



**Roche**



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## **Roche Diagnostics: Focus on Innovation**

*Severin Schwan, CEO Roche Diagnostics  
Citigroup Healthcare Conference, May 24 2007*



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## Overall Performance

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## Business Areas

## Strategy for Future Growth



# Q1 2007: Industry leading performance

*More than CHF 1.5 billion organic growth*

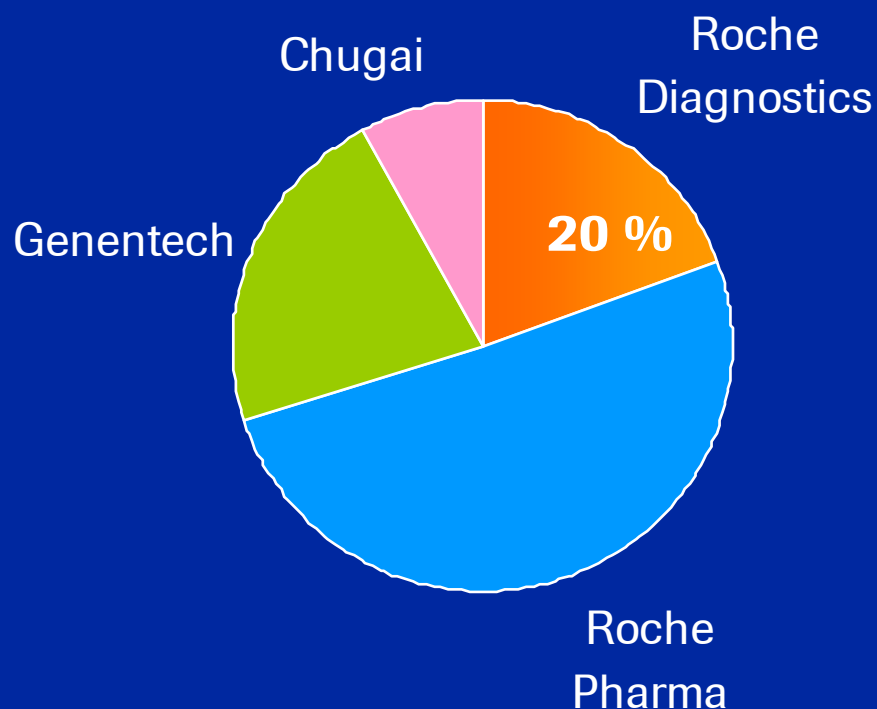
CHF bn			% change in		USD growth
	Q1'06	Q1'07	CHF	local	
Pharmaceuticals	7.7	9.1	18	20	24
Diagnostics	2.1	2.2	6	6	11
<b>Roche Group</b>	<b>9.8</b>	<b>11.4</b>	<b>16</b>	<b>17</b>	<b>21</b>



# Roche Diagnostics

*Integral component of Roche Group*

## Roche Group Sales Q1 '07 CHF 11.4 bn



## Top products/ franchises Q1 '07

	CHF m	loc growth
MabThera/ Rituxan	1,309	17 %
Herceptin	1,168	36 %
Avastin	923	41 %
Tamiflu	865	47 %
<b>Accu-Chek</b>	<b>755</b>	<b>11 %</b>
NeoRecorm/ Epogin	522	-3 %
CellCept	476	7 %
Pegasys	400	15 %
<b>Clinical Chemistry</b>	<b>344</b>	<b>5 %</b>
<b>Immunochemistry</b>	<b>293</b>	<b>10 %</b>
<b>Molecular Diag</b>	<b>278</b>	<b>-2 %</b>
Xeloda	267	14 %

# Q1 2007: Diagnostics continues above-market growth



## Solid top-line growth of +6 %

- Diabetes Care showed strong performance (+11 %)
- Molecular diagnostics grew +6 % (excluding industrial business)
- North America continued growth trend (+10 %)

## Two major acquisitions to strengthen and expand business

### 454 Life Sciences

- strengthen presence in ultra-fast gene sequencing in Life Science market

### BioVeris

- expand Immunochemistry into new markets in central lab testing



# Q1 2007: Diagnostics sales

*Above market growth in key markets*

	Q1 '07 CHF m	% of Dx sales	growth (local)	market growth
Professional Diagnostics <sup>1</sup>	1,107	46 %	5 %	5 %
Diabetes Care	755	34 %	11 %	8 %
Molecular Diagnostics	278	13 %	-2/6 <sup>2</sup> %	10 %
Applied Science	166	7 %	7 %	6 %
<b>Total</b>	<b>2,216</b>	<b>100 %</b>	<b>6 %</b>	<b>5 %</b>
EMEA <sup>3</sup>	1,250	57 %	5 %	5 %
North America	585	26 %	10 %	6 %
Asia Pacific	169	8 %	16 %	9 %
Japan	90	4 %	-2 %	1 %

1 Amalgamation of Centralized Diagnostics and Near Patient Testing

2 excluding industrial business

3 Europe, Middle East and Africa





# Roche Diagnostics

## *Clear market leader*

### IVD market share 2006

	World	USA	Europe*	Japan	RoW**
<b>1</b>	Roche (19 %)	J & J (14 %)	Roche (25 %)	Roche (10 %)	Roche (26 %)
<b>2</b>	Abbott (12 %)	Roche (13 %)	Abbott (13 %)	Sysmex (9 %)	Abbott (15 %)
<b>3</b>	J & J (10 %)	Abbott (11 %)	Bayer (9 %)	Abbott (8 %)	Bayer (10 %)

\* Western Europe

\*\* Asia Pacific, Oceania, Middle East, Africa, Eastern Europe

source: Roche analysis, Boston Biomedical Consultants, company reports



**Overall Performance**

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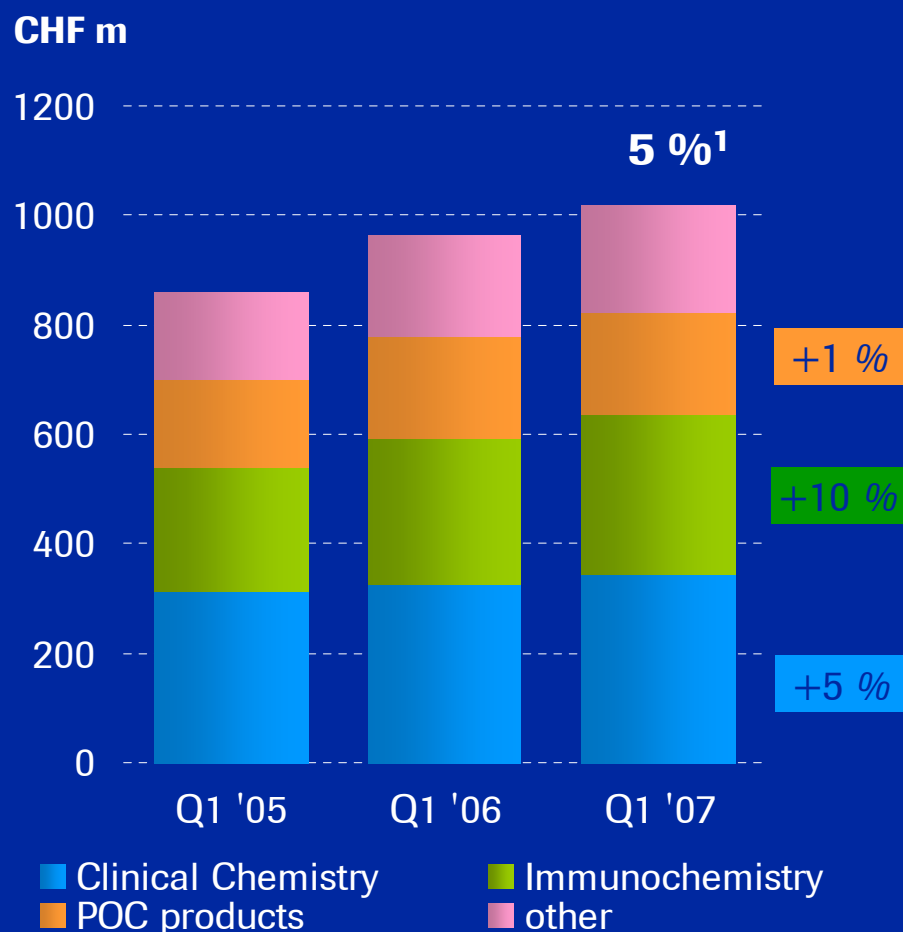
**Business Areas**

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**Strategy for Future Growth**

# Q1 2007: Professional Diagnostics

*cobas 6000 analyser placements driving sales*



<sup>1</sup> local growth

- cobas modular platform rollout continues
  - cobas 6000 (c 501+e 601): medium volume
  - cobas e 411 (IC): small volume labs
  - cobas c 111 (CC): very small labs
- Immunochemistry sales benefiting from instrument placements & new markers
- Clinical Chemistry returned to market growth
- CoaguChek XS launched in US for patient self-coagulation monitoring

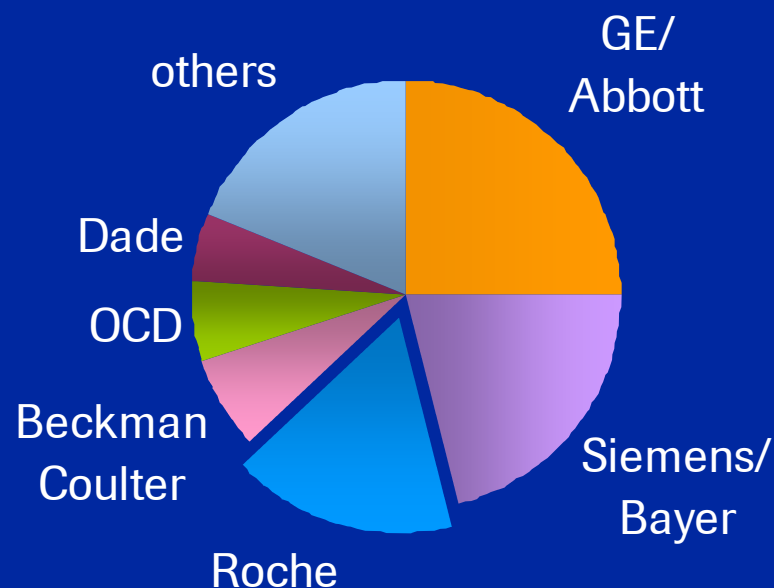
# Immunochemistry: Acquisition of BioVeris

*Expand Immunochemistry into new market segments*

## Heterogeneous Immunochemistry

**Market 2006**

**5.8 bn USD, +6 %**

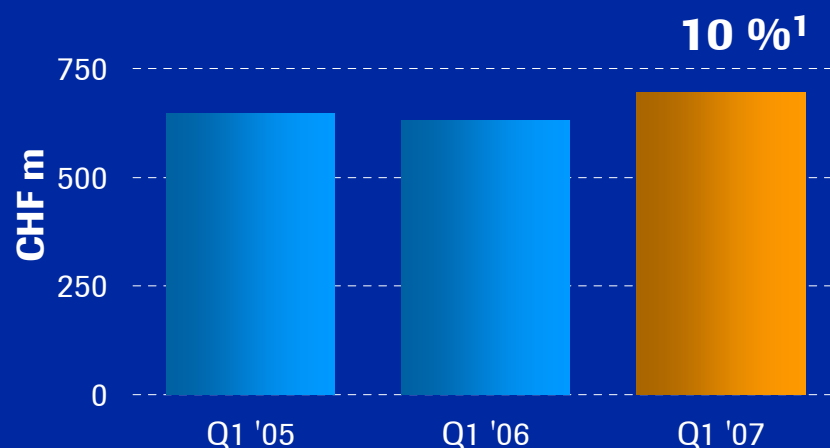


- Ownership of full ECL patent estate
- Enables Roche to enter markets previously excluded (drug discovery, clinical trial testing)
- Lab customers increasingly performing clinical trial testing
  - market around CHF 400m, +10 %
- Exploit full potential of novel assays (NT-proBNP, bone markers)

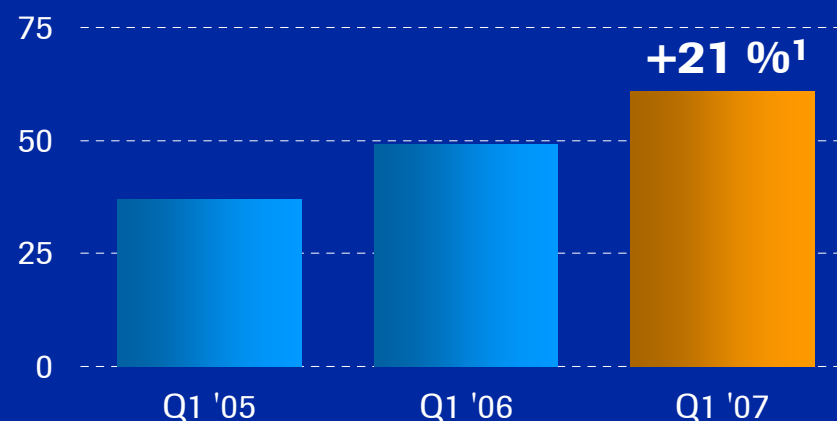
# Q1 2007: Diabetes Care

## *Delivering on our commitments*

### Blood Glucose Monitoring\*



### Insulin Delivery



- North America returned to above-market growth
  - leveraging the benefit of the complete Accu-Chek product portfolio
- Accu-Chek Performa commenced launch in first markets
  - 5 sec test time, extensive quality checks, advanced data management features

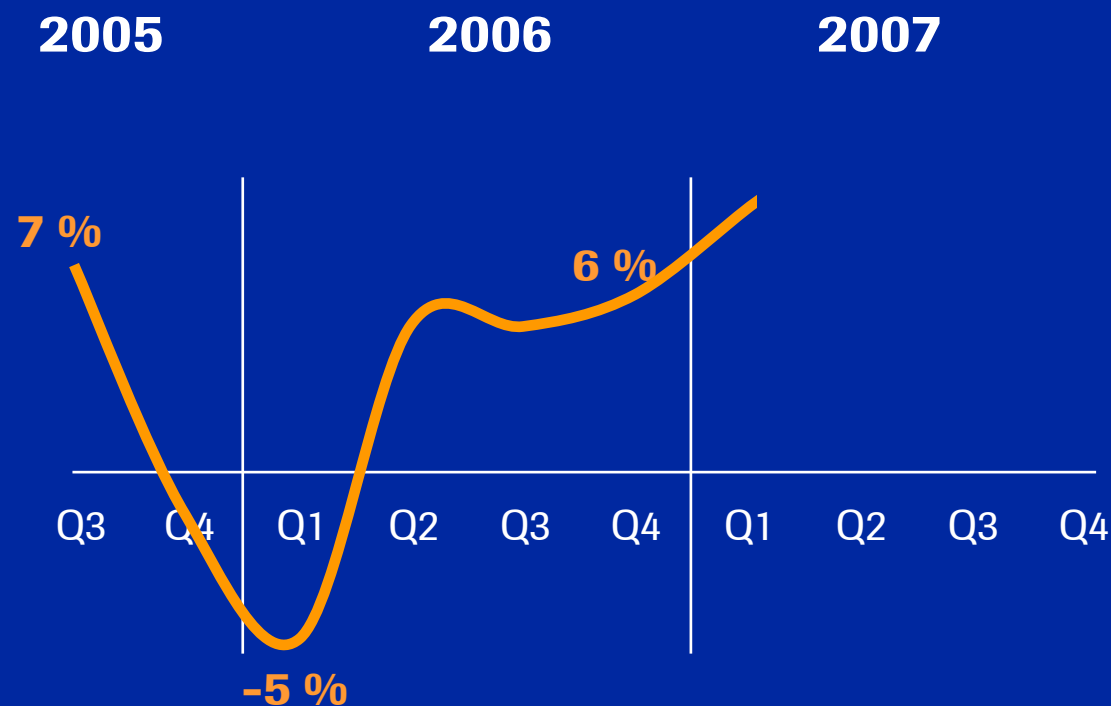
\* meters, strip, lancets

<sup>1</sup> local growth

# Diabetes Care growth

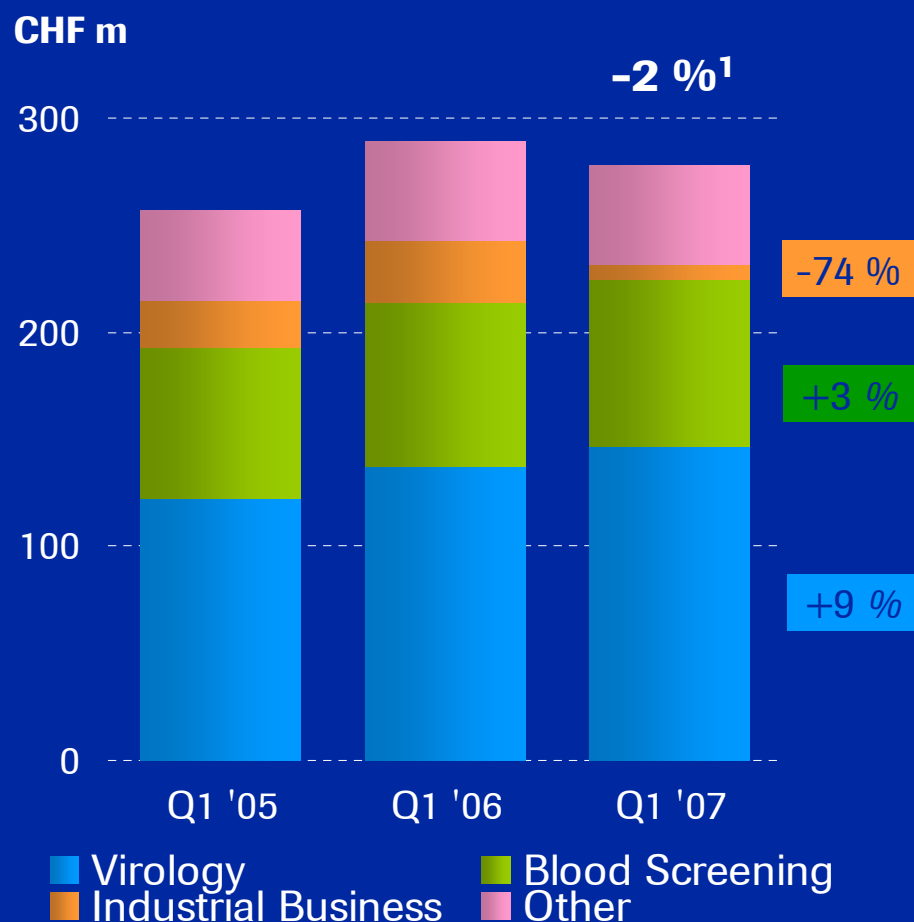
*New product portfolio restoring growth*

Local Quarterly Sales Growth %



# Q1 2007: Molecular Diagnostics

## *Automated platforms supporting market share*



- Growth was +6 % excluding industrial business, which declined as announced
- Virology growth from placements of improved automation
- Blood screening growth offset by price decrease in Japan (Apr '06)
- Amplicor HPV test and Linear Array HPV genotyping test filed with FDA (PMAs)

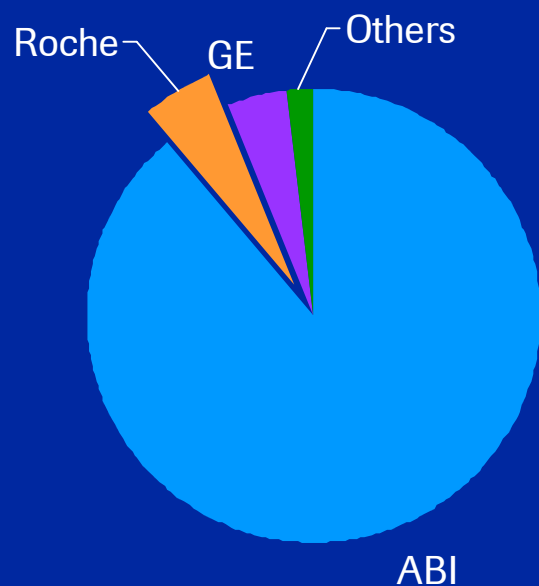
<sup>1</sup> local growth



## Q1 2007: Applied Science

### *Strengthening presence in ultra-fast gene sequencing market*

**Gene Sequencing Market\***  
**800 m USD, +3 %**



- May 2005 entered exclusive distribution agreement for Genome Sequencer systems & reagents to research market
  - Oct '05: Genome Sequencer 20
  - Jan '07: Genome Sequencer FLX (2nd generation DNA sequencer)
- Acquisition gives Roche access to future generation sequencing products and to develop systems in new applications

All growth rates in local currencies

\* Including systems, reagents and sequencing services



**Overall Performance**

**Business Areas**

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**Strategy for Future Growth**

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# Customer needs indicate two key areas where Roche can provide differentiated solutions

## Researchers



## Professionals



Laboratories



Physicians

## Patients



Increase testing efficiency



Improve medical value



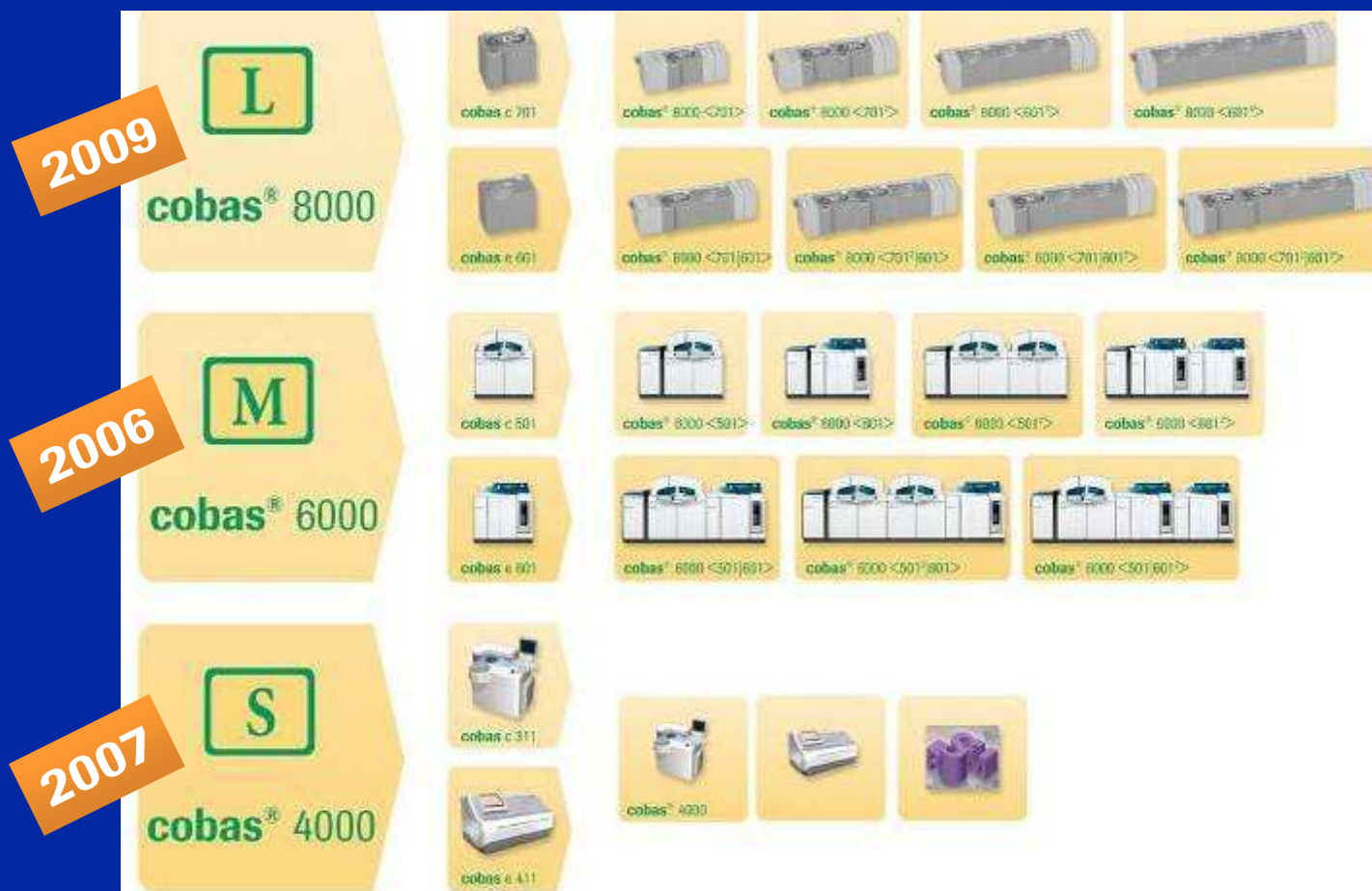
# Testing efficiency (1)

*A major challenge for our customers*



# New generation cobas modular platforms

*Strengthening product offering to all laboratory sizes*



- Modular platform for all lab sizes
- Multiple configurations allowing easy expansion
- Improved efficiency and productivity

## Testing efficiency (2)

*Data management increasing in complexity*



**Lab Workflow:** Optimize test sample flow - reduce manual handling

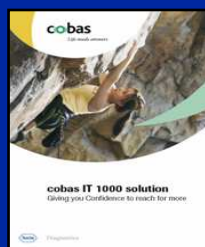
**Result Quality:** Ensure correct test environment

**Test Traceability:** Audit trail from patient sample to test result



# Comprehensive IT solutions for laboratories

*From point of care to the central laboratory*



**cobas IT 1000**

Point of Care data management



**cobas IT 3000**




Work Area Management (central lab)



**cobas IT 5000**

Laboratory Information System

# Customer needs indicate two key areas where Roche can provide differentiated solutions

	<b>Researchers</b> 	<b>Professionals</b>  <i>Laboratories</i>		 <i>Physicians</i>	<b>Patients</b> 
<div style="border: 1px solid white; padding: 5px; width: fit-content;">           Increase testing efficiency         </div>	✓ ✓ ✓	✓ ✓ ✓	✓	✓	
<div style="border: 1px solid white; padding: 5px; width: fit-content;"> <b>Improve medical value</b> </div>	✓	✓	✓ ✓ ✓	✓ ✓ ✓	



# Medical Value: Novel marker Congestive Heart Failure

## *Medical need & market development*

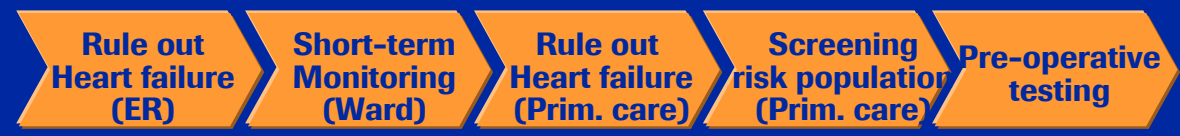
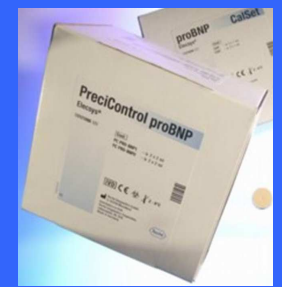
### Congestive Heart Failure



- 5.4 % of total healthcare expenditures
- More costly than cancer
- Clinical symptoms unspecific (shortness of breath, edema)

**Congestive Heart Failure:**  
**Yes or no?**

**NT-proBNP**  
blood test



Clinical trials / Intended uses



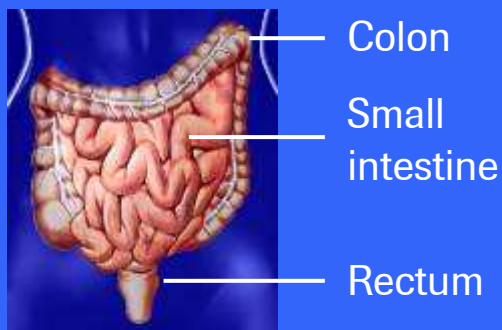
Market Development



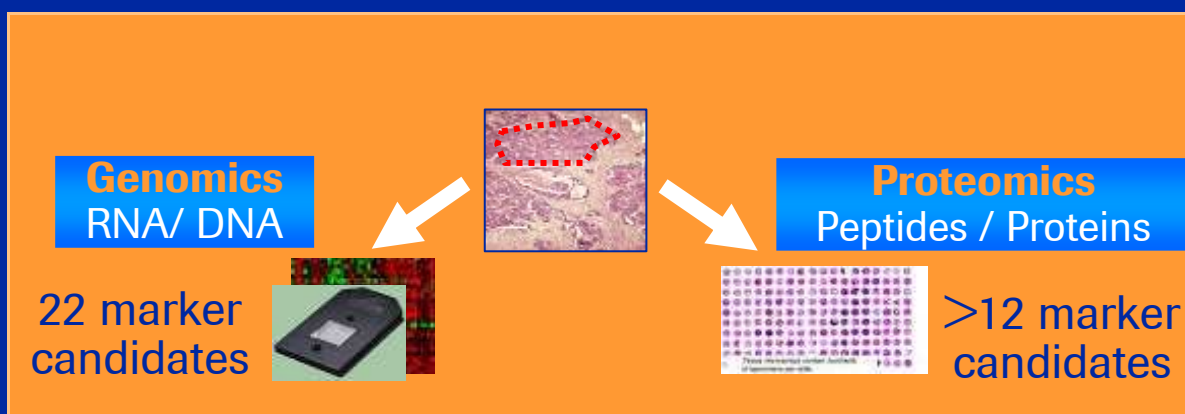
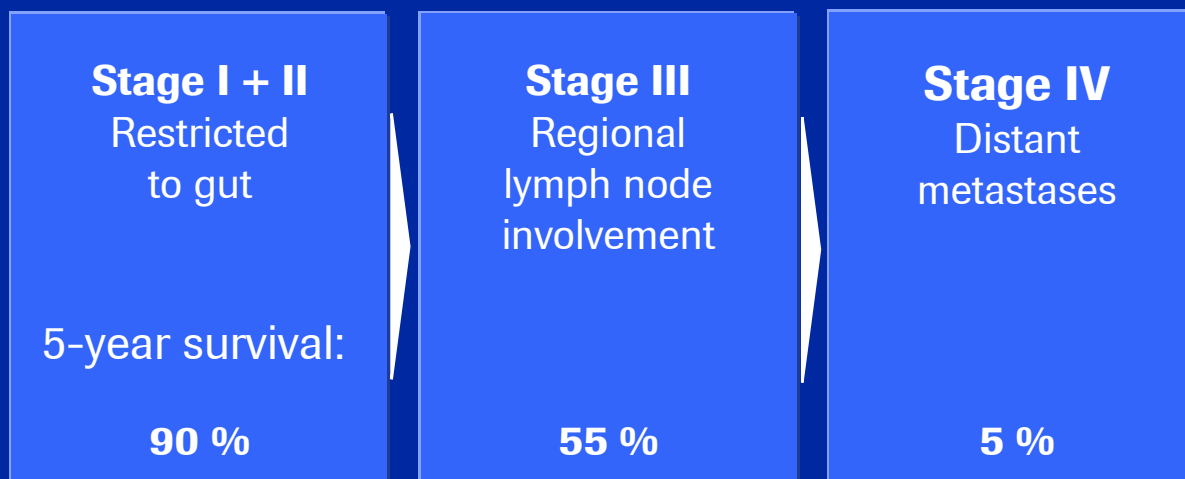
# Medical Value: develop screening tests for CRC

## *Medical need & first results*

### Colorectal cancer

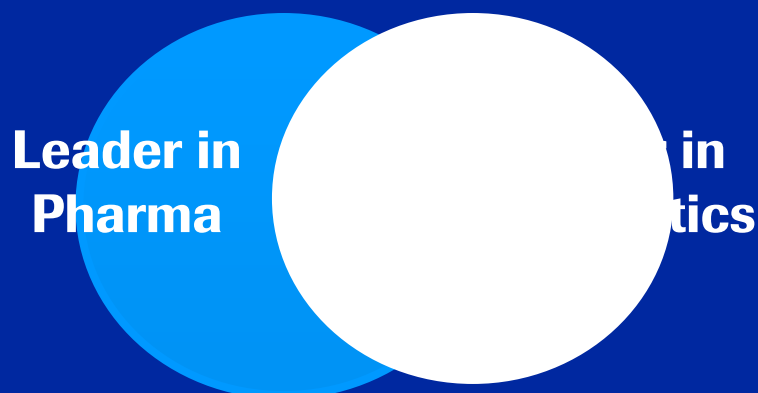


- 100 / 10.000 people over 55 yrs. affected
- 4<sup>th</sup> biggest cause of cancer mortality
- Highly curable when diagnosed early stage



# Roche's competitive edge: driving personalized healthcare entirely 'within house'

Opportunities for synergies



- Strengths in two research-oriented healthcare areas
- Synergies in research, development and marketing
- Well positioned to take a leading role in the move towards personalized healthcare





# Personalized healthcare: a key component of good drug development and cost-effective, safe treatment

## Drug discovery

Improve drug target selection  
Early indication of response profile

*fast development,  
targeted drug*

## Patient stratification

Increase risk/ benefit ratio:  
Include patients more likely to respond  
Exclude those not likely to benefit

*safer, more efficacious  
trials and drugs*

## Companion diagnostics

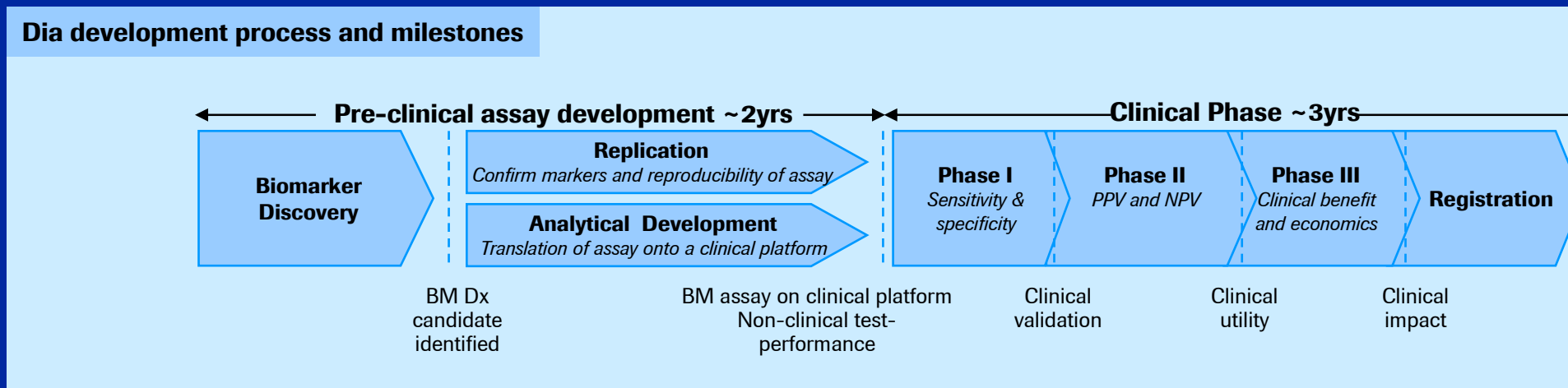
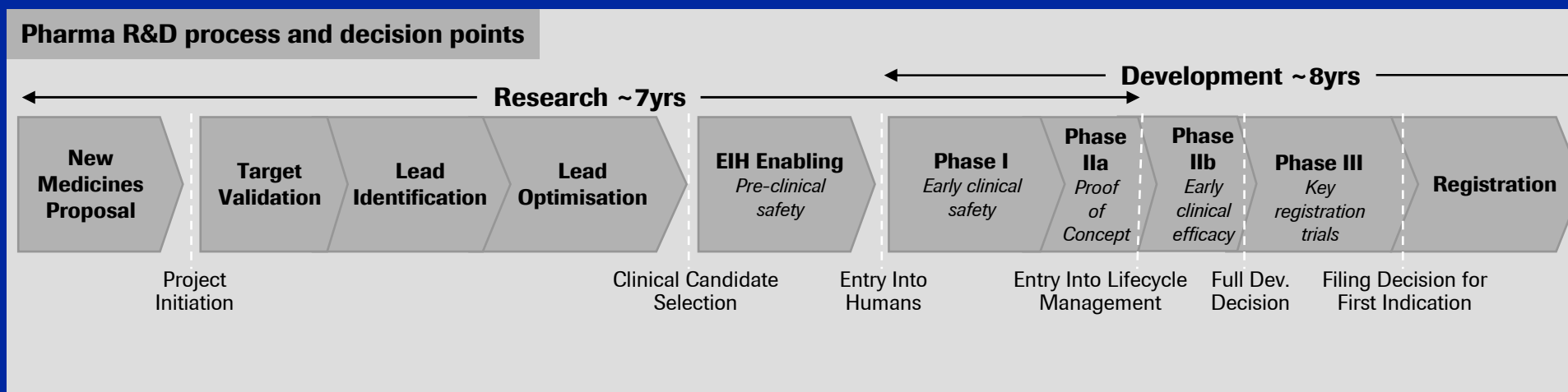
New testing opportunities:  
Early detection/ Screening  
Patient selection  
Monitoring treatment/ relapse

*defined market on launch,  
efficient use therapies*



# Personalized healthcare: a complex process

*Need to integrate across Pharma and Diagnostic activity chains*





# Roche Diagnostics

*Clear strategies in place for future growth*

## Leveraging market leadership

- Number one position overall and in most attractive segments
- Above market growth

## Focusing innovation on customer needs

- Improve lab efficiency thru automation & IT
- Develop new markers offering high medical value

## Driving personalized healthcare

- Joint Pharma programs for all drugs throughout lifecycle
- Safer, more efficacious medicines

**Roche to lead and shape the future of healthcare**



# Growth objectives for 2007

## *Improved outlook*

### **Sales**

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

### **Core EPS target**

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- Core earnings per share growth above sales growth

<sup>1</sup> in local currencies

barring unforeseen events

