Roche: focused on long-term value creation

Karl Mahler, Head Investor Relations
SRI Roadshow, 23 November 2007

Forward-looking statements

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.

Please see www.roche.com for full information on Roche products mentioned.
About Roche

Roche and Sustainability

Increasing Access to Healthcare

Our focus: Developing medically differentiated products in areas of high medical need

Roche Focus

Premium for innovation

Value strategy
e.g. Oncology

Volume strategy
e.g. Generics

Medical Differentiation

low

high
Roche’s key therapeutic areas

Current and future pillars of growth

Oncology
- MabThera
- Avastin
- Herceptin
- Tarceva
- Pertuzumab
- Xeloda
- Apomab
- Apo2L/TRAIL

Metabolic
- R1583 GLP-1
- R1439 dual PPAR

Virology
- Tamiflu
- Pegasys
- R1658 Polyn. Inh.
- R2227 Protease Inh.
- R147 Polyn. Inh.

Neurology / Psychiatry
- R7227 Protease Inh.

RA/Autoimmune
- MabThera
- Actemra
- R1594 ocrelizumab
- PNP inhibitor
- On Hand Promising Late Stage
- Emerging Mid-Term
- Early Stage

6 phase I compounds

3 phase I compounds

Our Strategy

A clear business model for continued long-term success

Strategic focus on medical value
Focus on medically differentiated products and services that offer real added value for patients and healthcare payers

Combination of pharmaceuticals and diagnostics
Drive personalised healthcare - development & commercialisation of targeted drugs & companion diagnostic tests

Unique innovation network model
Utilise an innovation network of partnerships to strengthen and/or complement our areas of focus
About Roche

Roche and Sustainability

Increasing Access to Healthcare

In Roche, “sustainability” is not a separate topic but part of doing business

*Increasing company value for ALL stakeholders*

Superior returns on investment

Value-added products and services

Active partner in humanitarian and social projects; “licence to operate”

Inspiring, successful environment; career development opportunities
Roche management of “Sustainability”  
Network approach across whole organisation

- In 2002 Roche established Corporate Sustainability Committee (CSC) to manage Sustainability as an integral part of our daily business
- Sustainability driven through a network of people representing all aspects of the company, allowing involvement and engagement on many levels

CSC Charter and mandate  
Manage and coordinate topics surrounding sustainability

- Focus on improving transparency, disclosure and communication
- Ensure policies, standards, systems and people in place to identify and meet international standards & agreements and societal issues
- Flag issues and opportunities related to sustainability to the business areas and management
- Monitor strategy and coordinate implementation
- Enable Social, Ethical and Environmental responsibility to be integrated into daily business activities based on Corporate Principles
Identify industry risks & opportunities

- Biotechnology/Nanotechnology
- Stem cell debates
- Biodiversity
- Corporate governance
  - Board performance
  - Remuneration
- R&D productivity
  - Rising R&D costs
  - Weak pipelines
- Global Access
  - Changing demographics
  - 2nd/3rd world needs
- NGO stakeholder dialogue
- Patents
- Parallel Trade
- Reputations of industry
  - (Angell, Moore)
- Policy Changes
  - Transparency lobbying
  - Political influence
- Marketing Code
- Informed Patient
- Animal Welfare
- Consumer/Government
  - Pressures
  - Regulatory hurdles
- Future of Healthcare
  - & social systems
  - Pricing
  - Straining budgets
- Environmental Waste Disposal
- Environmental
- Future of healthcare
- Marketing Code
- Informed Patient
- Animal Welfare
- Consumer/Government
  - Pressures
  - Regulatory hurdles
- Employment Issues
  - Retention/Attraction of talent
  - Diversity, human rights
- Global Access
  - Changing demographics
  - 2nd/3rd world needs
-低い

Ensure key material topics are addressed

- Patient safety
  - Clinical trial disclosure
- Future of Healthcare
  - & social systems
  - Pricing
  - Straining budgets
- Policy Changes
  - Transparency lobbying
  - Political influence
- Corporate governance
  - Board performance
  - Remuneration
- R&D productivity
  - Rising R&D costs
  - Weak pipelines
- Global Access
  - Changing demographics
  - 2nd/3rd world needs
- Employment Issues
  - Retention/Attraction of talent
  - Diversity, human rights
About Roche

Roche and Sustainability

Increasing Access to Healthcare

Access to Healthcare and Medicines
Roche Sustainability in Action

Christopher Murray
Director, Head of Pharma International
Access to Healthcare and Medicines and the role of the Pharmaceutical Industry

How we see our role:
• Application of research and innovation to find new medicines to address unmet medical disease and patient needs
• To develop these medicines globally and register them around the world
• To play our role as partner in the complex provision of healthcare with multiple players

We do not see our role:
• In determining Public Health priorities of nations
• In national infrastructure

Nth. America, EU and Japan 13 % population
Over 80 % of healthcare spending

Nth. America
% World Population 5%
% World HC Spend 47%

European Union
% World Population 6%
% World HC Spend 31%

Latin America
% World Population 8%
% World HC Spend 4%

Rest of Europe
% World Population 5%
% World HC Spend 3%

Rest of Asia
% World Population 51%
% World HC Spend 4%

Africa, Australia, Oceania
% World Population 13%
% World HC Spend <1%

Japan
% World Population 2%
% World HC Spend <1%

Developed countries
• Diseases in areas of CNS, respiratory, cancer, cardiovascular, infectious agents
• Healthcare spend b/n 7-14 % of GDP
• Access through health insurance

Least developed countries
• Diseases in areas of HIV/ AIDS, TB, malaria, other infectious agents
• Healthcare spend < 1 % of GDP
• Lack of infrastructure, education, basic healthcare

Source: WHO – Priority Medicines for Europe & World Nov 2004; World Bank
Enabling global access
*Playing an active role*

- **Extensive phase I-IV clinical trial programme**
  - Providing free medicines and testing
  - 375 clinical trials published on independent web site
  - 166,070 patients participating in clinical trials (2006)
  - Over 7,000 hospitals and clinics worldwide compensated

- **Patient Assistance programmes (USA)**
  - Free medicines if inadequate or no health insurance
  - Over 75,500 patients enrolled in 2006

“Developing countries” encompasses poorest to relatively wealthy

**Least Developed Countries (LDCs)**
- Profound poverty and weakness of economic, institutional and human resources
- e.g. Afghanistan, Bangladesh, Nepal

**World Bank tiers by economic status – gross national income (GNI) per capita**
- Low income < $905 e.g. India, Pakistan
- Lower middle income $906 - $3,595 e.g. China, Thailand
- Upper middle income < $3,596 - $11,115 e.g. Brazil, Russia
- High income $11,116 + e.g. CH, UK, US
Africa
Access to Healthcare Challenges

- Varying political will
- Exodus of healthcare professionals to the North
- Low level of functioning healthcare systems
  - Beyond the 3 specific diseases (HIV, TB, Malaria) funded by international community
- Varying healthcare spending per head (US$)
  - Niger $30, South Africa $669
  - (Switzerland $3,776, USA $5,711)
- Drug registration timelines
  - no regional mutual recognition
  - no “fast track” for life saving medicines

Why is there a gap in terms of what industry is doing to develop medicines to treat “neglected diseases” of low income countries?

- For diseases that occur predominantly in low income countries, revenue from drug sales is insufficient to attract R&D
- More focused R&D activity and the increasing complexity of science does not allow for so much “peripheral” activity which might contribute to these solutions
- What chance of success? How long does one continue when no solution in sight?
  In any area of research
- International focus on medicine rather than of root causes
Using our core competencies
Sharing experience and know-how to develop sustainable solutions

- Clear, transparent, straight-forward pricing & patent policies
  - No patents for any Roche medicines in LDCs; no patents on new antiretroviral drugs in sSA
  - No enforcement of current patents in LDCs
  - No profit prices for our antiretrovirals for LDCs and sSA
  - Significantly reduced prices for low/ lower-middle income countries
- Facilitate prevention through education and sharing of experience rather than donations
- Working in partnership with committed governments and established NGOs to increase access to HIV healthcare

Applying Roche HIV/AIDS Policies

- Reduced pricing applies to 86% of all people living with HIV/AIDS worldwide*
- Both patents and profit removed for 63 countries encompassing 63% of all people living with HIV/AIDS*
- Standard prices apply to 14% of global patient population*

* From UNAIDS data, published June 2006
AIDS Technology Transfer Initiative
Giving Africa and Least Developed Countries the know-how

- Enable local manufacturers to produce saquinavir, listed as a second-line option in WHO treatment guidelines
- Strengthen African capability and long term security of supply
- Complex project involving many functions in Roche

Identify viable manufacturers ➔ Feedback ➔ Visit plant ➔ Agreement signed ➔ Training ➔ After-support

All at no cost to local manufacturer

Roche Secondment Policy
Enabling employees to contribute their skills to LCDs

- Innovative, developmental opportunity for employees to spend 3–18 months making a sustainable contribution to help prevent or manage healthcare issues in low and lower middle income developing countries
- Roche continues to provide employee's salary
- First secondments commenced in Ethiopia and Niger
- Benefits Country, Employee and Employer
Supporting development of local healthcare professionals

*Education: a sustained impact*

![Image of a group photo at an event]

**CARE**:
- Delivered HIV care training to over 500 healthcare professionals from 15 African countries
- CARE learnings have enabled a more rapid scale-up of treatment now large-scale funding available

**Cambodian Treatment Access Programme** with Ministry of Health & University New South Wales
- New clinic constructed
- Over 1,700 patients
- Training healthcare professionals a key component
Roche activities based on African identified needs

Asking African healthcare workers what is needed vs. preconceived views of the “west”

Interactive session:

• In your opinion, what does Africa most need in order to address HIV/AIDS?

• What do you think is the most appropriate and sustainable role of R&D-based pharmaceutical companies to make a long-term difference for people living with HIV/AIDS in Africa?

• What do you expect to be saying to your family about the HIV/AIDS situation in Africa in 5 years’ time?

“’It’s time that the international community listened to us as African health workers to understand the real challenges on the ground.”

Dr. Elly Katabira
Makerere University, Kampala

Supporting AIDS Orphans in Malawi and worldwide

Roche engaged on individual & company level

• Employee-driven fundraising initiative each World AIDS Day
• Roche doubles funds raised
• Partnership with NGO to manage 7 centres serving 3,000 orphans
• UNICEF partnership to improve the schools
• Since 2003, over 34,000 Roche employees, across 95 sites, raised almost CHF 4 m for children impacted by AIDS
• “We are no more orphans, as we have you caring for us”
  - Ruth Misomali, secondary school student, Malawi
Phelophepa: The world’s first healthcare train
Bringing better health to rural South Africa

- Provides primary care: general, dental, eye, psychiatric, cancer screening and diabetes prevention (No HIV/AIDS treatment)
- Unique Roche sponsored healthcare project
- Reached over 1 million people

In Africa and LDCs, HIV/AIDS is not ‘business as usual’ for Roche

Price of medicines will always be an issue when half the planet live on $2 per day or less.

Each day we strive to achieve a sustainable balance between innovation and access, compassion and commerce.