

The future challenges of Healthcare

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



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

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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

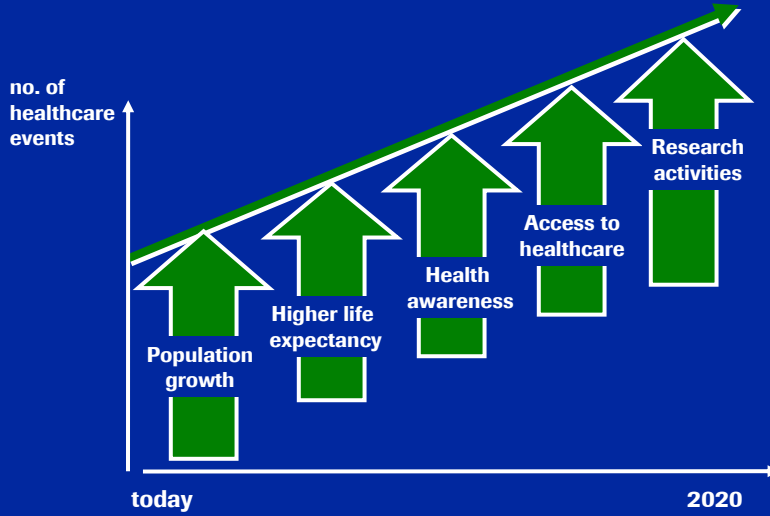
- Growth rates slowing down in average
- Price pressure: limited budgets for health care systems
- Investors more focusing on risks: patent, regulatory and liability
- Blockbuster also in specialty care

From sector approach to evaluation of individual companies

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No change from the past:

There is an big increase in demand for healthcare

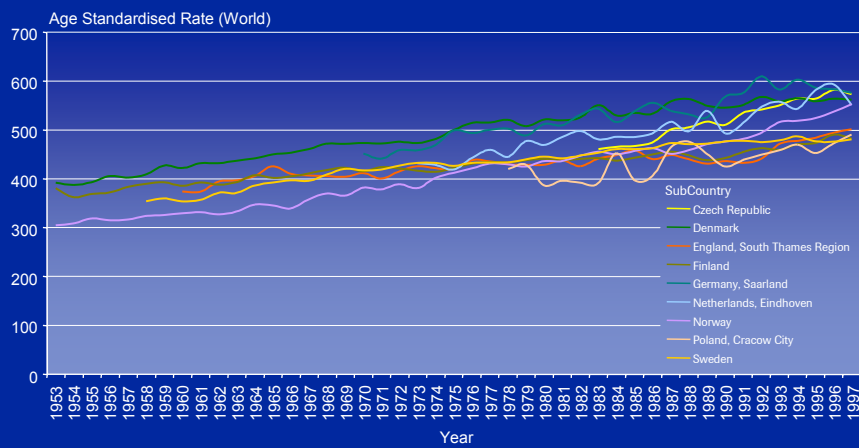


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Incidence of cancer increasing



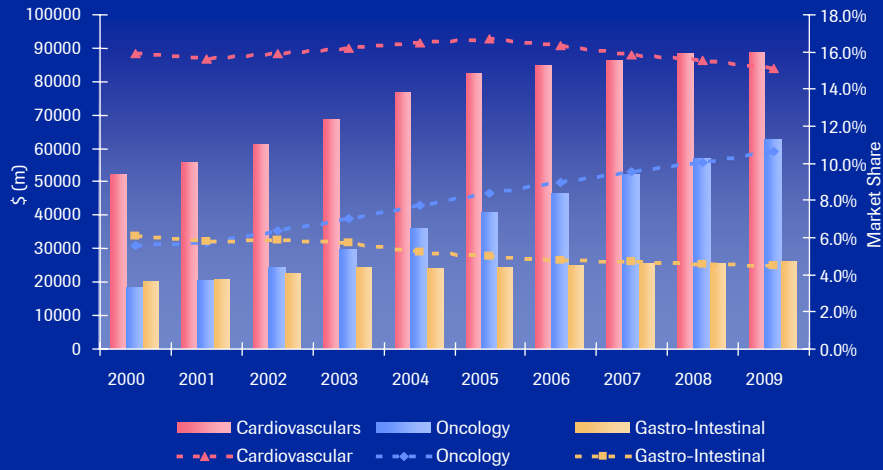
Cancer Disease: All sites but non-melanoma skin



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

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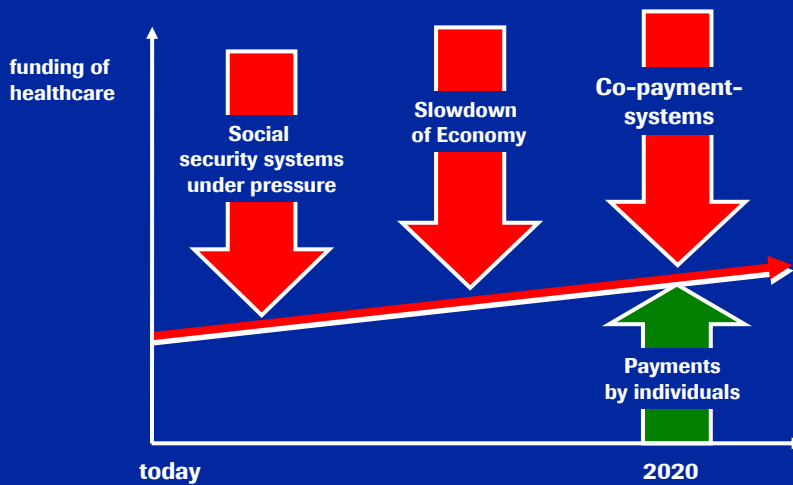
The oncology therapy area is forecast to increase its share of the global market from 5% in 2000 to 10.5% by 2009



Source: Wood Mackenzie

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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

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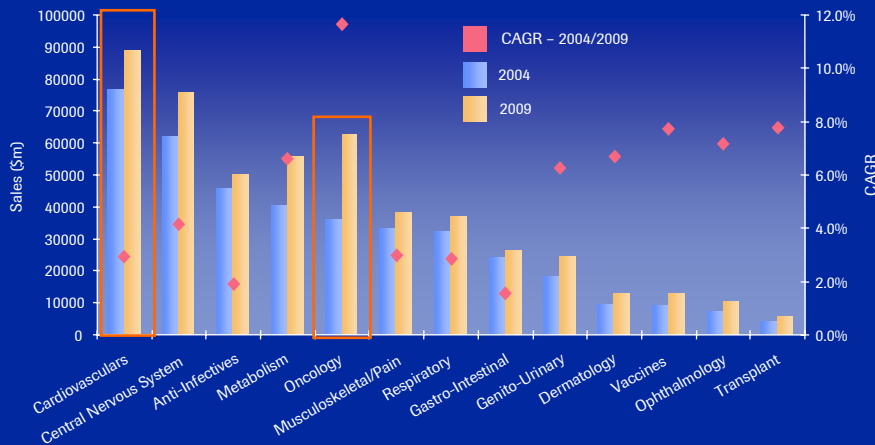
Cancer- a similar burden to society as cardiovascular disease



	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

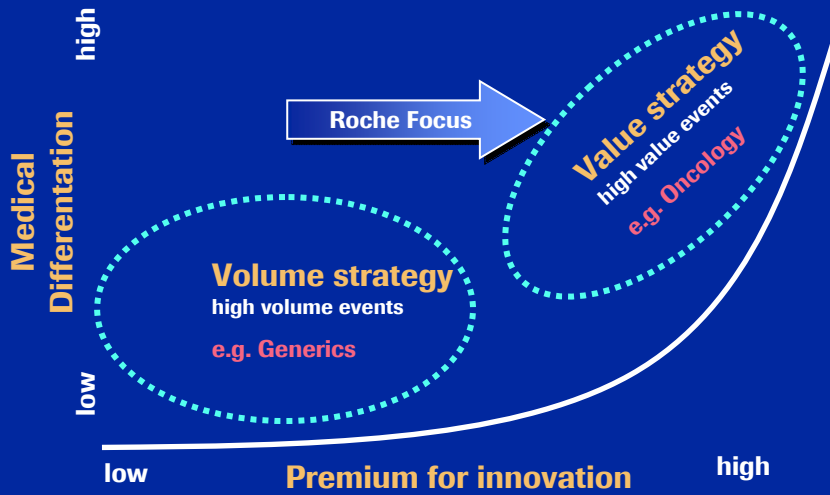
DALY: Disability – Adjusted Life Years. Integrated measure of mortality and disability developed by the WHO. One DALY is one lost year of 'healthy' life and the burden of disease as a measurement of the gap between actual health and an ideal situation
 Source: A pan European comparison regarding patient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

But still a comparably low public expenditures on oncology



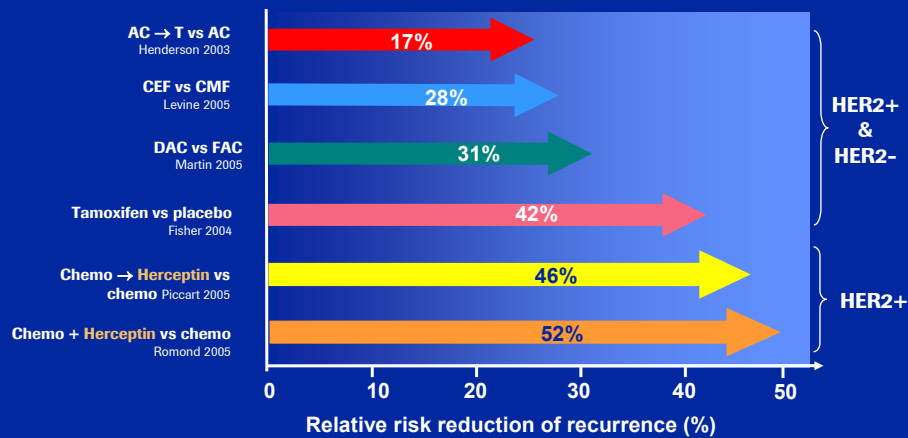
Source: Wood Mackenzie

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



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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

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Roche strategic choice: Innovation is key !



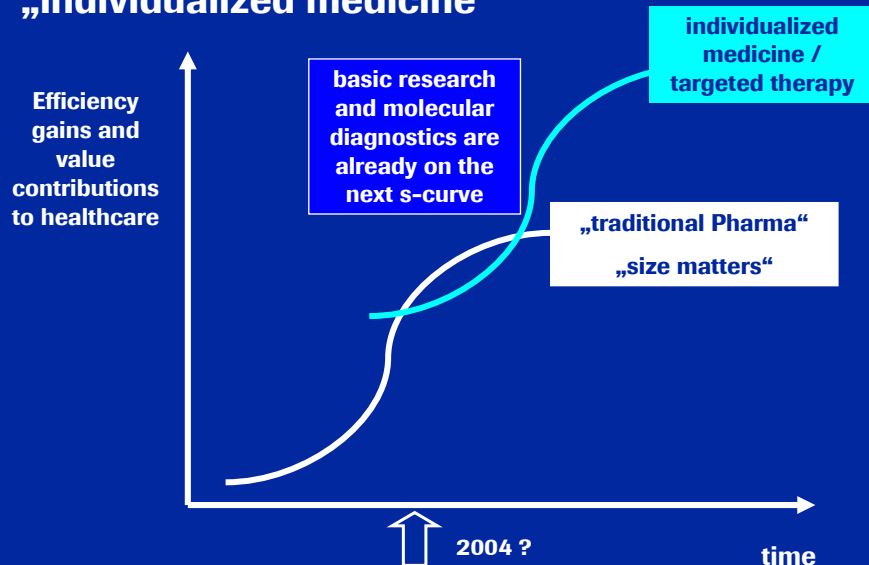
Only if we create relevant proven benefit for the customer
= **medically differentiated products**
we will be able to create high value returns



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

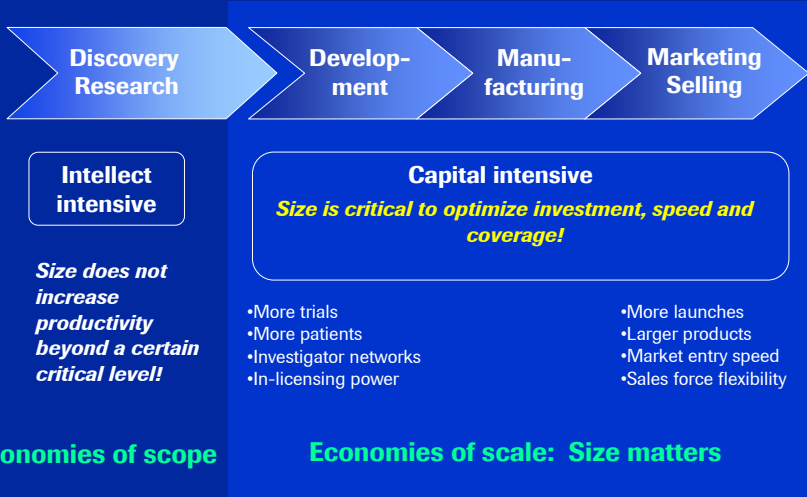
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From „traditional Pharma“ to „individualized medicine“



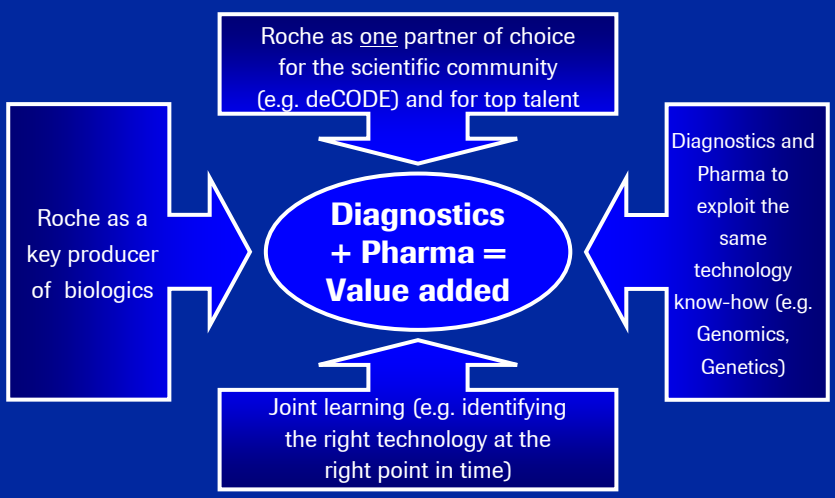
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Where does size really matter ?



Source: Decision resources Spectrum May 03; MacKinsey 01

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

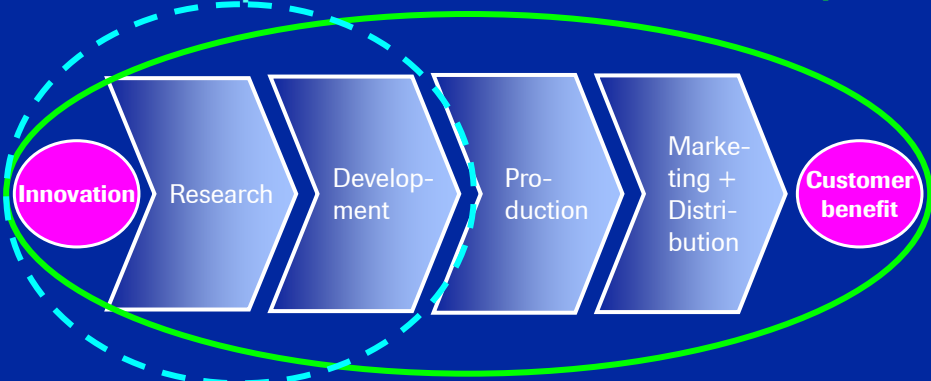


We are open to innovation generated by third parties

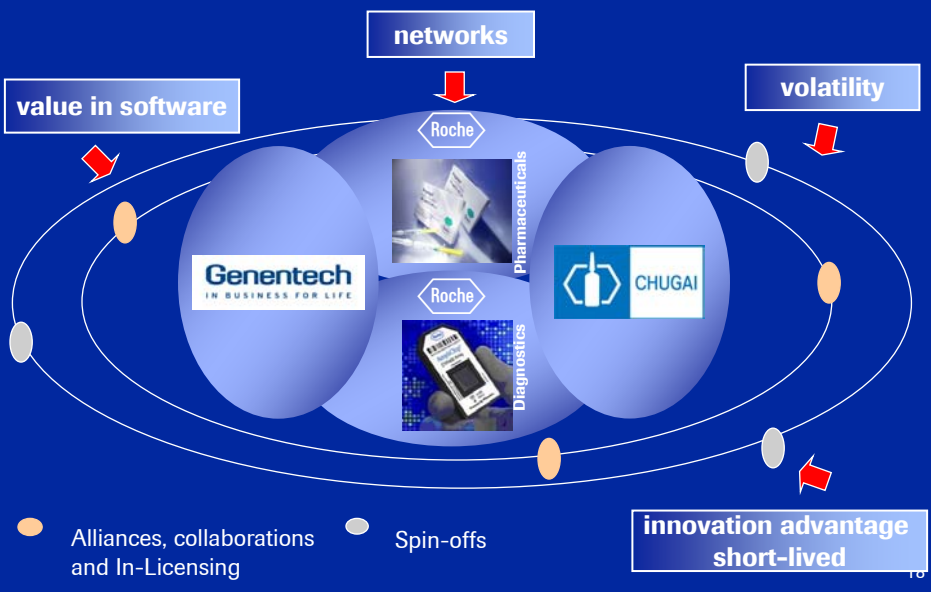


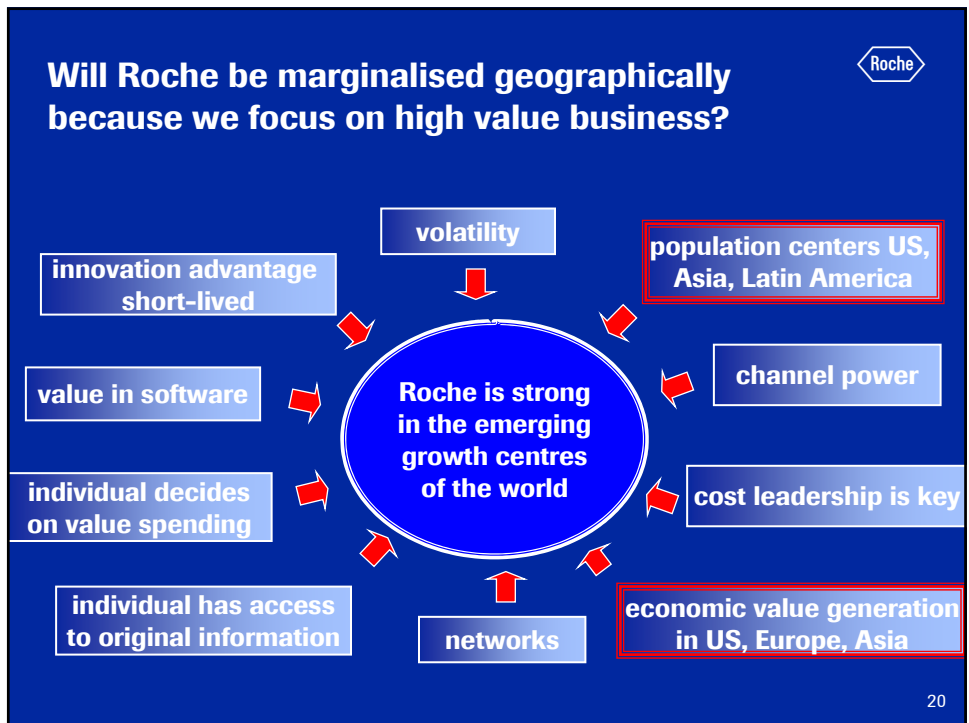
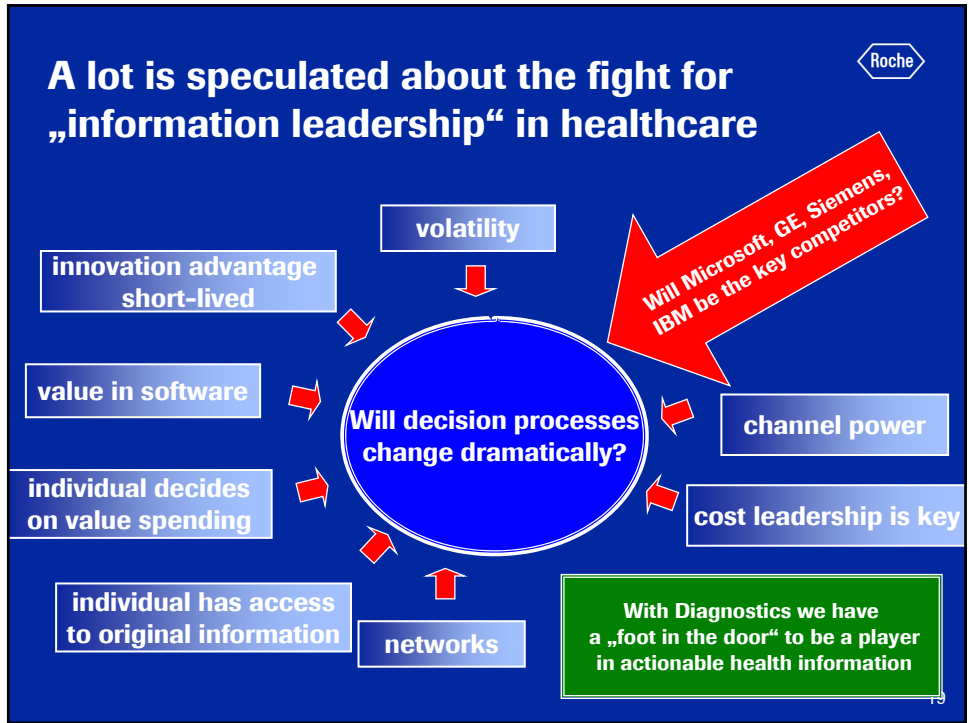
"Biotech" companies

"Pharmaceutical" companies



The unique Roche innovation cosmos





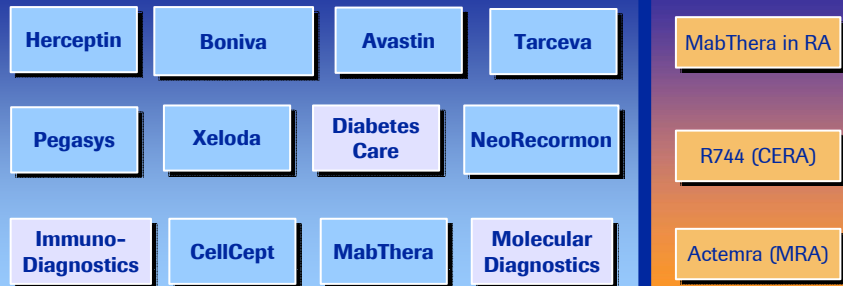
Roche has a unique profile for investors



Roche: unique geographic risk diversification



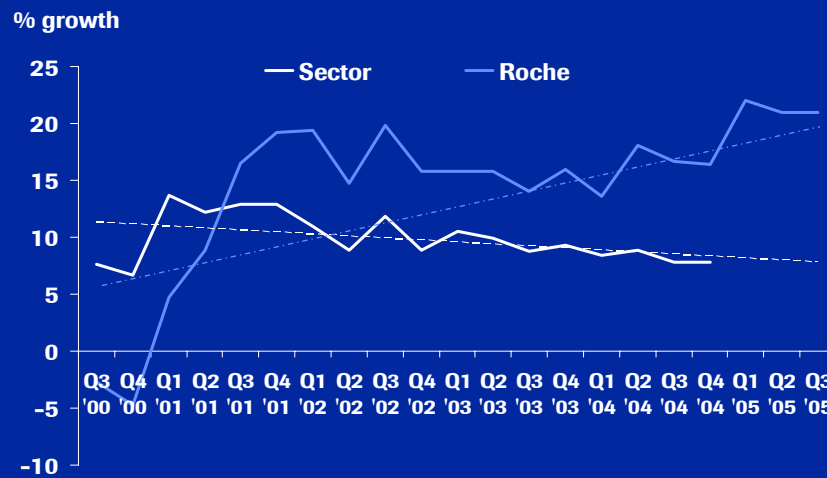
Roche: unique “pillars of value” risk diversification



Future pillars

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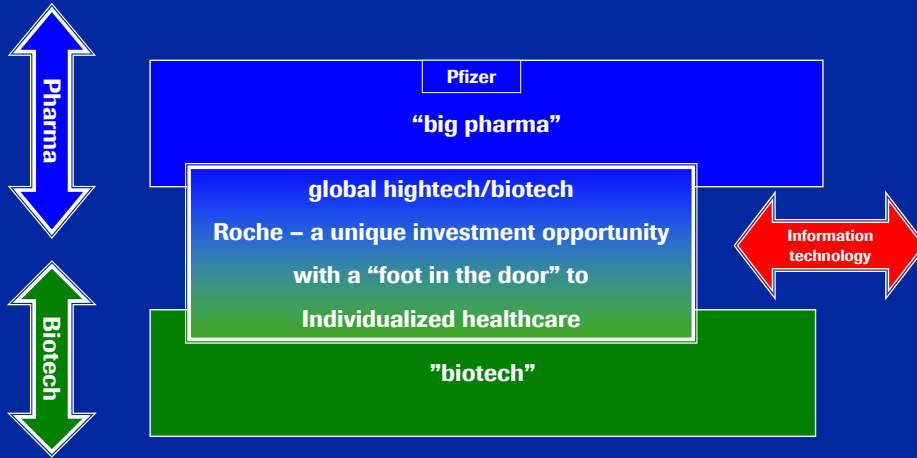
Roche: Leading growth rate in the specialty sector based on differentiated medicines



Source: IMS

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



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