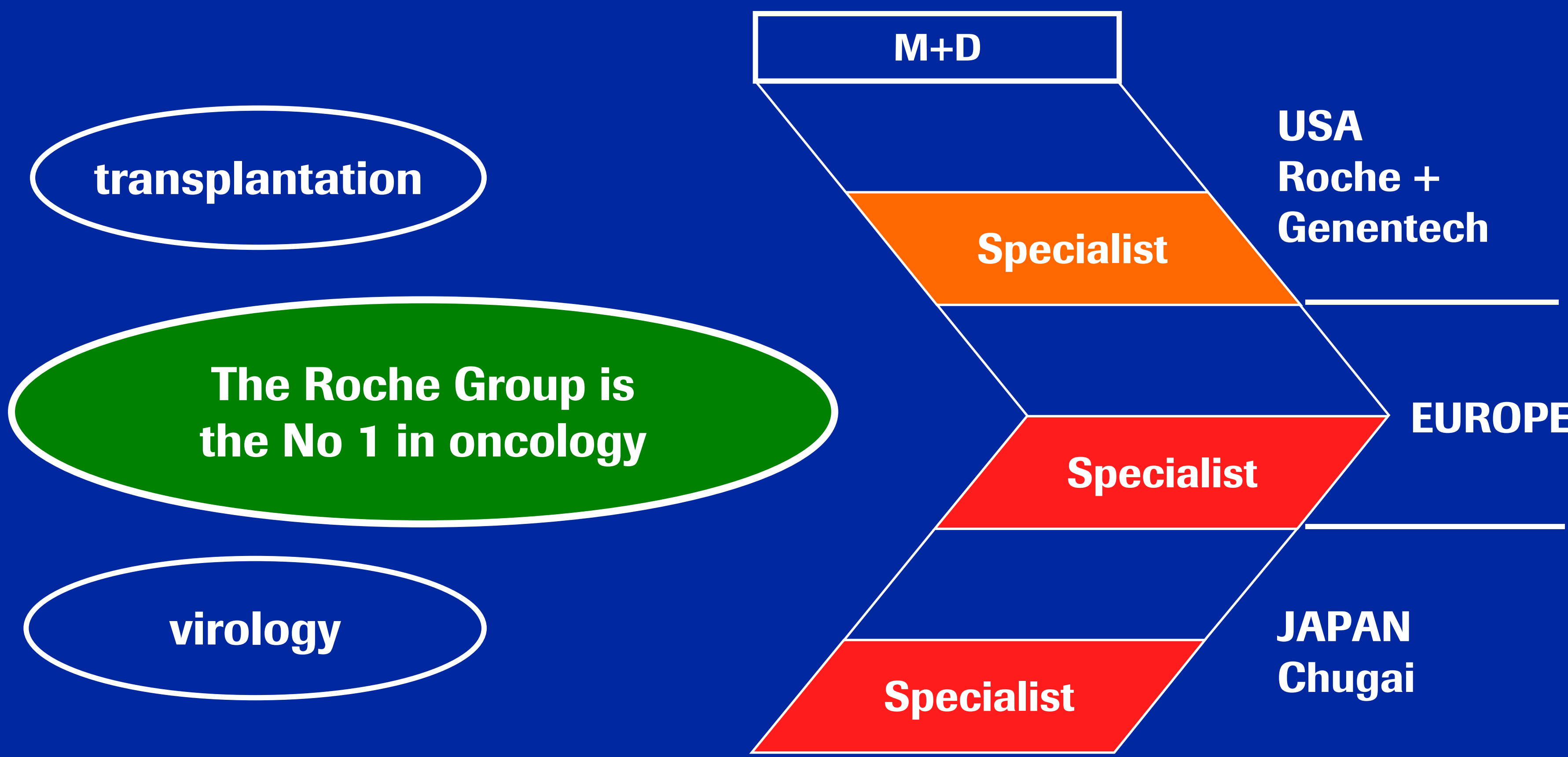
| 2003 | 2004 | 2005 | 2006 | | 2007 |
|---|---|---|---|---|---|
| **Avastin** colorectal cancer EU | **Tarceva** refractory NSCLC, EU | **R1549** ovarian cancer | **R1124** emesis | **R483** type 2 diabetes | **R944** HIV / AIDS |
| **Herceptin** mBC 1st line combo, EU | **MabThera** 1st line NHL, EU | **MabThera** RA, TNF-failures, EU | **R744** renal & cancer anemia | **R673** depression | **R411** asthma |
| **Xenical** four year Xendos study | **Pegasys** HBV | **R212** 2nd gen. obesity new formulation | **R450** urinary stress incontinence | **R1270** HCV | **R1492** solid tumors |
| | **Boniva** osteoporosis iv & oral formul. | | **MabThera** CLL, EU | **R1273** solid tumors EU | **R1479** HCV |
| | **Xeloda** adj. colon cancer mono | | | **Xeloda** 1st & 2nd line mCRC combo | **R724** HIV / AIDS |
| | | | | **Herceptin** mBC hormonal, EU | **R1569** RA |
| | | | | | **MabThera** RA signs, symp, struct. damage, EU |
| | | | | | **Herceptin** adjuvant BC, EU |

new molecular entity

line extension

status: September 30, 2003

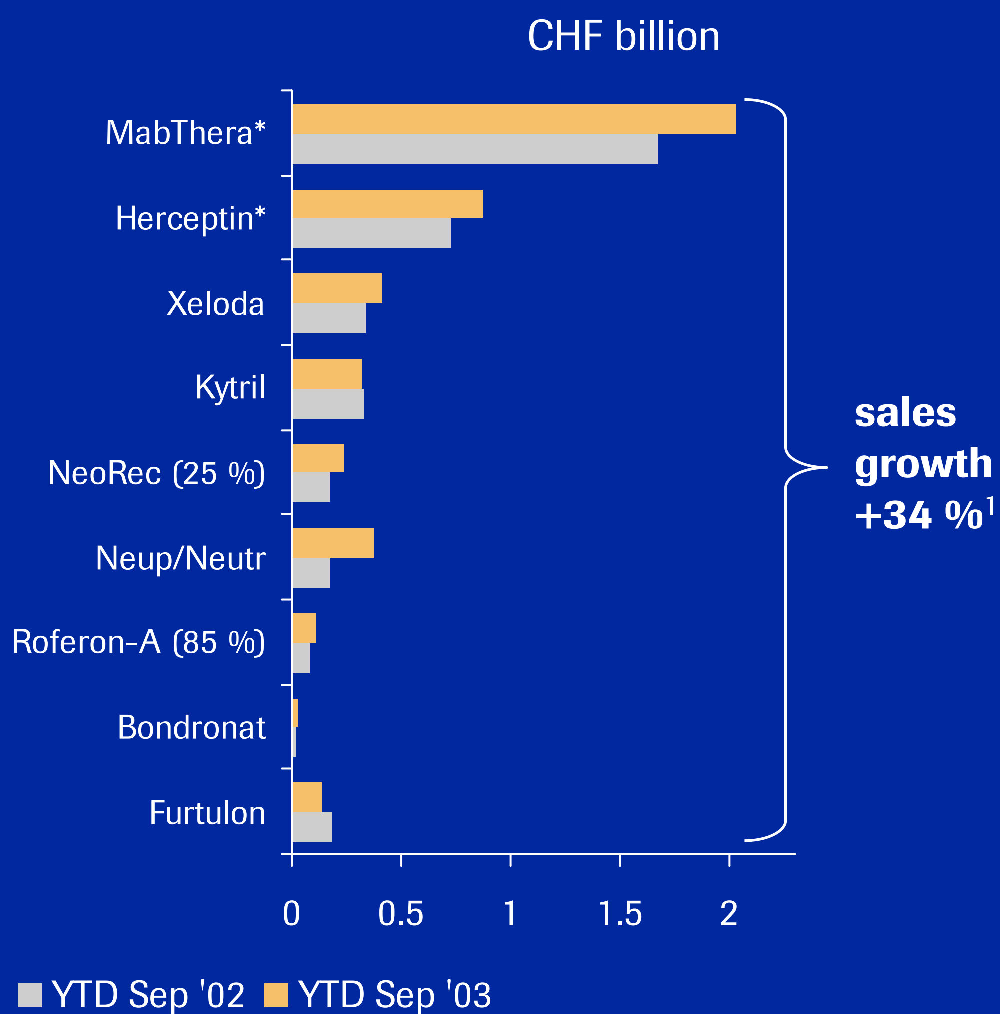
# M&D specialist field: Roche is a top 10 company in all three major global markets




lowest quintile top quintile

# Oncology - Roche the no. 1 company

*Outperforming the market*

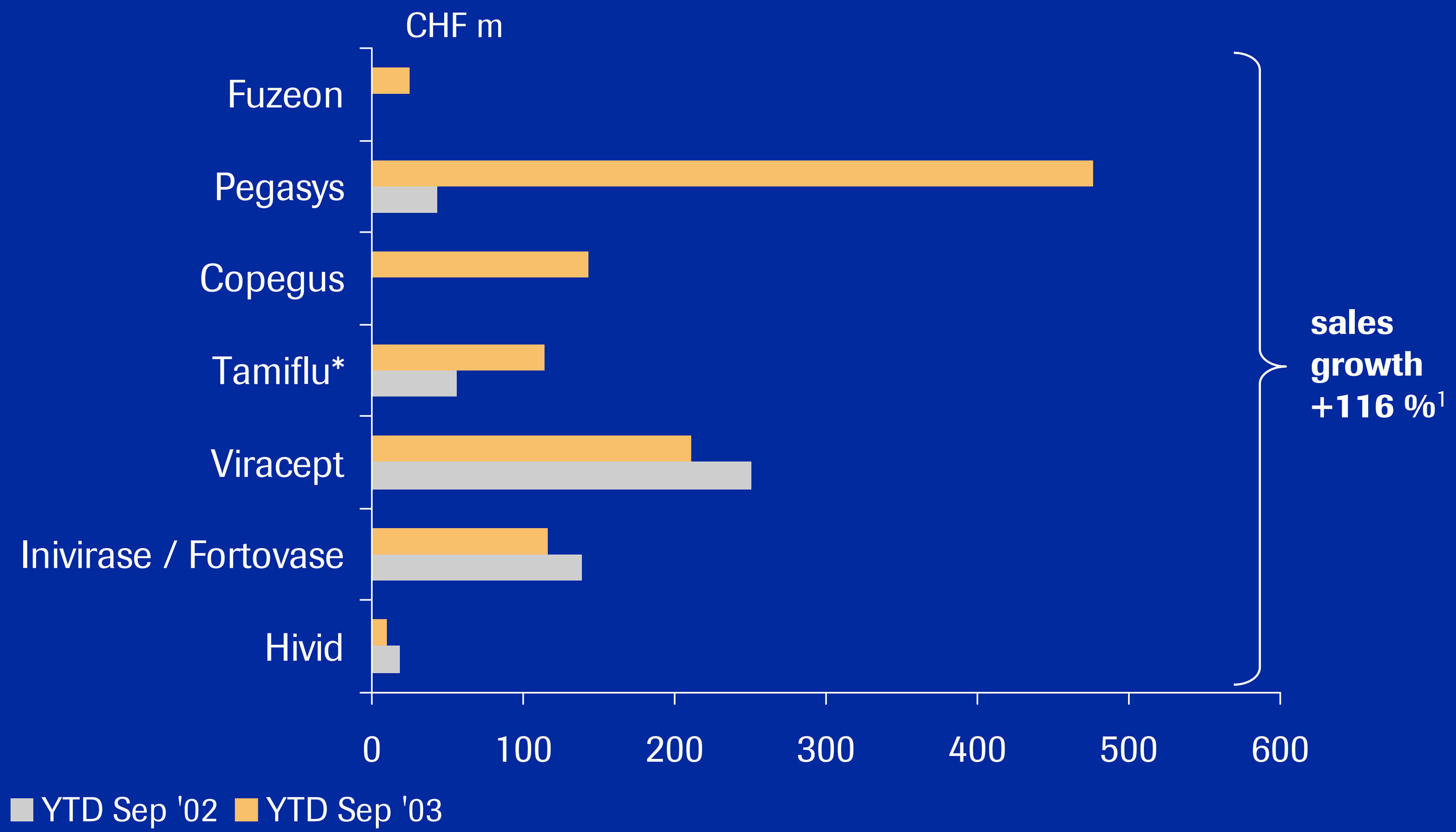



- Long patent protection
- Additional opportunities with Avastin, Bondronat, Tarceva, Pemtumomab
- Rich pipeline targeting major tumor types
- Expected to further increase, from CHF > 5 billion (2002) to CHF 7 - 10 billion (2005)

* Roche and Genentech

[1] local growth

# Virology
## *Strong commitment retained*




* CHF 114 million

[1] local growth

# M&D general practitioner: Short-term, Roche has a clear challenge to tap this potential, specially in the USA

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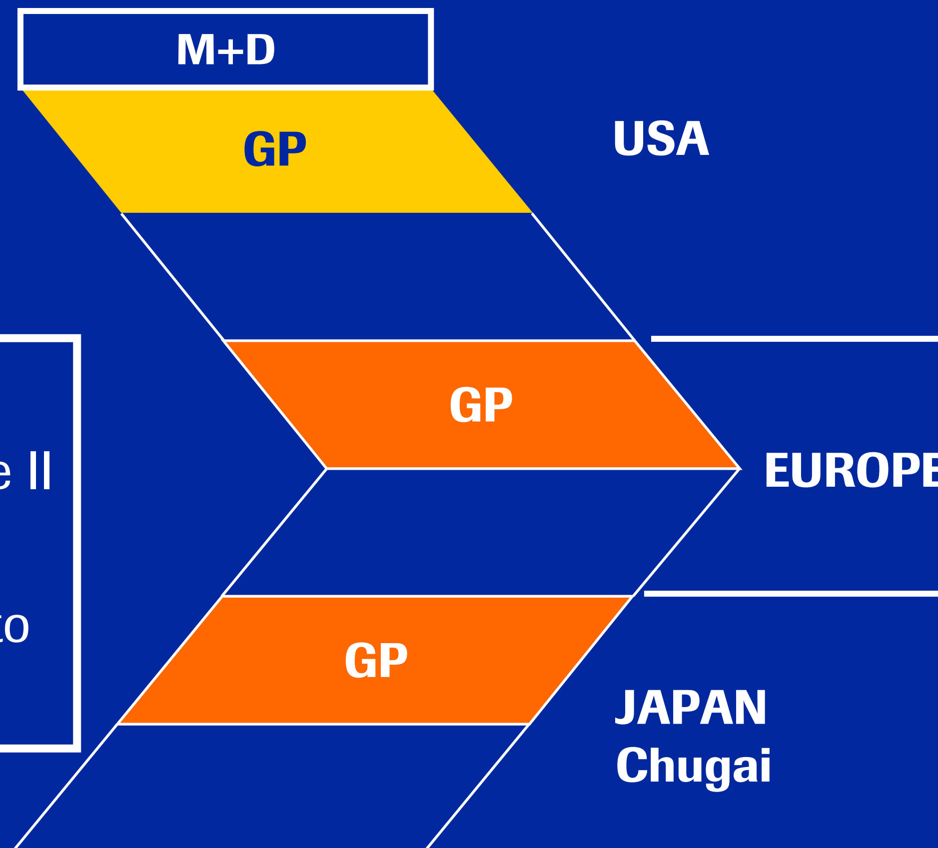
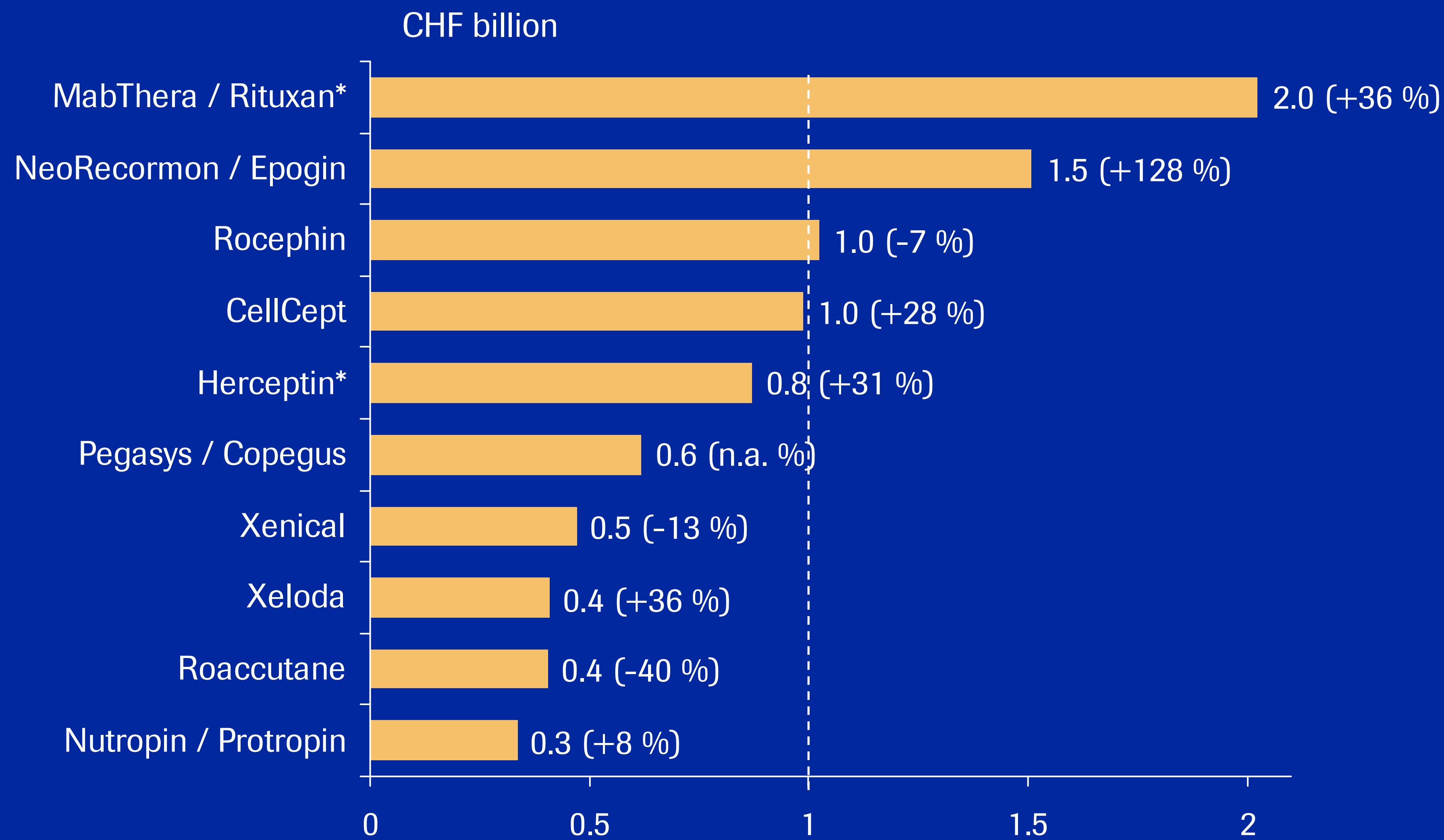
**Why does Roche not exit this business?**




With Boniva (osteoporosis) in phase III and four promising compounds in phase II (asthma, insulin sensitizer, depression, stress incontinence) it would be wrong to go for short-term profits

lowest quintile — top quintile

# Big brands driving growth (YTD Sep '03)




* Roche and Genentech

all at local growth rates

# Pharma sales (adjusted)
## *Constantly improving over the quarters*

| | Q1 | Q2 | H1 | Q3 | YTD |
|---|---|---|---|---|---|
| **Pharma**[1] | 18 | 24 | 21 | 28 | 23 |
| **Prescription**[1] | 18 | 24 | 21 | 28 | 23 |
| **Roche Rx**[1, 2] | 3 | 8 | 5 | 13 | 7 |
| **Genentech Rx** | 25 | 24 | 24 | 22 | 24 |
| **Chugai Rx**[3] | 236 | 242 | 239 | 274 | 250 |
| **OTC** | 13 | 23 | 18 | 27 | 21 |

[1] sales in 2003 and 2002 are adjusted to include the reclassification of sales to the Vitamins & Fine Chemicals Division as divisional sales to third parties

[2] excludes Nippon Roche Rx

[3] consists of Nippon Roche Rx (Jan 1st 2001 to Sep 30th 2002) and Chugai Rx (from Oct 1st 2002)

# Diagnostics and Pharmaceuticals under one roof: where is the value added ?

# Two high tech businesses joining forces where it adds value

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Roche as <u>one</u> partner of choice for the scientific community (e.g. deCODE) and for top talent

Roche as a key producer of biologics products

**Diagnostics + Pharma = Value added**

Diagnostics and Pharma to exploit the same technology know how (e.g. Genomics, Genetics)

Joint learning (e.g. identifying the right technology at the right point in time)

# Roche - a leader in individualized healthcare

Roche

## *Herceptin*

**from**

"trial and error"

"one schedule fits all patients"

**A + B + C**

**"state of the art" therapy regime: same for all**

**to**

tailored therapy selection based on individual molecular response profiles

**A** **B** **C** **D**

predictive testing
bioinformatics and IT

**support of patient management with actionable information**

individual schedules

- **response rate → 100 %**
- **increased survival rates**
- **improved quality of life**
- **cost savings (reduced morbidity and mortality)**

# Roche Corporate Finance

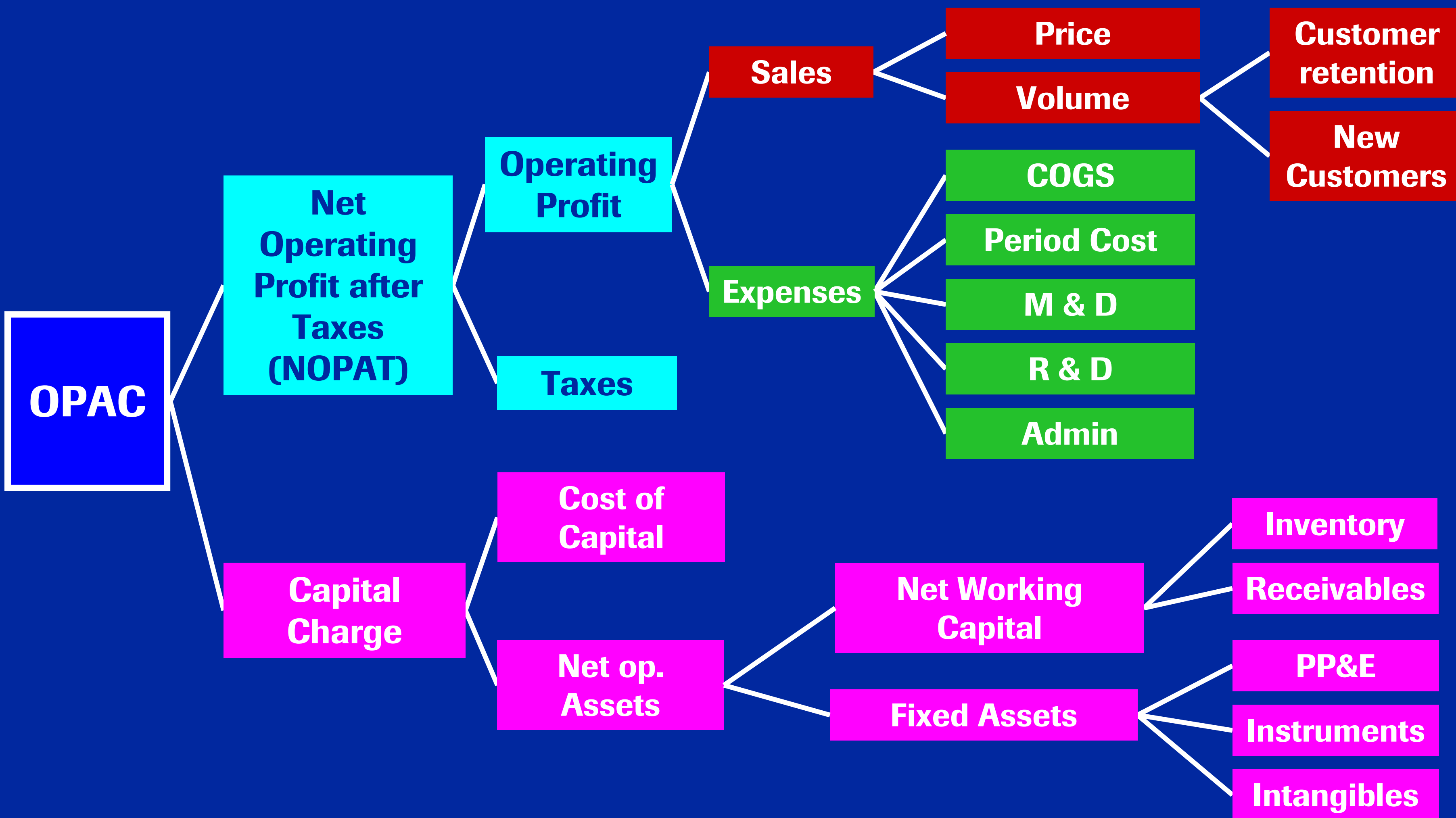
# Roche corporate finance

Roche Corporate Finance provides a solid and efficient platform for strategic Group development and operational value creation

**Strategic Group development and operational value creation**

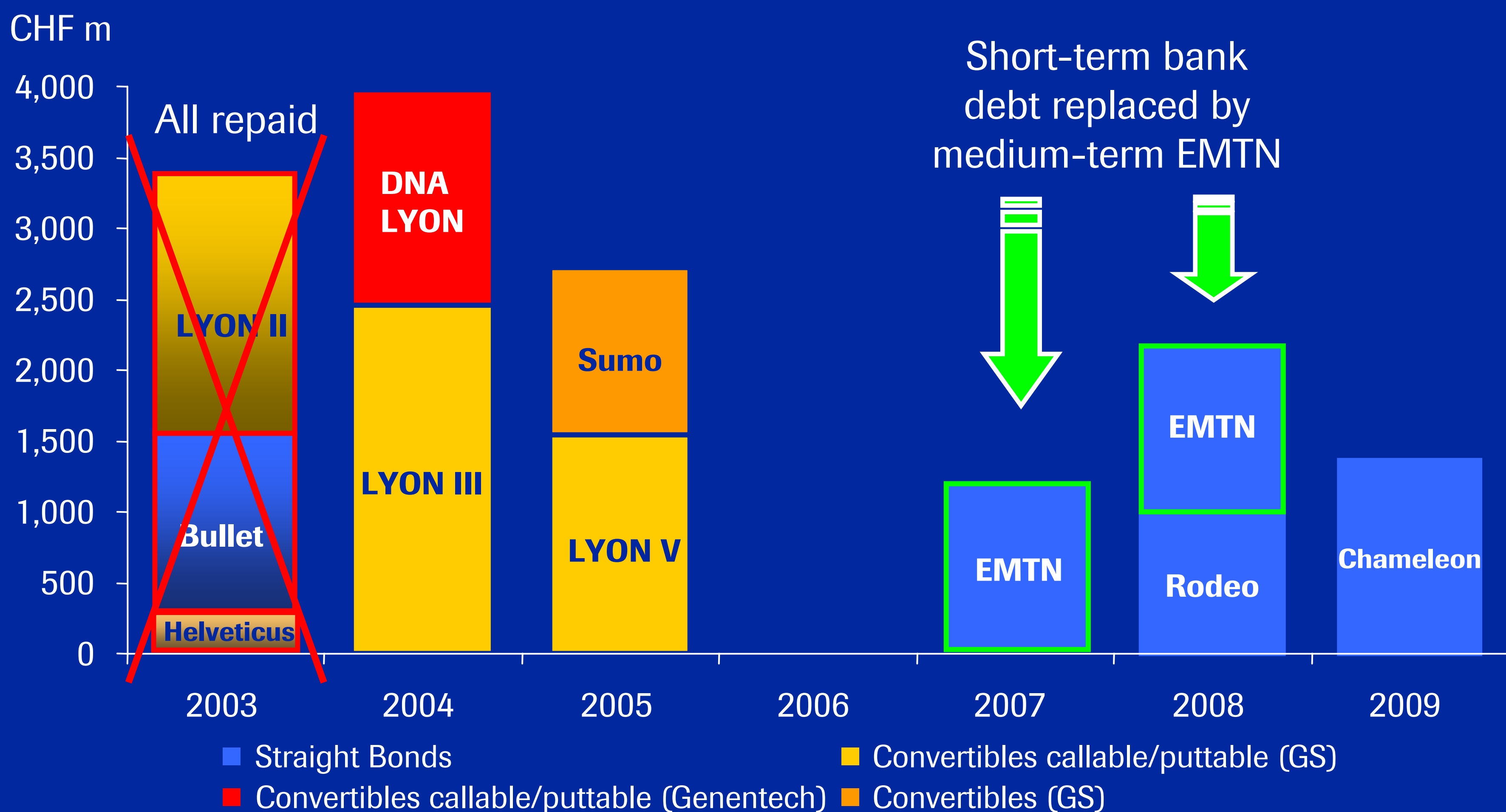
- Balance sheet
- Net financial income
- Treasury and financing
  - Asset manage-ment
  - Fx
  - Funding
- Taxes
- Corporate development
- Risk management
- Group planning and controlling
- Communication with financial markets

# Since 2003 all 250 senior managers have OPAC targets



# Capital market instruments

*Maturity profile[1] considerably improved*




[1] principal amounts at maturity

# Why do I invest in Roche ?

# A unique portfolio of key value drivers

| | peak sales (CHF billion) | competitive position | marketing spend | patent situation | reimbursement situation | biotech |
|---|---|---|---|---|---|---|
| **MabThera** | >3.5 | strong | low | strong | ✓ | ✓ |
| **NeoRecor./Epo** | >2.0 | strong | low | medium | ✓ | ✓ |
| **CellCept** | 1.5 | strong | low | strong | ✓ | |
| **Herceptin** | 1.5 | strong | low | strong | ✓ | ✓ |
| **Xeloda** | 1.5 | strong | low | strong | ✓ | |
| **Pegasys** | 1.5 | strong | low | strong | ✓ | ✓ |
| **Fuzeon** | 1.0 | strong | low | strong | ✓ | ✓ |
| **AccuCheck** | >2.5 | strong | medium | strong | ✓ | |
| **Mol. Diag.** | >1.0 | strong | medium | strong | ✓ | ✓ |
| **Avastin** | | strong | low | strong | | ✓ |
| **Tarceva** | | strong | low | strong | | |
| **Boniva** | | medium | high | strong | | |
| **CERA** | | strong | low | strong | | ✓ |

with (strong), (medium) and (low)

Roche