

Long term value propositions in a short term environment

Karl Mahler, Head of Investor Relations



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- 2 legislative and regulatory developments and economic conditions;
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- 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.

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Performance up-date

External factors influencing our industry

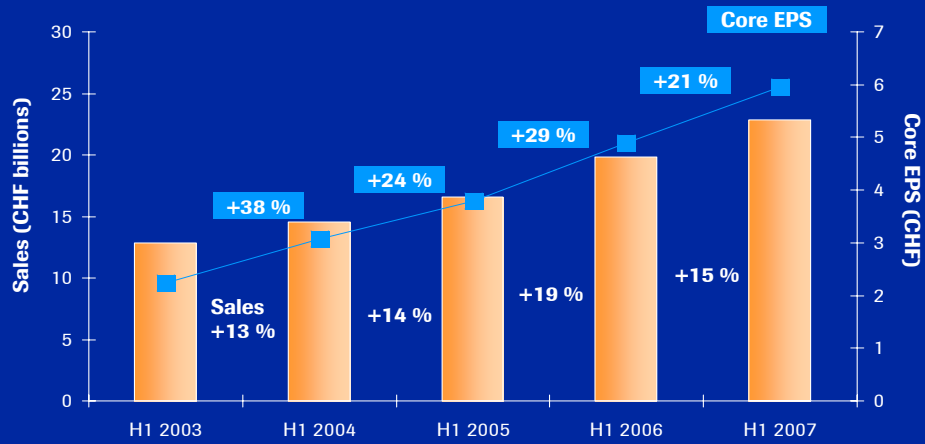
Summary

H1 2007: Core EPS growing more than sales

Operating profit grows at 2x sales

CHF bn	H1'06	H1'07	Change		loc %
			CHF bn	%	
Sales	19.8	22.8	3.0	+15	+15
Operating profit	5.8	7.5	1.7	+29	+27
<i>as % of sales</i>	29.2	32.8			
Net income	4.5	5.9	1.3	+29	
<i>as % of sales</i>	22.9	25.7			
Core EPS (CHF)	4.90	5.95	1.05	+21	

Strong rise in Group sales and Core EPS



Historical Core EPS data 2003 to 2004 restated

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Performance up-date

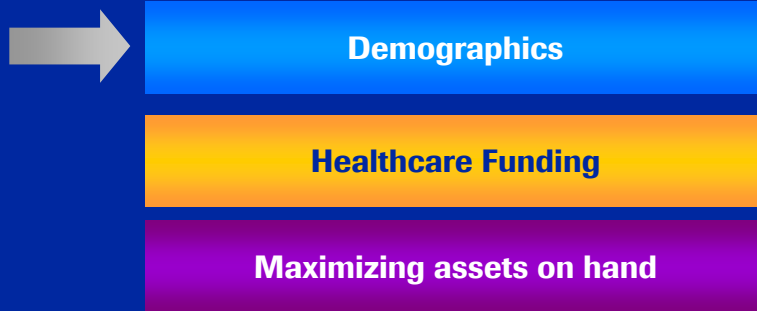


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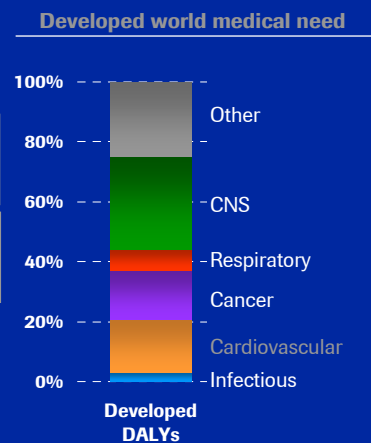
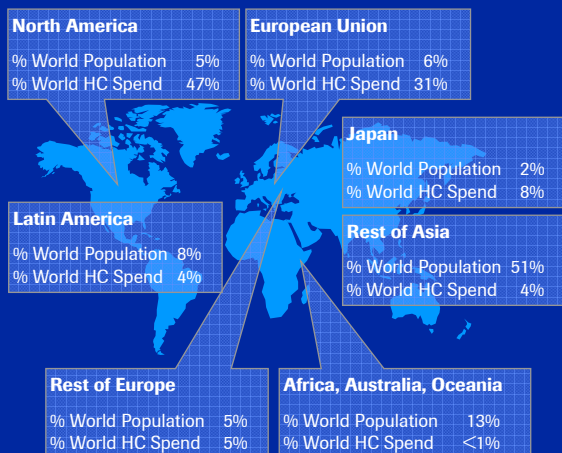
Summary

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Main trends influencing the long-term value propositions



Demographics: Nth. America, EU and Japan over 80 % of healthcare spend



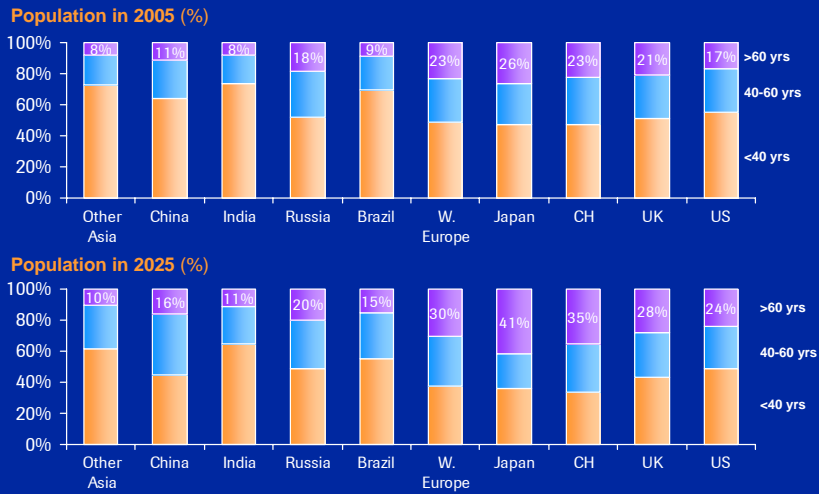
Source: WHO - Priority Medicines for Europe & World Nov 2004; World Bank;
 [1] DALY = Disability-adjusted life-years (healthy life lost due to illness/premature death)

Ageing Population and Retirement

Biggest transitions out of the workforce

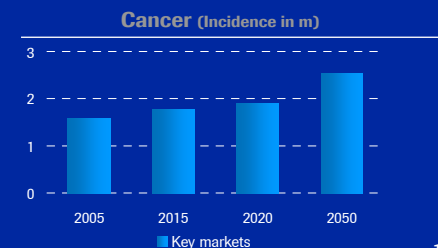
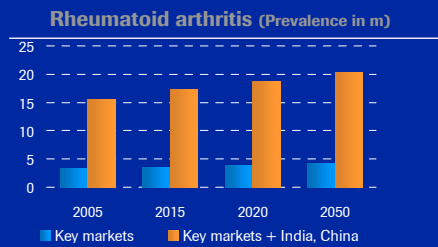
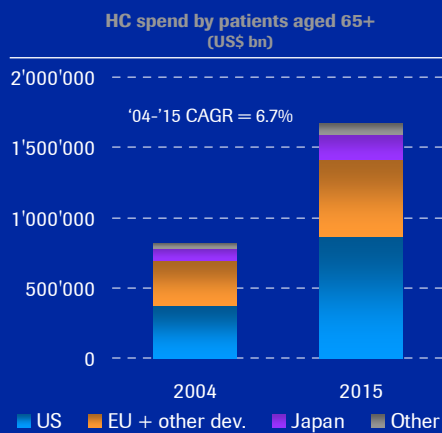


Shifting Demographics

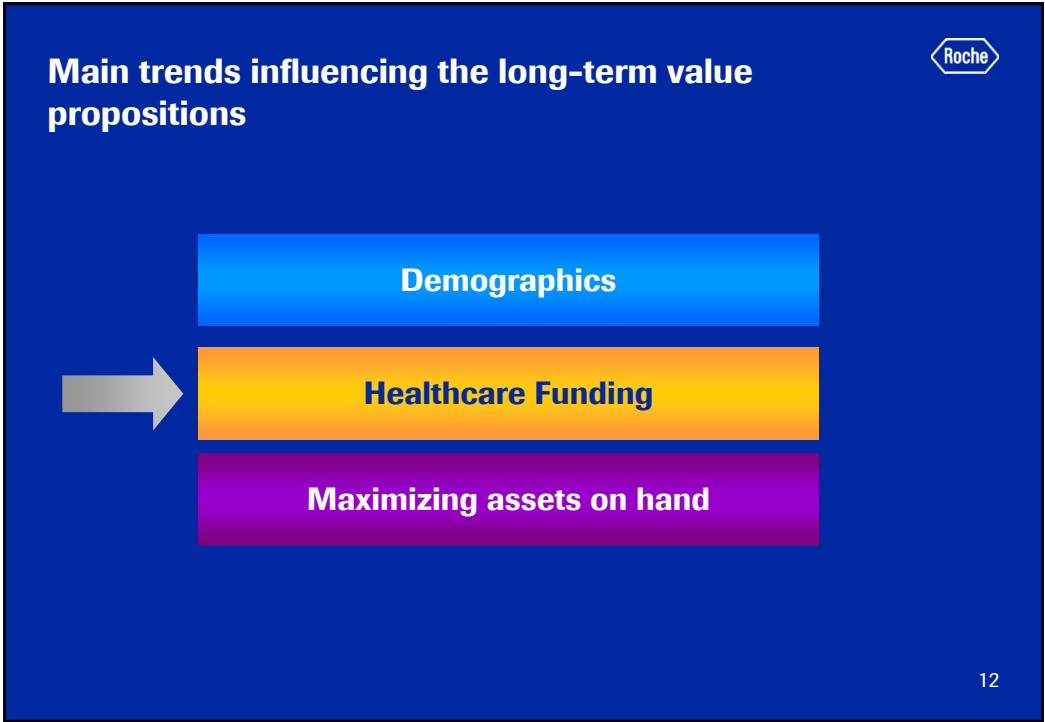
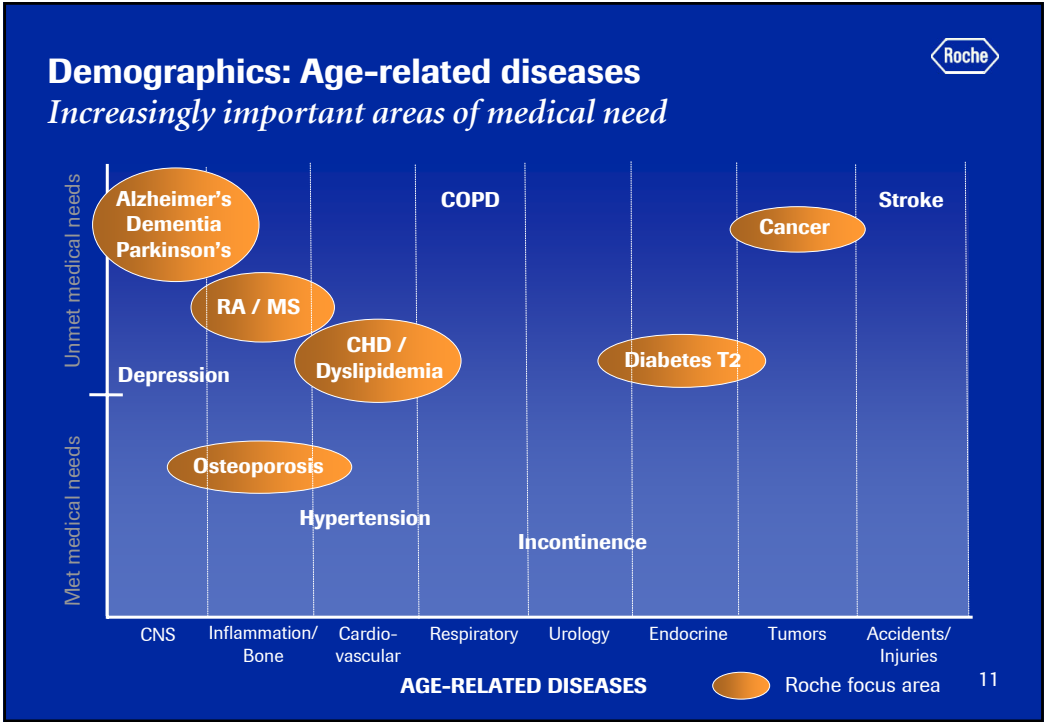


Source: Economist Intelligence Unit (2005-10)

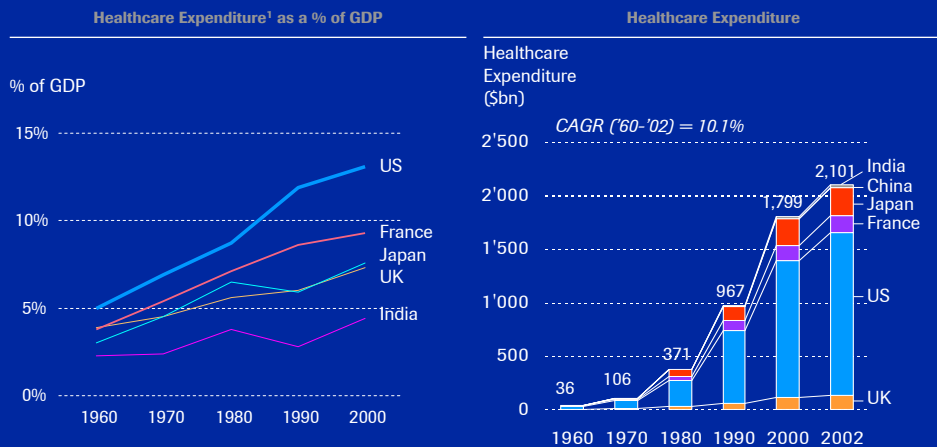
Demographics: Growing elderly healthcare market



Sources: US Census Bureau, World Bank, Deutsche Bank Nov '04
 Key markets: 5 major EU countries + US, Source: Decision Resources 2005, Timely Data Resources 2005,
 UN World Population Prospects 2004

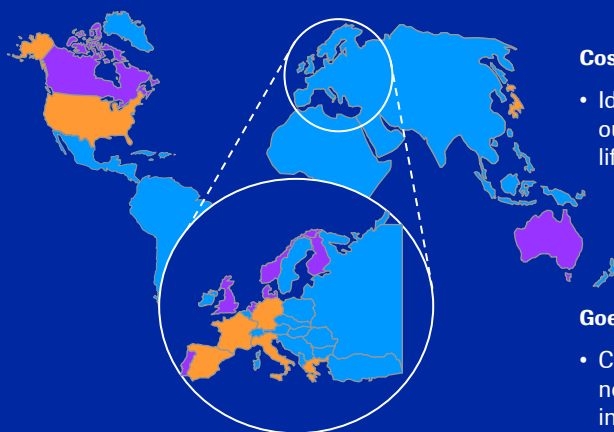


Funding: Healthcare expenditure - has increased faster than GDP in majority of global healthcare markets



[1] Healthcare spend refers to traditional healthcare (i.e. diagnostic and therapeutic products and medical services)
Sources: Decision Resources, Dec 2003; Worldbank Development Indicators

Funding: Payers & Reimbersers- facing rising healthcare costs results in increasing emphasis on 'value for money'



Cost-effectiveness of drug therapies

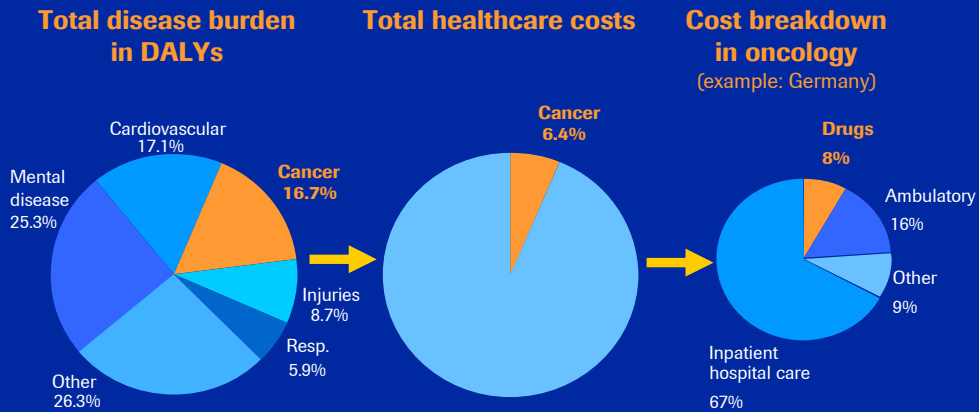
- Identifies and measures all costs and outcomes (clinical, health, quality-of-life, and survival)

Goes beyond the safety and efficacy

- Compares costs and outcomes of a new drug to those of a standard intervention

Countries with formal Pharmacoeconomics requirements
 Countries with Pharmacoeconomics guidelines

Oncology is 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

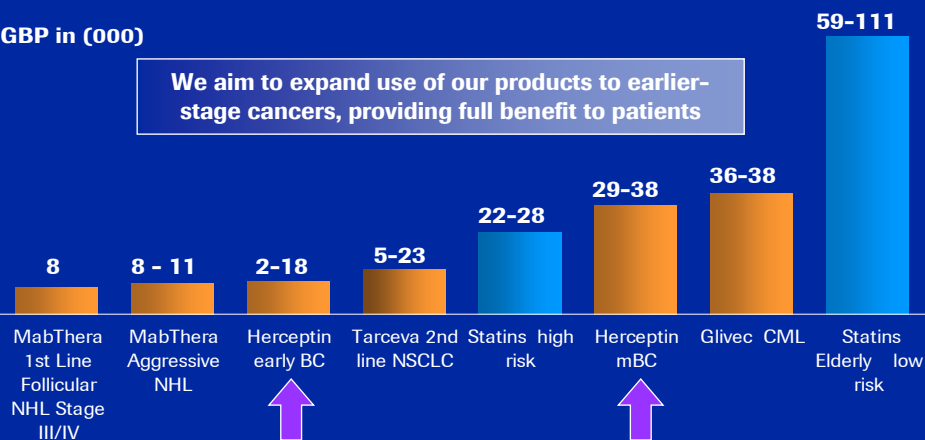
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Funding: Roche oncology products are cost-effective



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

GBP in (000)



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Examples of Personalised Healthcare (PHC)

Already a reality

Oncology	Virology/Infectious Diseases	CNS																																																																										
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Stakeholder behaviour will drive PHC

Stratification will become a necessity

Stakeholders	How they will drive the environment for PHC
Competitors	<ul style="list-style-type: none"> • Deliver more clinically-differentiated medicine • Diagnostic stratification as source for additional revenues
Regulators & Policy Makers	<ul style="list-style-type: none"> • Potential to reduce toxicity, increase efficacy and control rising healthcare costs
Payers & Reimursers	<ul style="list-style-type: none"> • Provide more cost-effective healthcare • Probably willing to share savings with innovators
Physicians & Providers	<ul style="list-style-type: none"> • Early detection can increase chance of cure • Patients selected to maximise benefit & minimise toxicity
Patients	<ul style="list-style-type: none"> • Welcome any better medicine

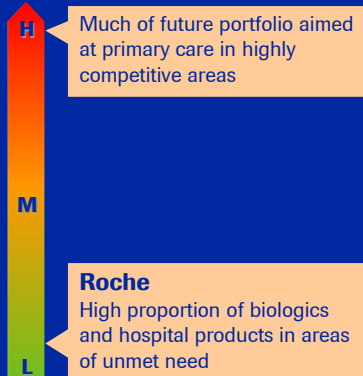
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Higher premium for medically differentiated products



Low vulnerability to pricing and funding pressures

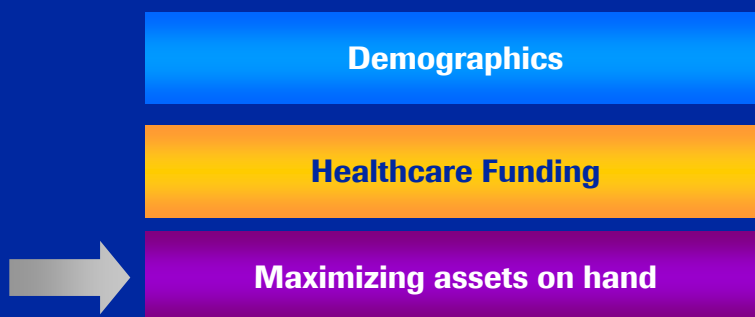
Vulnerability of portfolio to pricing pressure



- Focus on clearly differentiated products lowers vulnerability to increasing pricing environment
 - Price controls
 - Higher patient co-payments
- Higher proportion of biopharmaceuticals products lowers vulnerability to generic competition

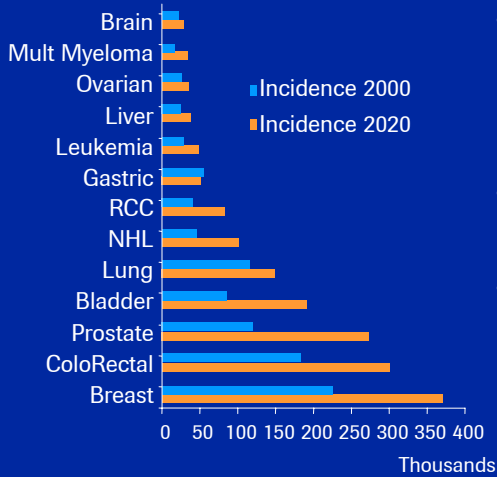
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Main trends influencing the long-term value propositions



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Incidence of cancer likely to increase



Incidence chart for 5 major EU countries
Source : GLOBOCAN 2002 and Roche market research 2004

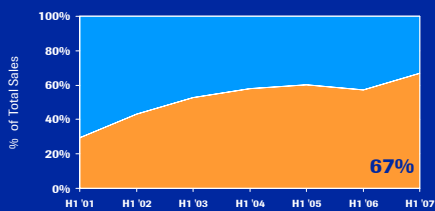
- Expected to grow further (2000-2020):
 - > 25 % in Western World
 - > 60 % in ROW
- Main epidemiological factors:
 - aging, lifestyle, diet
- Slower rate of death vs. incidence:
 - improvement in early detection
 - better treatments

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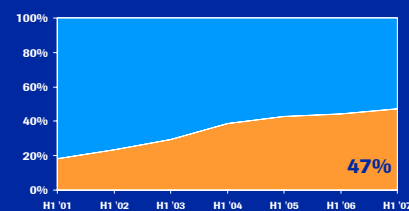
Major growth opportunities outside the US



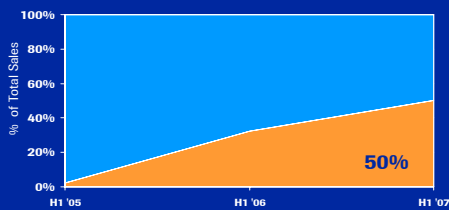
Herceptin



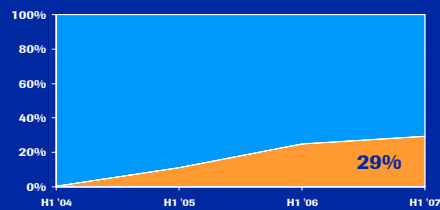
MabThera/Rituxan



Tarceva



Avastin



■ EU / ROW (incl. Japan) ■ US

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Access to innovative cancer medicines varies by country



Summary uptake of new oncology products in breast and colorectal cancer, NSCLC, NHL, CML and bone metastases

- Above average
- Average
- Below average
- Data not available/analysed



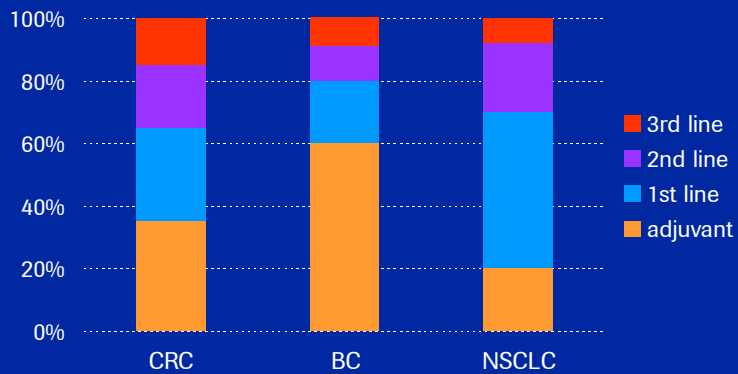
Source: A pan European comparison regarding patient access to cancer, Karolinska Institute 2005

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Each cancer type is different *And needs a specific treatment approach*



Incidence

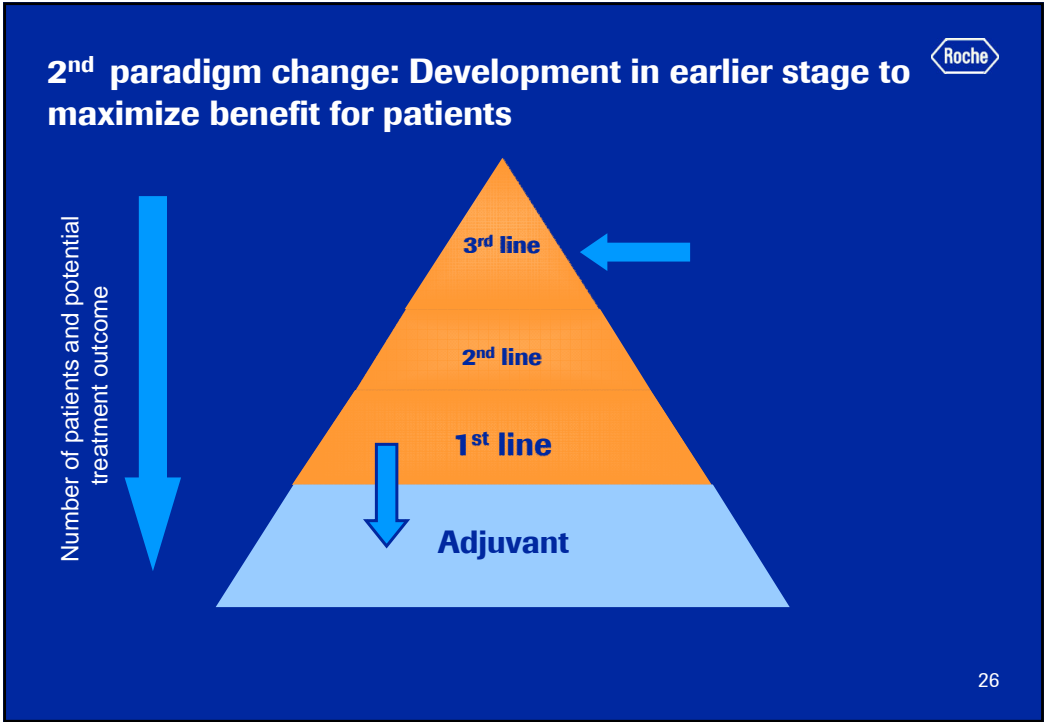
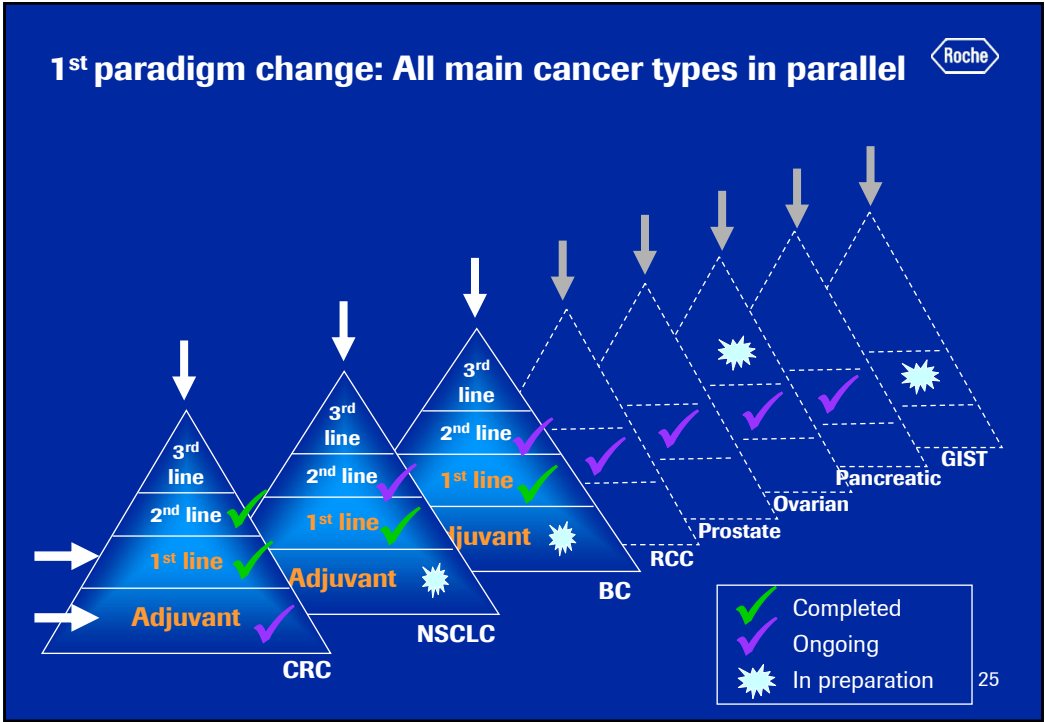


Survival

	CRC	BC	NSCLC
Adjuvant DFS at 3 years*	72 %	81 %	50 %
Metastatic median OS *	25 months	36 months	11 months

* Assuming best current care, Incidence: GLOBOCAN 2002 and Roche market research

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Avastin in adjuvant colon cancer

Key phase III trials fully recruited



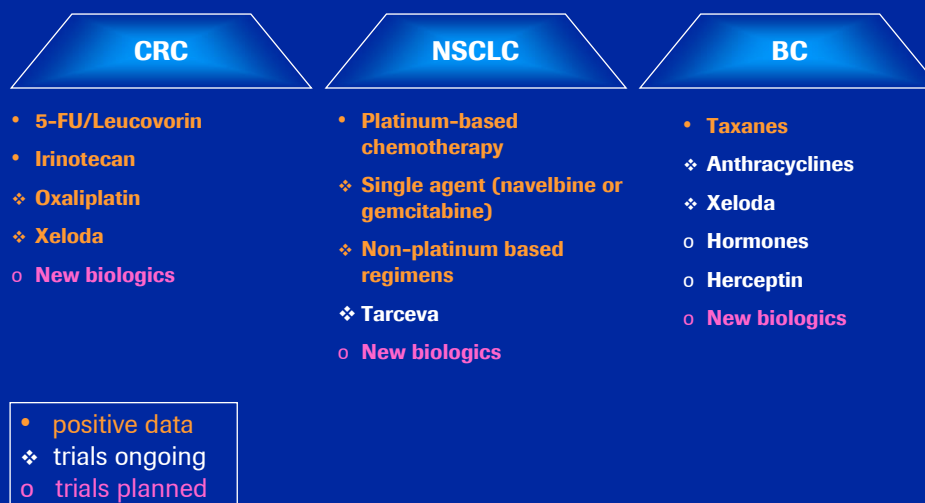
	NSABP C-08	AVANT
Treatment regimen	FOLFOX-6 ± Avastin	FOLFOX-4 ± Avastin XELOX + Avastin
Number of patients	2,700	3,450
Recruitment duration	Q3 2004 until Q3 2006	Q4 2004 until Q2 2007
Efficacy analysis	First interim look: Q2 2007 Subsequently every 6 months Next interim look: end 2007/early 2008	Event-driven analysis
Filing	2010 (or earlier)	2010 (or earlier)

¹⁾ US and top 5 EU

Incidence: 310,000 cases ¹⁾

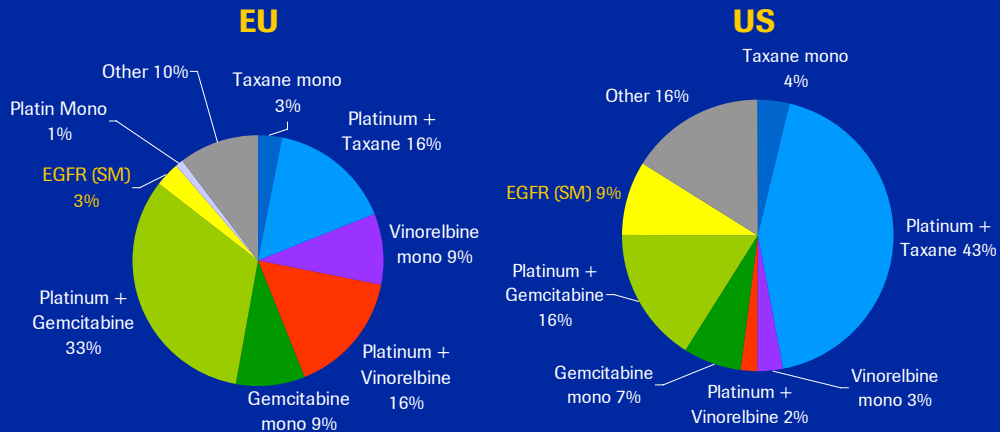
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3rd paradigm change: Establish as combination partner to ALL current standards



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The Non-Small Cell Lung Cancer market - 1st line Different treatment algorithms in US & EU



Source: Synovate Healthcare 2005

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4th paradigm change: targeted therapy combinations Roche in the lead



	NSCLC			Breast Cancer			
Study	ATLAS (Phase III)	BETALung (Phase III)	Phase II	AVEREL (Phase III)	Pegram (Phase II)	Phase III	Phase II
Patient population	1 st line maintenance non-squam.	2nd line	2nd line	1st line	1st line	Adjuvant	2nd line
Treatment regimen	CT + Avastin - > Avastin ± Tarceva	Tarceva ± Avastin	Avastin + Tarceva vs. Avastin + CT vs. CT	Herceptin + Taxotere ± Avastin	Herceptin + Avastin	Herceptin + Avastin tbd	Herceptin + Pertuzumab
Status	Started Q4'05	Started Q2'05	Presented ASCO'06 SABC'06	Started Q3 '06	Presented SABC '06	Planned	Presented ASCO'07

Potential patient benefits

- higher efficacy
- individualized treatment
- better tolerability

Roche setting the standard of care in combined targeted therapies

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We offer more than oncology, e.g. rheumatoid arthritis / autoimmune

MabThera: RA

- Launched in RA anti-TNF α inadequate responders in US and EU
- Filing for RA in DMARD IR in 2008

MabThera: other autoimmune and MS

- In phase III for SLE, LN, ANCA ass. vasculitis
- Highly promising phase II data in RRMS
- Phase III data in PPMS in H1 2008

Actemra: RA

- Filed in Japan
- Broad phase III program addressing all important RA segments
- Four international phase III trials met primary endpoint
- Global filing by the end of 2007

Ocrelizumab: RA, lupus and MS

- Phase II trial in RA met primary and secondary endpoints, presented at ACR '06
- Phase III program in RA running
- Phase III in SLE, LN and RRMS in preparation

In phase II

- R1503 (p38 kinase inhibitor) – first RA data in 2007
- R3421 (PNP inhibitor) – study in psoriasis running

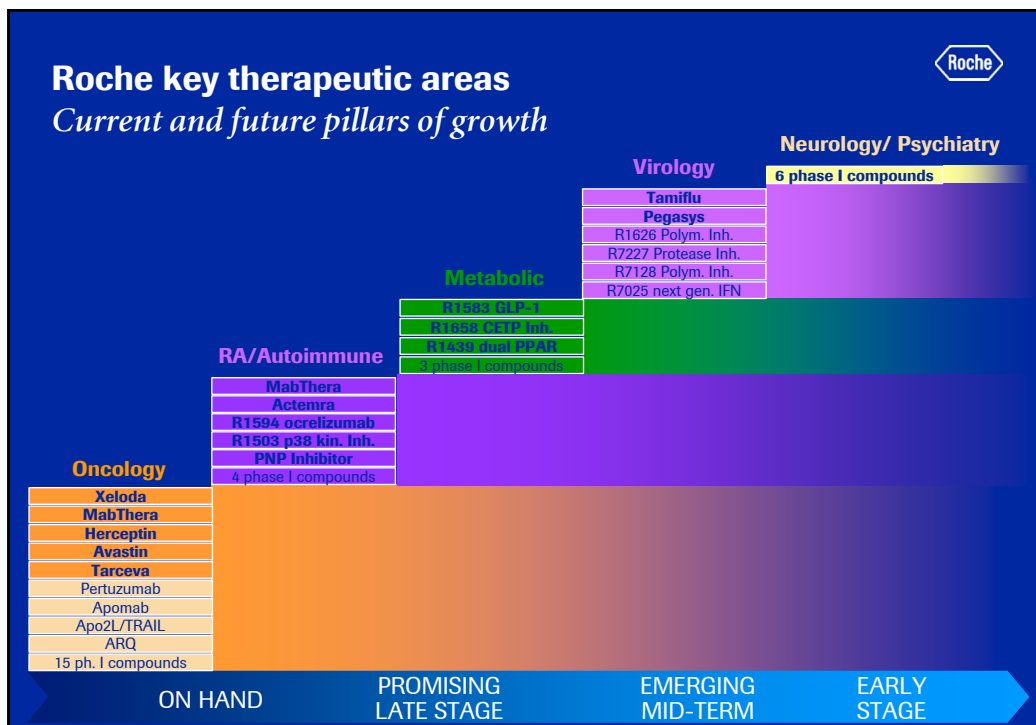
In phase I

- 4 compounds for autoimmune diseases

Performance up-date

External factors influencing our industry

Summary



Roche: A unique “investment case”

- **Clear and focused strategy**
 - Medically-differentiated products; poised to become leader in Personalised Healthcare
- **Attractive risk profile**
 - Low generic risk; lowest among European large-cap players
 - 37 Phase III projects; many additional indications
- **Assets in place for sustained success**
 - World market leader in Oncology
 - Emerging Rheumatology & Autoimmune franchises
 - Promising Phase II pipeline in Diabetes, Metabolism; early-stage compounds in CNS and Virology
- **Industry-leading organic growth & value creation**
 - H1 '07: Sales +15 %, Core EPS +21 %; Core EPS to grow ahead of sales

Unique high-tech healthcare investment

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