

**Boehringer Ingelheim  
Annual Press Conference 2007**

**Tuesday 27 March 2007  
Boehringer Ingelheim Center, Ingelheim**

**Speech by  
Dr Alessandro Banchi  
Chairman of the Board of Managing Directors and  
Head of Corporate Board Division Pharma Marketing and Sales  
Boehringer Ingelheim**

**(The spoken word prevails)**

Ladies and Gentlemen,

Welcome to Boehringer Ingelheim's Annual Press Conference for 2007. My colleagues and I are most pleased by your interest in our company and by your being with us today. And we appreciate that some of you have had to come a long way to get here.

We'll make every effort to fully satisfy your desire for information. After both speeches from Professor Muff and myself on the business year 2006 and the outlook for 2007, all the members of our Board of Managing Directors will be available to you for questions as well as for one-to-ones when the Press Conference is over.

Ladies and gentlemen,

For years, you've known Boehringer Ingelheim as a family-owned company that values continuity highly and for which independence and long-term orientated growth are core parameters. Boehringer Ingelheim's Shareholders, whose Committee, has been chaired by Christian Boehringer since the beginning of this year, consider independence as a decisive corporate goal. The previous Chairman of the Shareholders' Committee, Dr Heribert Johann, has entered retirement after more than 30 years of extremely successful work for our company.

In order to remain independent, to sustain organic growth and to research and develop innovative medicines that benefit patients, Boehringer Ingelheim has to be as successful as its best competitors. This is by no means easy in the current market environment. The pharmaceutical industry is confronted by a range of difficulties.

Some, like problems ensuring a flow on new products, or competition from generics, are specific to the industry. Others are external factors, like cost-containing measures by healthcare services, or parallel imports. The fact is that growth rates in the last few years have been clearly slowing.

And the consolidation process has accelerated sharply. This consolidation affects all segments: branded products, generics, over-the-counter (OTC) and animal health medications.

Ladies and gentlemen,

This development does not apply for Boehringer Ingelheim. We are very proud that our medications are accepted by patients and help them to treat their illness effectively and to lead a better life. A high level of acceptance by physicians and patients is the basis of our corporate success.

All of our core medications have developed well and been made available to more patients. SPIRIVA®, our product for the treatment of chronic obstructive pulmonary disease (COPD), has helped more than six million people in 2006 and our hypertension drug MICARDIS®, an angiotensin II receptor blocker (ARB), has been used by over four million patients.

And our anti-HIV medications are also helping many people. Two years ago, with the launch of APTIVUS® (tipranavir), we brought to the market a highly efficacious protease inhibitor, the action of which is still effective, particularly in patients with high-level resistance to other protease inhibitors.

Many of you will be also familiar with our important HIV/AIDS medication VIRAMUNE® with its active ingredient nevirapine.

VIRAMUNE® has for many years been a fixed component of a combination therapy for combating the human immunodeficiency virus.

In the battle against the transmission of the virus from mother to child during birth it furthermore plays an outstanding role in the developing world. Boehringer Ingelheim has for years donated VIRAMUNE® for this purpose free of charge. In the meantime, we have made medication available to treat almost one million mother-child pairs. At the moment, 159 donation programmes are running in almost 60 countries (*at the end of 2006 there were 156 programmes in 59 countries*).

For chronic therapies too we have further improved access. We have ensured that nevirapine can be sold by generic drug manufacturers in the whole of Africa and other of the world's poorest countries, if they meet the quality requirements defined by the World Health Organization (WHO). We offer these manufacturers not to apply out patent rights in the relevant countries where such activities are involved.

Ladies and gentlemen,

Now we come to the business year 2006, which, I'd like to say from the outset, was once again an excellent year for Boehringer Ingelheim.

For the seventh time running we have grown faster than the market. Our growth rates relative to 2005 – when we were the fastest growing company among the 25 biggest pharmaceutical companies in turnover terms – were however slowed.

We'd anticipated this, as our former blockbuster drug, anti-rheumatic MOBIC® was confronted with competition from generics in the USA since the summer of 2006 (as earlier in Europe) and ALNA®/FLOMAX® (PRADIF®), our product for the treatment of benign prostatic hyperplasia (BPH) was facing generic competition in Europe and Canada.

Nevertheless, in all the major regions of the world we grew in 2006 faster than the market which, according to analyses by the healthcare information provider IMS<sup>1</sup>, rose by 6%.

### **Chart 2: Global Pharma Market Shares (IMS)**

Our above-average growth led to a slight increase in our market share in 2006, which is now almost 2%. This reinforced our position as No. 15 among the major international pharmaceutical companies.

Ladies and gentlemen,

And now we move on from the international market assessment to Boehringer Ingelheim's figures and the most important events and results for our company in 2006.

### **Chart 3: Business Development in 2006**

We're very satisfied with the way our business developed and of the results achieved. Even though the growth rates weren't as dynamic in comparison with 2005, progress made in turnover and income growth was distinctly positive.

Net sales rose by 11% to almost 10.6 billion euros. Admittedly, currency effects, with a -0.9% impact on total business, didn't play as big a role as some years ago, but in individual regions and countries the divergence was far greater. In Japan, for instance, the yen depreciated by almost 7% against the euro.

Operating income – comparable to EBIT – also increased by 11% improving to more than 2.1 billion euros. The operating margin thereby amounted to 20.2%, as in 2005 – a key figure that looks very respectable by international comparison.

Income after taxes rose by 14% to over 1.7 billion euros. Some clarification is needed here, as it doesn't show the company's total tax burden. Professor Muff will shortly explain this special feature of a partnership to you. The return on net sales improved to 16.4%.

#### **Chart 4: Pharma Business Development 2006**

Let's now take a look at Boehringer Ingelheim's individual business areas:

Boehringer Ingelheim is a research-driven pharmaceutical company that has set itself the goal of researching, developing and marketing innovative medicines that benefit patients. In keeping with this, our clear focus is on our Prescription Medicines business. In this area we generate almost 80% of our net sales.

This business increased by 15% in 2006 to 8.3 billion euros. Excluding currency effects, growth was almost 16%. The lion's share came once again from branded products, but our generics business also developed very pleasingly, growing by 23% to almost 660 million euros.

## **Chart 5: Prescription Medicines by Region**

In all regions of the world we achieved very gratifying sales growth in Prescription Medicines – our most important business.

In the Americas region, dynamic growth continued uninterrupted. Our business rose by more than 20% to almost 4.5 billion euros – and that was in spite of the generic competition in the USA for high turnover product MOBIC®. In the USA, our net sales improved by some 23% to more than 3.8 billion euros.

Our 7% growth (to almost 2.2 billion euros) in Europe is also quite respectable. Our German business, however, showed a decline of 2% to about 450 million euros due to generic competition for ALNA® and pharma-political factors.

In the Asia, Australasia, Africa (Triple A) region, currency effects in Japan played a considerable role. While we showed an improvement of 7% in euro terms (to 850 million euros), growth excluding currency effects was an impressive 15%. For the second time running this made us the fastest growing international company in prescription medicines in Japan. In the whole region, Triple A increased sales by more than 5% to 1.4 billion euros.

## **Chart 6: Prescription Medicines – Core Brands**

Ladies and gentlemen,

Let's now consider our branded medicines, which once again in 2006 were the guarantor of our commercial success.

With exceptionally strong growth of 45%, net sales of SPIRIVA® rose to nearly 1.4 billion euros. And SPIRIVA® is now registered in 55 countries.

### **Chart 7: Our Blockbusters - in US Dollars**

In addition to SPIRIVA®, two more medications attained blockbuster status during the last business year. That's to say, they achieved net sales of more than 1 billion US dollars. MICARDIS® improved by 34% to more than 1.2 billion US dollars (967 million euros). And ALNA®/FLOMAX® gained 28% to almost 1.2 billion US dollars (922 million euros).

### **Chart 8: Prescription Medicines – Core Brands**

As expected, MOBIC® suffered clearly from the generic competition in the USA. Here net sales dropped by 32% to 579 million euros.

But the development of our important product SIFROL®/MIRAPEX®, for the treatment of Parkinson's disease, was very gratifying, with a turnover increase of 23% to 536 millions euros. Last year, we succeeded in obtaining both European and US market approval for this medication in the indication restless legs syndrome (RLS).

Our older, well-established products COMBIVENT®, ATROVENT® and CATAPRESAN® showed pleasing stability and also achieved very gratifying growth in 2006.

### **Chart 9: Market Share Core Brands (IMS)**

Our important products SPIRIVA®, MICARDIS®, FLOMAX® and SIFROL®/MIRAPEX® further increased their market shares. In their segments they play a leading role that still offers scope for expansion in the years to come.

SPIRIVA® is the leading drug for COPD treatment worldwide. Its market share of almost 8% relates to whole respiratory segment, which also includes asthma. SIFROL®/MIRAPEX® is the leading dopamine agonist, and FLOMAX® the most prescribed medication for BPH in the USA. In MICARDIS® we have a modern medicine from the active ingredient group sartane. We're currently undertaking clinical tests into its protective effects against stroke or heart attack.

The prospects for our patent or exclusivity-protected medications are very good. Last year, they already contributed to 59% of our total net sales. And the trend is still upwards. This year, we already expect it to reach 62%.

### **Chart 10: Therapeutic Areas by Net Sales (as %)**

Ladies and gentlemen,

On this chart you can see our main therapeutic areas, based on their contribution to net sales.

At the moment, our respiratory and cardiovascular products dominate. In these therapeutic areas we generate some 60% of our net sales. Beyond those therapeutic areas in which we already have a product presence, we're also intensively researching and developing in new areas, such as oncology, metabolic diseases and autoimmune diseases.

### **Chart 11: Pharma Business Development 2006**

On to our CHC business, which plays a strategically important role for us. Here too currency effects played an important role, as we generate a considerable share of our net sales in Japan. In euro terms, it grew by 1% to almost 1.1 billion euros. Discounting currency effects, it achieved growth of almost 3%.

The planned sale of our Pharmaton business in Lugano, Switzerland, to a US self-medication company didn't achieve the desired outcome. As it wasn't possible to reach a final agreement on open issues, we've continued to manage the business ourselves. Pharmaton products serve to enhance mental and physical vitality. This product line has a unique place in our CHC portfolio that is focused on core brands for the treatment of diseases and unwellness.

In comparison, our acquisition of the US market rights for the non-prescription branded product ZANTAC® - for heartburn and acid indigestion - is an important strategic complement to our CHC business in our core area of gastrointestinal disorders.

### **Chart 12: CHC: Top Companies by Market Share**

According to IMS-OTC, Boehringer Ingelheim is No.8 worldwide among the self-medication companies, with a market shares of 2.6%. Growth in 2006 was 2.3% against 4.3% for the over-the-counter (OTC) market. As in past years, our business development in 2006 was also heavily impacted by the extremely difficult Japanese market, which contributes nearly a third of our net sales.

Our key international brands are continuing to develop very favourably and have maintained their leading positions in their respective market segments.

### **Chart 13: CHC – Core Brands Growth**

Our most important CHC products in 2006 were the international brands DULCOLAX® (a laxative), MUCOSOLVAN® (an expectorant for treating airway conditions), BUSCOPAN® (for abdominal discomfort and cramping) and BISOLVON® (a cough remedy). All of them hold leading positions in their market segment.

### **Chart 14: Business Development in 2006 - Industrial Customer and Animal Health**

Ladies and gentlemen,

Alongside our Prescription Medicines and CHC products, our Human Pharmaceuticals business also encompasses our Industrial Customer business. This part of our business is not only responsible for the production of our own medications and active ingredients, but also provides its expertise and products to external customers in the segments Biopharmaceuticals, Pharmaceuticals Production and Pharma Chemicals.

Our Biopharmaceuticals business has for years been developing at a high level, even though it last year fell back by 8% to 503 million euros. This reversal was expected, as the previous business year, 2005, had benefited from extraordinary effects that produced 40% growth in sales.

Our offering in the Biopharmaceuticals segment ranges from active ingredient discovering and process development to the registration of new medications. Our customers include well-known pharmaceutical companies, like Amgen/Wyeth, Merck Deutschland and Bayer Schering Pharma. Dr Leuchs will be available to provide you with further information about this business segment.

In addition to Human Pharmaceuticals, we also offer innovative medications in the field of Animal Health. Net sales in this, for us strategic area, last year amounted to 374 million euros, representing an increase of almost 4%. Adjusted for extraordinary effects arising from acquisitions and disinvestments as well as currency effects, the business grew by a very healthy 8%.

#### **Chart 15: Animal Health: Market Share International Companies**

According to the market research institute Wood MacKenzie, Boehringer Ingelheim thereby ranks No.10 in medications for animals, with a market share of about 3%. And, once again, we were in 2006 one of the fastest growing international companies in animal health

#### **Chart 16: Animal Health: Business Segments by Net Sales (as %)**

Our main business segment in Animal Health is the Food-producing Animals business, with medications primarily for swine, cattle and poultry. This accounts for more than 60% of our sales. Our other main pillar is the Companion Animal business, providing treatments for dogs, cats and horses.

### **Chart 17: Animal Health: Top Brands**

By far our leading medication again in 2006 was METACAM® which can be used to treat pain and inflammation in most food-producing and companion animals. The strongest growth was achieved by our swine vaccine, ENTERISOL® Ileitis, that's on its way to becoming our leading vaccine product.

Ladies and gentlemen,

At the beginning of my remarks I already drew attention to the fact that benefit to patients is our most important measure of success. We therefore make every effort to research and develop new medicines that provide real added value for patients.

### **Chart 18: R&D+M – Pipeline and Clinical Studies**

Last year, we invested a total of almost 1.6 billion euros in research and development and undertaking clinical studies. That's 16% more than the previous year. In our most important business area, Prescription Medicines, expenditure on R&D+Medicine amounted to as much as 18% of net sales in this business area.

At this point like I would to say just a few words about our product pipeline and our clinical studies. Dr Barner, the expert, is sitting next to me and will gladly answer any questions you may have on this topic.

In 2006, an average of around 90,000 patients took part in our studies. We transferred ten candidate drugs into clinical development.

Our pipeline contains many promising substances in oncology, type II diabetes and virology. With flibanserin we had an interesting medication entering clinical phase III last year which should be able to help women with Hypoactive Sexual Desire Disorder (HSDD).

We've made most progress with our product dabigatran on which the first clinical results were published at the end of 2006. This medication is an anticoagulant for preventing or treating thrombo-embolic diseases, such as deep-vein thrombosis, and preventing stroke in patients with atrial fibrillation. We're developing it for four different indications. We've already filed for registration in Europe for the prevention of deep-vein thrombosis in conjunction with hip or knee joint replacements.

And so, ladies and gentlemen, we reach the outlook for the business year 2007.

In addition to the dabigatran filing, we expect to obtain market approval for our innovative inhalation device, the RESPIMAT® Soft Mist™ Inhaler, for our most important product, SPIRIVA®, in the EU countries and a number of other countries. We're convinced that, together with the Handihaler that we launched earlier, the RESPIMAT® will represent a valuable expansion of our product offering to patients.

In clinical studies we're also investigating our medications SPIRIVA® and MICARDIS® for further new indications, as we're convinced that both products still possess therapeutic potential. Major phase III-IV studies are underway for both medications, as well as for SIFROL®, AGGRENOX® and further research into the HIV/AIDS medication APTIVUS®.

Based on the way business is developing in 2007, we expect that our medication MOBIC® will see a further drop in sales compared with the previous year. We nevertheless anticipate a high single-figure growth for this year that will be slightly above the market level – or possibly even in double digits. Our important products, however, still have considerable potential.

Furthermore, we'll also maintain our efforts to pursue promising co-operations and licensing agreements with other companies.

We expect our major clinical studies to proceed successfully and produce favourable results in 2008. We are very optimistically inclined, as the prospects remain encouraging.

### **Chart 19: Our Corporate Culture**

Ladies and gentlemen,

Boehringer Ingelheim is an independent family-owned company that not only has a long history, but also has a special corporate culture – our “distinctive character“. We also wish to employ this corporate culture as an important resource for developing our company further.

We attach great importance to having qualified employees and keeping them in our company. Since 1996, we have increased the number of new employees by an average of 5% a year. In 2006, the number grew worldwide to more than 38,400 (+3%) and in Germany to about 11,200 (+3%).

It therefore makes us extremely happy when highly regarded international opinion surveys acknowledge Boehringer Ingelheim as a preferred employer. This year, we want for the first time to conduct a group-wide survey – and that means covering more than 38,000 employees – about our corporate culture and our internal company initiative “Lead & Learn”. The purpose is to establish comprehensively what our employees’ attitude is towards the company. For, as has been said before:

Our employees are our most important asset for our future when we also wish to continue to create “value through Innovation”.

I thank you for your attention.

-----  
*<sup>1</sup>The data panels are based on turnover in prescription-only medicines and self-medication products in pharmacies and hospitals as well as diagnostics.*

*<sup>2</sup>The IMS figures are based on OTC products and some dietary supplements, such as minerals and vitamins sold in pharmacies, or, as in the USA, in dedicated sales areas in supermarkets and department stores.*