



5th Swedish American Life Science Summit

Opportunities and threats for Life Science companies as
Big Pharma transforms

Panel discussion

Stockholm, August 20 2009

THE BOSTON CONSULTING GROUP

Our panel

William Gedale, Senior Advisor, NGN Capital

Peter Sjöstrand, Chairman, Gambro AB

Jordan Schreiber, Principal, Princeton Capital Management

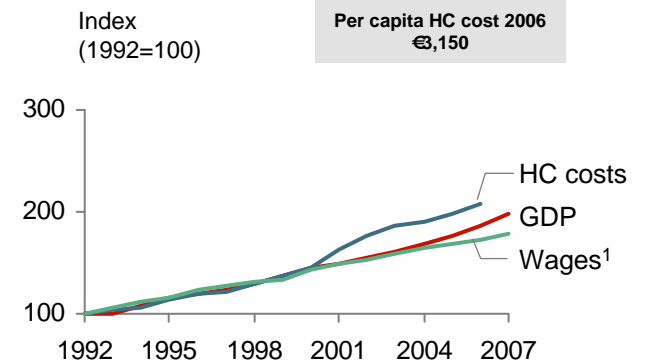
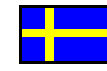
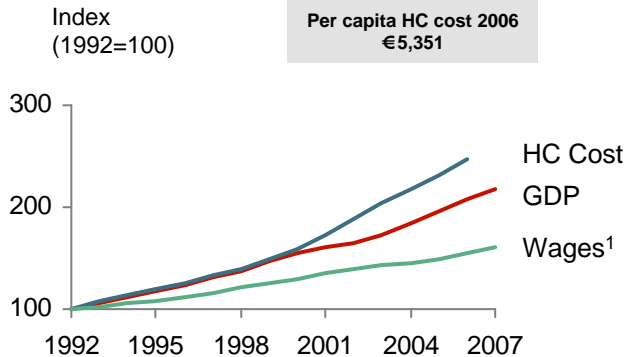
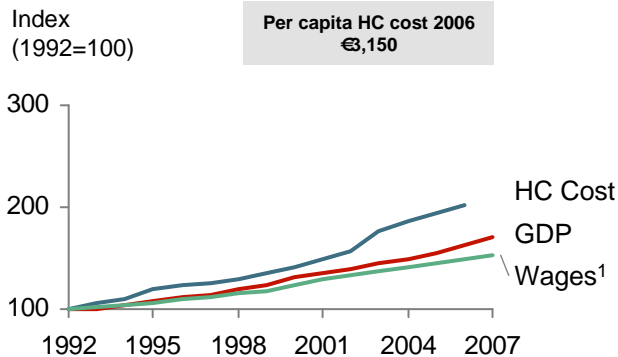
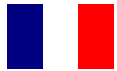
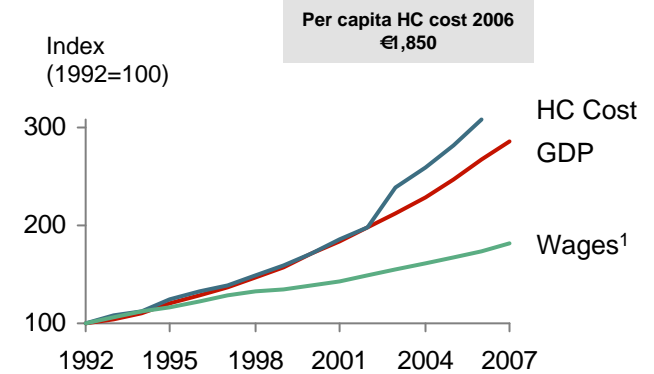
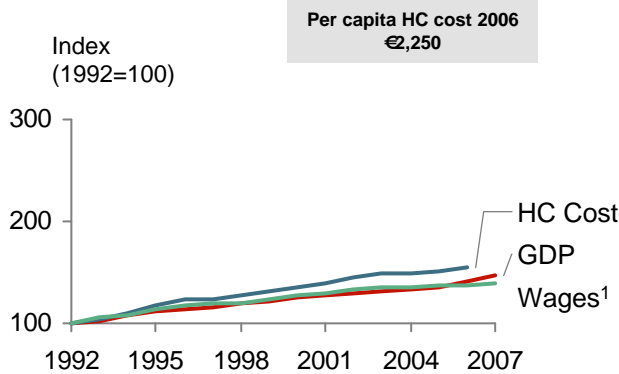
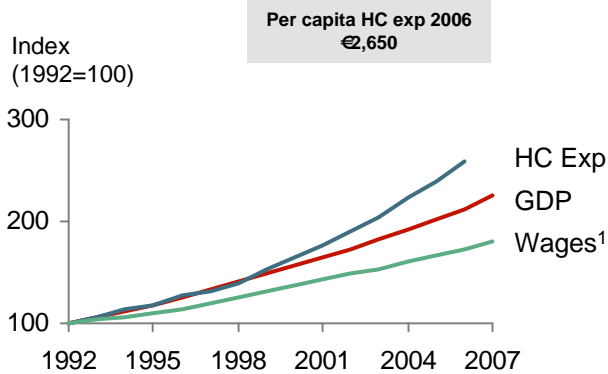
Anders Ekblom, Executive Vice President, AstraZeneca

Making right strategic choices in times of change



- 1 Is Pharma transformation radical enough and what opportunities and threats do you see for investors?
- 2 What will be important areas of mid/long term industry impact of the economic downturn?
- 3 What are the implications of the health care value paradigm for Pharma/Biotech and health care investors?

Unsustainable growth in healthcare spend



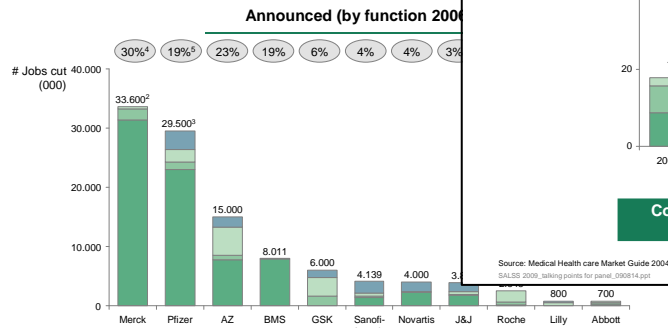
1. Average nominal wage index

Note: Index on basis of local currency; Per capita HC cost 2006 at exchange rate of 1 USD=0,797 €, 2005: 110,22 Yen/US\$

Source: OECD Health Data 2008; EIU

Pharma response is unprecedented...

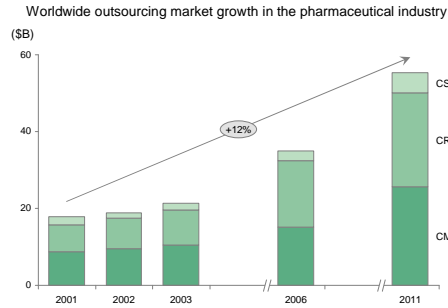
Unprecedented Pharma downsizing



To retain historic profitability pharma industry has to cut costs wherever possible

1. For J&J and Abbott total staff includes non-pharmaceutical business units. J&J excluding medical devices 2. Includes job cuts after merger with Schering-Plough 3. Includes job cuts after merger with Wyeth 4. Includes employees of Schering-Plough as of Dec2008 5. Includes employees of Wyeth as of Dec2009 Source: Factiva, Jan 2008 - Jul 2009, BCG analysis

Double digit growth in Pharma outsourcing

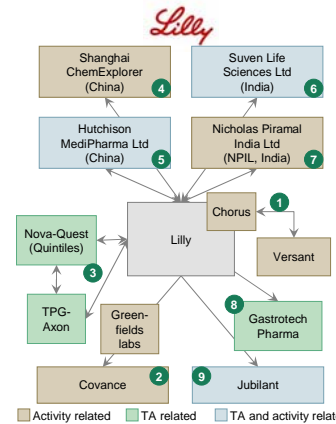


Cost cutting initiatives of pharmaceutical companies driving growth in outsourcing

Source: Medical Health care Market Guide 2004; The Thomson Corporation 2006; Sullivan & Frost 2005; BCG analysis

Innovative collaborations

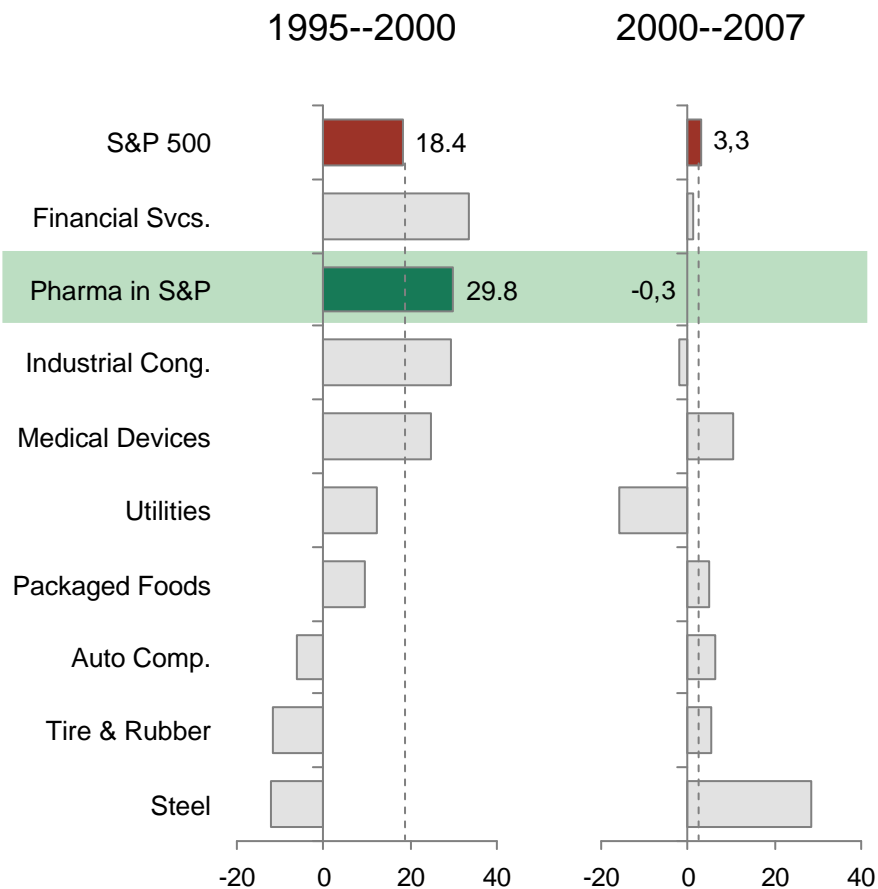
Example Lilly R&D



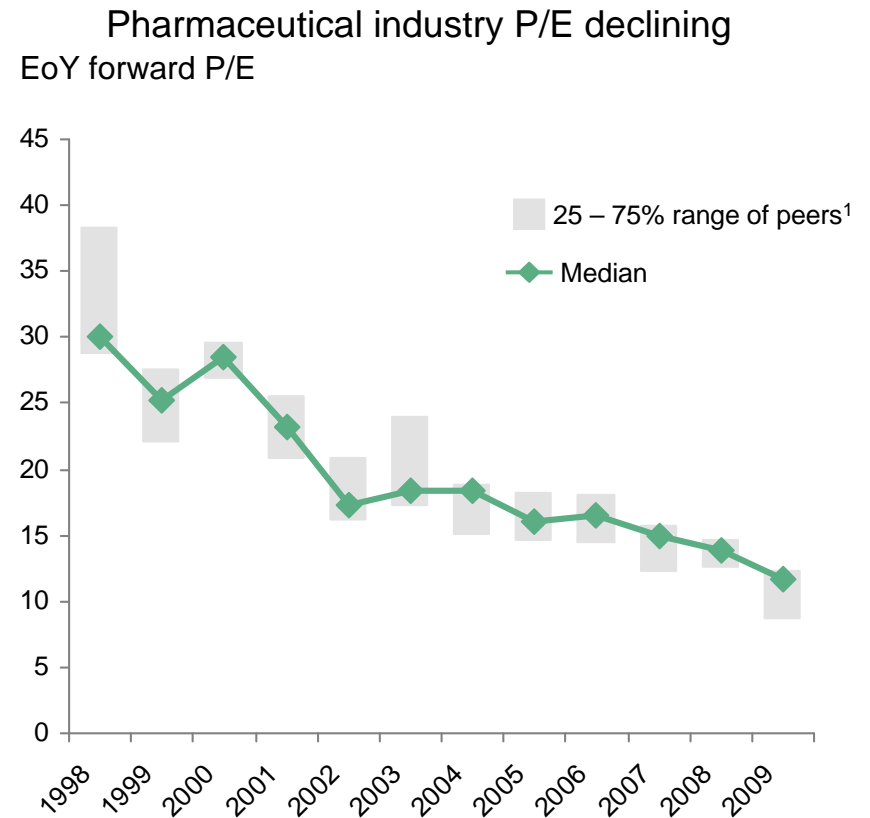
- 1 Quasi-independent model for fast, cheap PoC
- 2 Pre-clinical and early development labs sold to Covance for \$50M, promise \$1.6B in contracts over next 10 years
- 3 Alzheimer's partnership with NovaQuest and TPG-Axon
- 4 Chinese CRO chemistry contract
- 5 Partnering through PoC in Oncology and Inflammation
- 6 Collaboration for CNS Discover and Preclinical
- 7 Design and run clinical trials from IND through Ph III
- 8 Out-licensing GTP-010 for IBS to Gastrotech Pharma
- 9 Extension of Chorus model to 5-year 50:50 JV with Jubilant through PoC in Oncology, Met and CV

...but market still lacks faith in future growth of Pharma

TSR has gone from outperform to underperform in 10 years ...



... while the industry P/E has exhibited a steady and ongoing decline

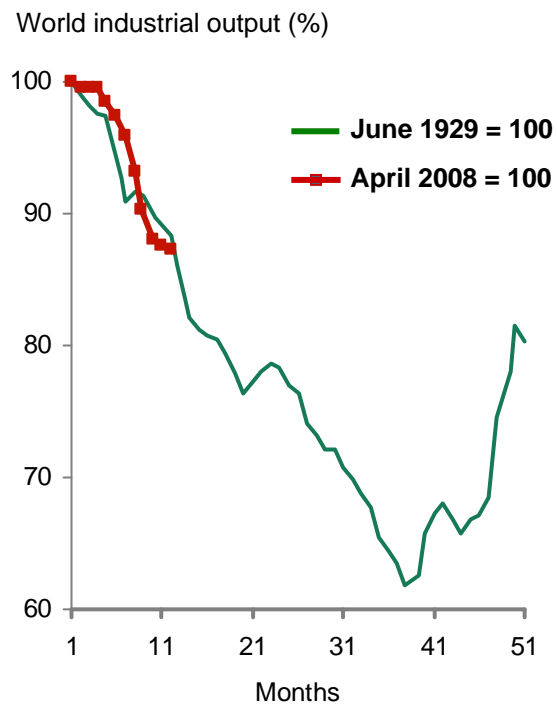


1. Abbott; AstraZeneca; BMS; GSK; J&J; Lilly; Merck; Novartis; Pfizer; Roche; Schering-Plough; & Wyeth
Source: Compustat; BCG Value Science; BCG analysis

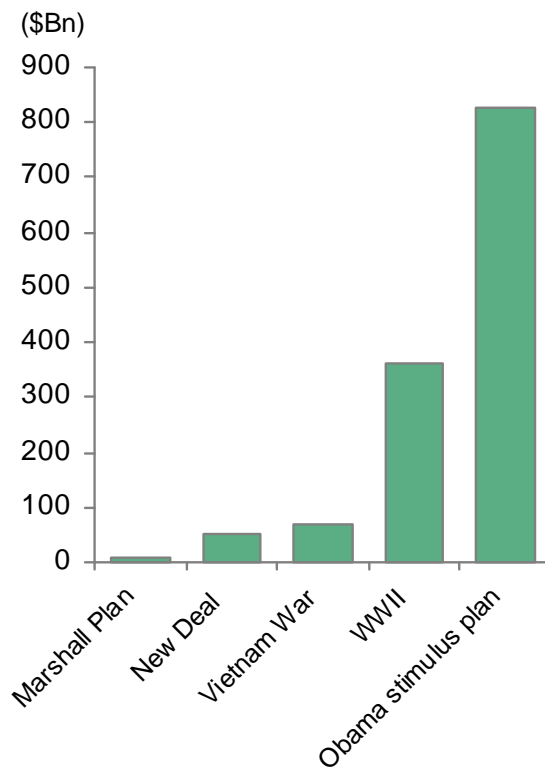
Profound impact of financial downturn

Inevitable acceleration of cost containment

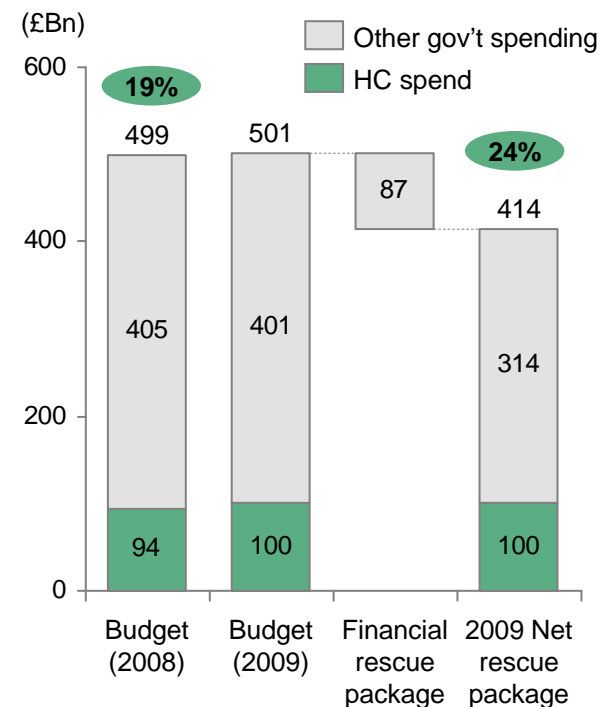
Recession among the most severe in history



Unprecedented debt being taken on by governments...



... exacerbates pressure to reduce healthcare spend eg. UK



Inevitable acceleration of cost containment

Plans for ambitious US Health care reform



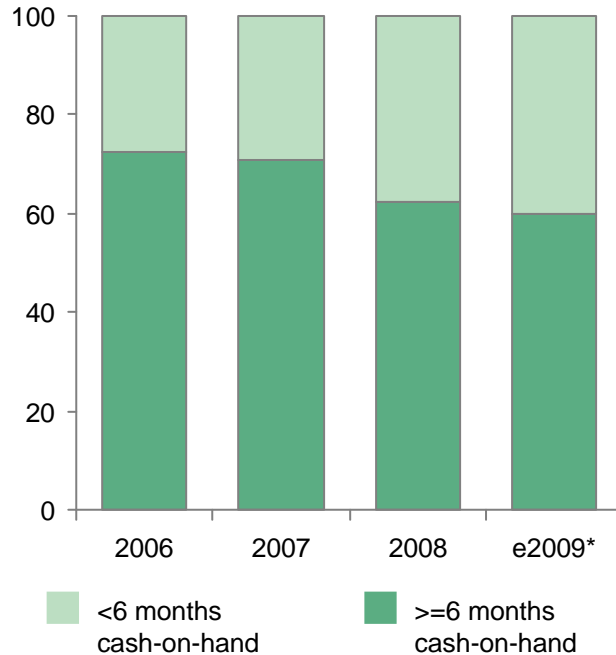
Source: The Economist

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Small Biotech suffer from restricted access to capital

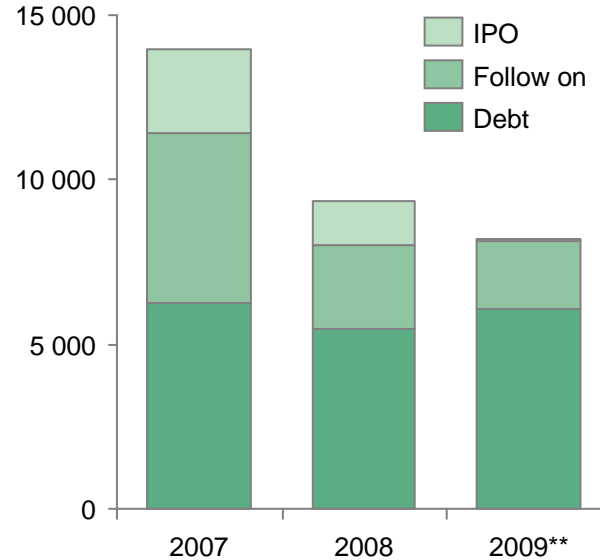
Small Biotechs are running out of cash¹...

Share of biotech companies (%)
n = 97 to 157



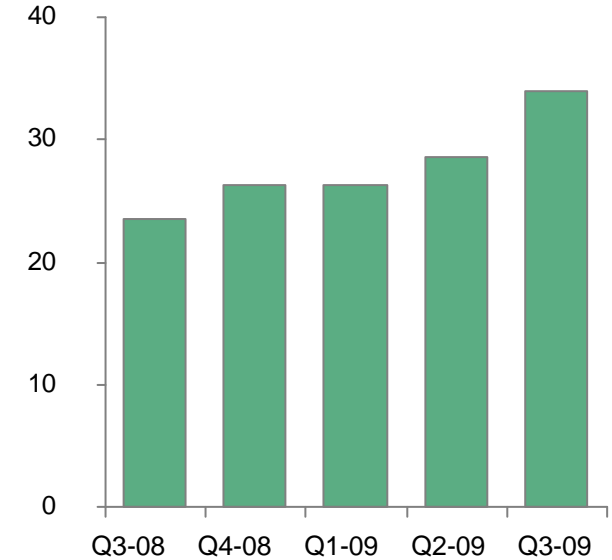
... as Biotech access to capital markets impaired...

Capital raised (\$bn)



... making Biotechs attractive targets for Pharma²

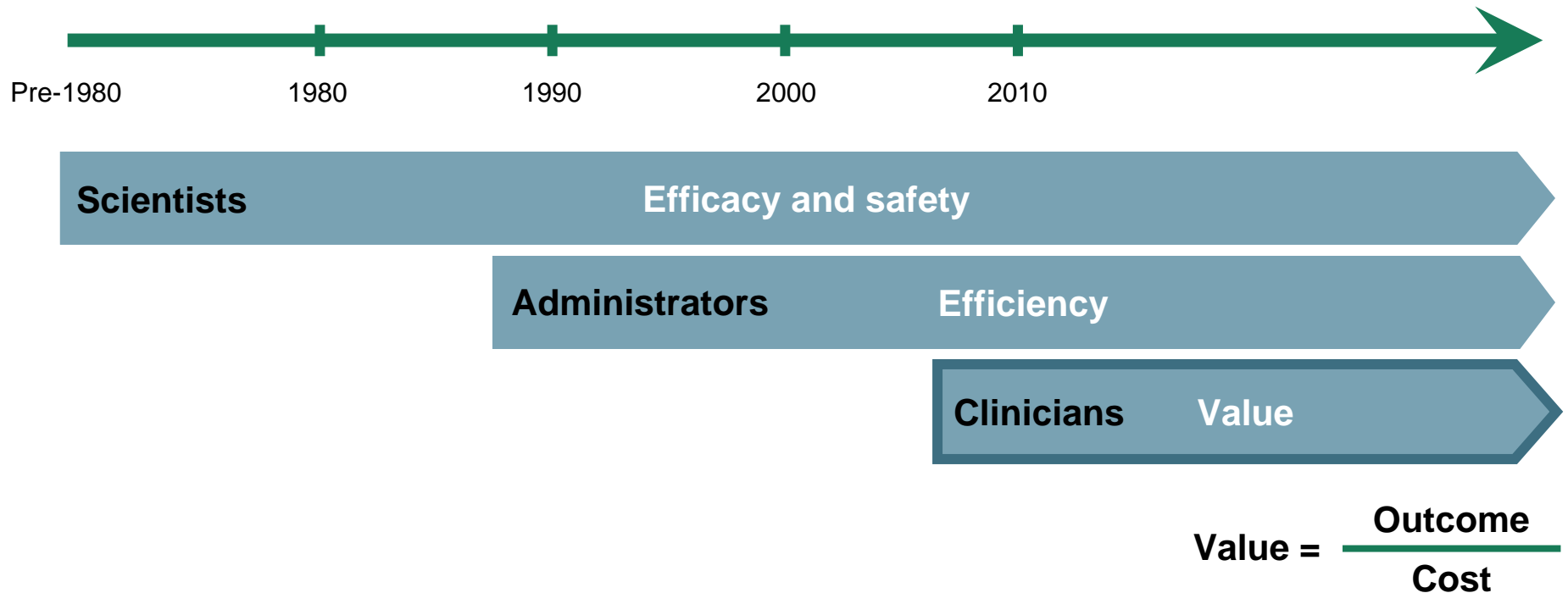
Biotech deals as % total biopharma acquisitions



Significant Biotech financing crash could lead to undersupply of new drugs for industry in 5-10 yrs

1. According to Biotechnology Industry Organization (BIO) 2. Completed transaction where Pharma/Biotech is the acquirer and biotech is the target
 Source: BCG Analysis; EvaluatePharma; Thomson SDC Platinum * Consensus estimates for 2009 cash-on-hand ** Data from Jan 2009 – Aug 2009

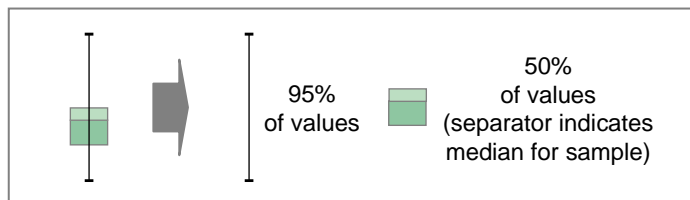
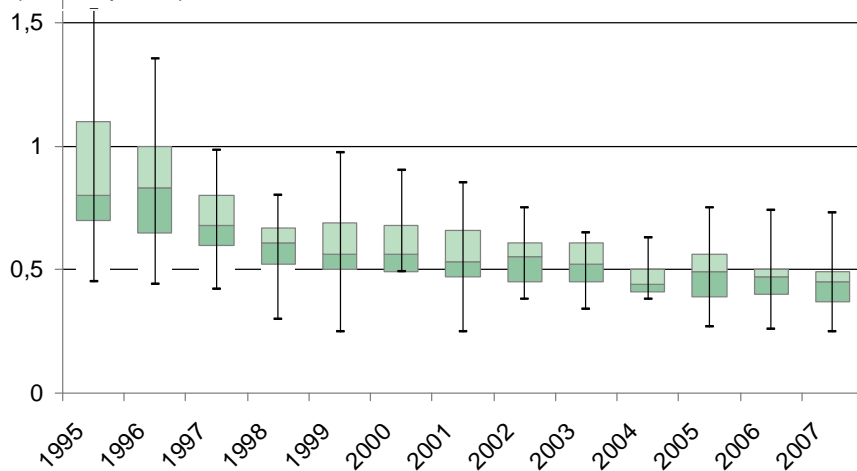
Value based healthcare emerging new paradigm



Outcomes focus & transparency dramatically improves health

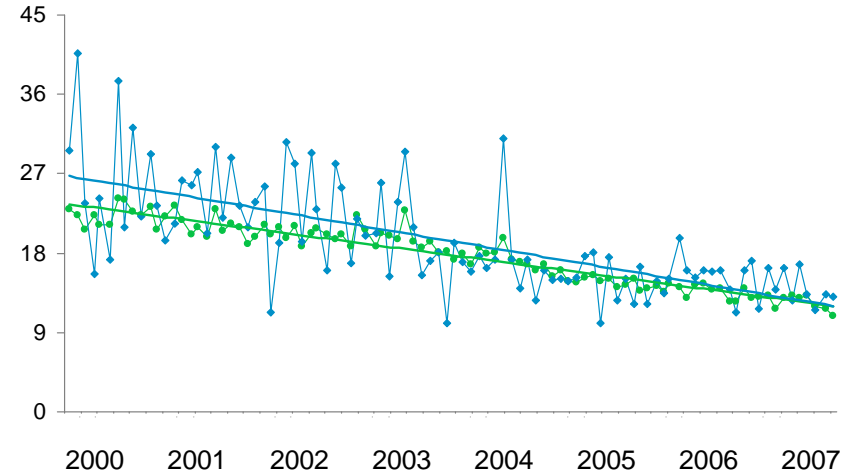
Less side-effects (astigmatism) in laser eye surgery over time and lower variance

Induced astigmatism through laser eye surgery, average and variance (# of diopres¹)



Significantly lower inflammation levels for rheumatoid arthritis patients and lower variance in outcomes

Average RA CRP value (%)



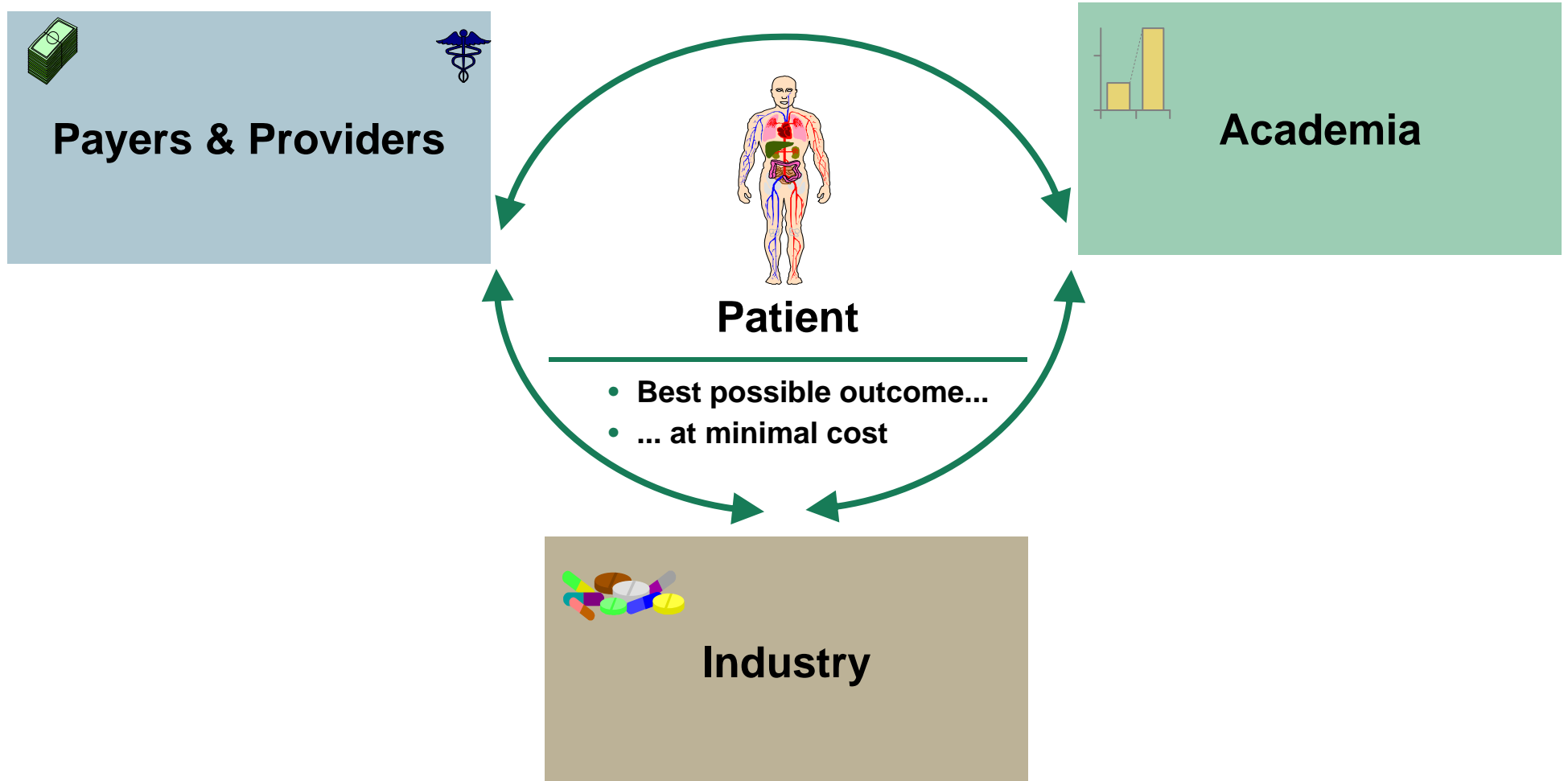
—●— Average CRP, Sweden (N = 109,270)

—◆— Average CRP, Falun³ (N = 5,500)

1. Dipotre = measured as average change of dioptre per clinic based on individual patient data 2. CRP-C = reactive protein level in blood indicating level of inflammation. Lower level of CRP indicate lower level of inflammation short-term as well as lower risk for inflammation long-term 3. National coverage 56% while Falun coverage is 100% for all types of RA-patients. Since 1997 Falun has measured and followed-up all its RA-patients on a monthly basis. Data has been used for regional quality work.

Source: Cataract Annual Report 2007; RA Annual Report 2008-09

Competing in the future Health care industry



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