

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
Roche Group	9.8	11.4	16	17	21

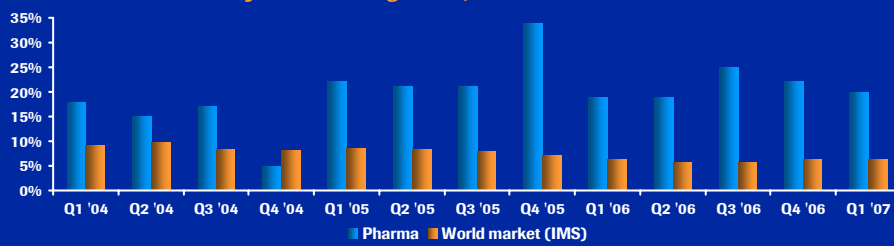
Consistently outgrowing peers



Group normalised sales - Constantly outperforming World Pharma Market



Quarterly local sales growth, Pharma vs. World Market



5

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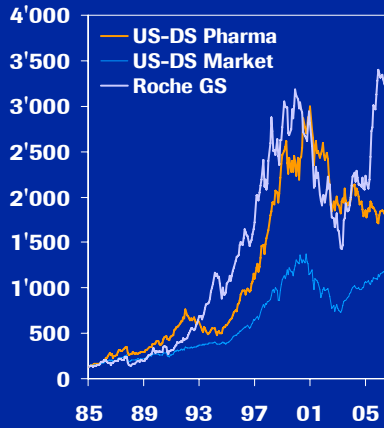
6



Pharma sector

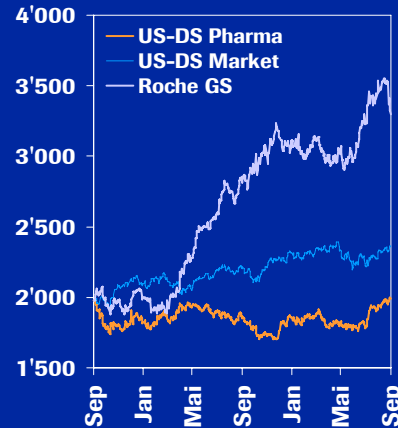
From an 'outperformer' to an 'underperformer'

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

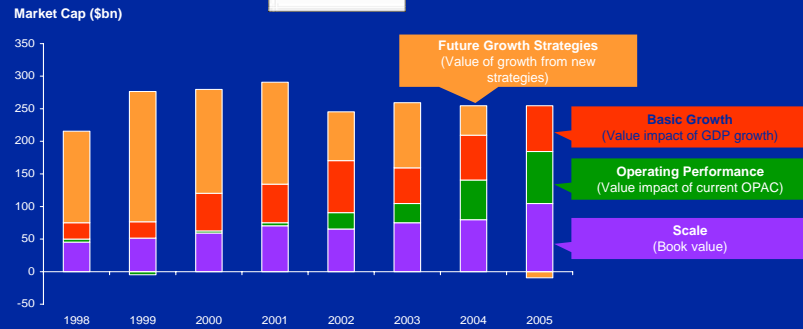


	Range of 10 year EPS growth			Range of 10 year EPS growth	
	Min	Max		Min	Max
Software & Services	7.0	12.0	Automobiles & Components	0.0	3.0
Household & Personal Products	7.0	11.0	Transportation	-2.0	4.0
Pharma & Biotechnology	8.0	11.0	Materials	1.0	5.0
Commercial Services	6.0	10.0	Real Estate	2.0	5.0
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

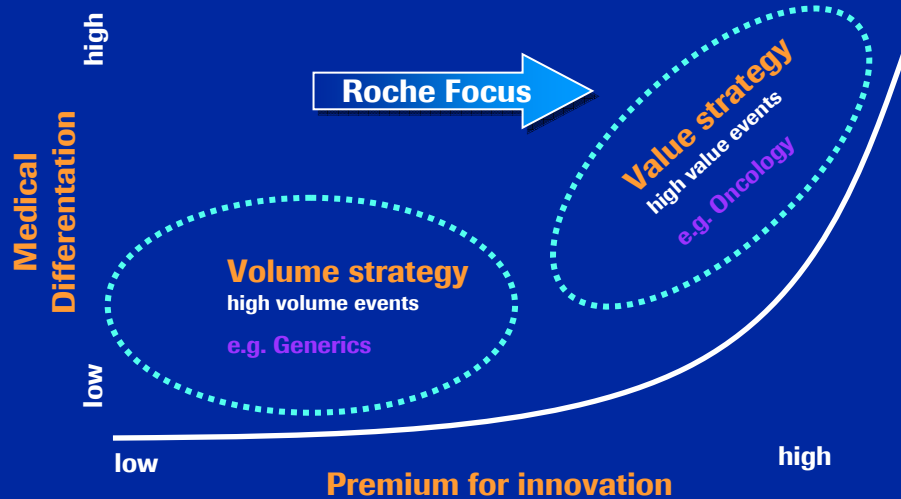
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Focus on developing medically differentiated products and services offering high medical value

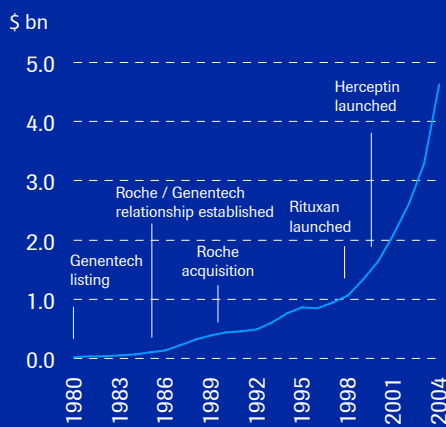


11

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



Genentech Revenue 1980-2004



- Roche acquired Genentech in 1990 at the end of a 'Towards R&D Portfolio' stage
 - MAB¹ 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

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Main trends influencing the long-term value propositions



Demographics

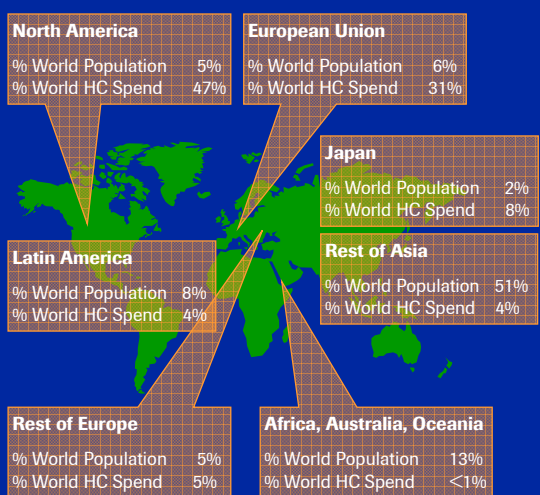
Third Parties as Source of Innovation

Healthcare Funding

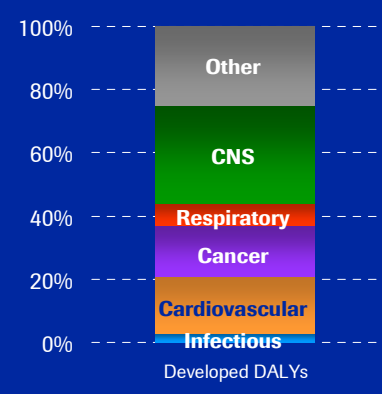
Maximizing assets on hand

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

Growing elderly healthcare market

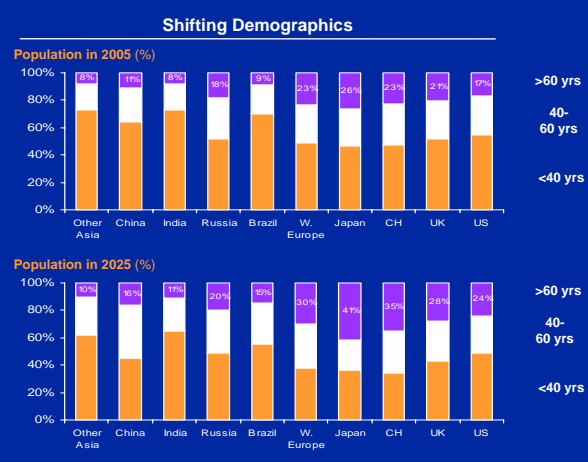


Developed world medical need



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

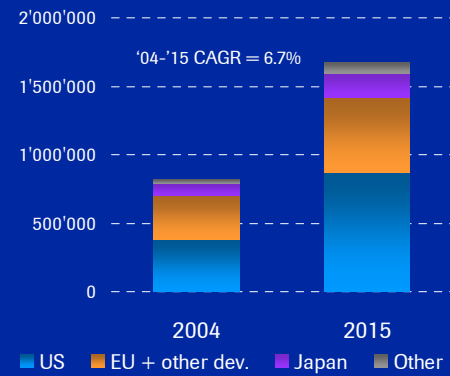


Source: Economist Intelligence Unit (2005-10)

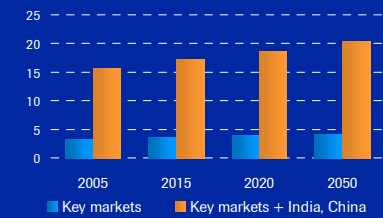
Growing elderly healthcare market



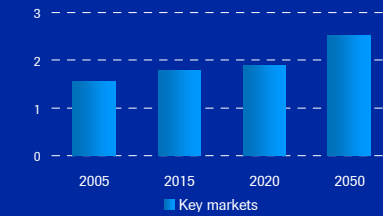
HC spend by patients aged 65+ (US\$ bn)



Rheumatoid arthritis (Prevalence in m)



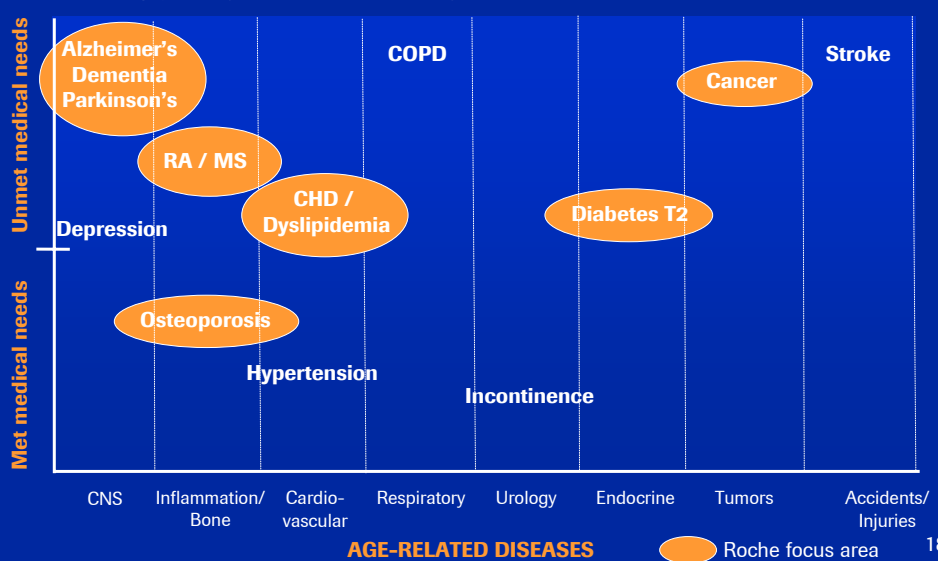
Cancer (Incidence in m)



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

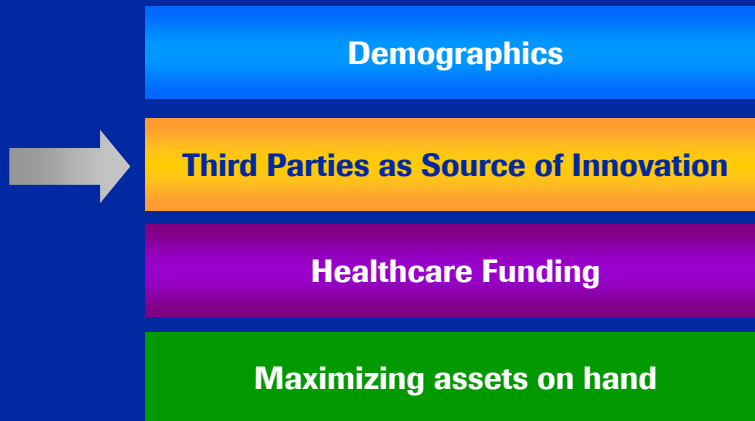
Increasingly important development areas



AGE-RELATED DISEASES

Roche focus area

Main trends influencing the long-term value propositions



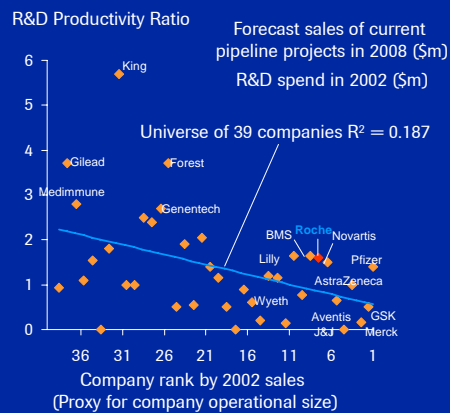
19

Accelerated consolidation

Size is not all



Size vs. R&D productivity



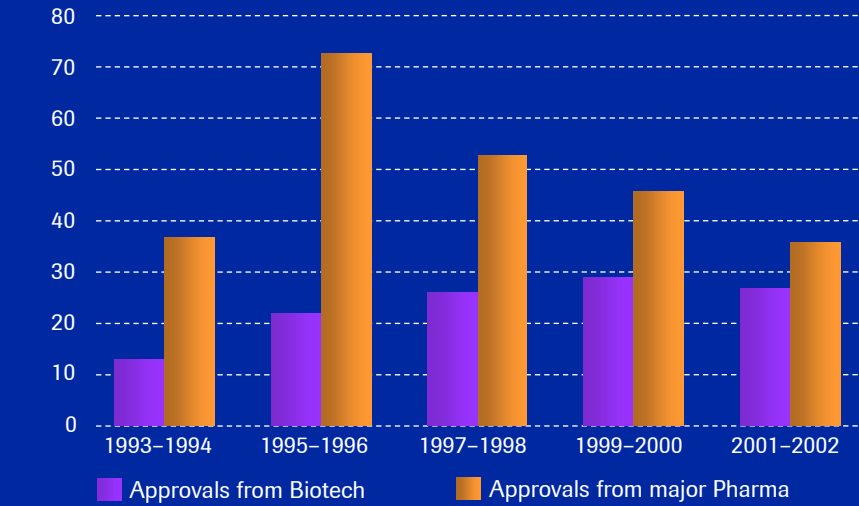
Source: Datamonitor, 2004 (Addressing Pharma's R&D Productivity Crisis)

- 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

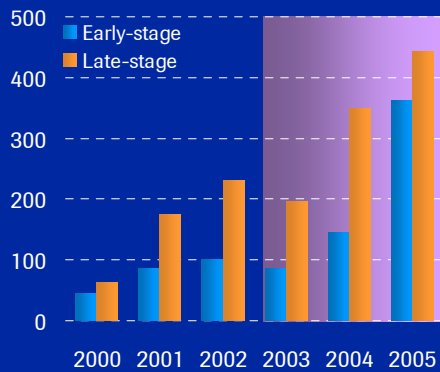


Partnering

Costs are rising for in-licensed products

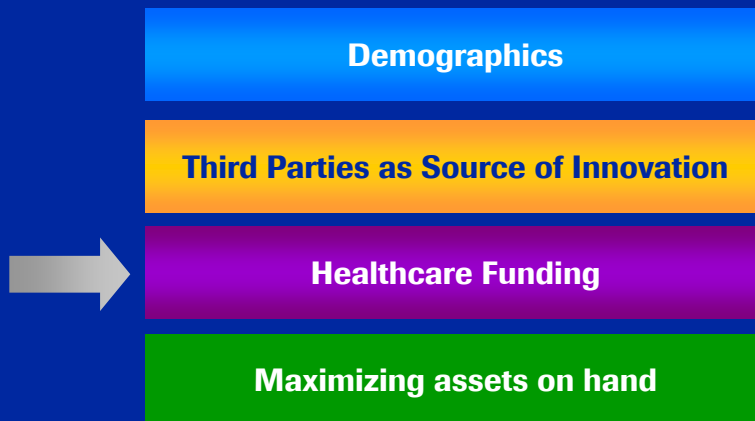


Average cost of in-licensing (Rx), \$m



- 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

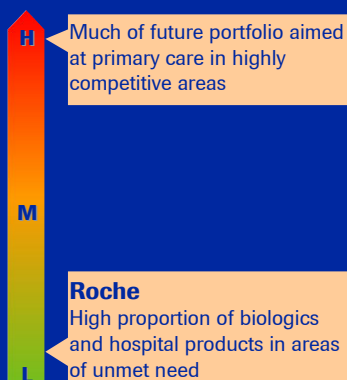


23

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

24

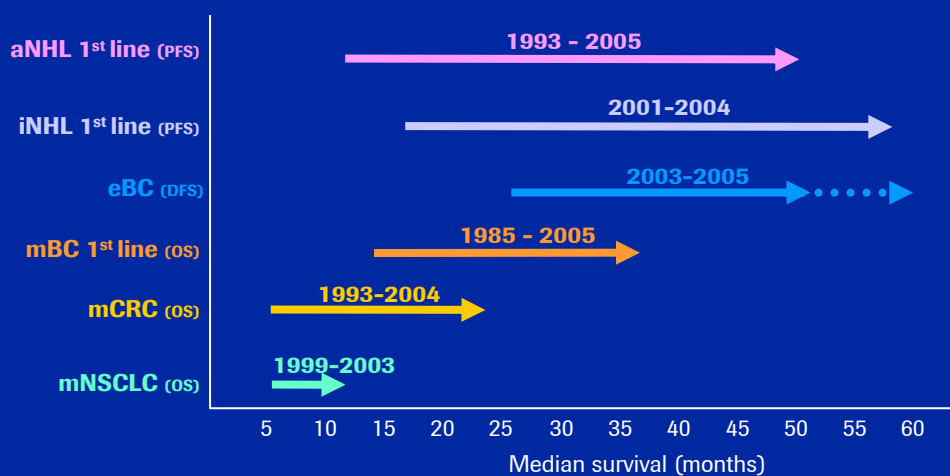
The key goal of all our efforts in oncology: Moving from extending life to potentially saving life



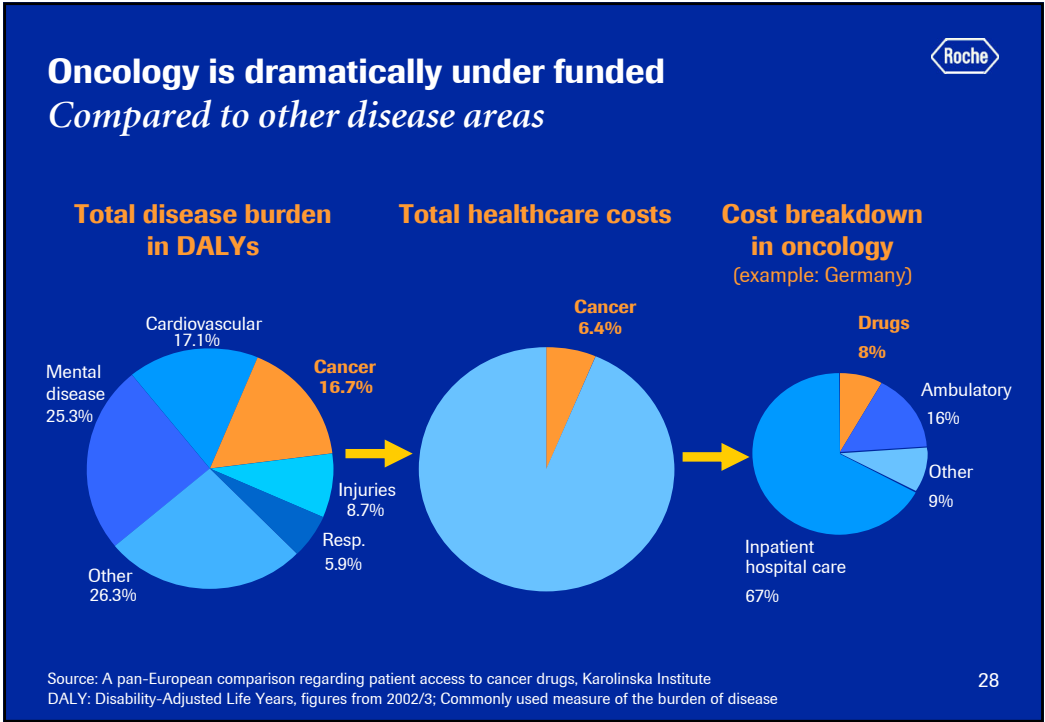
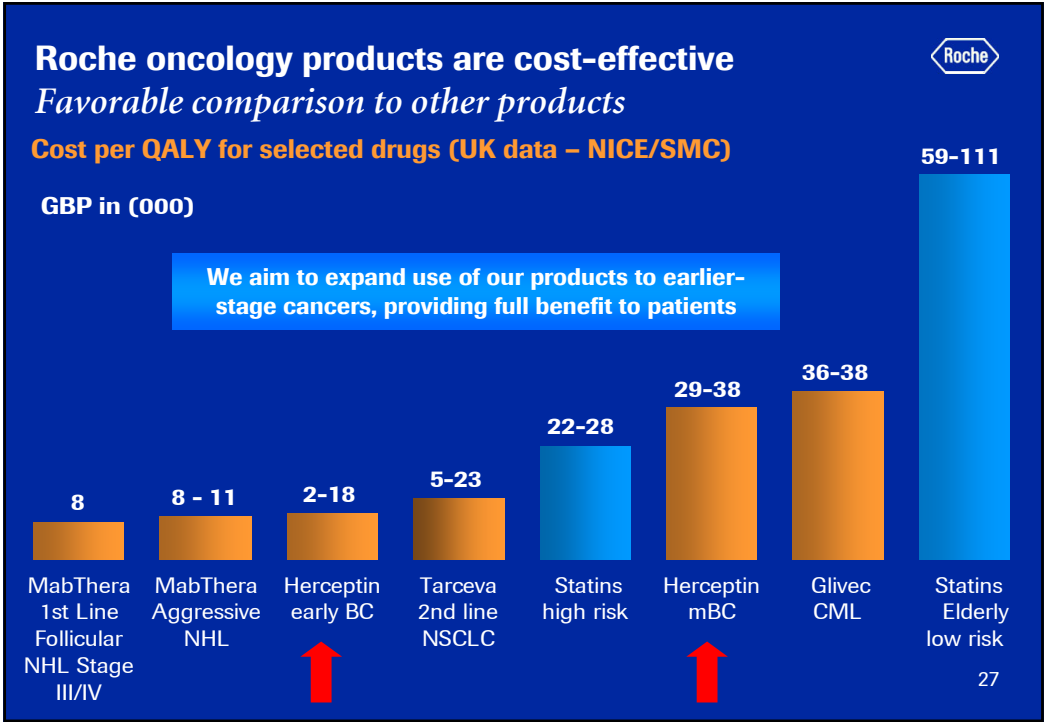
	ADJUVANT	MAINT.	1 st LINE	2 nd LINE
Filed or to file soon			Tarceva pancreatic Ca Avastin NSCLC Avastin mBC Herceptin mBC combo hormonal Avastin mCRC 1 st line ext.	
Ongoing	Xeloda adjuvant BC Xeloda adjuvant CC combo Avastin adjuvant rectal Ca Avastin adjuvant CC Tarceva adjuvant NSCLC	Tarceva & Avastin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

25

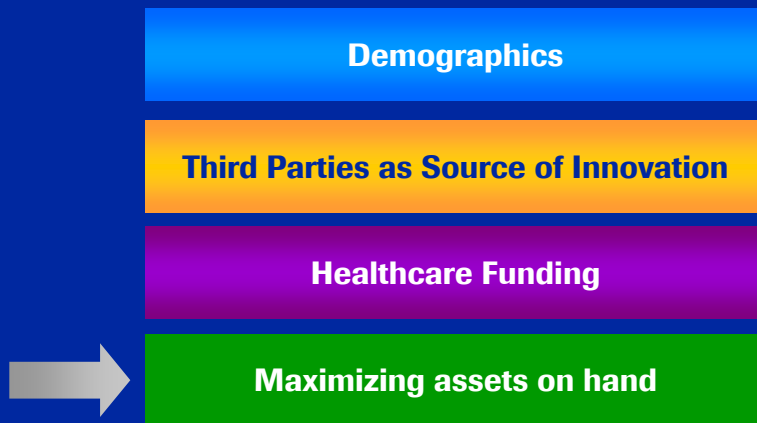
Cancer treatment outcomes Substantial treatment progress in recent years



26

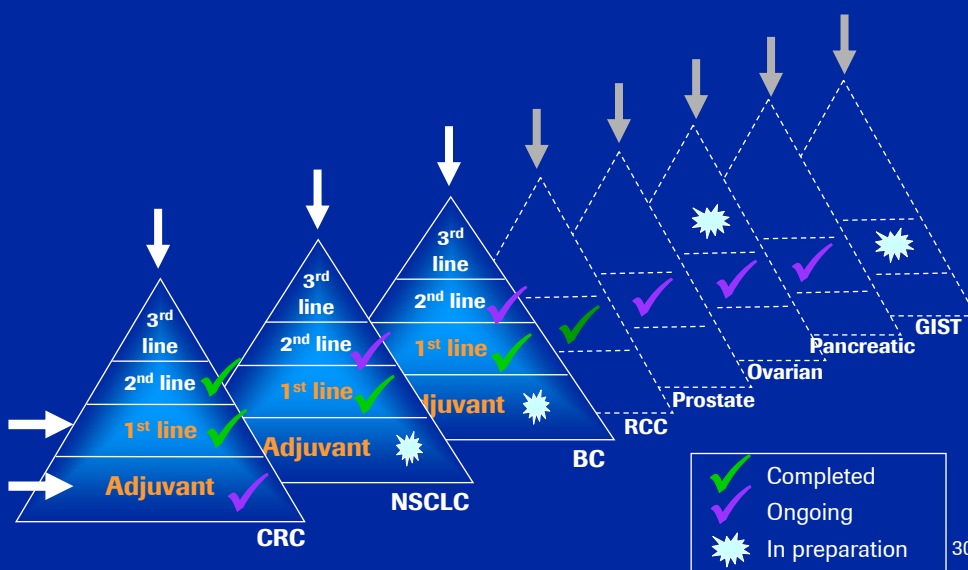


Main trends influencing the long-term value propositions



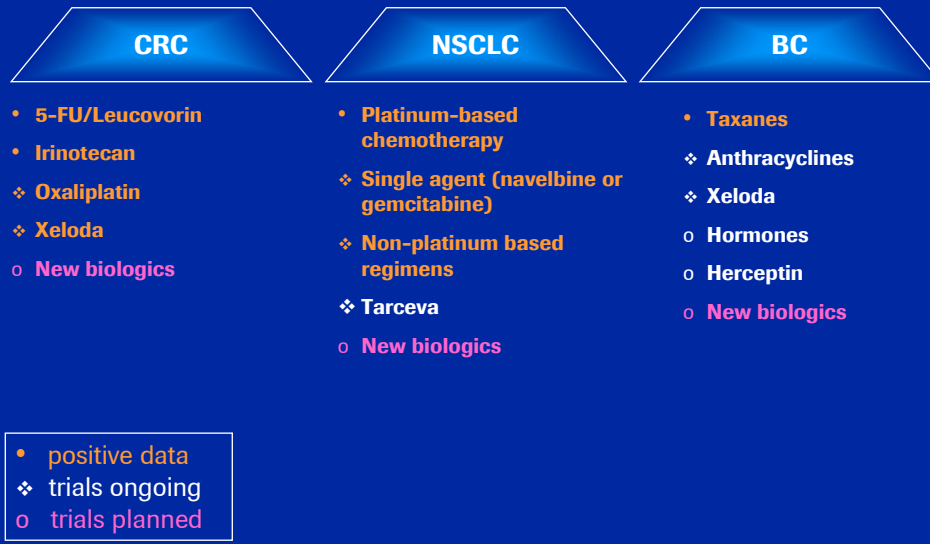
29

Avastin: All main cancer types - late and early intervention



30

Avastin: Establish as combination partner to current standards



31

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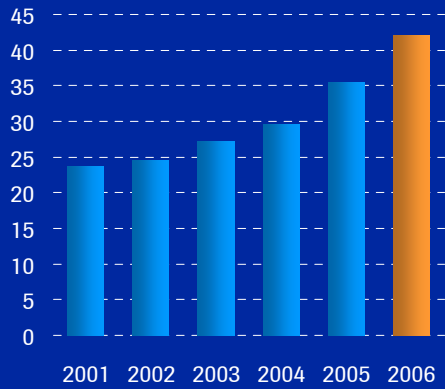
32



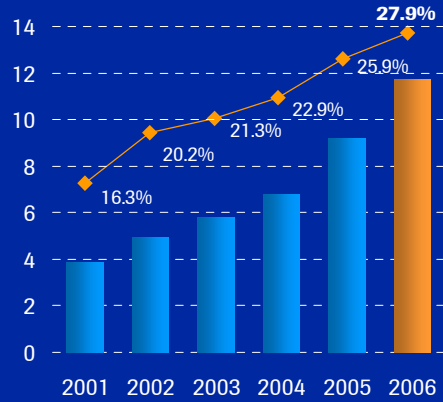
Focus on differentiated products paying off

Sales doubling, operating profits tripling

Group sales¹ (CHF bn)



Group operating profit² (CHF bn)



¹ Pharmaceuticals and Diagnostics

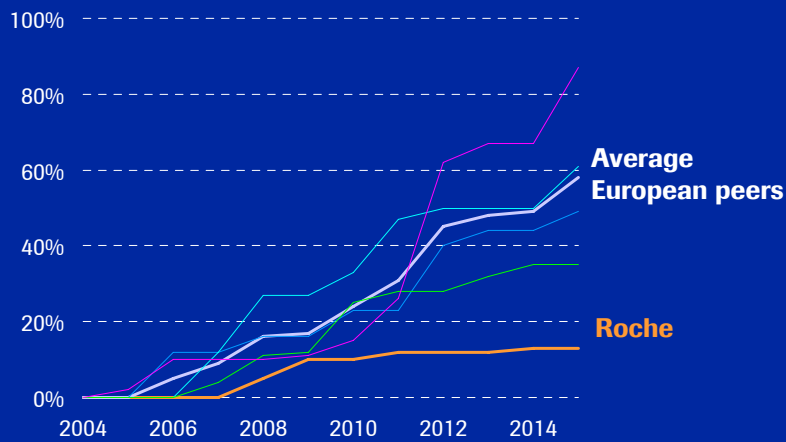
² before exceptional items



Low generic risk

Long-term sustainable business

Sales erosion due to generisation (% of 2004 sales)



Source: citigroup

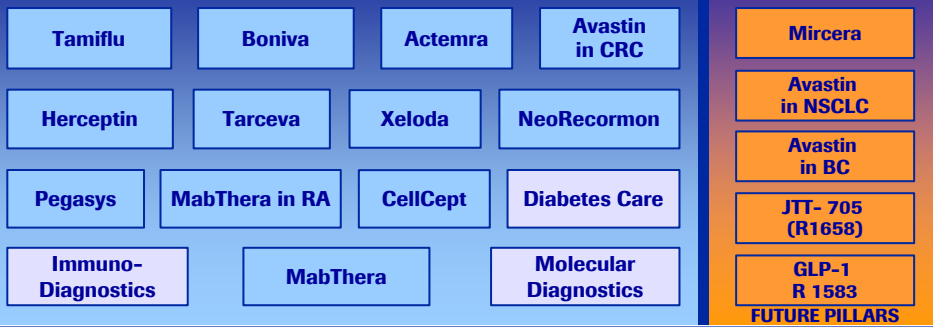
Roche has a unique „investment case“



Roche: Unique geographic risk diversification



Roche: Unique “pillars of value” risk diversification



35

BIG PHARMA



BIOTECH

... beyond 'big Pharma' and Biotech'

36



We Innovate Healthcare