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Speech by
Prof. Marbod Muff

Ladies and Gentlemen,

Any attempt to explain the situation of research-driven pharmaceutical companies operating in Germany begs the question "where did we start from?".

In 1982 - 83, Germany was still referred to as the "world's pharmacy". With a market share of 3.7%, Hoechst was the leading pharmaceutical company worldwide, followed by Bayer in second place, with a market share of 3.5%. Hoechst has since been incorporated into Sanofi-Aventis, now a French group, and Bayer – after its successful takeover of Schering in 2006 - today ranks 13th in the world, followed closely by Bristol-Myers Squibb and Boehringer Ingelheim.

Most of the research-driven pharmaceutical companies once based in Germany no longer exist or have been merged with others. But Boehringer Ingelheim is still around and is still an "independent, family-owned company" whose legal form is a joint partnership.

In this context, Boehringer Ingelheim has nothing sensational to report for the year 2006 – as far as financial key figures go - but it does have something important to say: we continue to consider ourselves well-equipped for the future. The development of our sales and income exceeded all expectations and our medium-term planning still looks good. Our financial position remains extremely sound and serves as a good precondition to support our planned, primarily, organic growth.

We all know that the research and development of innovative drugs is an extremely expensive and very risky business. Another factor specific to our business is that we can sell our products, that is our drugs, only in more or less highly regulated markets, where the fundamentals ultimately depend on the financial resources available to the respective healthcare systems.

Ladies and gentlemen, independence has always been one of our highest objectives. In keeping with this, our financial strategy also firmly states that our independence is to be secured by risk-adjusted liquidity, competitive success and by realising the potential for success in our businesses and functions.

With operating income of 2.1 billion euros, we achieved the same profitability as in the previous year. This is an extraordinarily good result as we were hit by the end of exclusivity of our anti-rheumatic product MOBIC® in the USA in 2006.

The growth of SPIRIVA®, MICARDIS® and FLOMAX® more than compensated for the resulting loss of sales.

The third column in Chart 2 shows the potential for success, the most important measure for the future of any company. It's with good reason that no figure is shown here, simply an arrow pointing upward. This expresses our overall estimate of the potential of our products that have already been launched and the potential of our research and development pipeline.

This general assessment goes well beyond the figures in our business plans, as it includes development candidates in various stages of preclinical and clinical development.

The potential of our development candidates and their likelihood of making it to market also depend to a high degree on the people

Chart 3: Net Sales 2006 by Business Segment

In the breakdown by business segment, our Prescription Medicines business, with sales of 8.3 billion euros, has a dominating share of 78%. This is followed by the Consumer Health Care business segment, with sales of just under 1.1 billion euros, or 10%. The Industrial Customer business, which comprises our business with third parties in Biopharmaceuticals, Pharmaceuticals Production and Pharma Chemicals, achieved a share of net sales of 8% in 2006. Our Animal Health business accounted for 4% of our net sales.

In the breakdown by region, our overall business shows the following structure:

Chart 4: Net Sales 2006 by Region

The Americas region has the largest share, with 51%. With net sales of 4.5 billion euros, our US business once again achieved impressive growth of 19.5%. Our USA sales now account for almost 43% of the overall business.

Chart 5: Net Sales by Components

Ladies and gentlemen, in 2006 our worldwide business grew by 11% overall to total 10.6 billion euros. Excluding currency effects, sales increased by around 12%. We thereby once again achieved our goal of above-market growth in 2006, and through organic growth.

Chart 6: Development of Net Sales

In the five-year comparison 2002-2006 of net sales we achieved average annual growth of 8.7%. As you can see from Chart 6, growth in local currency terms was in part substantially higher.

Ladies and gentlemen, allow me now to tell you how our profitability has developed.

Chart 7: Operating Income

The flat development of the operating margin in the years 2002 and 2003 reflects the increased use of resources in all businesses and

shareholders' income tax as "taxes", but as "capital withdrawn". Consequently, only the trade tax on income posted in Germany is shown as "taxes".

As a result of this special effect, our tax ratio is only about 23 %. If we were to add the shareholders' income tax, we would arrive at a tax ratio of approximately 39 %. This effect also has an impact on key cashflow figures that are higher than they would be in a listed corporation, as a result of the shareholders' income tax not being shown as a tax expense.

Chart 9: Cash Flow

As the described extraordinary effect in presenting tax affected last year too – albeit to a slightly greater extent – the cashflow figures for 2006 and 2005 can be compared with each other. Due to the increase in operating income, our cashflow rose by 12% in 2006 to 2.3 billion euros.

Ladies and gentlemen, let me now turn to the most important source

employees' welfare, making it the second most attractive employer for scientists in Europe and the USA.

Chart 10: Average Number of Employees

Chart 10 shows that our growth strategy over the last four years led to an increase in the number of employees of around 6,600 employees, or 21%. The respective number of employees in Germany was stepped up by 1,800, also corresponding to an increase of 21%. The growth in our workforce to more than 38,400 worldwide in 2006, driven by the implementation of our strategy, means a commitment to continue constantly improving our processes and structures.

The demographic development in many countries presents a special challenge – for Boehringer Ingelheim as well. Above all, this concerns the changing age structure of our workforce. Within the framework of a large-scale initiative known as "Perspective demography", we have already identified areas in which our company has to take action, such as health promotion, financial provisions, career and family, and qualifications/career development. And, we

years. We have continually raised the number of apprenticeships we offer to a total of around 670 in 20 different trades.

Ladies and gentlemen, allow me to close with a few remarks about the background conditions for us as an international research-driven pharmaceutical company and a family-owned company with the legal form of a partnership in Germany. The current topics of healthcare reform, corporation tax reform and inheritance tax reform are of particular importance to us.

The media frequently complain about lobbying by associations and companies “to which politicians all too often yield”. I would like to clarify our standpoint and our approach.

Naturally, we actively engage in discussions about proposed legislation with representatives from political parties and associations. As far as the associations are concerned, positions have to be taken that fully meet all the interests of the members. These inevitably include a certain sharpening and, frequently, demands that go further and wider than those of individual companies.

But only if the full context is properly understood do we have a chance, ladies and gentlemen, of ensuring the background conditions required to support the issue at the core of this industry - making therapeutic progress available to both physicians and patients. Only then can we really achieve an innovation-friendly overall concept for the pharmaceutical industry.

Similarly, this applies to topics as corporation tax and inheritance tax reform. Here again, the aim is to fully understand the context and the short, medium and long-term impact of certain legal requirements.

However, what is most important is always "being genuinely willing to understand" and "understanding the context" and then going on to find those solutions that are most appropriate for the situation.

Regarding the German law on strengthening competition in the healthcare system, we would have liked fewer restrictions for the research-driven pharmaceutical industry. We believe, however, that we can live with this law, thanks in particular to the amendments

location vis-a-vis the international competition by a corresponding reduction of the tax burden on retained profits.

This also concerns equal tax treatment of the undistributed profits of both listed companies and partnerships.

However, the now approved draft law by the cabinet still does not fully achieve this goal with regard to partnerships. We are, nevertheless, confident that the required corrections will be made later on in the legislative process.

On the question of inheritance tax reform, the reassessment called for by the Federal Constitutional Court (Bundesverfassungsgericht) will lead to an increase to the base for evaluation. It's thus all the more important that the coalition adheres to its intention of making it easier to inherit companies and, in particular, reconsiders again the separation of preferential and non-preferential assets.

According to the current position, only assets in EU and EEA states will be given preferential status. Assets in third countries, such as the