



Turning innovation into customer benefit

Dr. Erich Hunziker
Chief Financial Officer

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Comments on presentation:



☒ slides will be presented

☐ slides will not be presented, background information

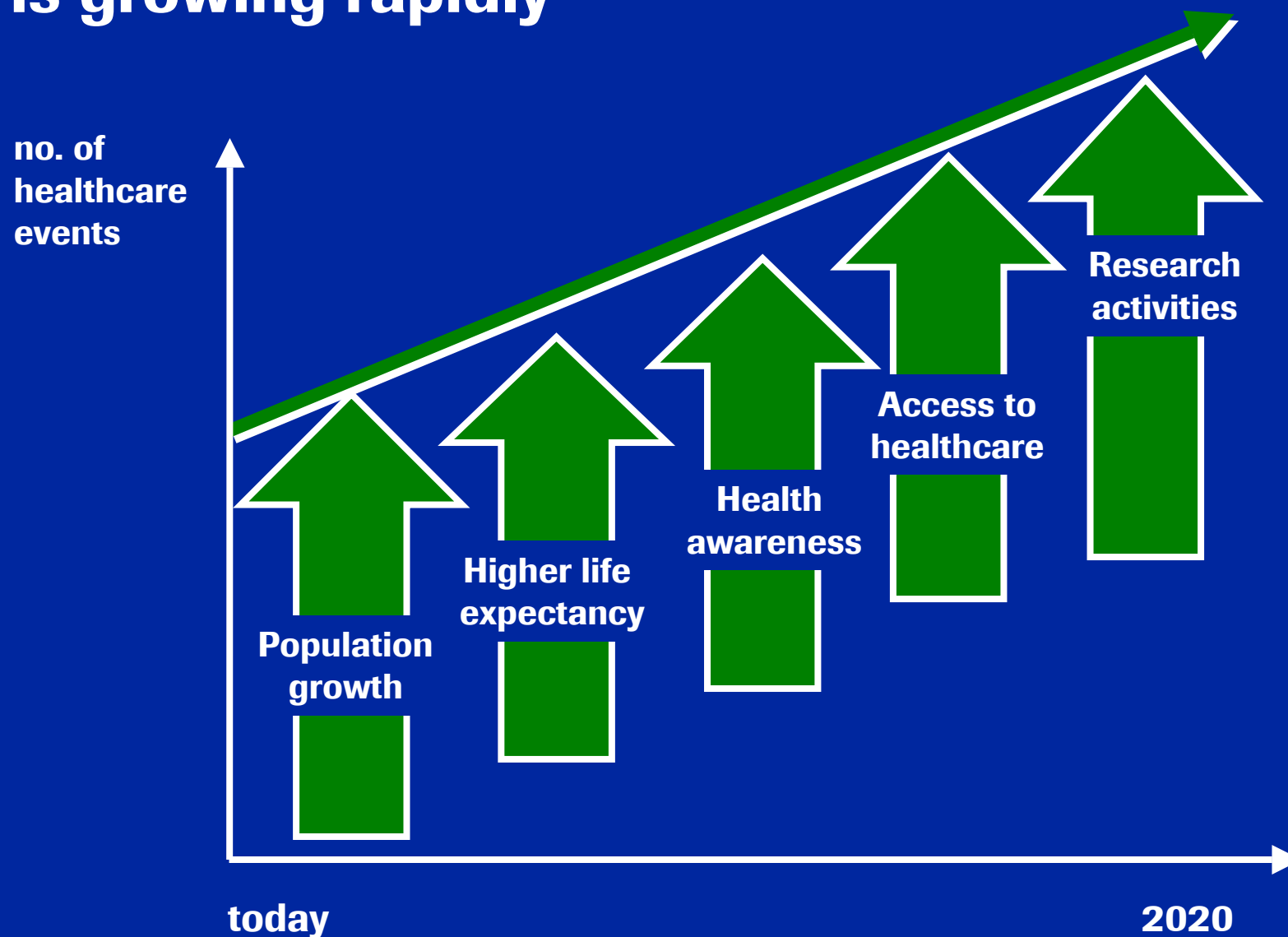
This presentation contains certain forward-looking statements. These forward-looking statements may be identified by words such as “believes”, “expects”, “anticipates”, “projects”, “intends”, “should”, “seeks”, “estimates”, “future” or similar expressions or by discussion of strategy, goals, plans or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

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



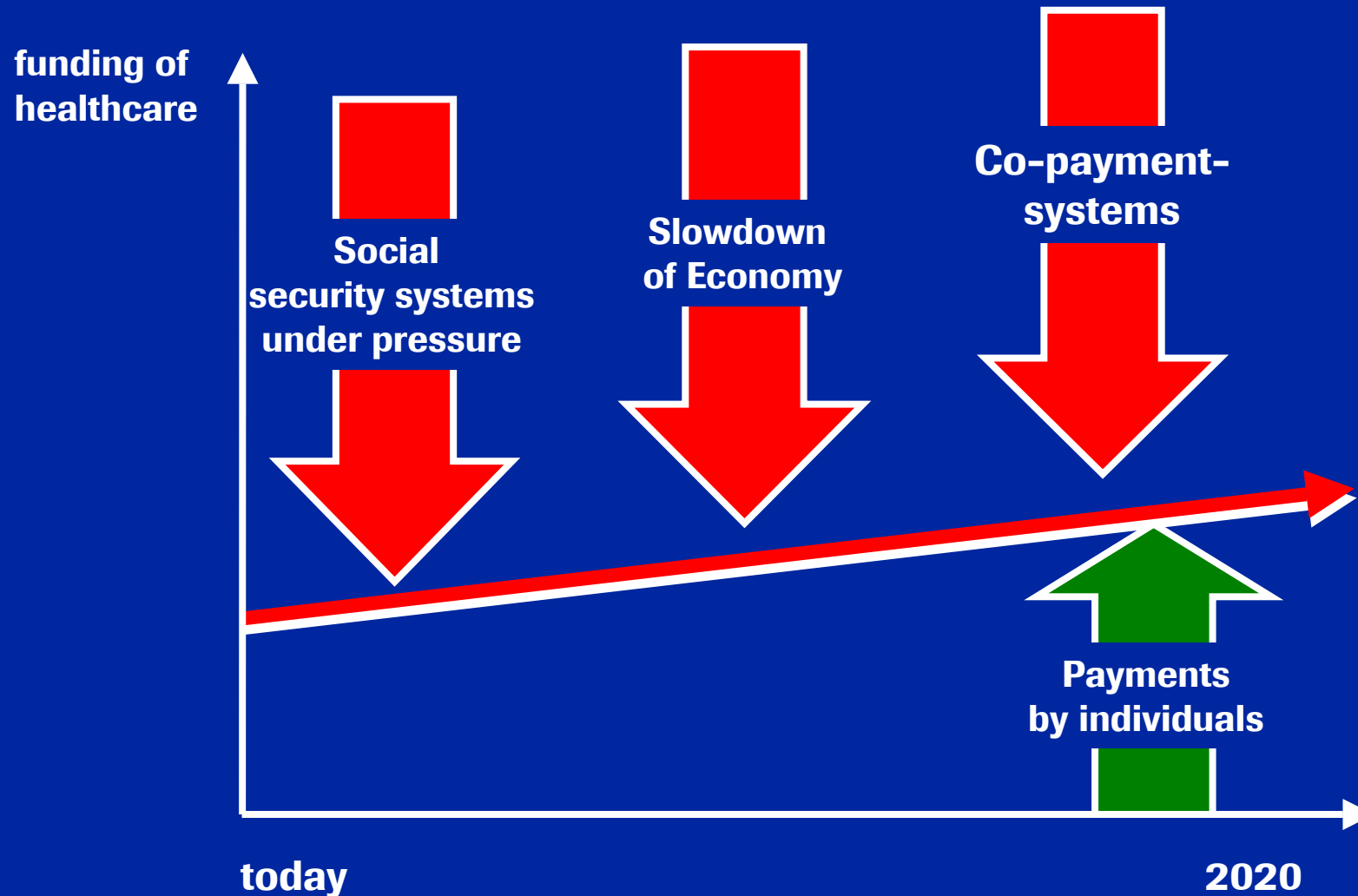
"Healthcare events" dominate or at least influence the life of most people

The number of healthcare events is growing rapidly

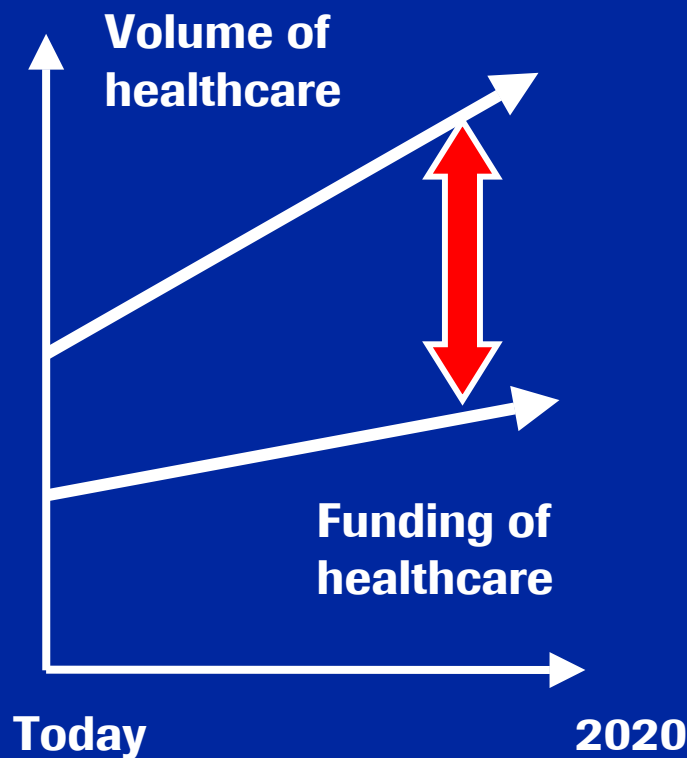


Who will pay for all this?

The funds available are increasing only slowly



The value per healthcare event is rapidly decreasing



General price decreases

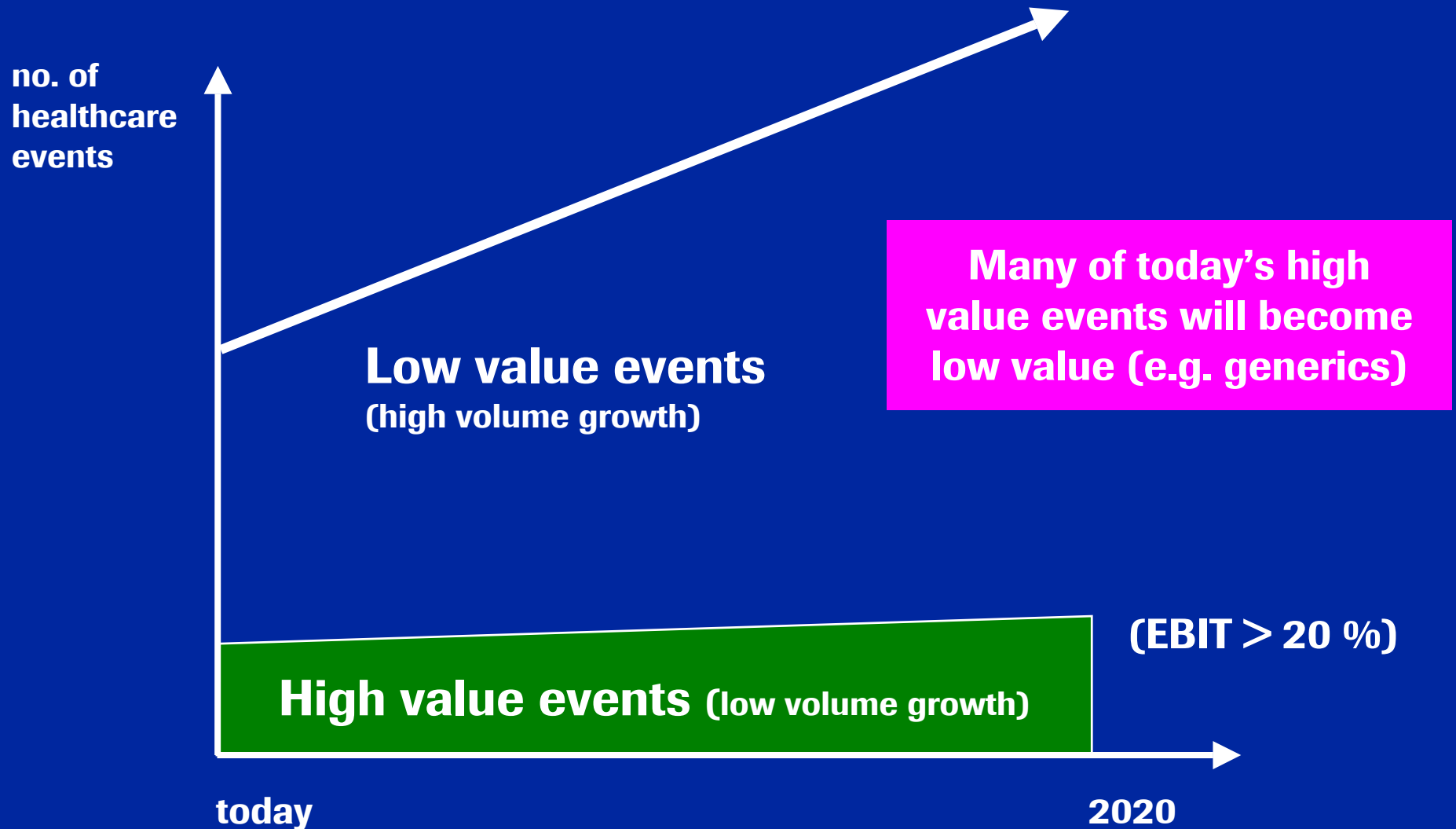
Scenario A: Funding is evenly spent on all healthcare events

Key question:
How will the market develop ?

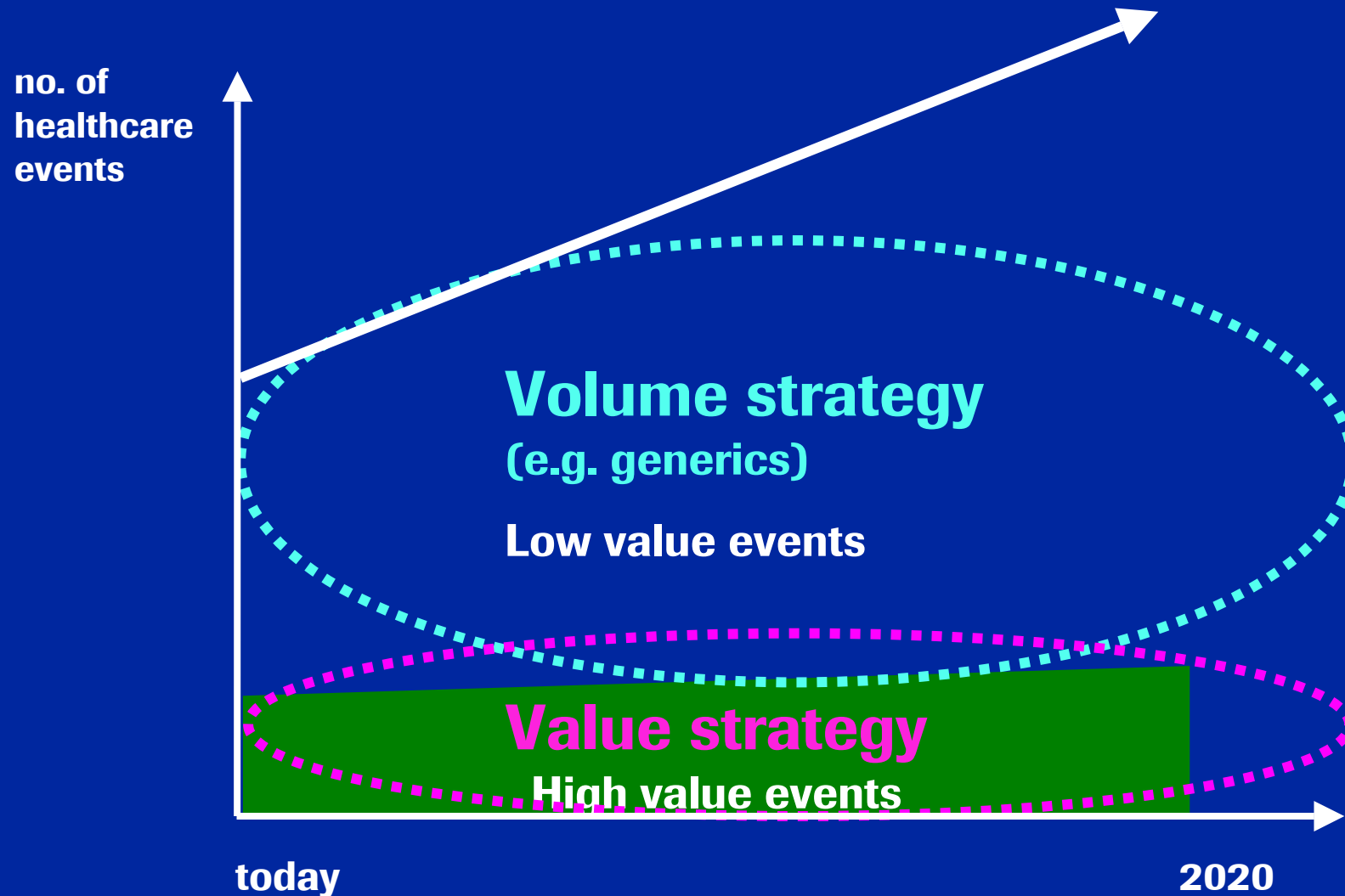
Scenario B: Market splits into high value / low value

High value / low value

Roche sees the healthcare market splitting into a high value and a low value segment



Companies can be successful in both value segments



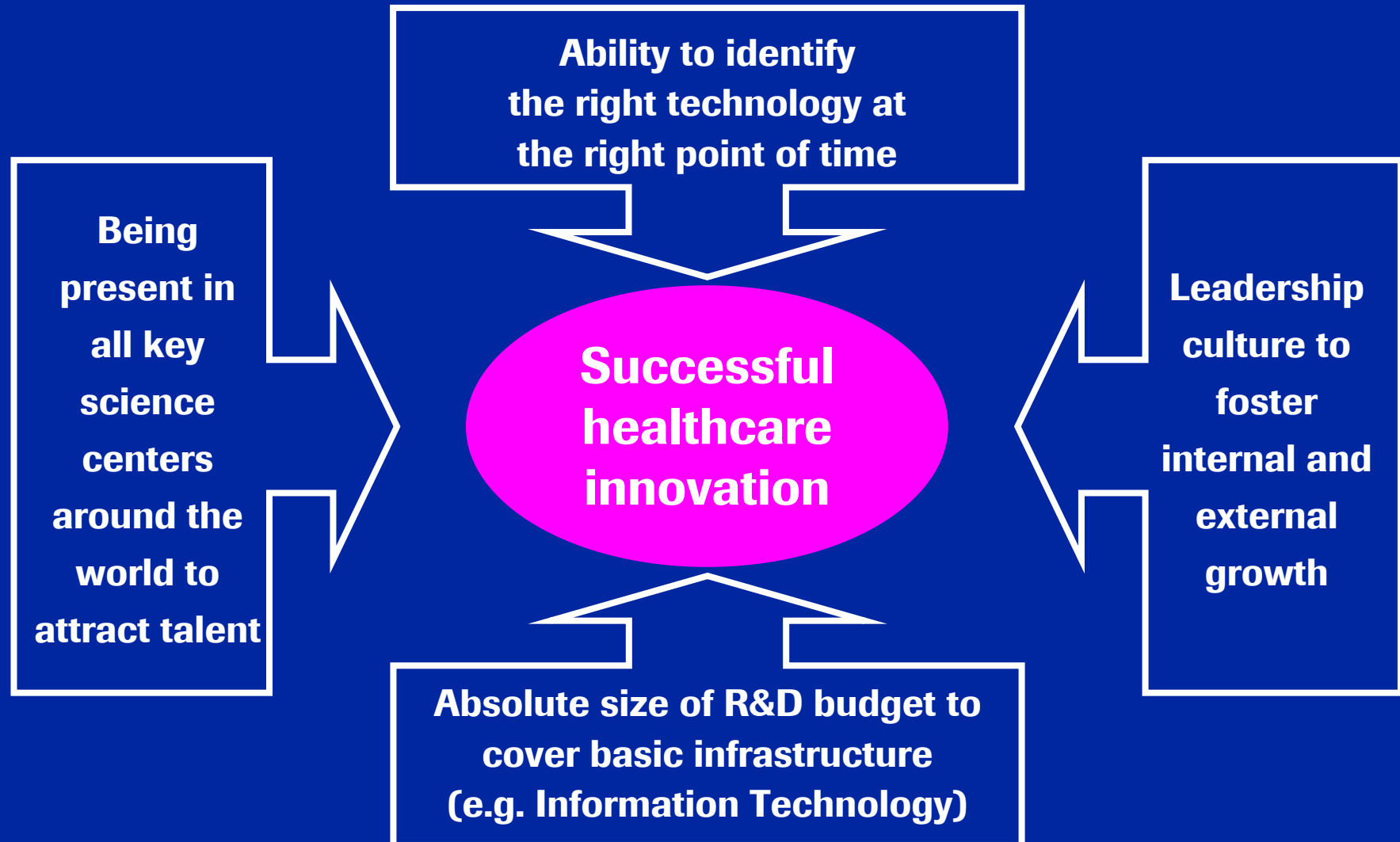
What is the critical factor to be successful with a high value strategy?

Our view: only if you create real (proven!) benefit for the customer, you can achieve a high price and therefore high value!



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

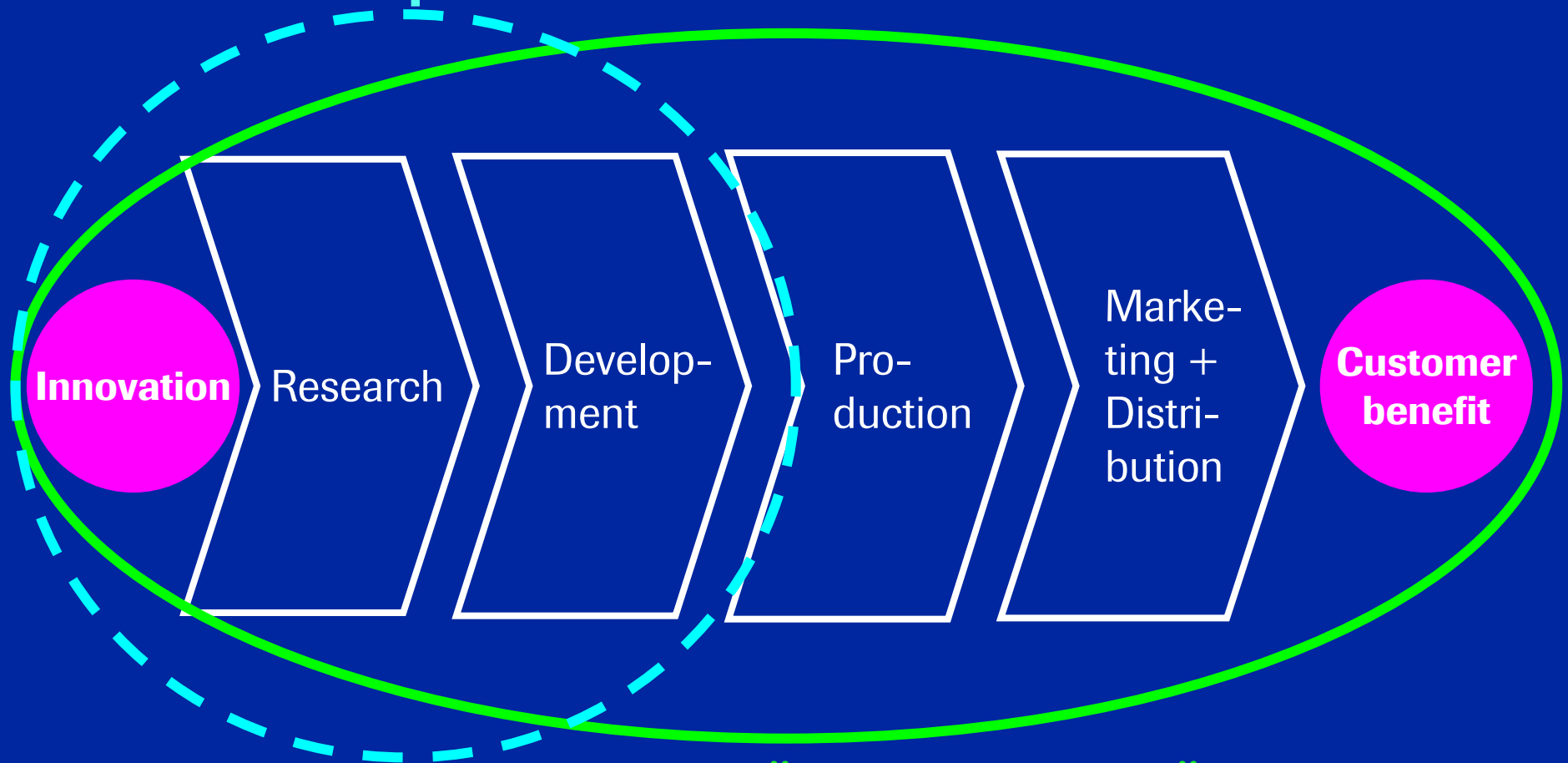
What are the critical factors to be successful in innovation?



Two ways to be successful in innovation

Research focused or controlling the whole value chain

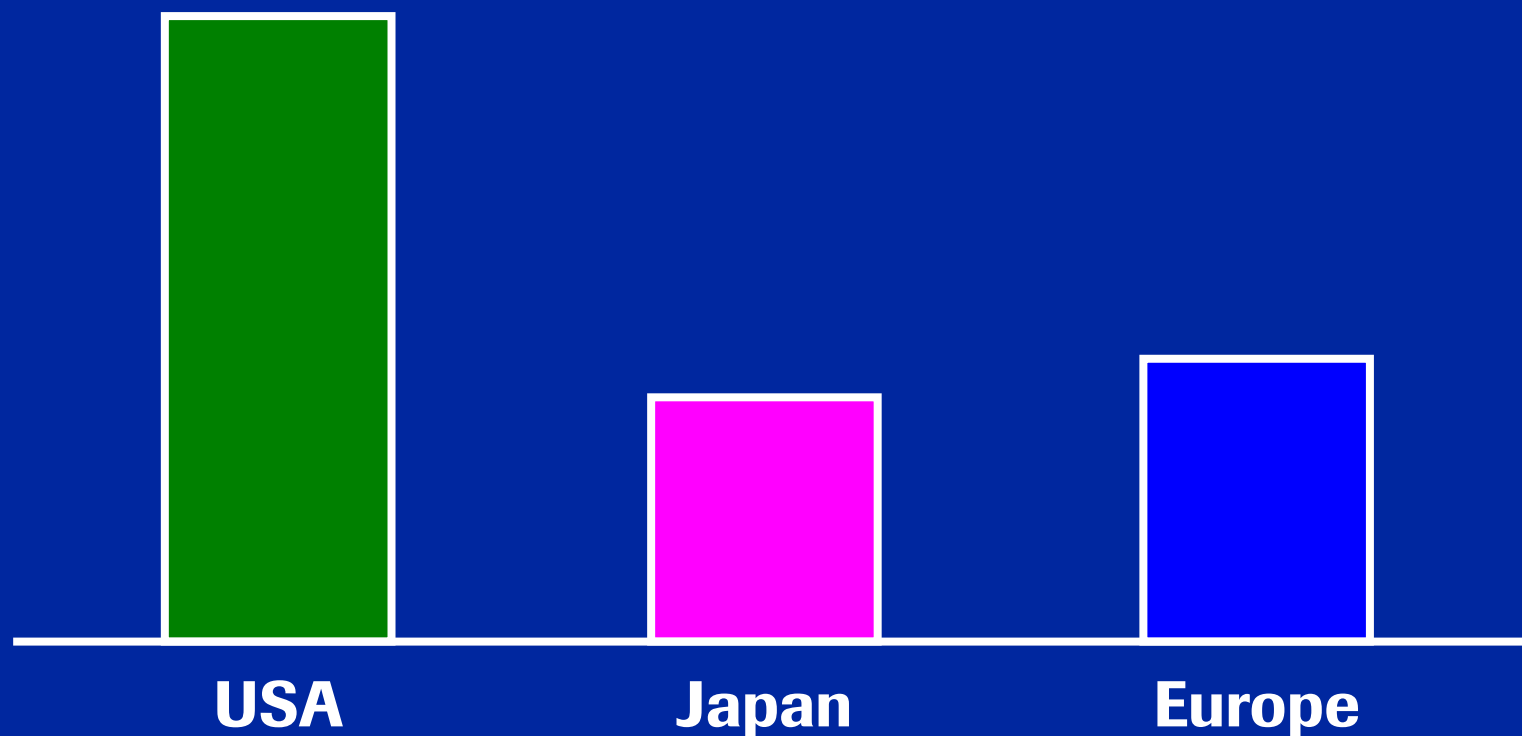
"Biotech" companies



"Pharmaceutical" companies

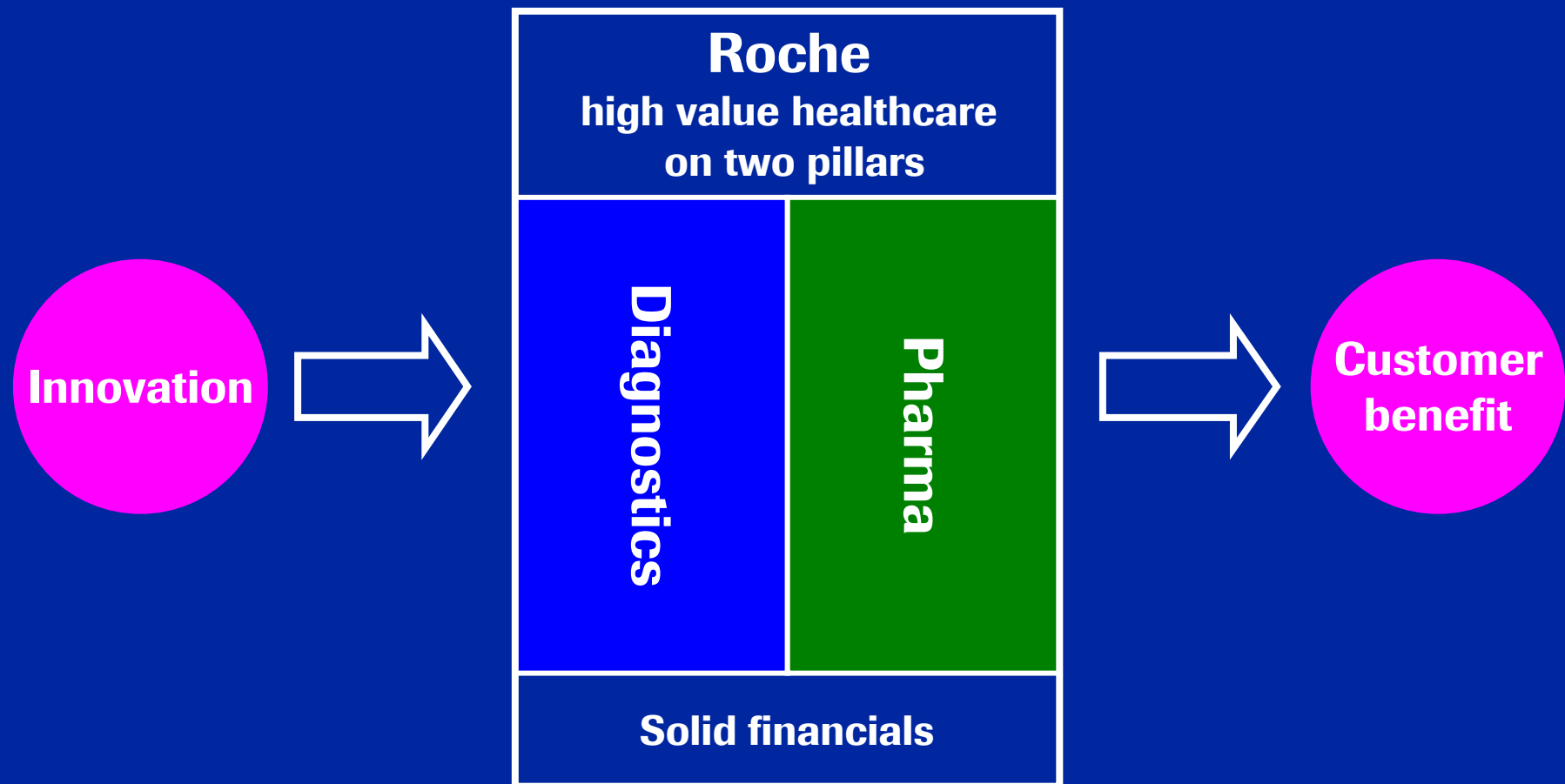
Where are the customers to finance progress in high value healthcare?

Roche wants to provide innovative healthcare solutions for mankind!
During the next decade, to a large extent the customers in the USA, in Europe and in Japan will continue to finance progress in high value healthcare.





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



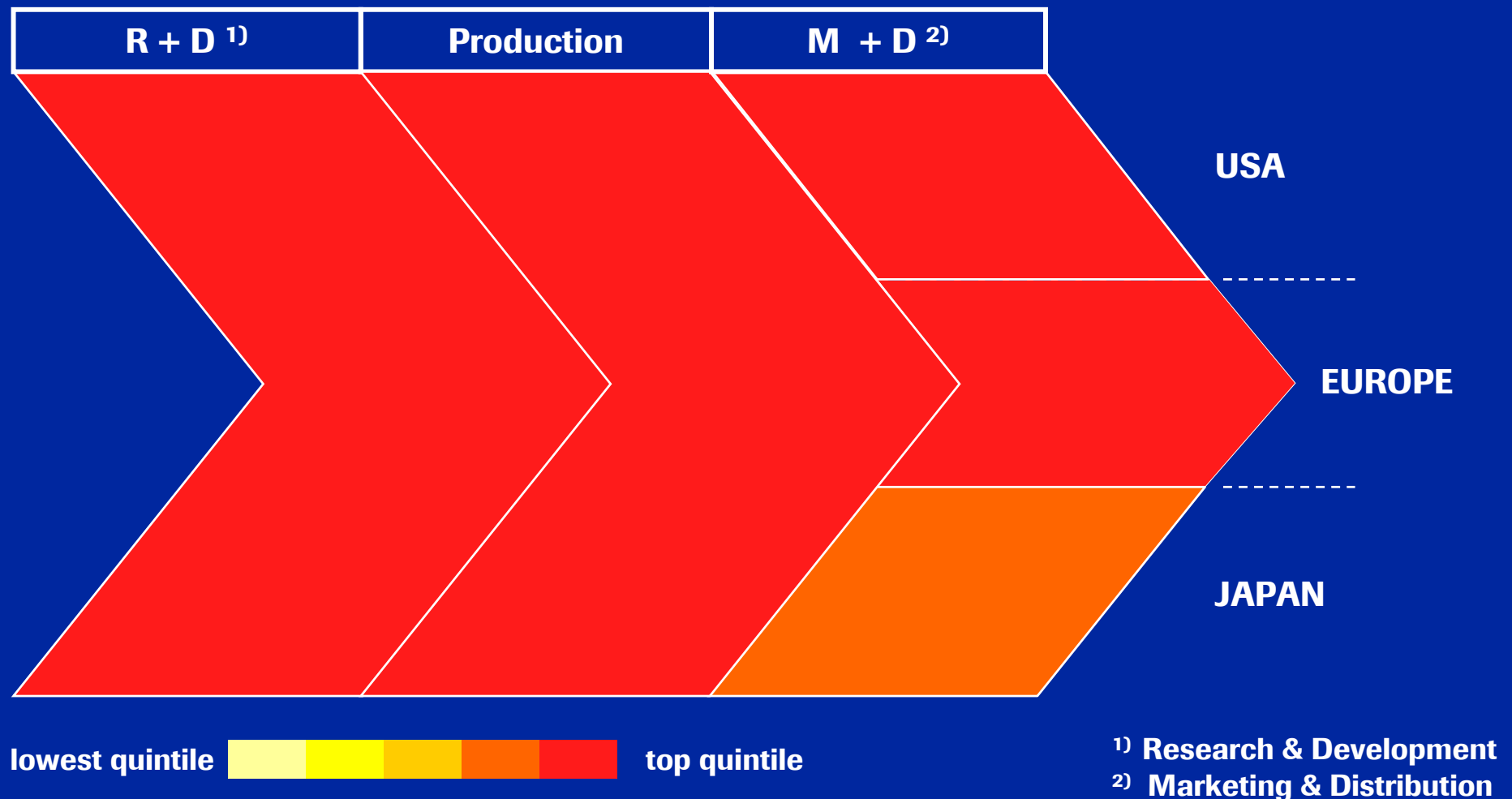
Turning innovation into customer benefit

The Diagnostic Division

**Creating value by providing
"actionable health information"**

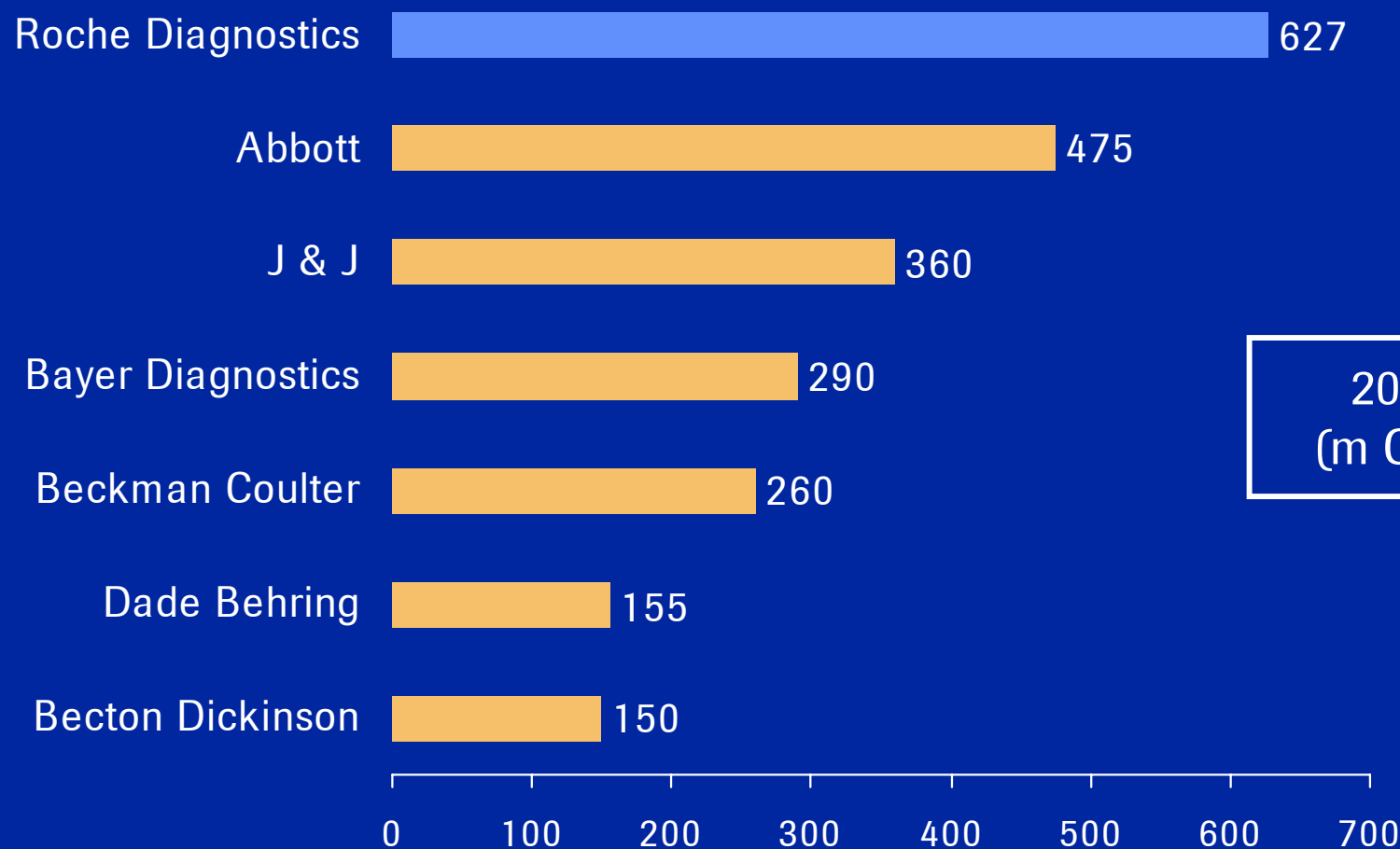


The Diagnostics value chain: a very strong starting position to extend industry leadership!





Industry leadership in absolute amounts in R&D investments



Diagnostics R&D: strong in-house competence coupled with an entrepreneurial spirit



A very strong network of R&D centers in the USA and Europe is able to come up with innovative solutions in major fields

proteomics

genetics

micro-technology

genomics

IT/Software

"Venture" initiatives and "innovation fairs" are activating the internal potential

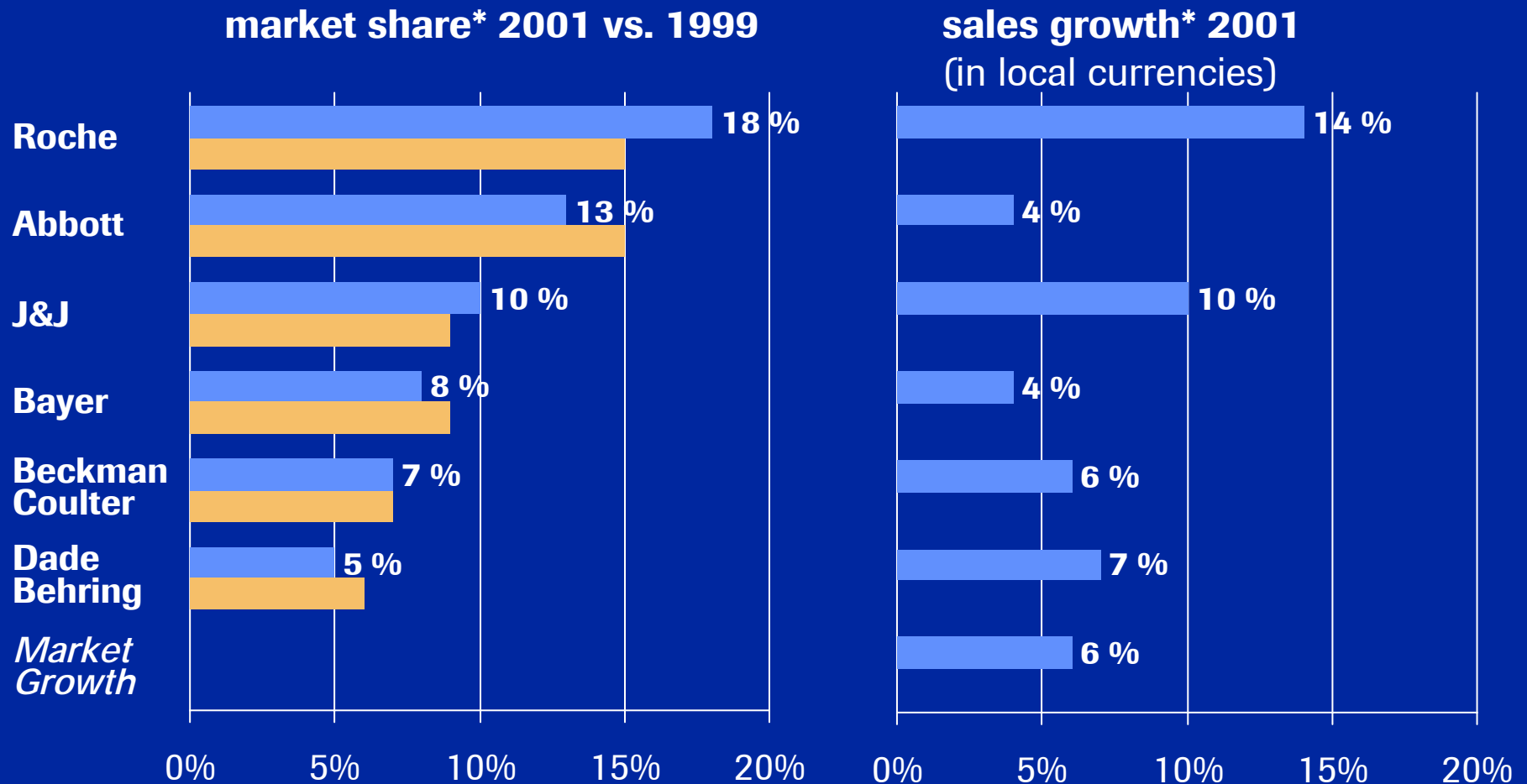
lowest quintile



top quintile

Diagnostics Marketing & Distribution (M&D)

Clear market leader with strong growth rate

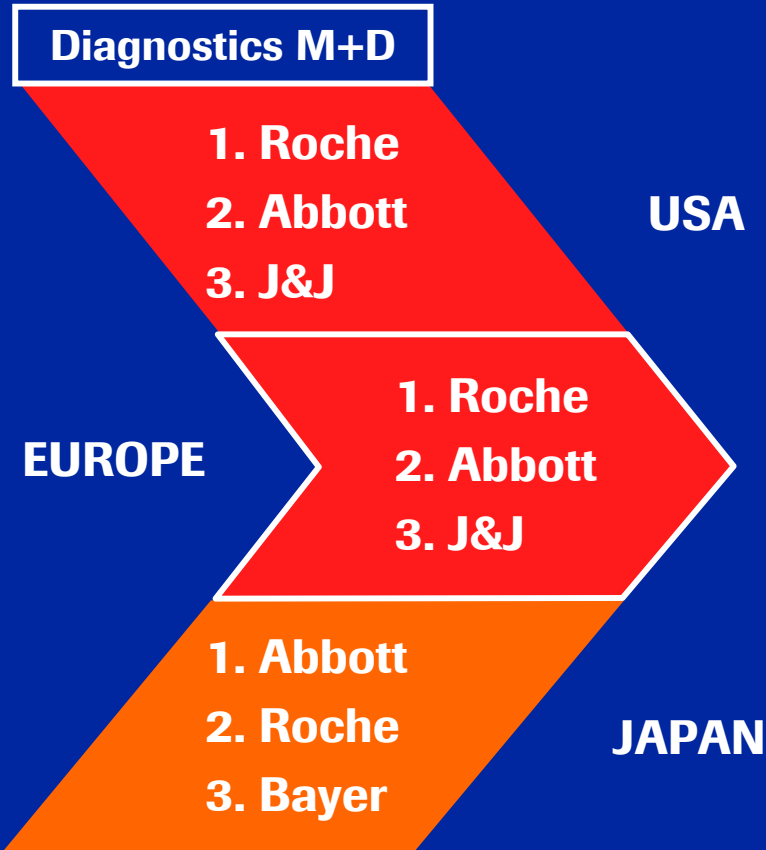


* Basis: Q4 2001 Est. and actual 1999 / excludes Applied Sciences

Source: Annual Reports, Boston Biomedical Consultants, Roche Analysis



Diagnostics M&D: clear leadership position in Europe and the USA, strong growth to improve in Japan

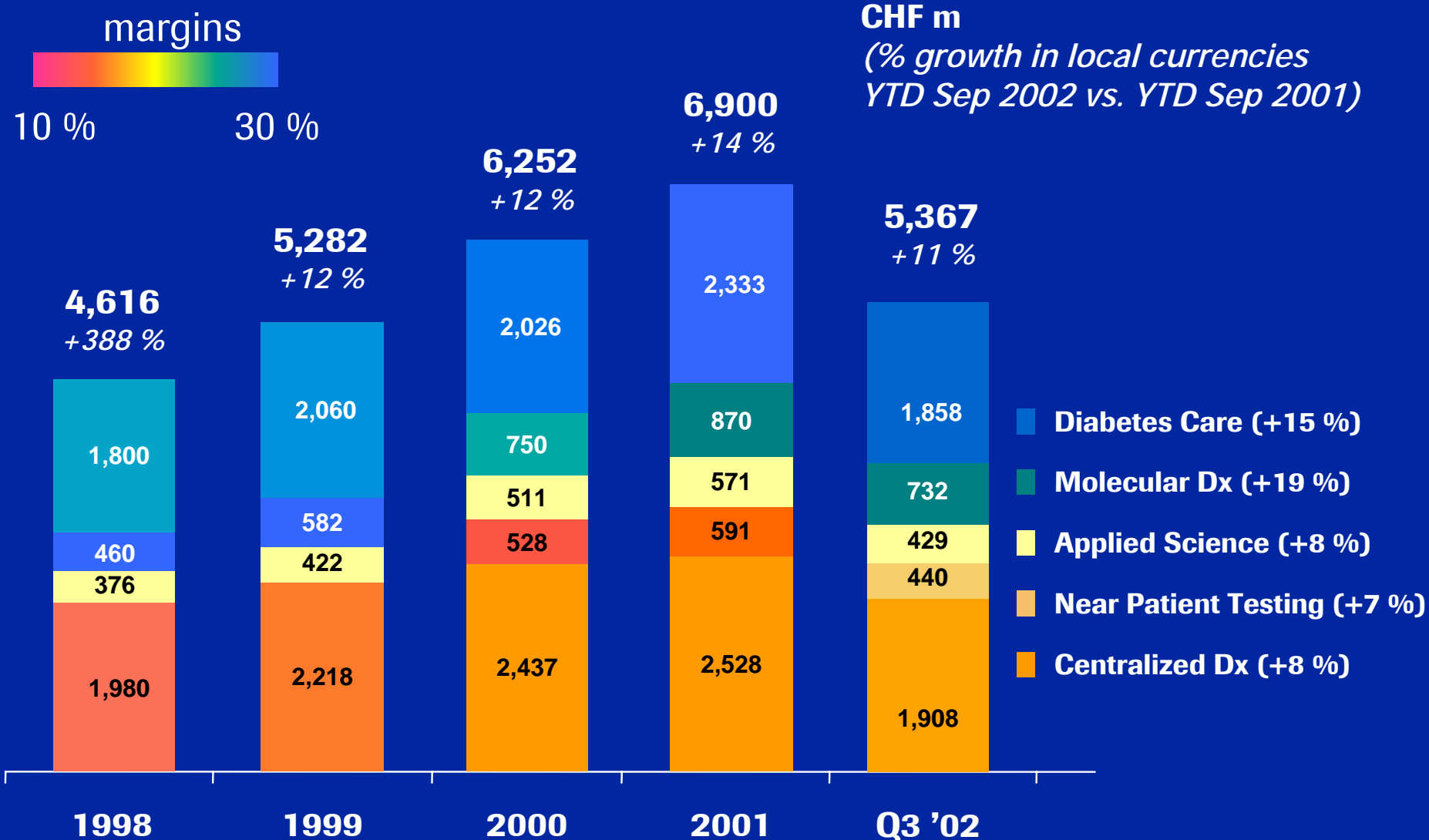


business area				
CD	MD	NPT	DM	AS
6	1	2	2	4
1	1	1	1	4
3	1	6	3	6

market share position



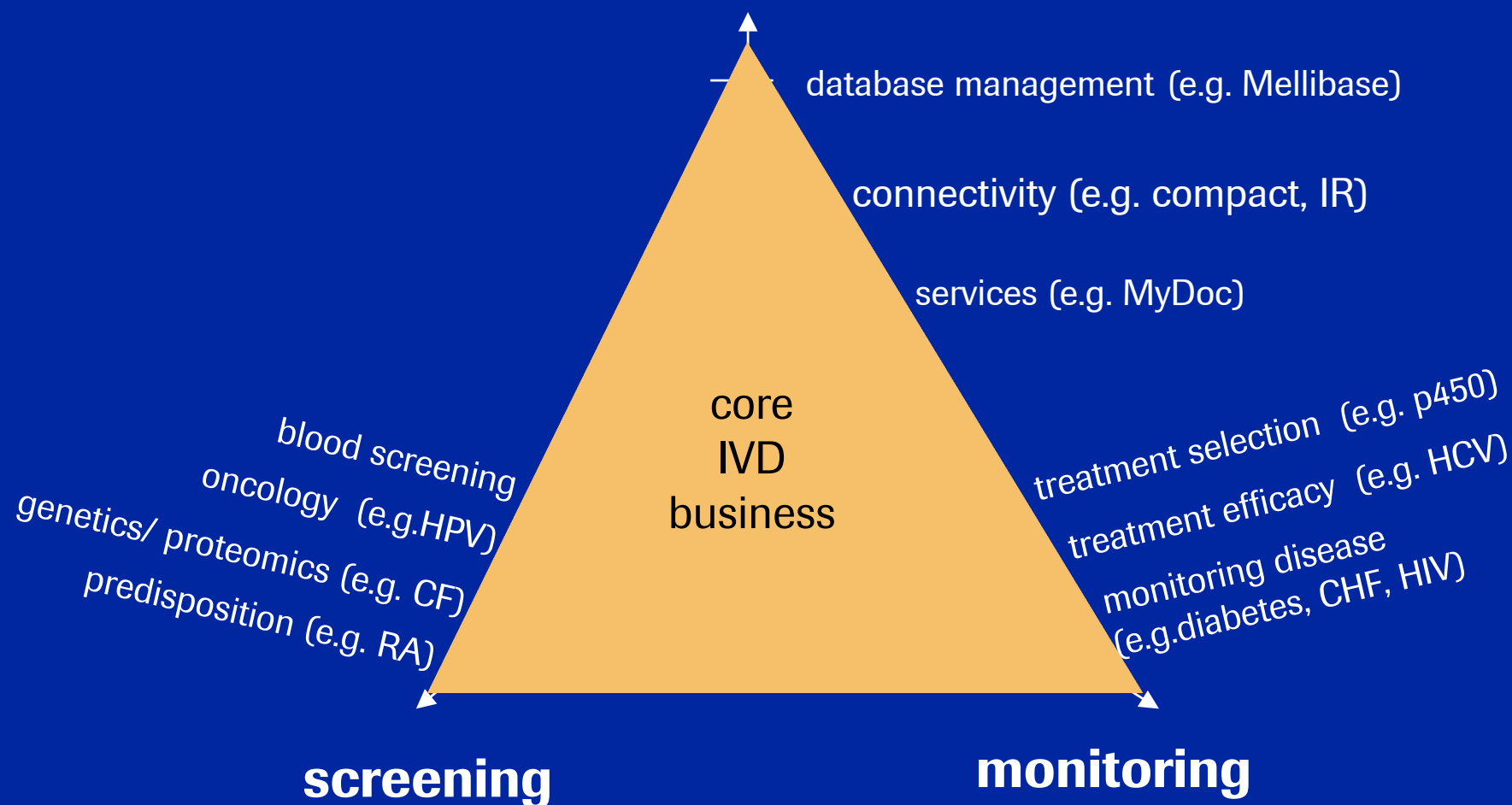
Strong growth in high margin areas



Market expansion through innovation

Redefining the diagnostic market

new business models

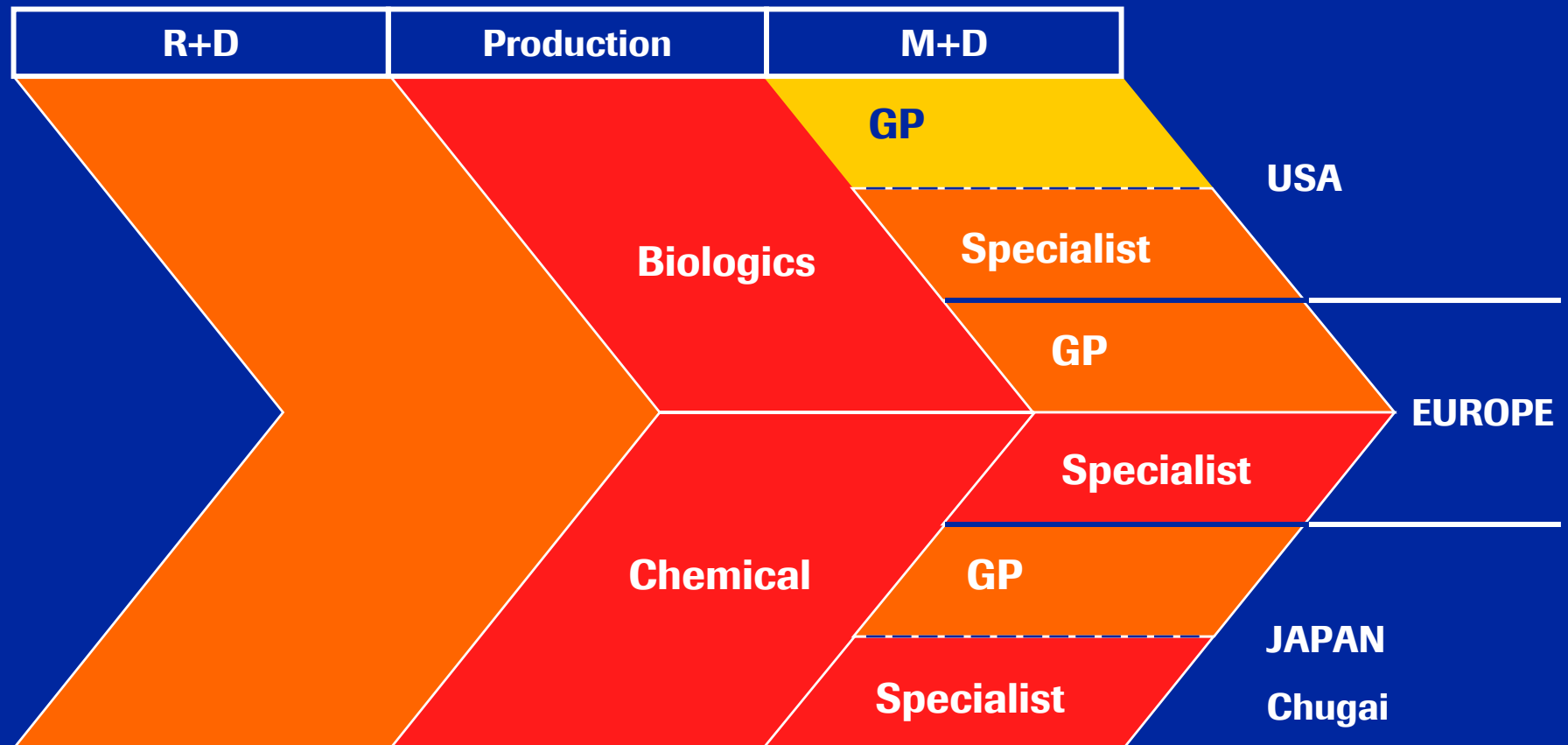


The Pharmaceuticals Division

**Creating value by global leadership
in selective therapy areas
(e.g. oncology)**



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

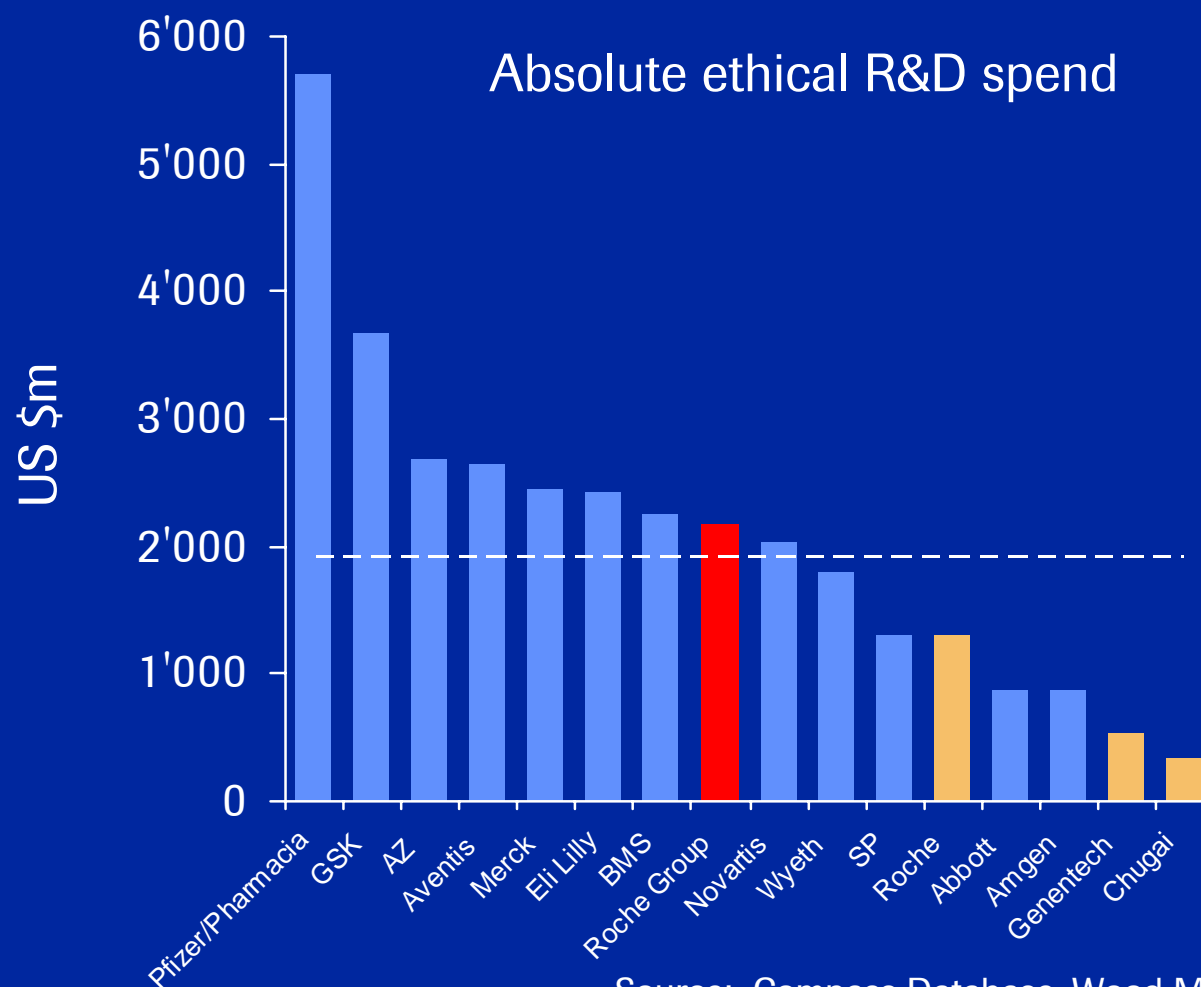


lowest quintile  top quintile



Roche Pharma R&D expenditure 2001

In the top 10 of the industry

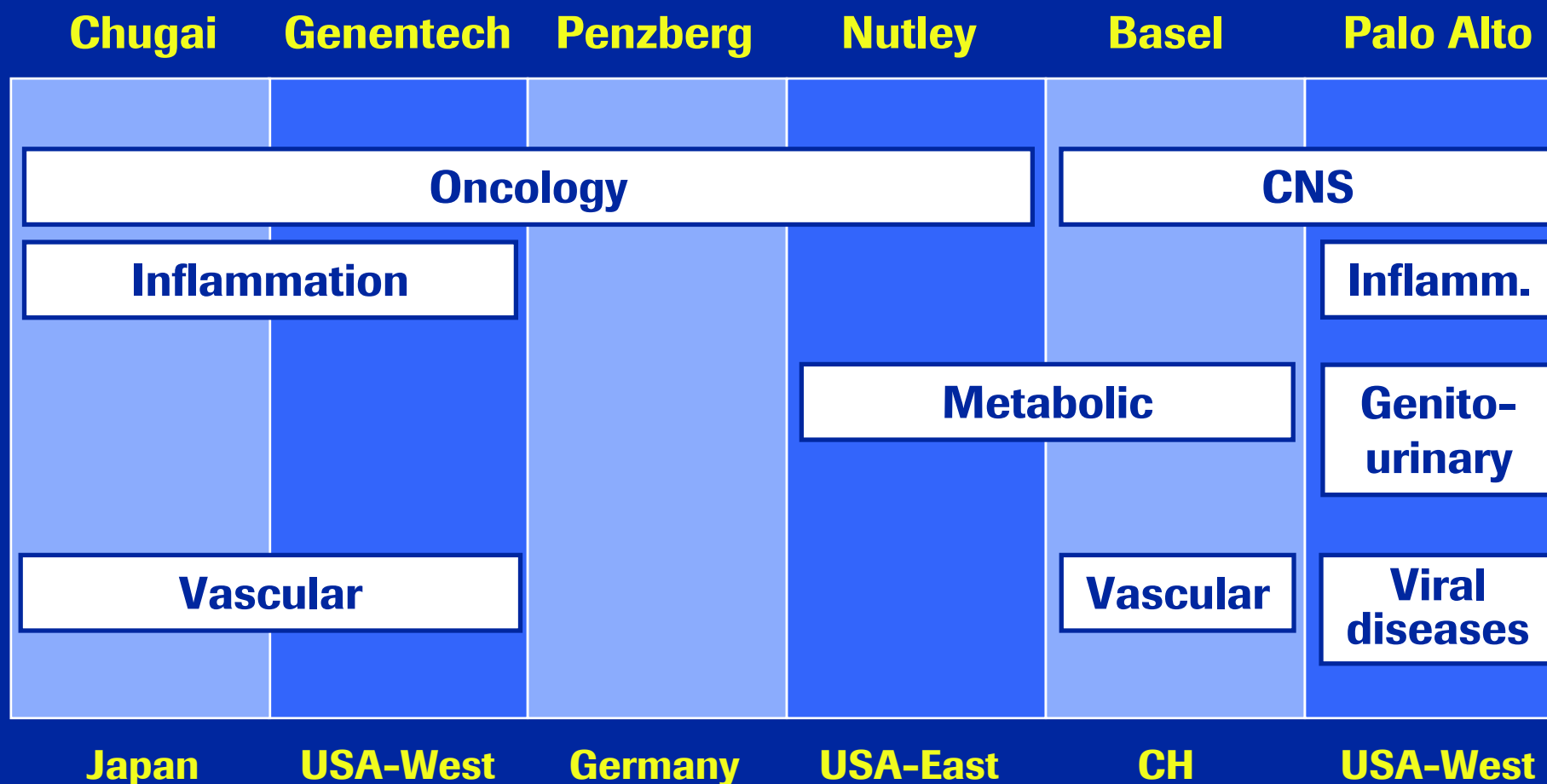


Source: Compass Database, Wood Mackenzie Reports, Annual Reports, Roche internal information, Marakon Associates

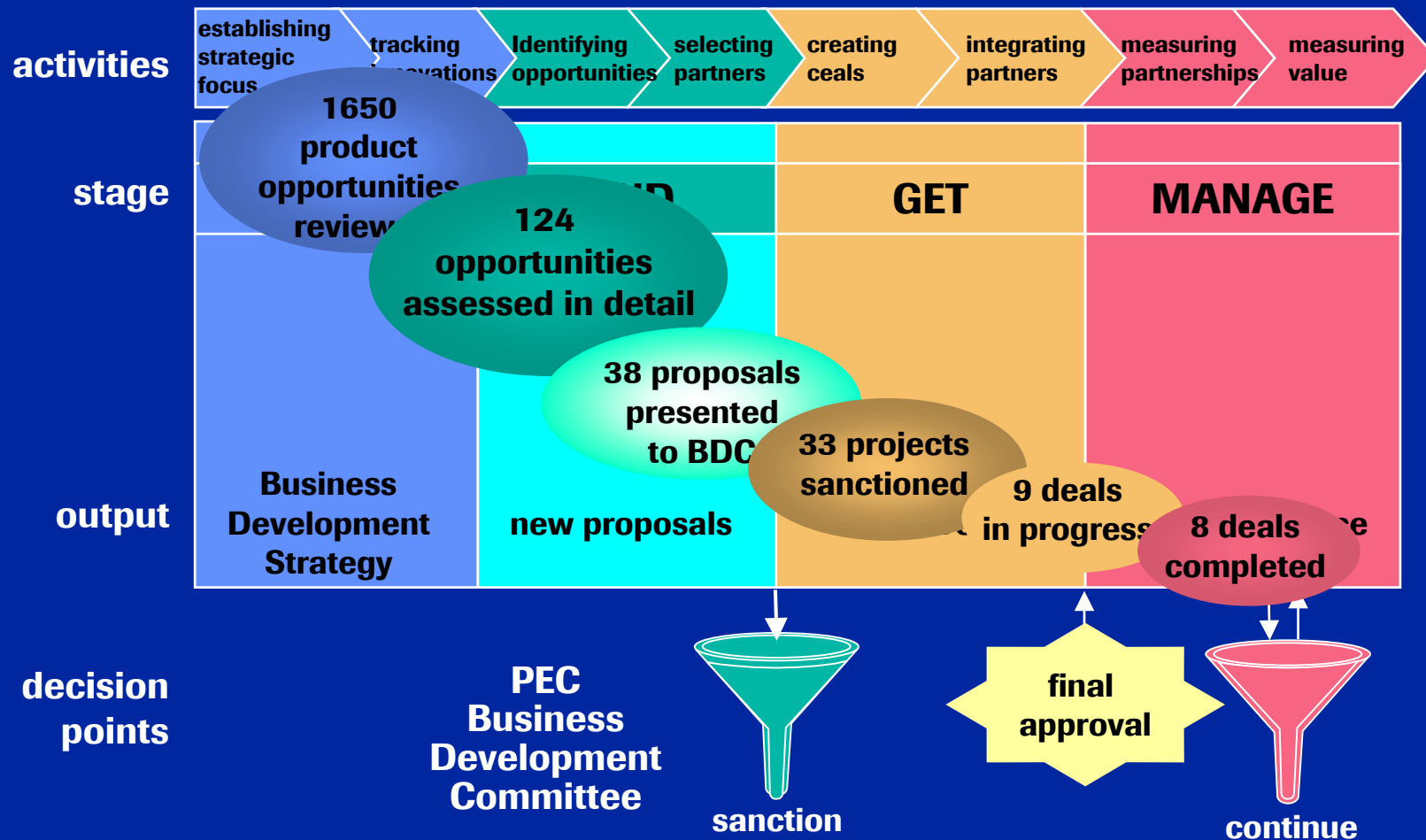


Roche R&D: strong in-house competence tapping the potential of science around the globe

Focus on seven therapeutic areas



Openness for external innovation: over 1600 opportunities analyzed since beginning 2002

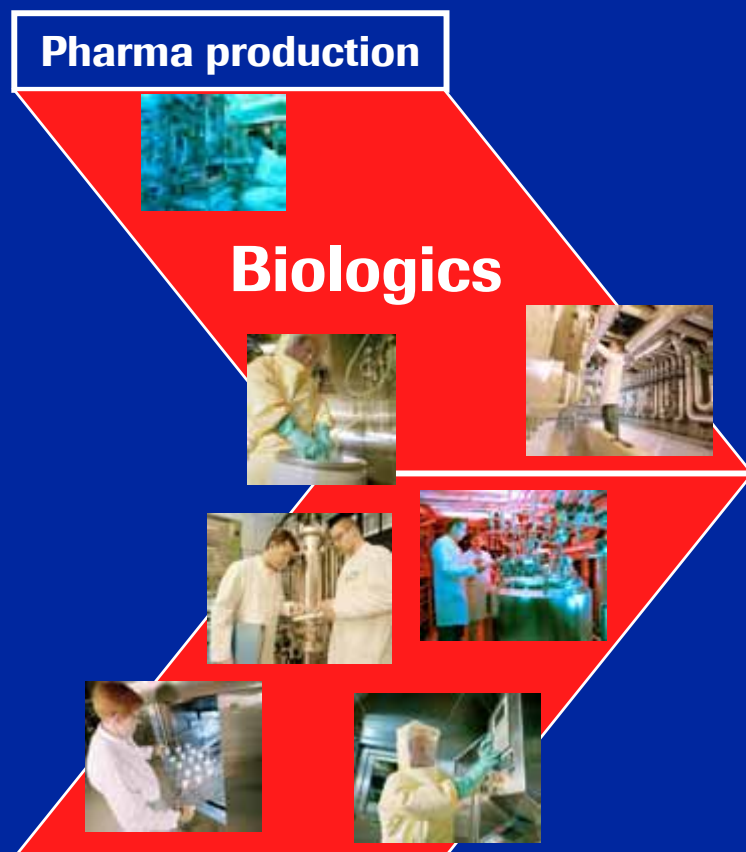


65 people in pharma plus 15 in diagnostics active in in-licensing



Roche Pharma biologics production

Strong in-house competence positions Roche amongst the top three in the industry



A strong network of state of the art production centers around the world ensures a very strong position in the field of biologics production

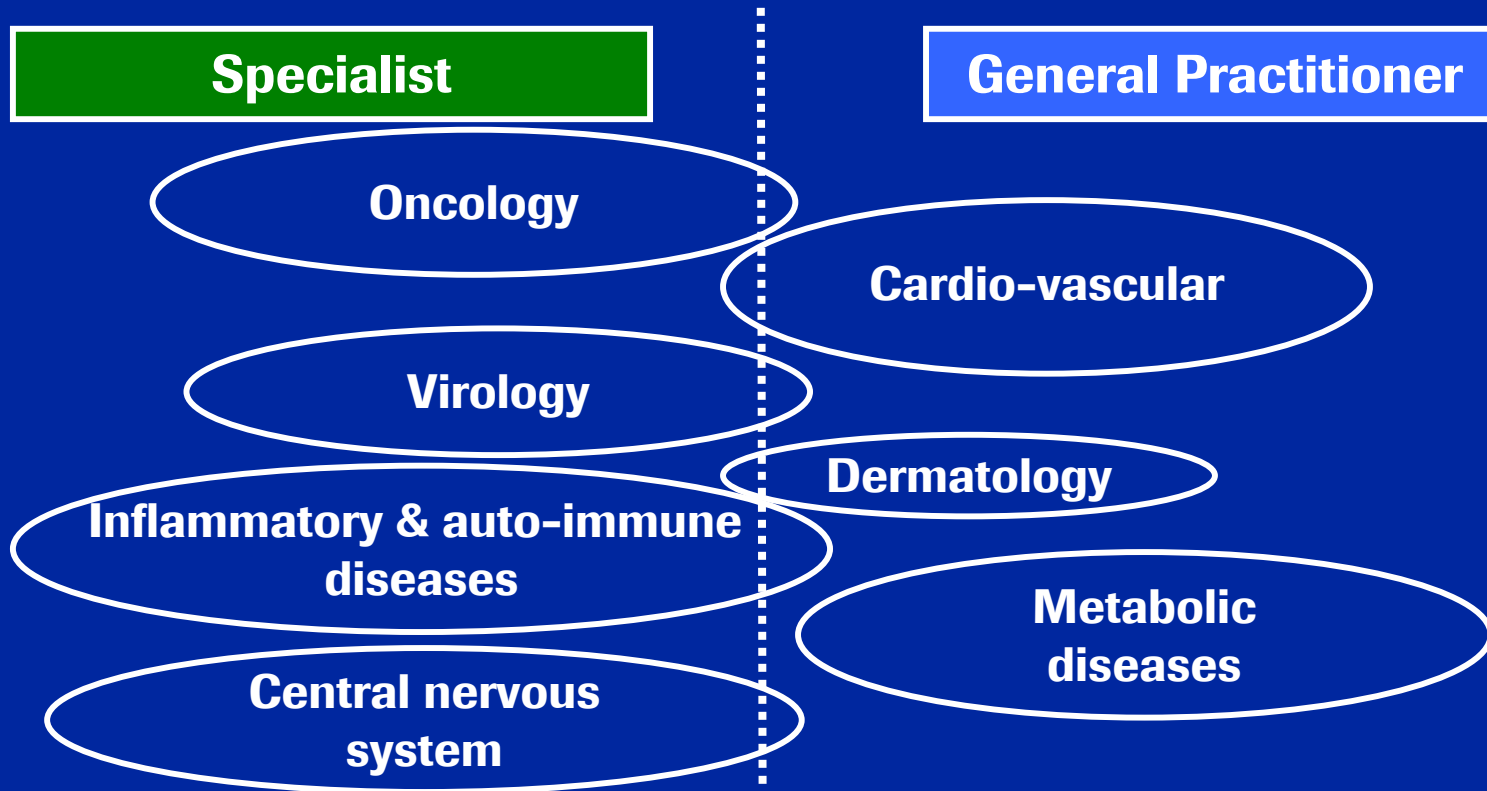
Roche has a significant competitive advantage

Biologics products are becoming more important

lowest quintile  top quintile

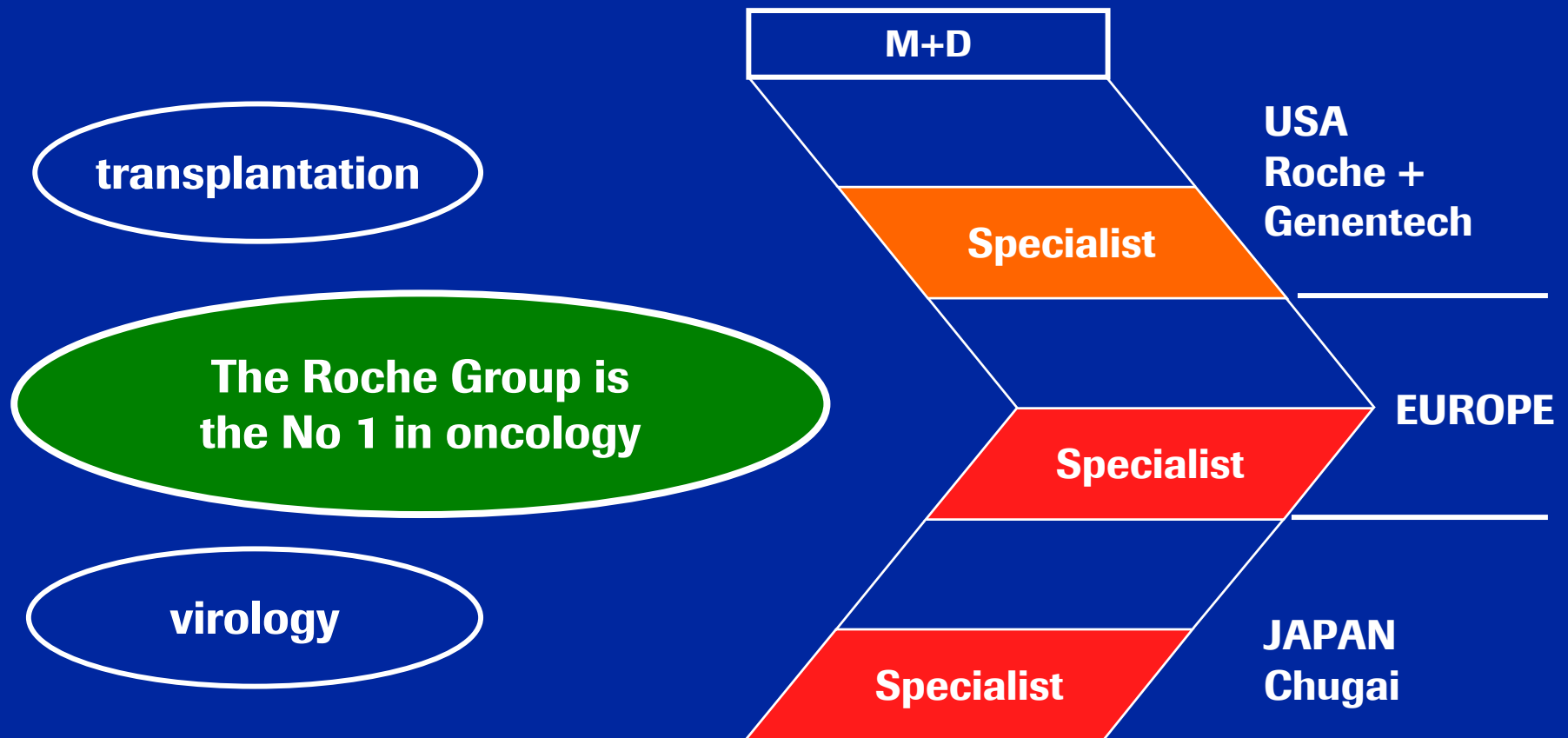
Roche Pharma Marketing & Distribution

Differentiated starting position in the "Specialist" and the "Primary Care / General Practitioner" segments



The borderline between the two segments varies from medical school/country to medical school/country and may well change in the future

M&D specialist field: with bringing Chugai into the Group, Roche is a top 10 company in all three major global markets

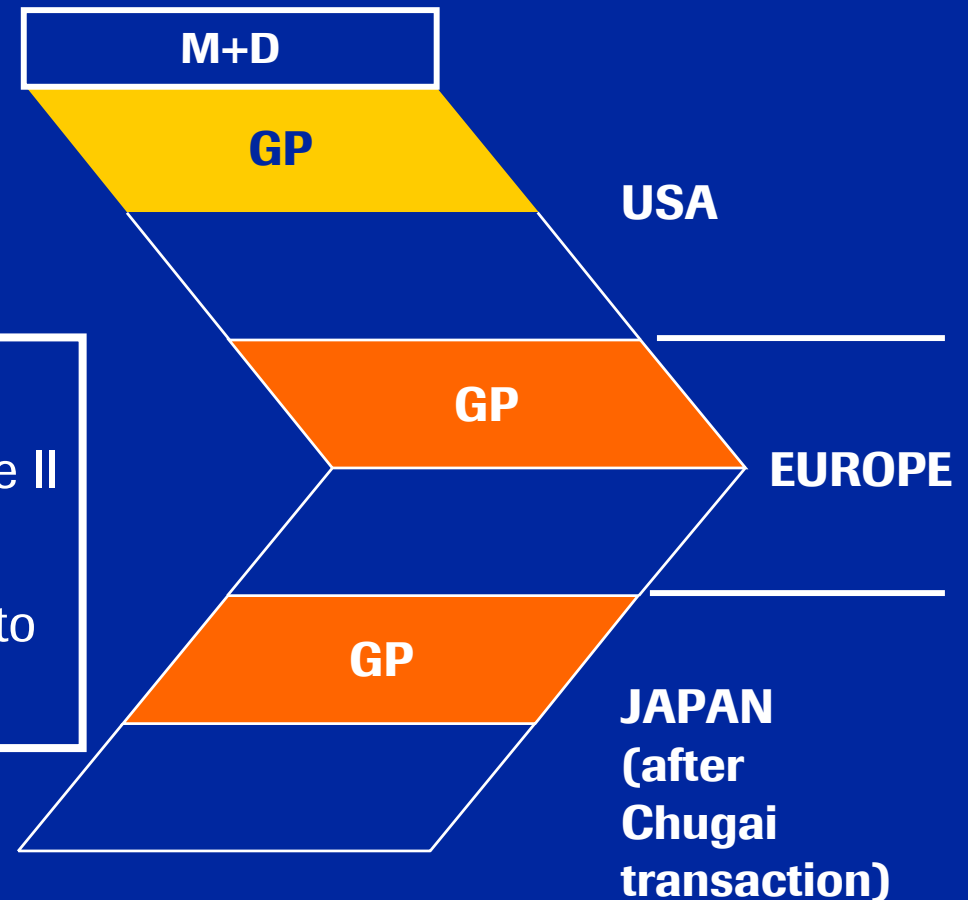




M&D general practitioner: Short-term, Roche has a clear challenge to tap this potential, specially in the USA

Why does Roche not exit this business?

With Bonviva (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

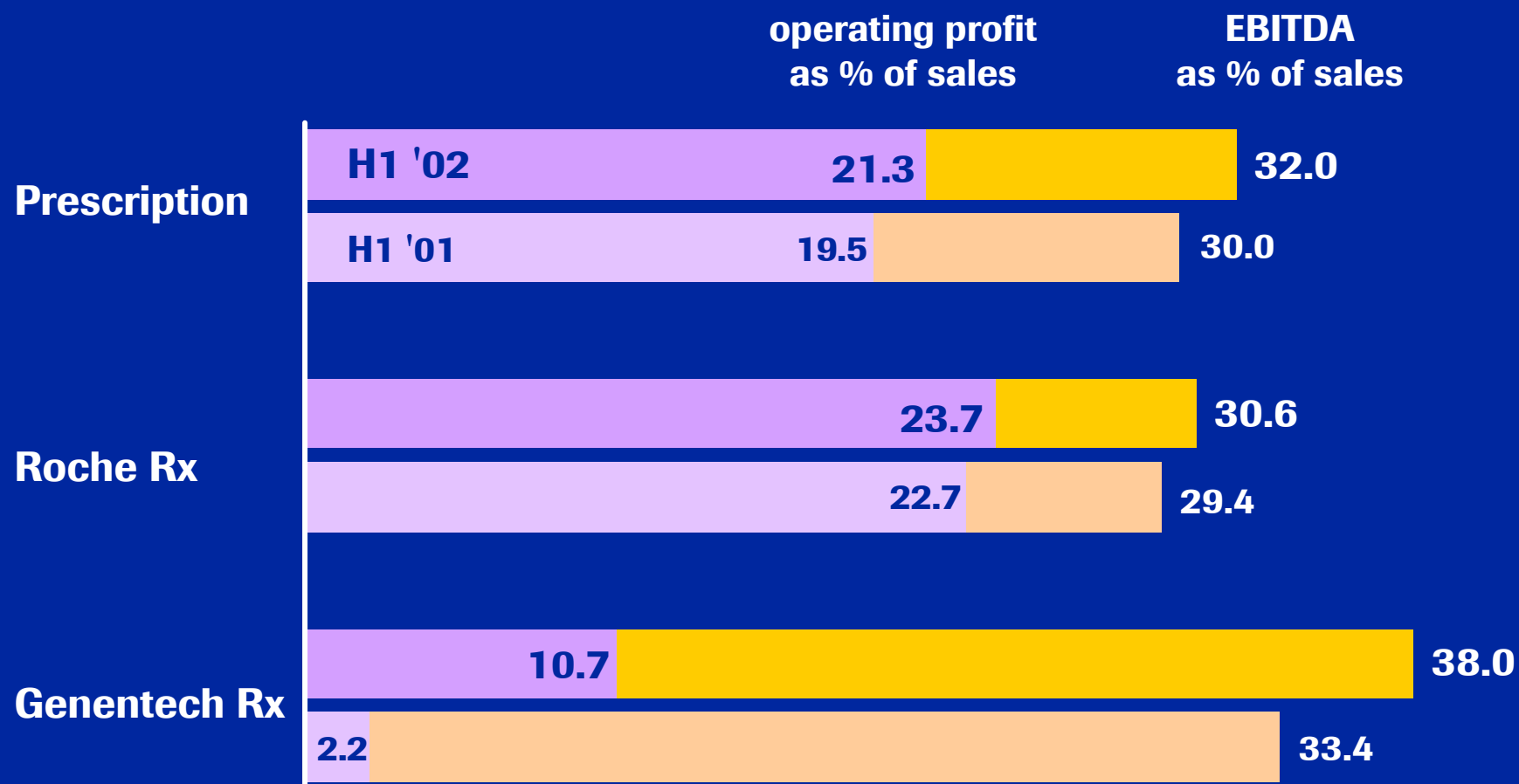


lowest quintile  top quintile



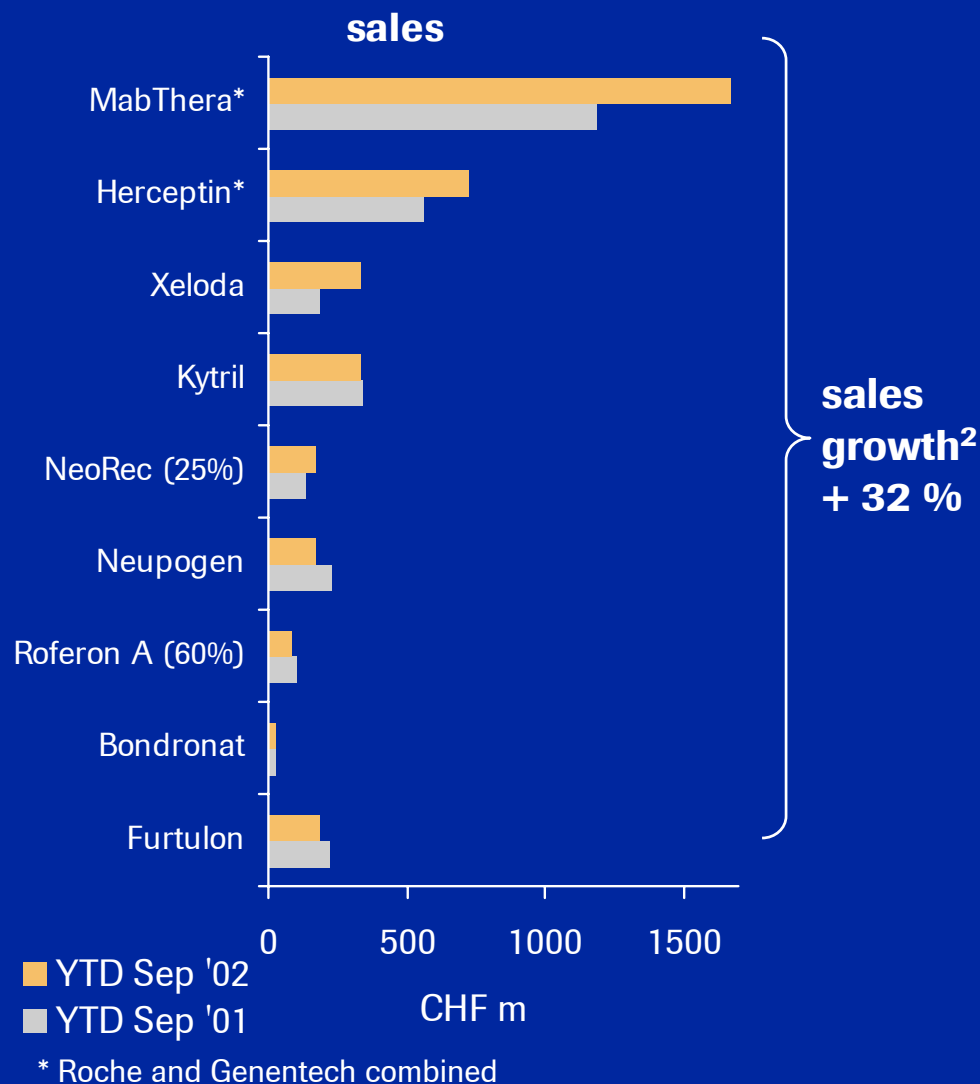
Prescription profitability

Step by step towards 25 %



Oncology franchise

Young brands driving growth



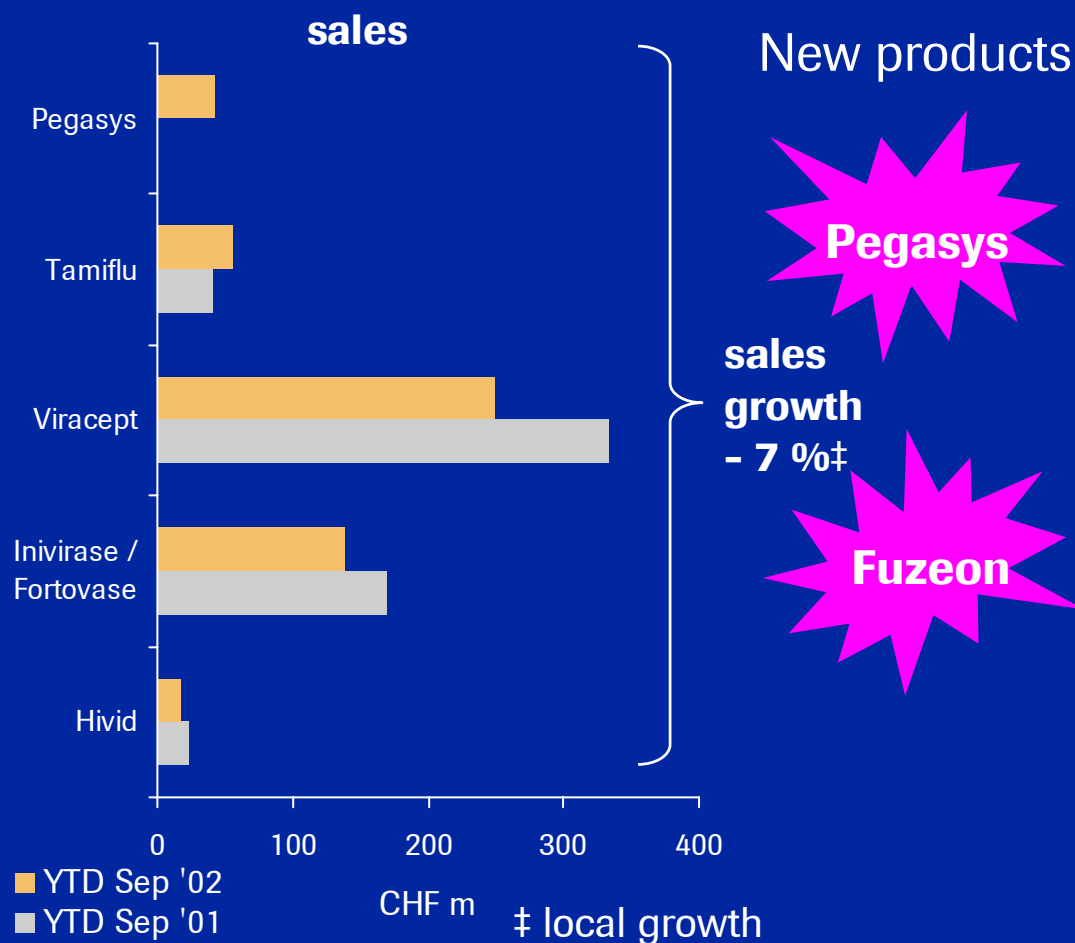
- The only company to market three new products which improve patient survival
 - MabThera/Rituxan
 - Herceptin
 - Xeloda
- Oncology sales* expected to increase from CHF 4 billion (2001)¹ to CHF 6 - 8 billion (2005)
- Building on our number 1 position in oncology

¹) Sales from MabThera/Rituxan, Herceptin, Kytril, Xeloda, Neupogen, NeoRecormon (25 %), Roferon A (60%), Bondronat, Furtulon

²) local growth

Virology franchise

Two major launches in progress / upcoming



- Roche, the first company to launch a protease inhibitor (Invirase, 1995)
- Roche, the first company to launch a fusion inhibitor (Fuzeon (T-20), expected launch Q1 '03)
- Roche retains a strong commitment to virology
- Virology: a driver for the future



Roche R&D pipeline today

Total of 51 NME's including 3 NME's which Genentech will commercialize alone

phase 0

phase I

phase II

**phase III /
registration**

R1067 depression	R701 overactive bladder	R411 asthma	R420 (Pegasys) HCV
R1295 asthma	R944 HIV	R450 (alpha 1 agonist) stress incontinence	R484 (Bonviva) osteoporosis
R1438 type 2 diabetes	R1068 emesis	R483 (insulin sensitizer) type 2 diabetes	R698 (Fuzeon) HIV
R1439 type 2 diabetes	R1164 osteoporosis	R667 emphysema	R1415 (Tarceva) oncology
R1440 type 2 diabetes	R1204 depression/anxiety	R673 (NK1) depression/anxiety	R1471 (Pegylated Filgrastim) oncology
R1453 solid tumors	R1487 rheumatoid arthritis	R744 (next generation anaemia treatment)	Avastin (oncology) (G)
R1454 solid tumors	R1270 HCV	R1124 emesis	Raptiva (G)
R1456 emphysema	R1492 solid tumors	R724 (T-1249) HIV	Xolair (G)
R1484 stress incontinence	antibiotic (B)	R1273 solid tumors	
R1503 rheumatoid arthritis	acute coronary syndrome (G)	R1461 HPV	
R1495 HIV	macular degeneration (G)	R1524 renal transplant	
R1516 anaemia treatment		subarachnoid hemorrhage (A)	
R1533 Alzheimer's		psoriasis (B)	
antifungal (B)		eczema (B)	
antifungal (B)		inflamm. bowel disease (G)	
antitumor (G)		cardiovascular disease (S)	

- Roche
- collaborations
- opt-in opportunities
Axovan (A)
Basilea (B)
Genentech (G)
Speedel (S)
- participation only
through Genentech

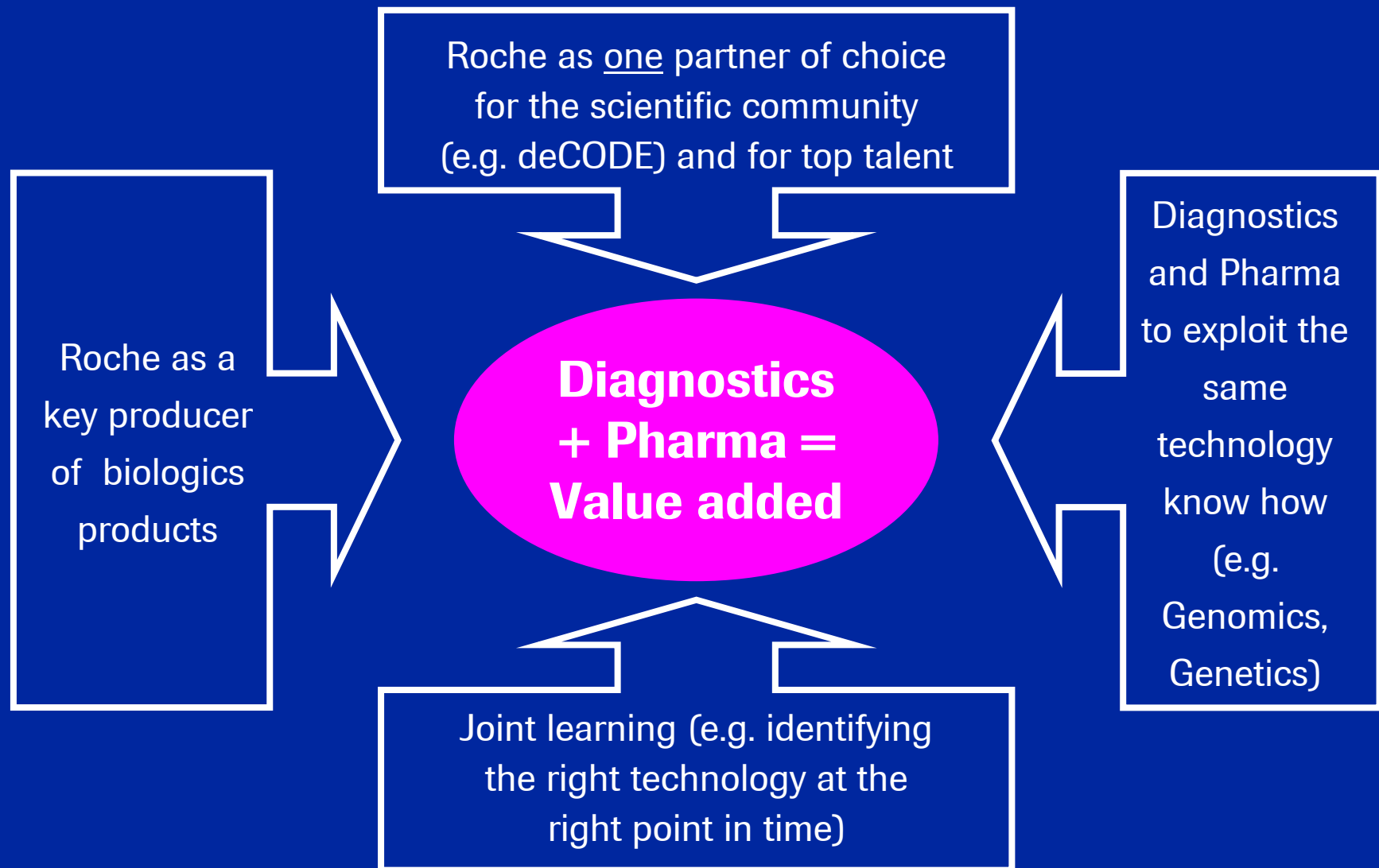
Roche pipeline status on September 30, 2002

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

Two independent businesses with potential interaction along the value chain



Two high tech businesses joining forces where it adds value

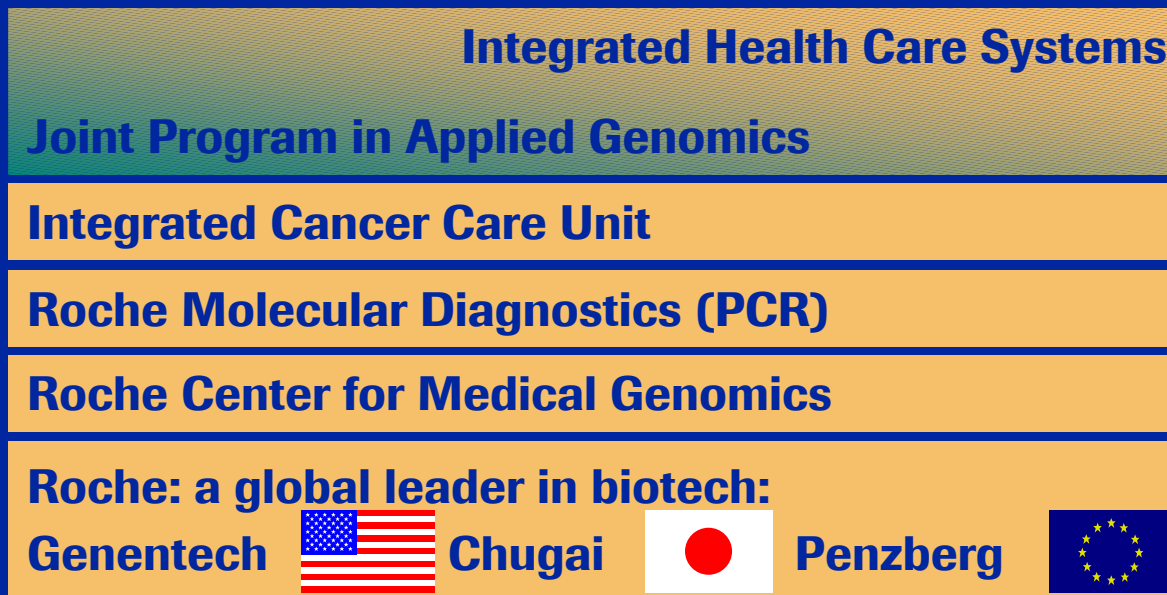




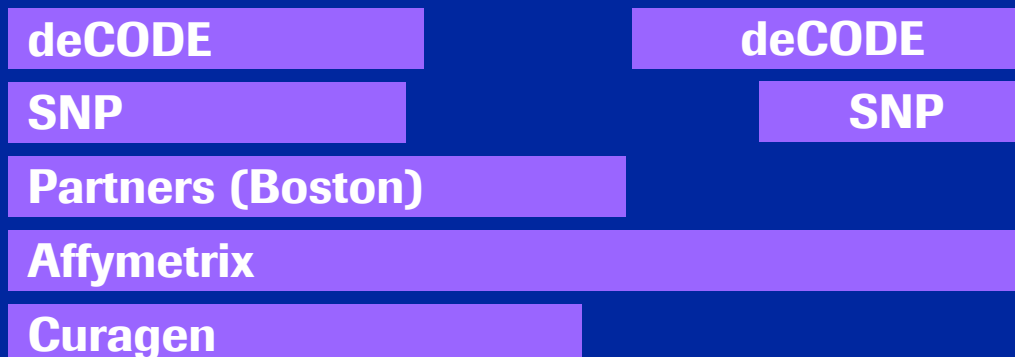
Exploiting genetics and genomics

Internally and externally

Research —————> Development —————> Market



Internal



External

Pharma - Diagnostic synergies

An example: Virology



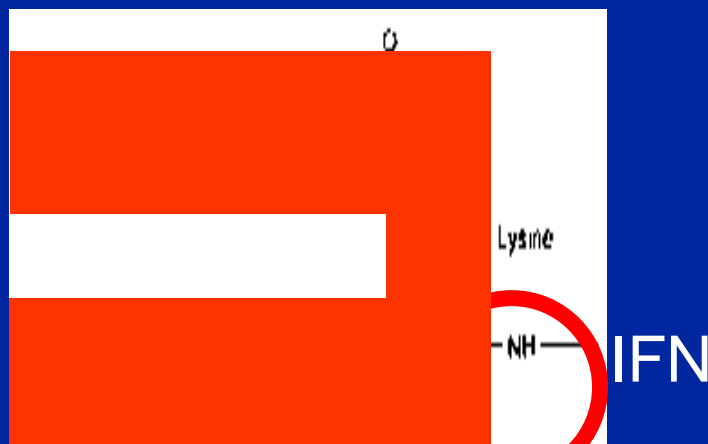
Pegasys

Research

- Slower degradation by peptidases compared to non-branched forms

Diagnostics

- Monitoring virological response allows prediction of therapy outcome
- Hepatitis C genotyping allows therapy optimization



Large branched-chain PEG

Stable amide bond



The Roche Group

**Coming back to the top 10
of the healthcare industry**

2002 building the future, overcoming the challenges of the past

Focus on Pharma +
Diagnostics +
joint value added

Vitamins sale
Chugai acquisition

Increasing
EBITDA/EBIT and
sound
balance sheet

Corporate
Governance /
Transparency

"Roche Connect"
/options link
employees to
(TSR)

Pegasys launch
Fuzeon submission

Vitamin
case

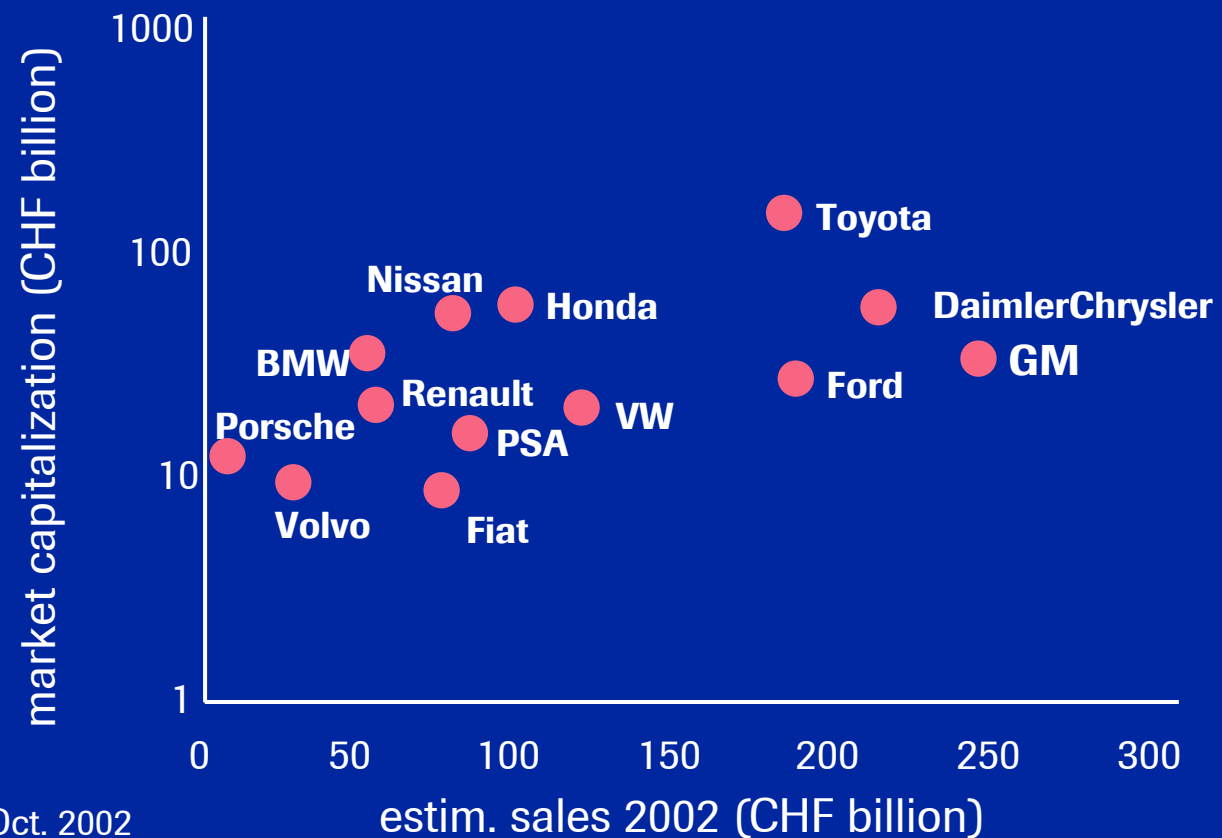
Technology
lawsuits
(Igen, City of Hope)

Equity
portfolio

Industry consolidation

The only way to create value?

In many industries consolidation was seen as the only way to face the increasing challenges of the world wide economy. This trend has not always created value !

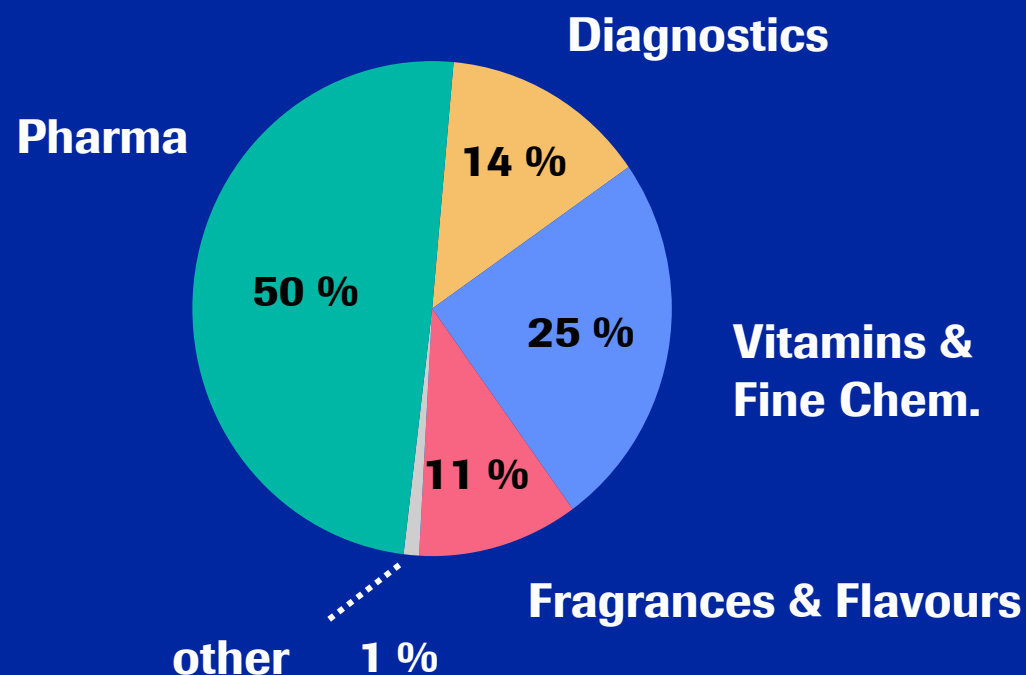


Data source: JPMorgan report Oct. 2002



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 (2002)***

* We expect to close the transaction in Q1 2003.



Roche is actively shaping its future *... through acquisitions as well*

+ Acquisitions

Genentech (1990)

Nicholas
FDO

PCR (1991)

CompuChem
Fisons

Syntex (1994)

MFA
OTC F/I/RP
Tastemaker

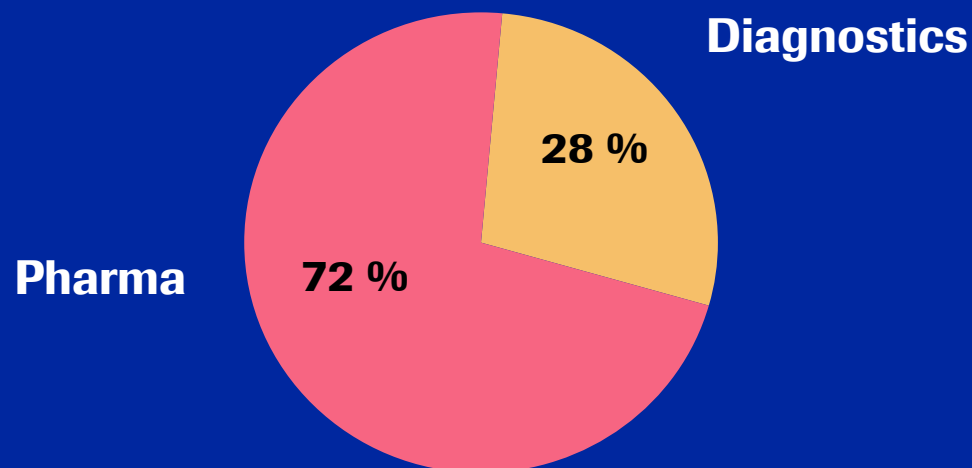
Boehringer

Mannheim (1997)

AVL

Chugai (2002)

Result H1 '02
CHF 13.1 billion



**Being a focussed and leading
healthcare company with two high-tech
pillars in pharma and diagnostics
developing innovative solutions for
people's unmet medical needs.**



We Innovate Healthcare