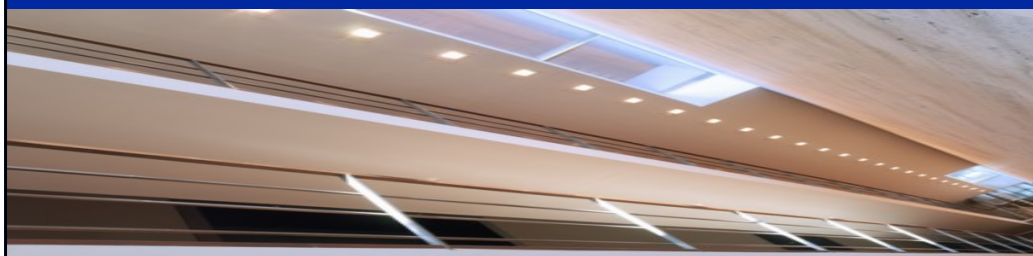


## Roche: Defining priorities for a high tech healthcare company

*Erich Hunziker, Deputy Head of the  
Corporate Executive Committee and CFO  
August 2007*



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, among other things, 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, including without limitation negative results of clinical trials or research projects, unexpected side-effects of pipeline or marketed 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 and news coverage.

Any statements regarding earnings per share growth is not a profit forecast and should not be interpreted to mean that Roche's earnings or earnings per share for this year or any subsequent period will necessarily match or exceed the historical published earnings or earnings per share of Roche.

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## Performance up-date

### Our priorities

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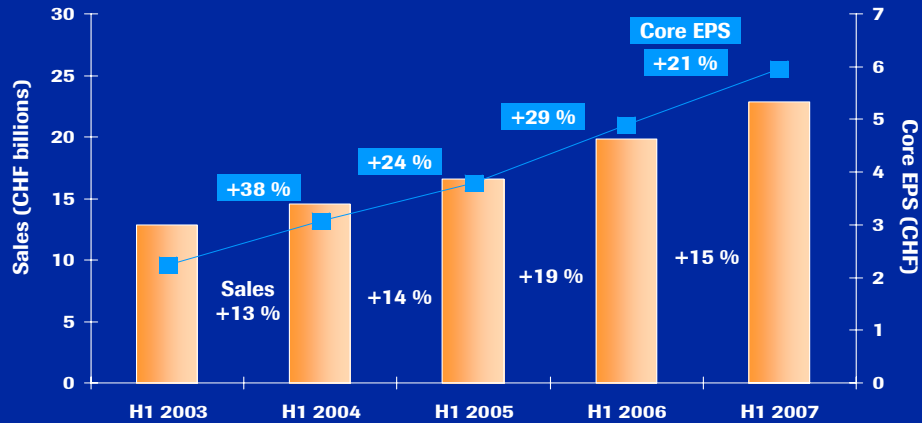
## H1 2007: Maintaining industry-leading sales growth

*Additional CHF 3 bn organic increase*

CHF bn	H1'06	H1'07	% change in		USD growth
			CHF	local	
Pharmaceuticals	15.6	18.3	17	18	21
Diagnostics	4.3	4.6	7	5	10
<b>Roche Group</b>	<b>19.8</b>	<b>22.8</b>	<b>15</b>	<b>15</b>	<b>19</b>

4

## Strong rise in Group sales and Core EPS



Historical Core EPS data 2003 to 2004 restated

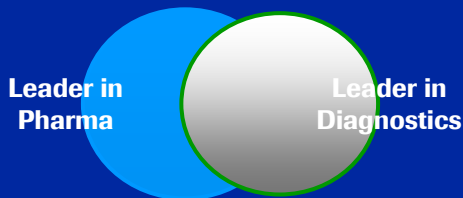
5

## Strategic acquisitions and portfolio enhancements



*Committed to technology leadership*

Driving personalised healthcare



- **THP** (therapeutic antibody technology)
- **Alnylam** (RNA interference technology)
- **Transgene** (therapeutic HPV vaccine)
- **BioVeris** (electrochemiluminescence technology)
- **454 Life Sciences** (ultra fast gene sequencing)
- **NimbleGen** (high-density DNA microarrays)<sup>1</sup>
- **Ventana** (tissue-based diagnostics)<sup>1</sup>
- **Tanox** (acquired by Genentech)



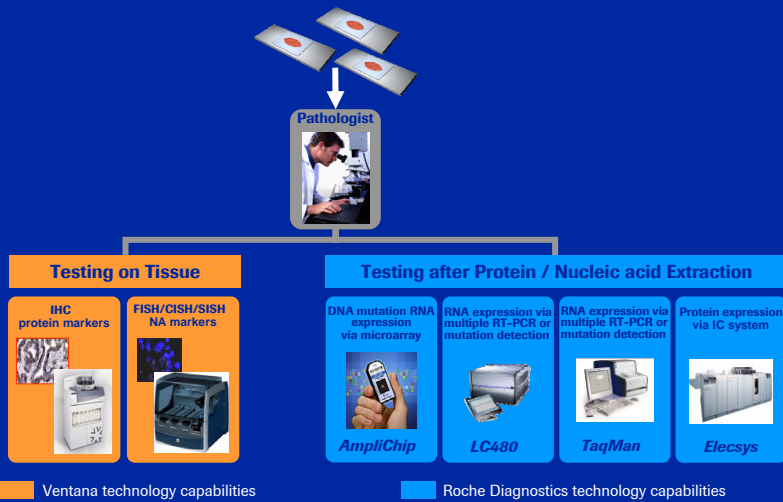
<sup>1</sup> Tender offer pending

<sup>2</sup> Acquisition not yet closed/ pending regulatory approval

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## Ventana Acquisition – Complementary Technologies

Complete tissue-based diagnostics capabilities for customers



7

## Ventana Acquisition – Company Overview

Changing the practice of medicine in tissue-based cancer diagnosis



- **Company facts**
  - Founded 1985, based in Tucson, Arizona
  - 952 employees (year end 2006)
- **2006 Financials**
  - Revenue '06: \$ US 238 m
  - Rev. CAGR '04-'06: ~20 %
  - Operating Margin: ~19 %
- **Leader in tissue-based diagnostics**
  - Leadership in advanced staining segment
  - Large installed base in pathology labs
  - Strong U.S. presence



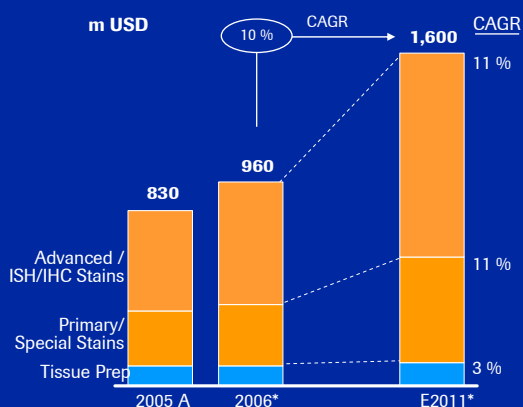
Source: Ventana Investor Presentation

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## Ventana Acquisition – New Market Potential

*Histopathology; ~1 bn market, growing 10 % p.a.\**

### Market size and growth



Source: Analyst reports, Roche Analysis  
 \* Analysis of the histopathology market based on Analyst forecasts

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### Key growth drivers

- High need for test automation and standardisation
- Increasing incidence of cancer
- Targeted cancer drugs requiring companion diagnostics

## Growth objectives for 2007

*Reconfirming improved outlook of Q1*

### Sales

- Double-digit sales growth<sup>1</sup> for Roche Group and Pharmaceuticals Division
- Above-market sales growth in both divisions

### Core EPS target

- Core earnings per share growth above sales growth

<sup>1</sup> in local currencies

barring unforeseen events

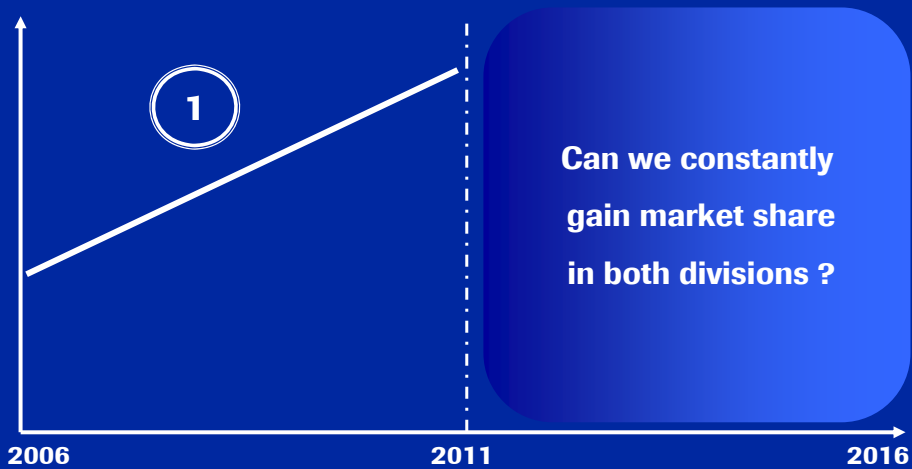
10

## Performance up-date

## Our priorities

## Roche Challenge # 1

*Achieve above peer level sales growth for both divisions*

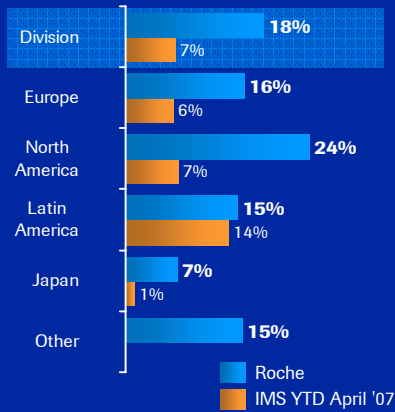


# H1 2007: Strongly outperforming in all regions

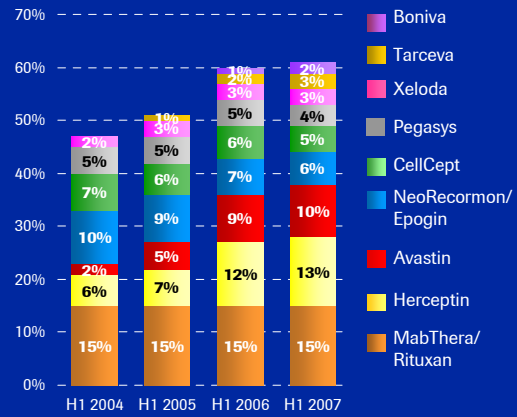
Areas and key products



## Local sales growth



## % Key products of total pharmaceutical sales



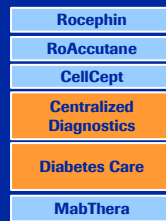
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# Focus on differentiated medicines pays off

A young and growing portfolio



- CHF 1 billion or more
- CHF 2 billion or more
- CHF 3 billion or more
- CHF 4 billion or more



	2001	2006
Value drivers	6	10
Sales (CHF bn)	10	27

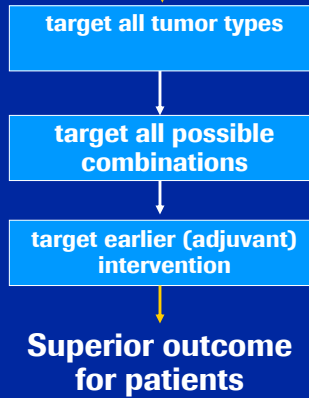
14

# Our oncology strategy: Setting new standards of care

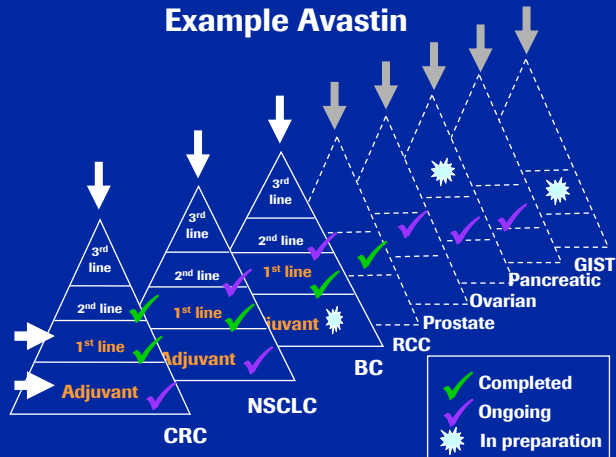
New tumor types, new combinations, new lines of intervention



## Clinically differentiated product



## Example Avastin



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# Avastin: Building standard of care, defending leadership

Effectively maximizing a key asset



Main Indication		Status		Main Indication		Status	
NSCLC	1st line non-squamous	AVAIL	Data presented at ASCO 2007	mCRC	1st line	NO16966	met primary endpoint, filed
	1st line squamous	ATLAS	Initiated Q4'05	Adjuvant CC		AVANT	Recruitment completed Q2 2007
	2nd line	AVASQ	terminated	Adjuvant rectal Ca		NSABP C-08	Recruitment completed Q4 2006
	2nd line	BRIDGE	Pilot study, initiated Q2'06			E5204	Initiated Q1'06
Adjuvant NSCLC	Squamous and non-squamous	BETA Lung	Initiated Q2'05	RCC	1st line	AVOREN	Positive results Q4'06, Filing 2007
		ECOG 1505	To start soon			CALGB 90206	Data available
mBC	1st line HER2-negative	AVADO	Recruitment completed Q2'07	Pancreatic Cancer	1st line	AVITA	Recruitment completed
	1st line HER2-positive	RIBBON-1	Initiated Q4'05, H2 2007 completion target	Ovarian Cancer	1st line	GOG 218	Initiated Q3'05
	2nd line	AVEREL (Herceptin +/- Avastin)	Initiated Q3'06		2nd line	ICON7	Initiated Q4'06
	2nd line	RIBBON-2	Initiated Q1'06	Prostate Cancer	Hormone refractory	CALGB 90401	Initiated Q2'05
Adjuvant BC	HER2-negative	E2104	Completed enrolment Q4'06	NHL aggr.	R-CHOP +/- Avastin	BETH	To start in Q3'07
		E5103	To initiate H2'07				
		BEATRICE	To initiate H2'07				
	HER2-positive	BETH	In preparation				

\* Formerly called AVAIL





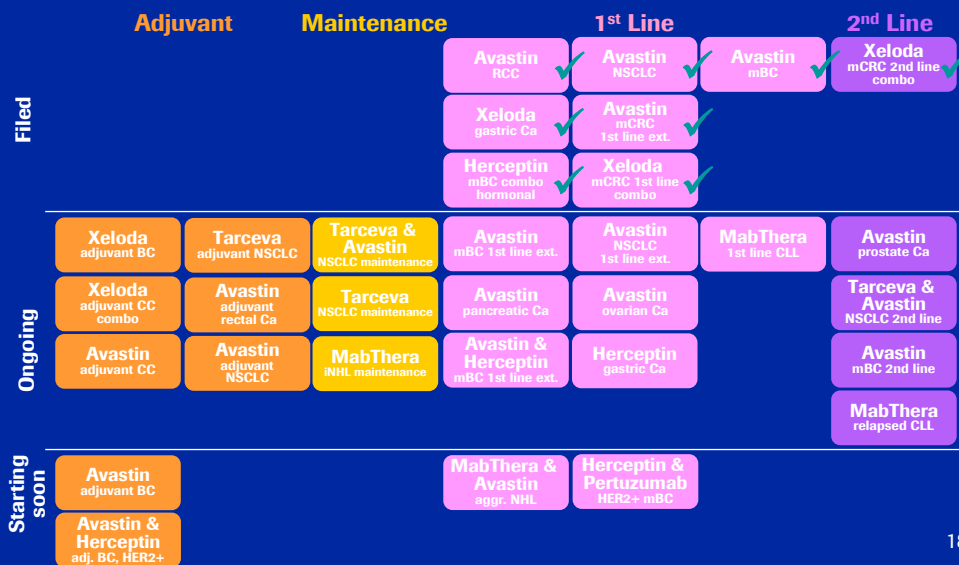
## Xeloda/ Tarceva/ MabThera/ Herceptin: Maximizing across the portfolio

Main Indications		Status	
<b>Xeloda</b>			
Adjuvant CC	Combo with Avastin	AVANT	Recruitment completed Q2 2007
	Combo with oxaliplatin	NO16968	Recr. completed, Final analysis end '07/early '08
Adjuvant BC		NO 17629	Recr. completed
<b>Tarceva</b>			
NSCLC 1st line maintenance	Combo with chemotherapy	SATURN	Initiated Q4'05, Recruitment to complete '07
	Combo with Avastin	ATLAS	Initiated Q4'05, Recruitment to complete end '07
NSCLC 2nd line	Combo with Avastin	BETA Lung	Initiated Q2'05
Adjuvant NSCLC		RADIANT	Initiated Q3'06
<b>MabThera</b>			
NHL maintenance 1st line	After MabThera induction	PRIMA	Recruitment completed Q1 2007
CLL 1st line		ML17102	Recr. completed
CLL relapsed		REACH	Recruitment to complete end '07
<b>Herceptin</b>			
Gastric Ca		ToGA	Initiated Q3'05, final analysis in 2009
Adjuvant BC	1yr vs. 2yrs treatment	HERA	Final analysis 2008/2009, event driven

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## The key goal of all our efforts in oncology: Moving from extending life to potentially saving life



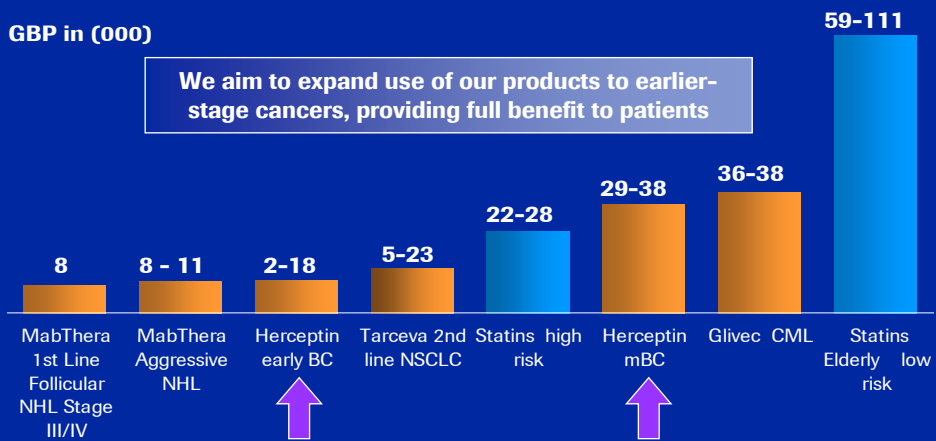
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## Funding: Roche oncology products are cost-effective



Cost per QALY for selected drugs (UK data – NICE/SMC)

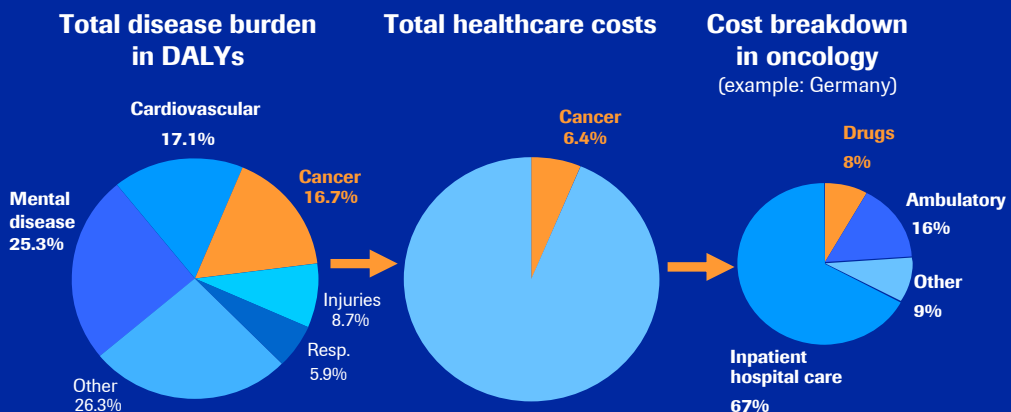
GBP in (000)



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## Oncology is still dramatically under funded

*Compared to other disease areas*



Source: A pan-European comparison regarding patient access to cancer drugs, Karolinska Institute  
DALY: Disability-Adjusted Life Years, figures from 2002/3; Commonly used measure of the burden of disease

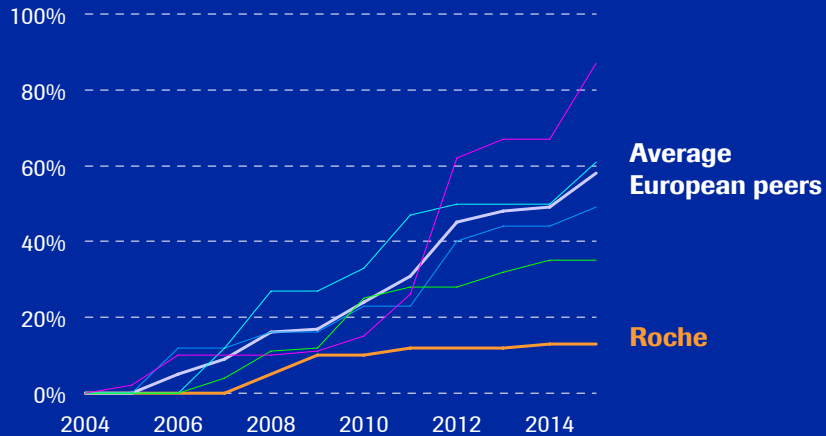
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## Roche has a low exposure to generics

Long-term sustainable business



### Sales erosion due to generisation (% of 2004 sales)



Source: citigroup

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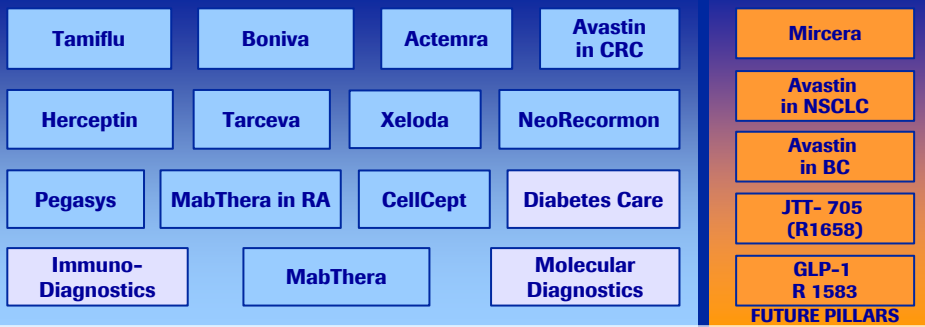
## Roche has a unique „investment case“



### Roche: Unique geographic risk diversification



### Roche: Unique “pillars of value” risk diversification



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## The short/medium term *sales* perspective



### Challenge # 1:

Achieve above industry-standard sales growth

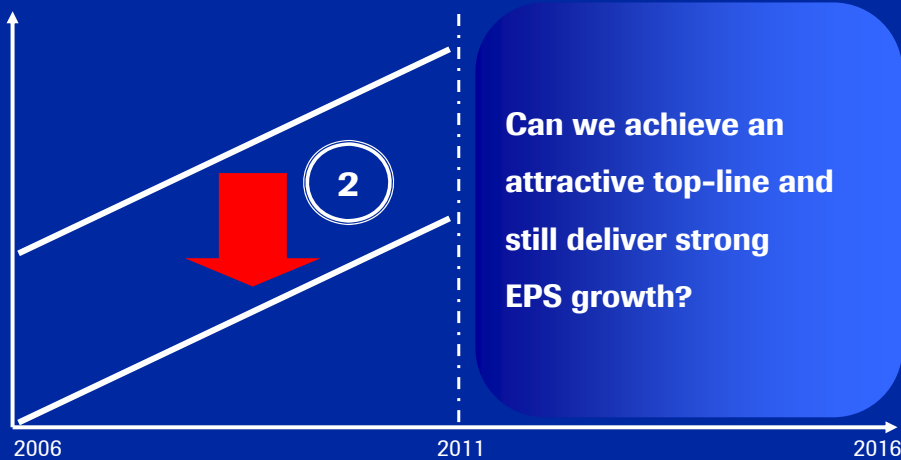
### Conclusion # 1:

Roche wants to maximize assets on hands –  
and to translate value opportunities into reality

23

## Challenge # 2

*Turn attractive top line into attractive bottom line*



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## Doing the right things *right*

*Three focus areas*



- **People are key!**

Activate potential and constantly educate: to learn faster than our competitors is the only sustainable factor of success!

- **The right “quantum” size for Roche ?**

Fixed cost versus variable cost

- **Operational productivity**

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## Activate our employees' potential

*Constant education to overcome fear of change*



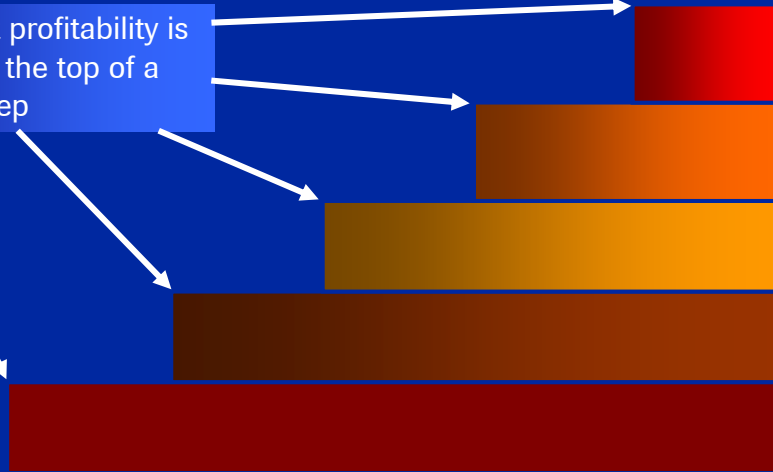
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## Organizations do not grow linearly

*Fixed cost base grows in quantum steps*



The highest profitability is achieved at the top of a quantum step

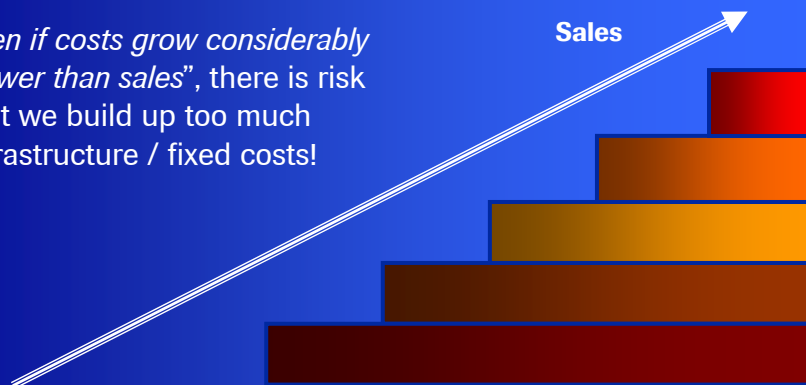


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## What is the right quantum size for a “sustainable” Roche?



*Even if costs grow considerably slower than sales”, there is risk that we build up too much infrastructure / fixed costs!*

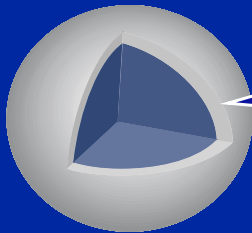


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## Constantly improving operational productivity



Operational productivity is an important key enabler for the Roche Group



We must become better and cheaper in whatever we do!

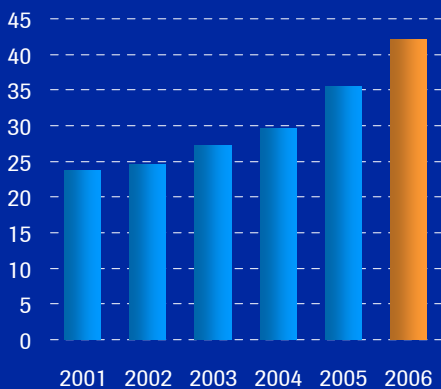
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## Focus on differentiated products paying off

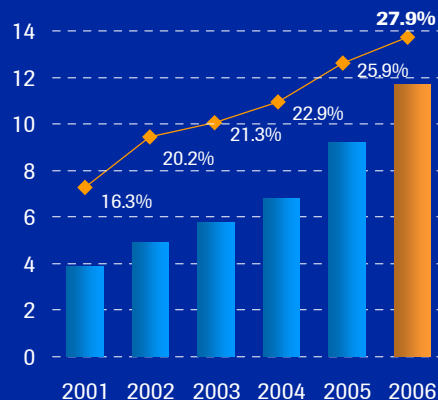
*Sales doubling, operating profits tripling*



Group sales<sup>1</sup> (CHF bn)



Group operating profit<sup>2</sup> (CHF bn)



<sup>1</sup> Pharmaceuticals and Diagnostics

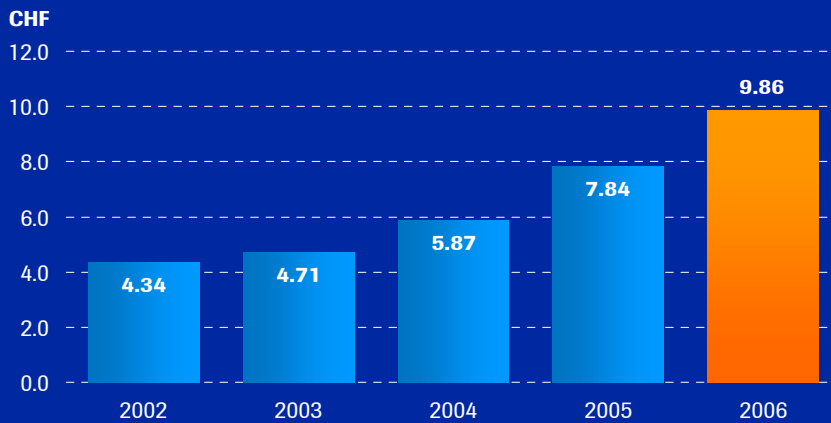
<sup>2</sup> before exceptional items

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## Core EPS rising steadily



Core EPS CAGR<sup>1</sup> ('02 - '06): 23 %



<sup>1</sup> Compound Annual Growth Rate

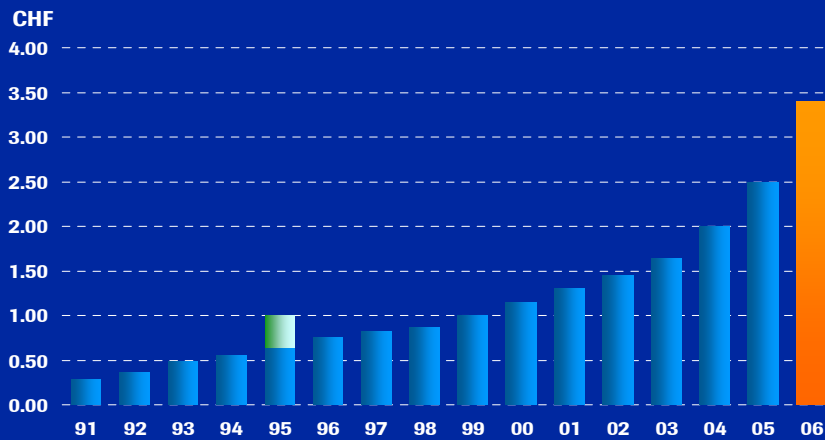
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## Economic success translated into shareholder returns



*Again a substantial increase in 2006*

Dividend CAGR<sup>1</sup> ('91-'06): 18 %



<sup>1</sup> Compound Annual Growth Rate

1995 including centenary bonus

2006 Dividend: Proposed by the Board of Directors

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## Short/medium term *bottom-line* perspective



### Challenge # 2:

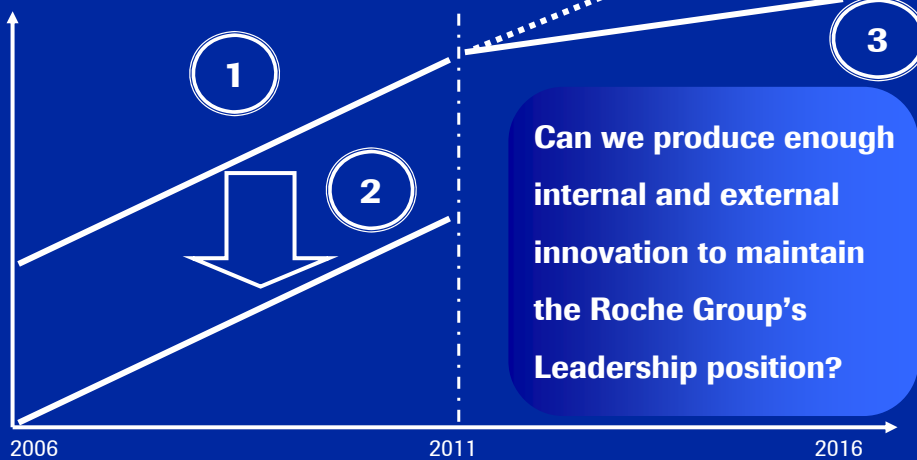
Achieve above industry-standard value creation

### Conclusion # 2:

Roche has many programs running to ensure above industry standard EPS-growth

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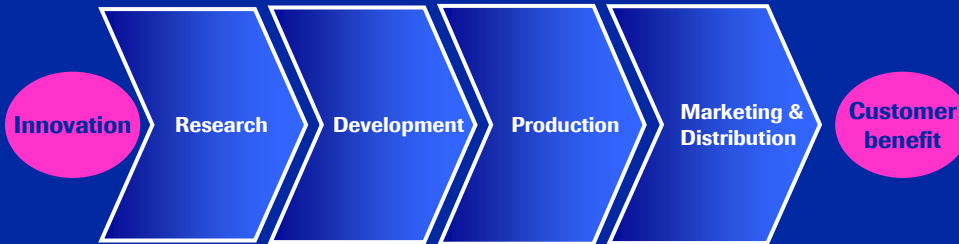
## Challenge # 3 *Filling the "strategic gap"*



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## Sustainable leadership

*How can we constantly provide benefit to customers?*

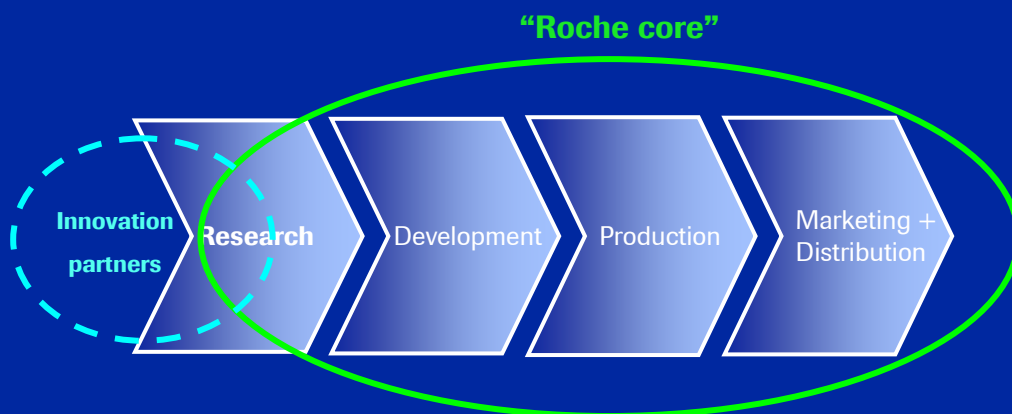


Which degree of innovation (= medical differentiation) is necessary to jump regulatory and reimbursement hurdles?

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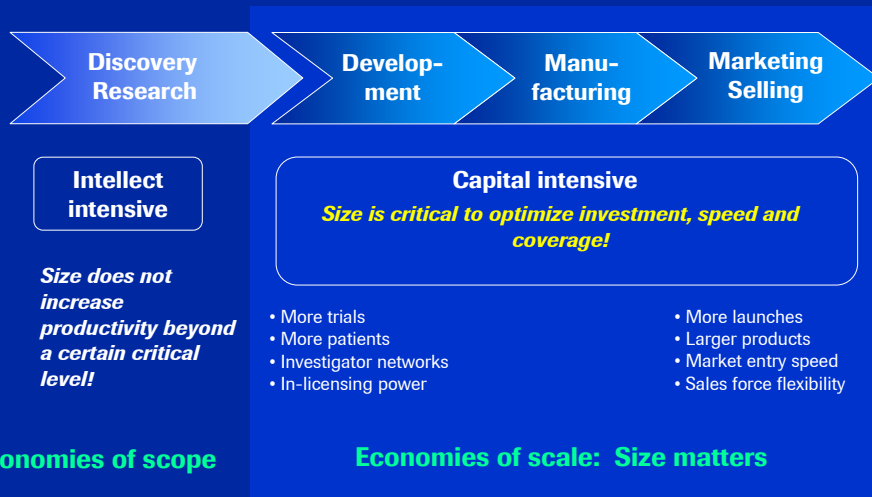
## The Roche “hub & spoke”-model:

*Roche controls the global value chain, but is open for Research partnerships*



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## Why do we network in the Research field?



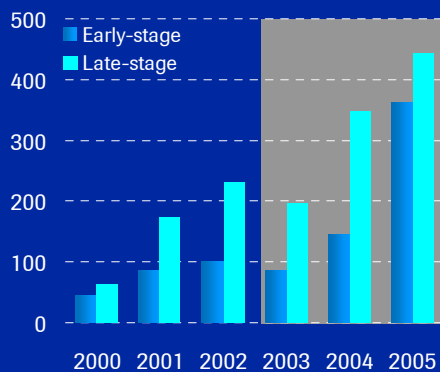
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## Access to Innovation is key - competition growing



*Costs of third party innovation is raising steeply!*

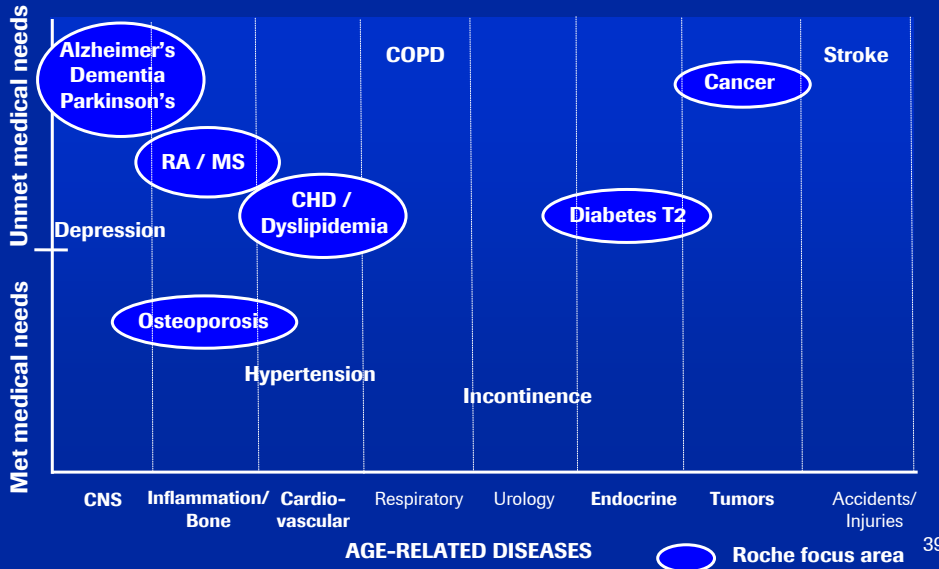
Average cost of in-licensing (Rx), \$m



- Average cost of in-licensing deals rose 40% (CAGR) since 2000
- By 2010, 40% of Pharma peers' revenues expected to come from external sources of innovation

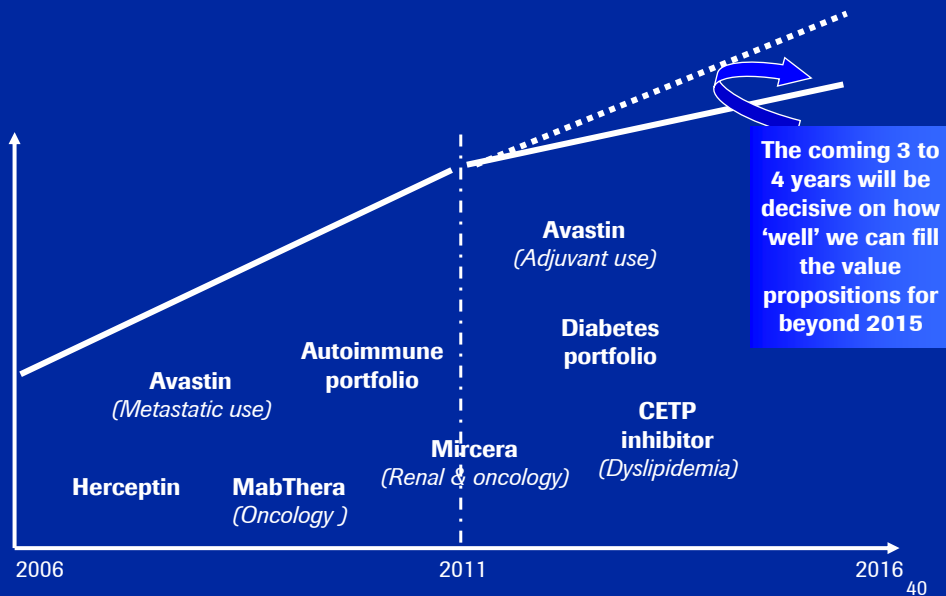
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## The potential is there: unmet medical needs in many age-related diseases



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## Current and future key sources of growth



Illustrative

## Rheumatoid Arthritis/ Auto Immune

### Major indications in phase III development

Main Indication		Status	
<b>Rheumatoid arthritis</b>			
<b>MabThera</b>	MTX -inadequate resp.	<b>MIRROR SERENE, SUNRISE</b>	Recr. completed
	MTX -naive	<b>IMAGE</b>	Initiated Q1'06
	Combo Enbrel	<b>TAME</b>	Initiated Q2'06
<b>Actemra</b>	MTX (DMARD) - inadequate resp. or -naive	<b>OPTION, TOWARD, AMBITION (monoth.)</b>	OPTION: presented at EULAR '07 TOWARD: Topline data available
	Anti-TNF inadequate resp.	<b>RADIATE</b>	Topline data available
	MTX IR - prev. of structural damage	<b>LITHE</b>	Recr. completed
<b>Ocrelizumab</b>	MTX inadequate responders	<b>Phase III STAGE</b>	Initiated Q4'06
	Anti-TNF IR	<b>Phase III SCRIPT</b>	Initiated Q2'07
	MTX-naive; X-ray study	<b>Phase III FILM</b>	Initiated Q2'07
<b>ANCA ass. vasculitis</b>			
<b>MabThera</b>		<b>RAVE</b>	Initiated Q4'04
Main Indication		Status	
<b>Multiple sclerosis</b>			
<b>MabThera</b>	PPMS	<b>OLYMPUS</b>	Recr. completed Q4'05
	RRMS	<b>HERMES</b>	Met primary endpoint Q3'06, data presented at AAN'07
<b>Ocrelizumab</b>	RRMS	<b>Phase II or III</b>	Expect to initiate in 2008
<b>Lupus nephritis</b>			
<b>MabThera</b>		<b>LUNAR</b>	To complete recr. H2'07
<b>Ocrelizumab</b>		<b>Phase III</b>	To initiate late 2007
<b>CellCept</b>		<b>Phase III</b>	Preliminary results available
<b>Systemic Lupus Erythematosus</b>			
<b>MabThera</b>		<b>EXPLORER</b>	Completed enrollment Q1'07
<b>Ocrelizumab</b>		<b>Phase III</b>	To initiate late 2007

## Metabolic and vascular diseases

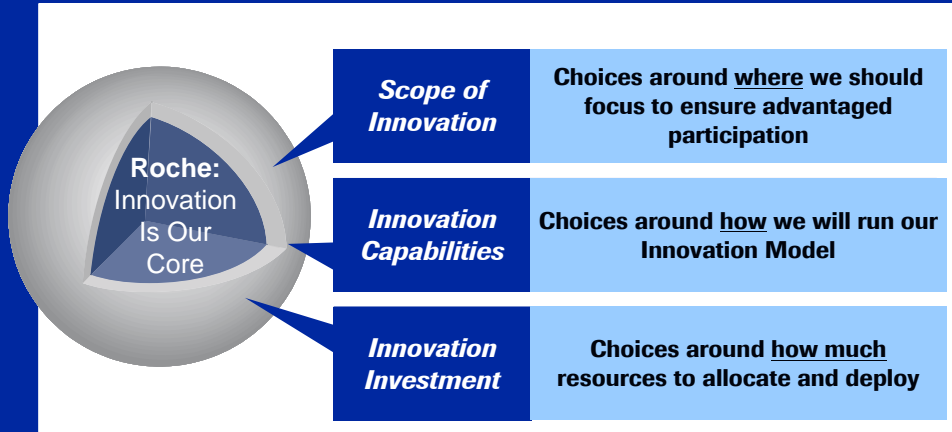
### Major decision points in 2007

Main Indications	Status	
<b>Type 2 Diabetes</b>		
<b>R1440 (GKA)</b>	Phase II	backup compound GK 3 prioritized
<b>R1583 (GLP-1)</b>	Phase II immediate release formulation	Presented at ADA'06
	Phase II sustained release formulation	Initiated Q1'07
<b>R1439 (PPAR a/g)</b>	Phase II	Initiated Q4'06
<b>R1579 (DPP IV)</b>	Phase I	Ongoing
<b>R1511 (GK 3)</b>	Phase I	Ongoing
<b>Dyslipidemia</b>		
<b>R1658 (JTT-705)</b>	Phase II efficacy	Encouraging data obtained H1'06
	Phase II safety	Results by mid'07 Go/ No go decision for phase III in 2007 Filing post 2010

## Roche 2015



*This program provides strategic direction and aligns our priorities to fill 'sustainable long-term growth' gap*



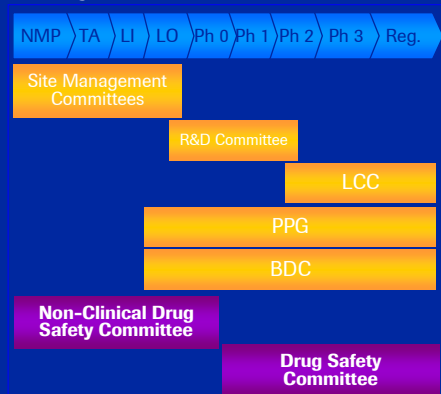
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## Roche internal R&D

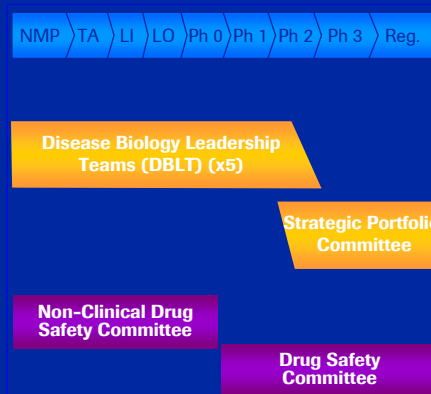


*5 Disease Biology Leadership Teams responsible for the start of the value chain*

### Today's model



### New model



Decision Making Committees  
Decision Making Committees & Peer Reviews

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**Long-term perspective**  
*Roche 2015 is a crucial platform*



**Challenge # 3:**  
**Filling the value gap**



**Conclusion 3:**

With Roche 2015 we have the right platform in place  
to identify the right priorities

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*We Innovate Healthcare*