

## Roche - Long term priorities in a short term market environment

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## Performance up- date

The current market environment- external factors

Defining priorities

Securing the long term value propositions

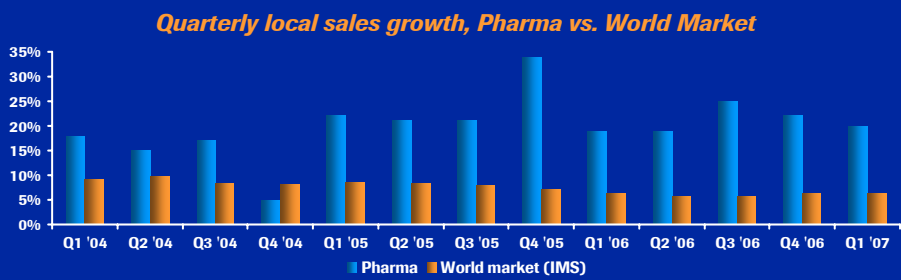
Roche's core strengths

## Q1 2007: Industry leading

*More than CHF 1.5 billion organic growth*

CHF bn	Q1'06	Q1'07	% change in		USD growth
			CHF	local	
Pharmaceuticals	7.7	9.1	18	20	24
Diagnostics	2.1	2.2	6	6	11
<b>Roche Group</b>	<b>9.8</b>	<b>11.4</b>	<b>16</b>	<b>17</b>	<b>21</b>

## Consistently outgrowing peers



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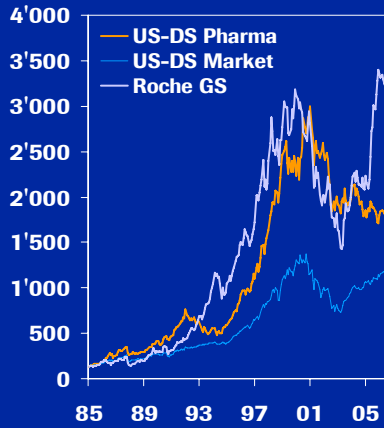
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## Pharma sector

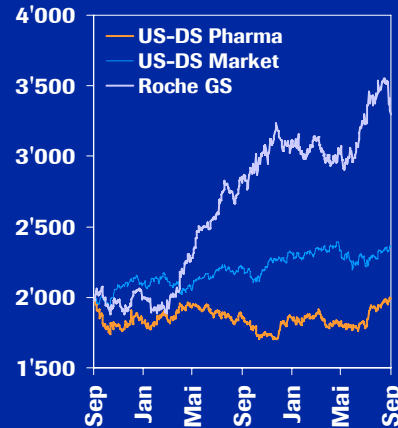
*From an 'outperformer' to an 'underperformer'*

**US Pharma Sector vs. Market:**  
Past 20 years ...



Source: Datastream

... and over the past two years



## Pharma is an attractive business

*Offering around two times GDP growth*

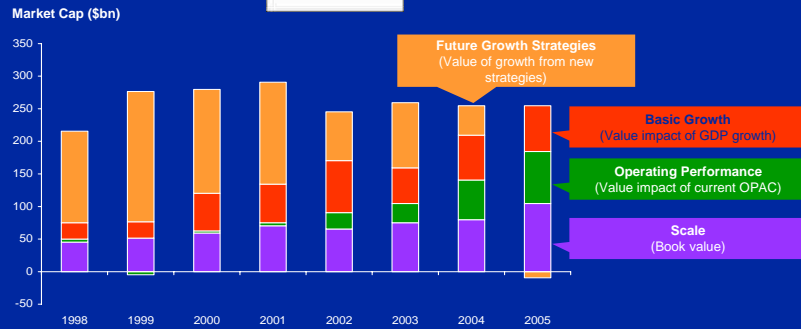


	Range of 10 year EPS growth			Range of 10 year EPS growth	
	Min	Max		Min	Max
Software & Services	7.0	12.0	Automobiles & Components	0.0	3.0
Household & Personal Products	7.0	11.0	Transportation	-2.0	4.0
<b>Pharma &amp; Biotechnology</b>	<b>8.0</b>	<b>11.0</b>	Materials	1.0	5.0
Commercial Services	6.0	10.0	Real Estate	2.0	5.0
Diversified Financials	6.0	10.0	Retailing	1.0	5.0
Health Care Equip. & Services	7.0	10.0	Capital Goods	2.0	6.0
Media	5.0	10.0	Hotels Restaurants & Leisure	3.0	6.0
Semiconductors	4.0	9.0	Utilities	3.0	6.0
Technology Hardware & Equip.	4.0	9.0	Energy	4.0	7.0
Consumer Durables	5.0	8.0	Telecommunication Services	3.0	7.0
Food & Staples Retailing	5.0	8.0	Insurance	3.0	8.0
Food Beverage & Tobacco	4.0	8.0			
Banks	3.0	8.0			

Source: Morgan Stanley estimates

# Time Aspect of Warranted Value

*How much are you given for the future?*



Over time the market cap of a company is likely to change (up or down) as the drivers of a company's valuation also change

Source: Accenture analysis

Performance up- date

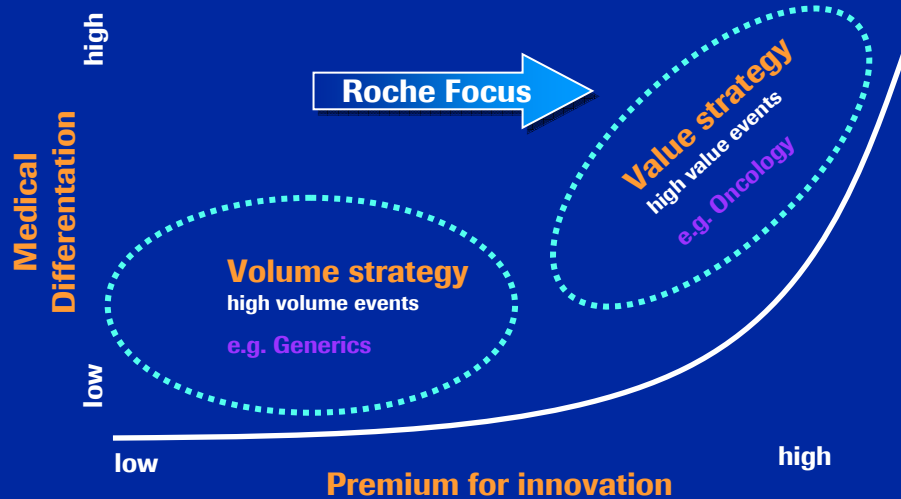
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## Focus on developing medically differentiated products and services offering high medical value

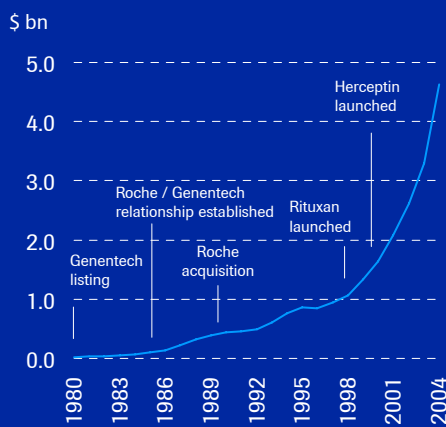


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## Roche: Long term view via emerging technologies Example- Monoclonal Antibodies



### Genentech Revenue 1980-2004



Sources: DataStream, Factiva, MA Analysis; [1] Monoclonal Antibodies

- Roche acquired Genentech in 1990 at the end of a 'Towards R&D Portfolio' stage
  - MAB<sup>1</sup> patent approvals had doubled in 1989
  - significant uncertainty remained over quality and quantity of Genentech's future pipeline
- 'Towards Commercialization' (1990-97)
  - build-up to the launch of Genentech's first humanized MAB, Rituxan
  - growing commercial certainty
- 'Full Commercialization' (since 1997)

Performance up- date

The current market environment- external factors

Defining priorities

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**Securing the long term value propositions**

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Roche's core strengths

## Main trends influencing the long-term value propositions



**Demographics**

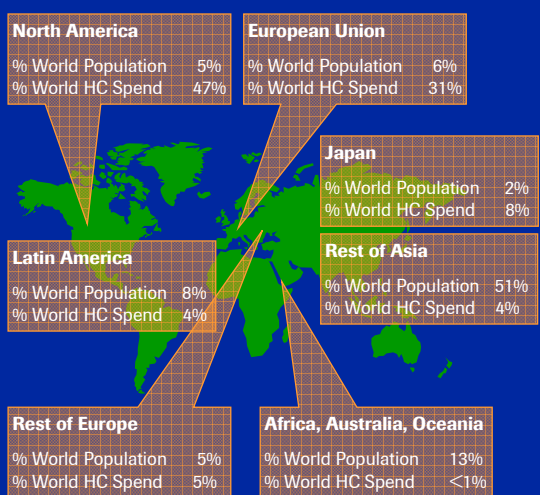
**Third Parties as Source of Innovation**

**Healthcare Funding**

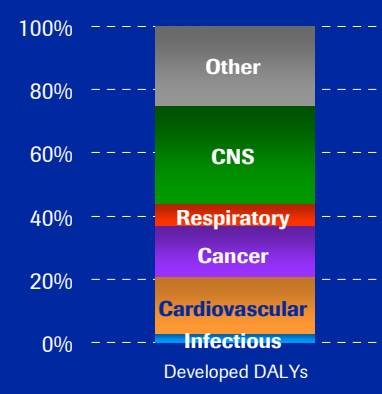
**Maximizing assets on hand**

# N. America, EU and Japan over 80% of HC spending

## Growing elderly healthcare market



### Developed world medical need



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



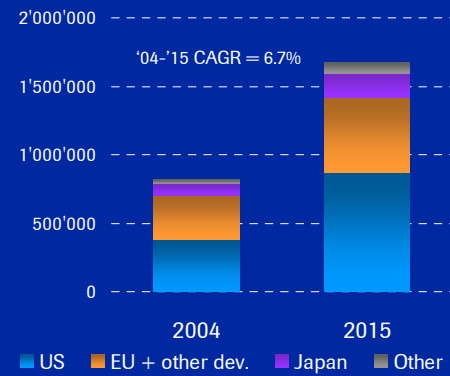
Source: Economist Intelligence Unit (2005-10)



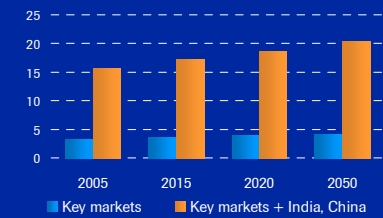
## Growing elderly healthcare market



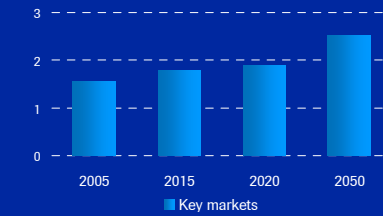
### HC spend by patients aged 65+ (US\$ bn)



### Rheumatoid arthritis (Prevalence in m)



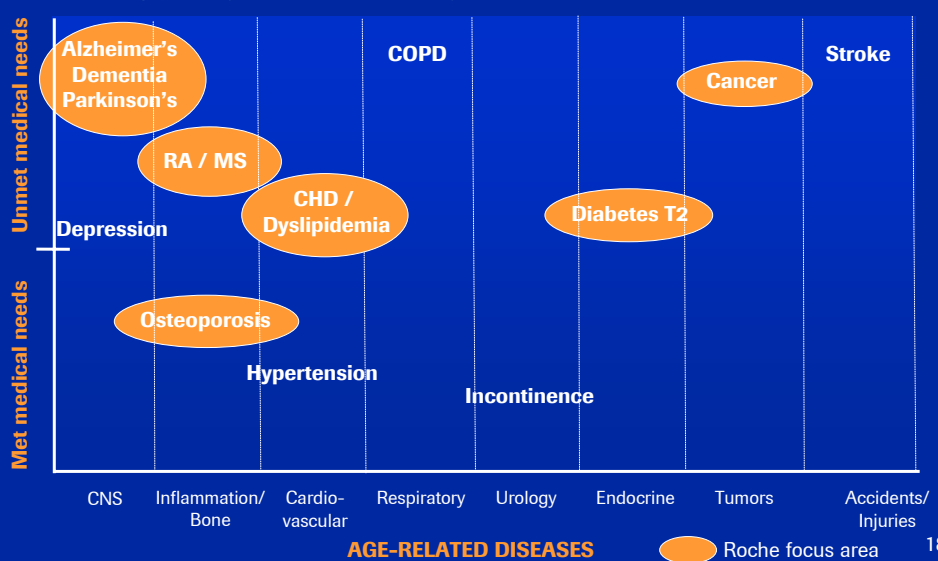
### Cancer (Incidence in m)



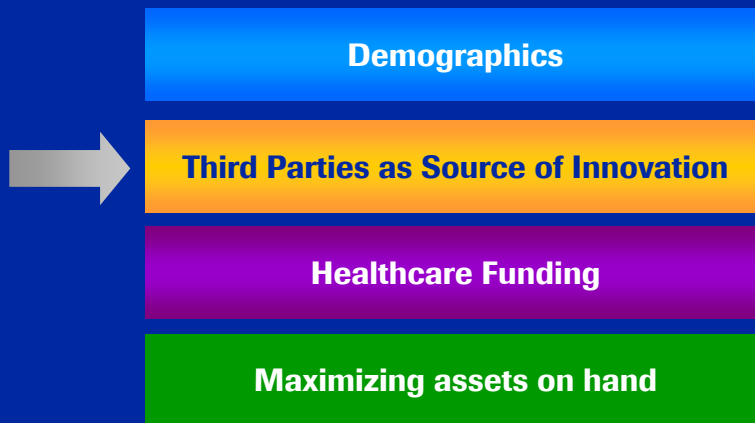
Sources: US Census Bureau, World Bank, Deutsche Bank Nov '04  
 Key markets: 5 major EU countries + US; Source: Decision Resources 2005, Timely Data Resources 2005, UN World Population Prospects 2004

## Age-related diseases

*Increasingly important development areas*



## Main trends influencing the long-term value propositions



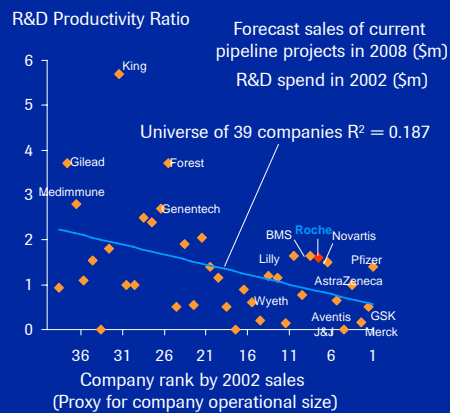
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## Accelerated consolidation

*Size is not all*



### Size vs. R&D productivity



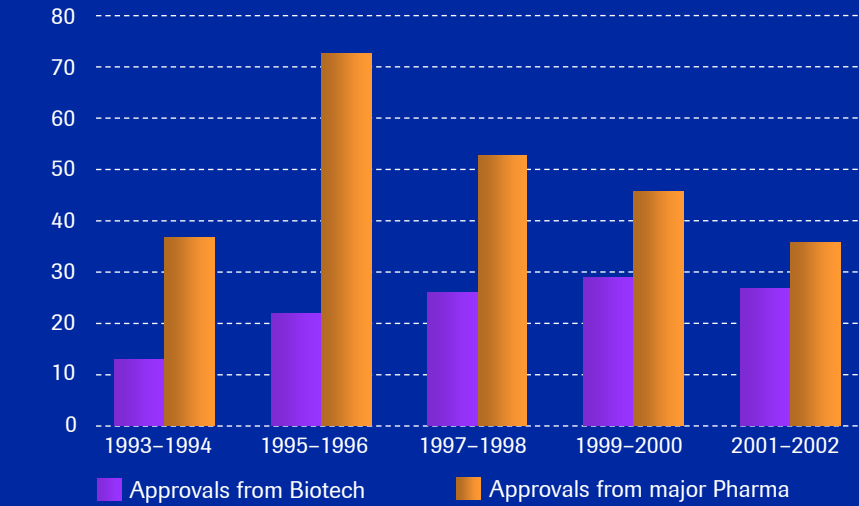
Source: Datamonitor, 2004 (Addressing Pharma's R&D Productivity Crisis)

- The relationship between company operational size and R&D productivity indicates that there are no significant economies of scale in pharmaceutical R&D
- This is despite the theoretical potential for greater efficiency or more successful product development

**There is no indication of a positive relationship between scale and R&D productivity**

## Biotech as new source of innovation

*A growing source of approved products*

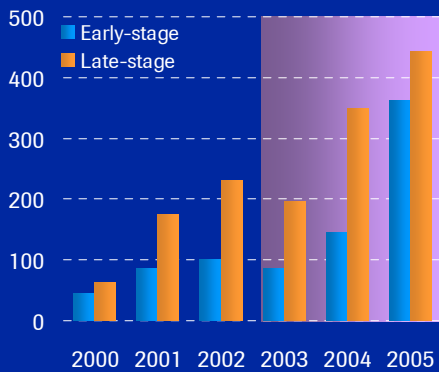


## Partnering

*Costs are rising for in-licensed products*

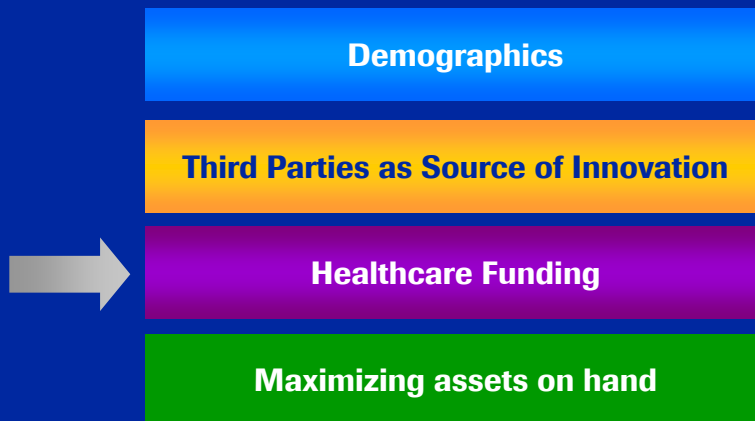


### Average cost of in-licensing (Rx), \$m



- 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

## Main trends influencing the long-term value propositions

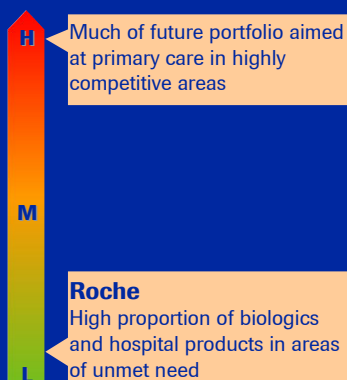


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## Higher premium for medically differentiated products *Low vulnerability to pricing and funding pressures*



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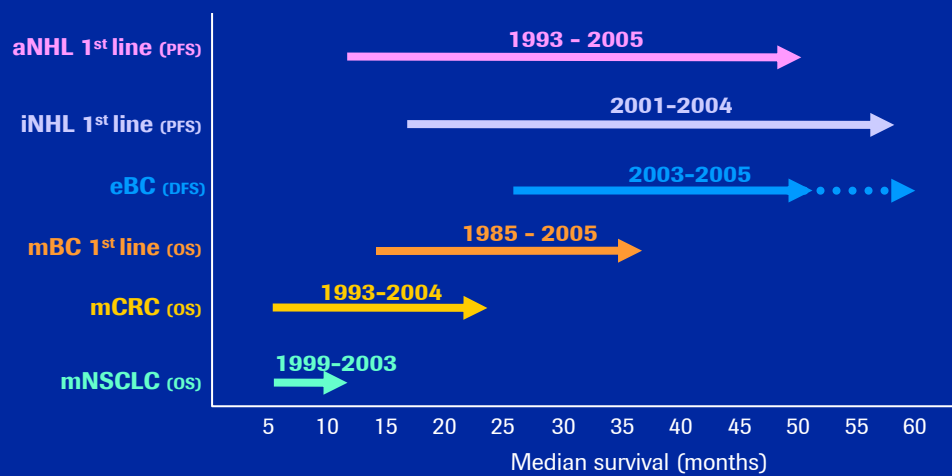
## The key goal of all our efforts in oncology: Moving from extending life to potentially saving life



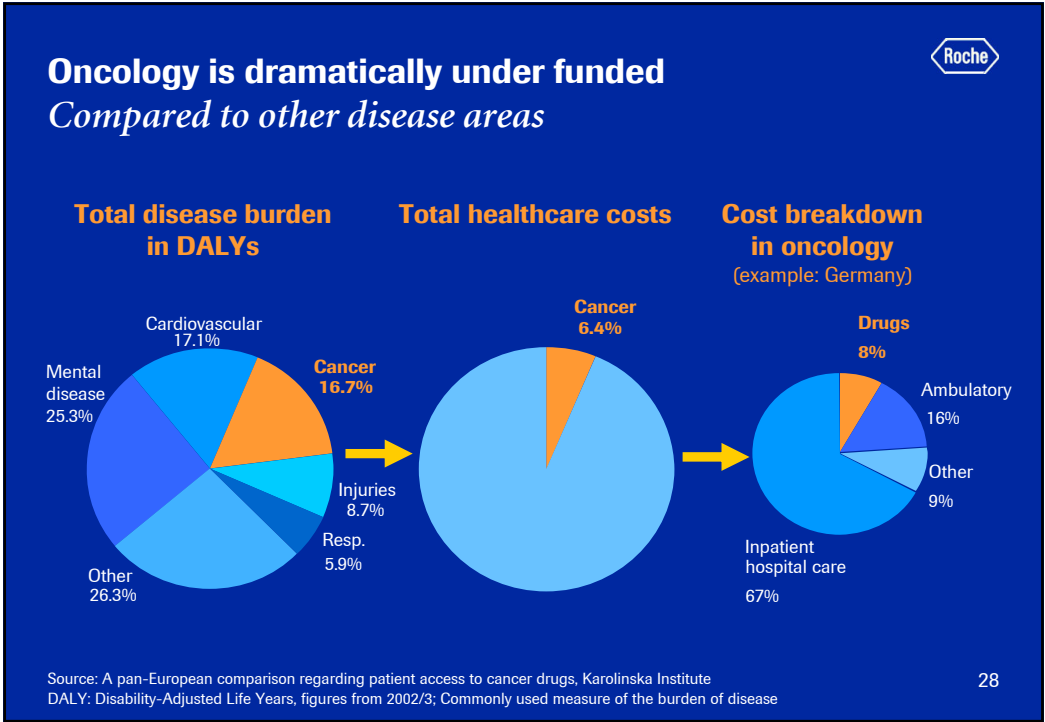
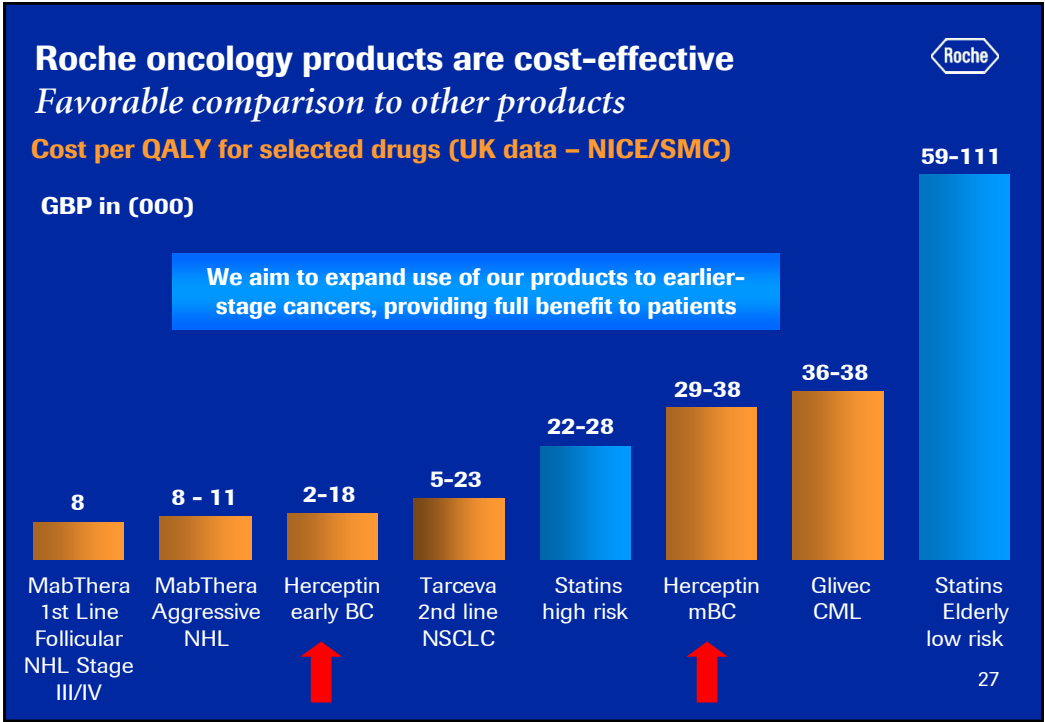
	ADJUVANT	MAINT.	1 <sup>st</sup> LINE	2 <sup>nd</sup> LINE
Filed or to file soon			Tarceva pancreatic Ca Avastin NSCLC Avastin mBC	
Ongoing	Xeloda adjuvant BC Xeloda adjuvant CC combo Avastin adjuvant rectal Ca Avastin adjuvant CC Tarceva adjuvant NSCLC	Tarceva & Avastin NSCLC maintenance MabThera iNHL maintenance	Avastin RCC Avastin pancreatic Ca Avastin ovarian Ca Herceptin gastric Ca Avastin & Herceptin mBC 1 <sup>st</sup> line ext.	Avastin mBC 1 <sup>st</sup> line ext. Avastin NSCLC 1 <sup>st</sup> line ext. MabThera 1 <sup>st</sup> line CLL Tarceva NSCLC 1 <sup>st</sup> line MabThera relapsed CLL Avastin prostate Ca Tarceva & Avastin NSCLC 2 <sup>nd</sup> line Xeloda mCRC 2 <sup>nd</sup> line combo Avastin mBC 2 <sup>nd</sup> line
To start soon	Avastin adjuvant NSCLC Avastin adjuvant BC			

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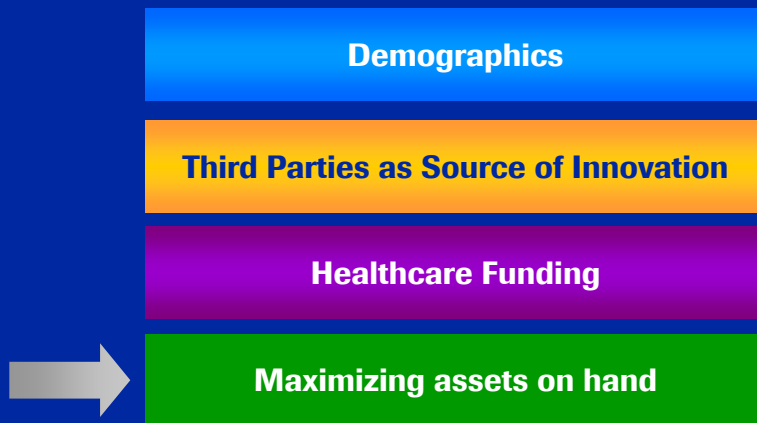
## Cancer treatment outcomes Substantial treatment progress in recent years



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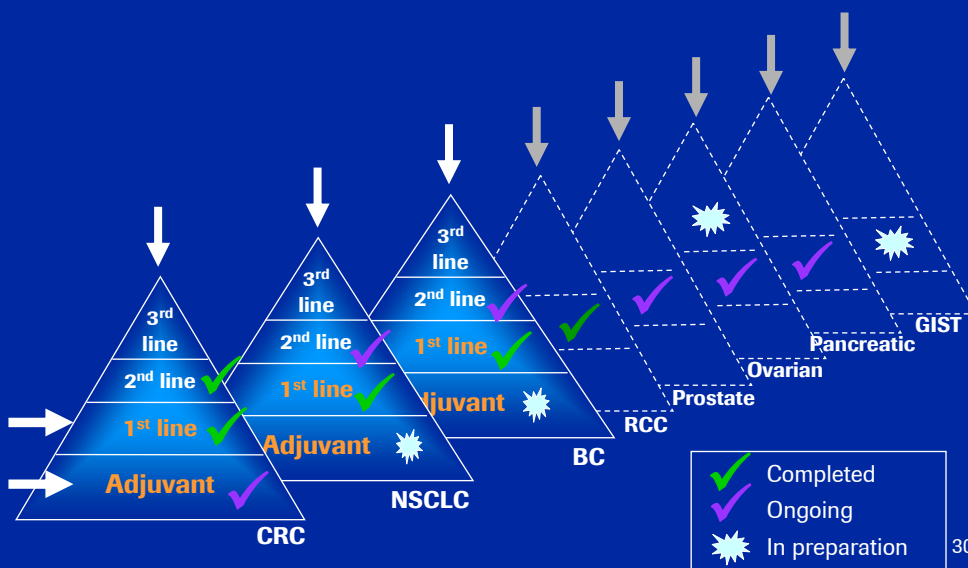


# Main trends influencing the long-term value propositions



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# Avastin: All main cancer types - late and early intervention



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## Avastin: Establish as combination partner to current standards



### CRC

- 5-FU/Leucovorin
- Irinotecan
- ❖ Oxaliplatin
- ❖ Xeloda
- New biologics

### NSCLC

- Platinum-based chemotherapy
- ❖ Single agent (navelbine or gemcitabine)
- ❖ Non-platinum based regimens
- ❖ Tarceva
- New biologics

### BC

- Taxanes
- ❖ Anthracyclines
- ❖ Xeloda
- Hormones
- Herceptin
- New biologics

- positive data
- ❖ trials ongoing
- trials planned

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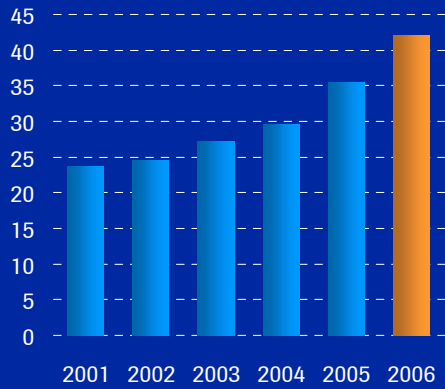




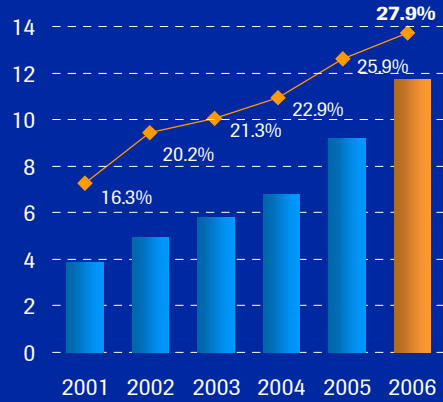
## Focus on differentiated products paying off

*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

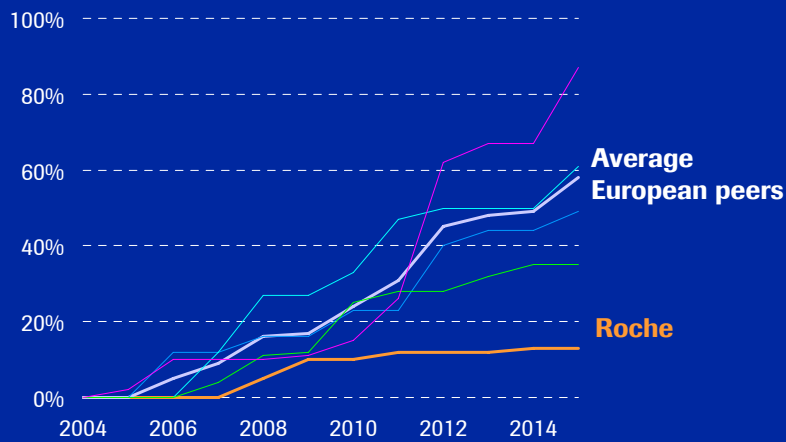
<sup>2</sup> before exceptional items



## Low generic risk

*Long-term sustainable business*

Sales erosion due to generisation (% of 2004 sales)



Source: citigroup

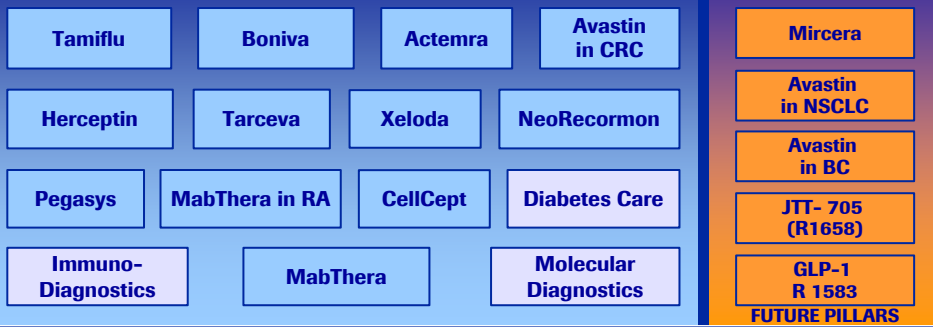
## Roche has a unique „investment case“



### Roche: Unique geographic risk diversification



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



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BIG PHARMA



BIOTECH

... beyond ‘big Pharma’ and Biotech’

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*We Innovate Healthcare*