

## **Roche: Navigating through rough seas** *JP Morgan Conference, January 2009*

*Erich Hunziker, Deputy Head of the  
Corporate Executive Committee and CFO*



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 document, including 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) developments in financial market conditions, including the market for acquisition financing and other capital markets and fluctuations in currency exchange rates;
- (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 and unexpected side-effects of pipeline or marketed products;
- (6) increased government pricing pressures or changes in third party reimbursement rates;
- (7) interruptions in production;
- (8) loss of or inability to obtain adequate protection for intellectual property rights;
- (9) Litigation;
- (10) the inherent uncertainties involved in negotiations with the special committee of Genentech and that there can be no assurances that a negotiated transaction will ultimately be agreed to or consummated;
- (11) potential difficulties in integrating the businesses of Genentech and Roche, and that some or all of the anticipated benefits of the proposed transaction may not be realized on the schedule contemplated or at all;
- (12) that future dividends are subject to the discretion of the board of directors of Roche and a number of other factors, some of which are beyond the control of Roche;
- (13) the ability of Roche to generate cash flow to, among other things, repay acquisition-related debt as currently contemplated;
- (14) loss of key executives or other employees; and
- (15) adverse publicity and news coverage.

The directors of Genentech who are also employees of Roche will not take part in the consideration of the proposed transaction by the Genentech board and accordingly are not permitted to comment or respond to questions regarding the transaction as representatives of Genentech.

For marketed products discussed in this presentation, please see full prescribing information on our website – [www.roche.com](http://www.roche.com)

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## 2008: delivering on our commitments !

*Gaining market share in a challenging environment*

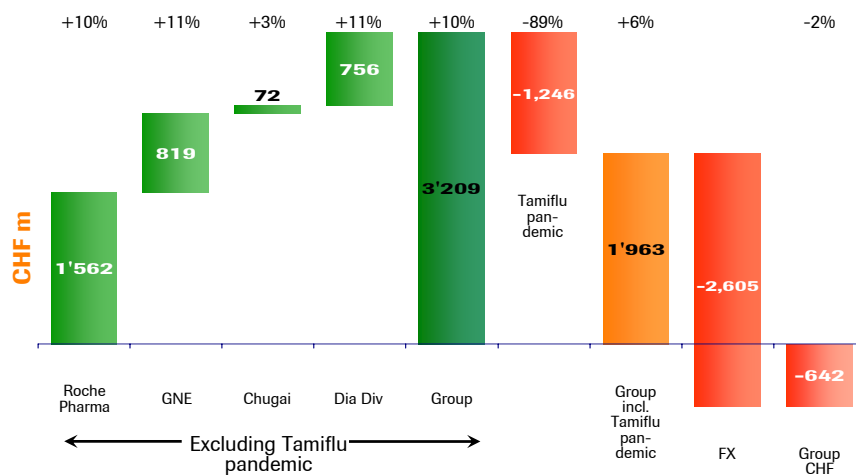
## Continued above market growth in both divisions

*Results Jan – Sept 2008*

| CHF bn                 | YTD 9'07    | YTD 9'08    | % change in |          | USD growth |
|------------------------|-------------|-------------|-------------|----------|------------|
|                        |             |             | CHF         | local    |            |
| Pharmaceuticals        | 27.1        | 26.2        | -3          | 4        | 11         |
| excl. Tamiflu pandemic | 25.7        | 26.1        | 1           | 10       | 17         |
| Diagnostics            | 6.8         | 7.1         | 4           | 11       | 20         |
| <b>Roche Group</b>     | <b>33.9</b> | <b>33.3</b> | <b>-2</b>   | <b>6</b> | <b>13</b>  |
| excl. Tamiflu pandemic | 32.5        | 33.2        | 2           | 10       | 17         |

## YTD Sept '08: ~CHF 3 bn organic growth

*Strong underlying growth impacted by currency and Tamiflu effect*



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## Reconfirming objectives for 2008

### Sales

- High single-digit local currency sales increase for Roche Group (excl. Tamiflu pandemic<sup>1</sup>)
- Above-market sales growth<sup>1</sup> in both divisions

### Core EPS

- Core earnings per share target<sup>2</sup> at least at record 2007 level despite significant increase in R&D investment and considerably lower Tamiflu pandemic sales

### Shareholder return

- Continuous increase in dividend pay-out ratio over the next 3 years

<sup>1</sup> Excluding government and corporate stockpiling orders of Tamiflu for pandemic use  
<sup>2</sup> At constant exchange rates

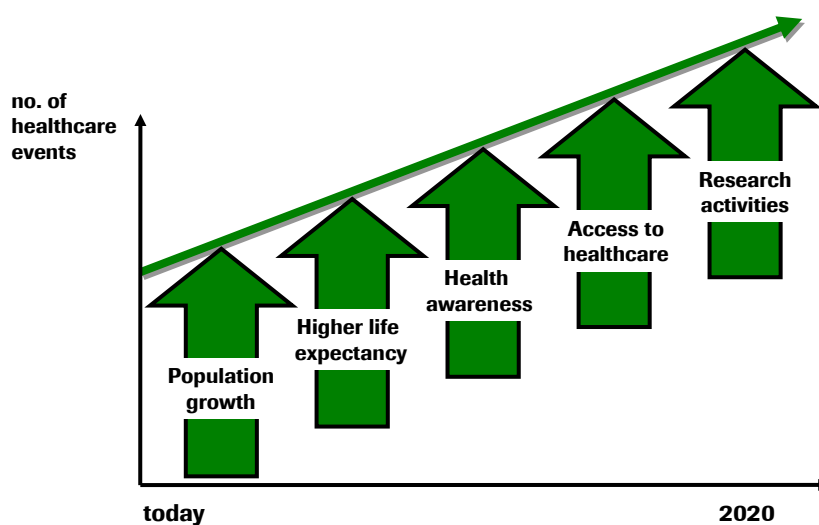
## 2009 + : how does Roche intend to weather the upcoming storms ?

*Not the slower growth, but the severity of the recession comes as a surprise*

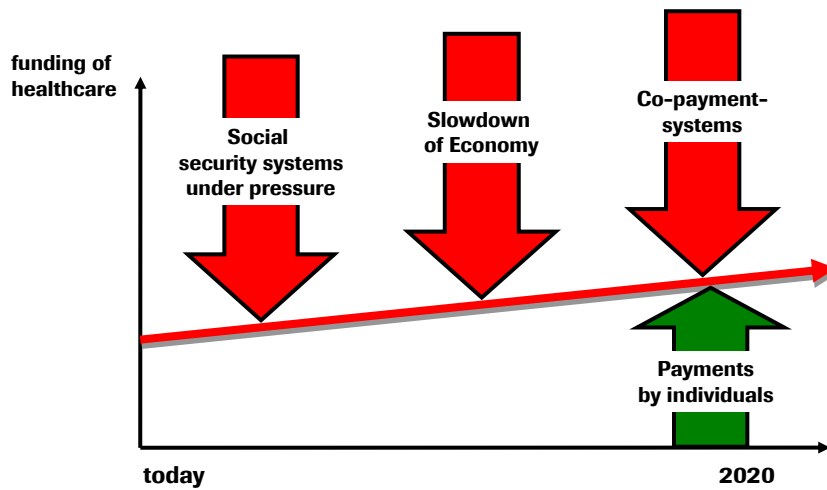
**Base case assumption:**

***the global economy will go through a period of severe recession***

## Even in an economic downturn the demand for healthcare will increase...

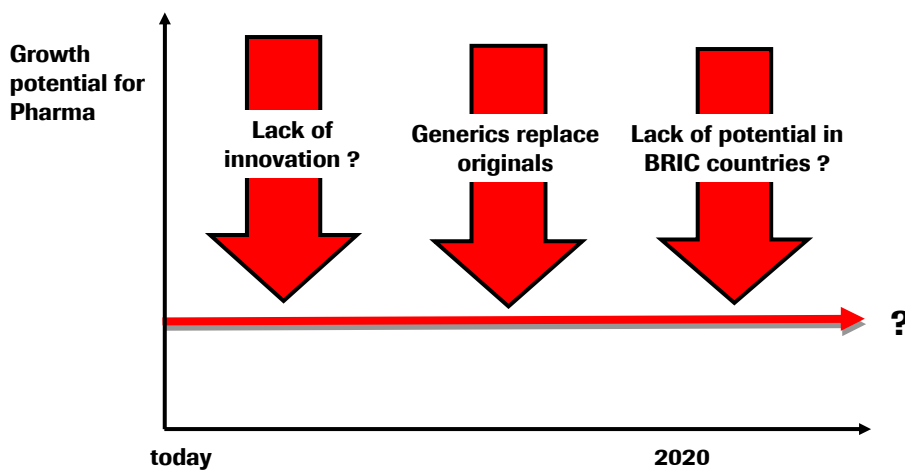


... but the funding will become even more challenging  
*The funds available for healthcare are and will be limited*



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Investors see fundamental challenges for "Pharma"

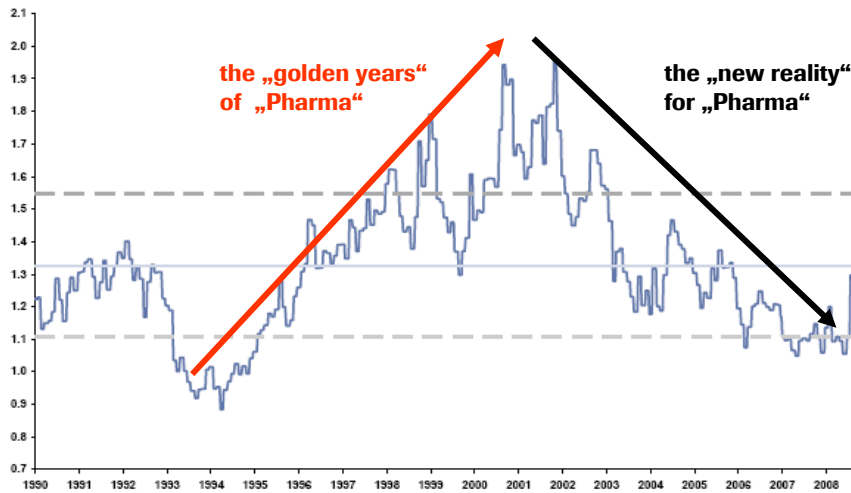


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## Weakening fundamentals have driven a significant de-rating of "Pharma"



EU drug median 12m forward P/E relative to median EU market 1990-2008



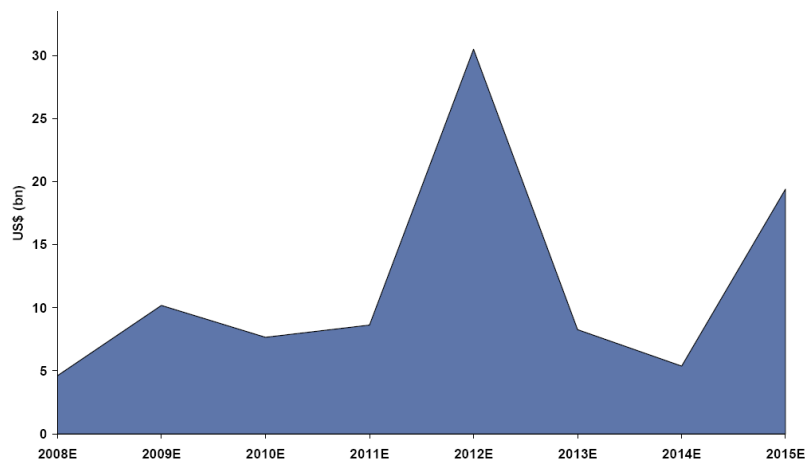
Sources: Goldman Sachs: "Time for action: The evolution of Pharma to 2015", September 10, 2008

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## Clear doubts whether „Pharma“ can replace sales at risk by generics



Peak sales at risk to generics (2008 – 15 E) for the leading EU Pharma companies



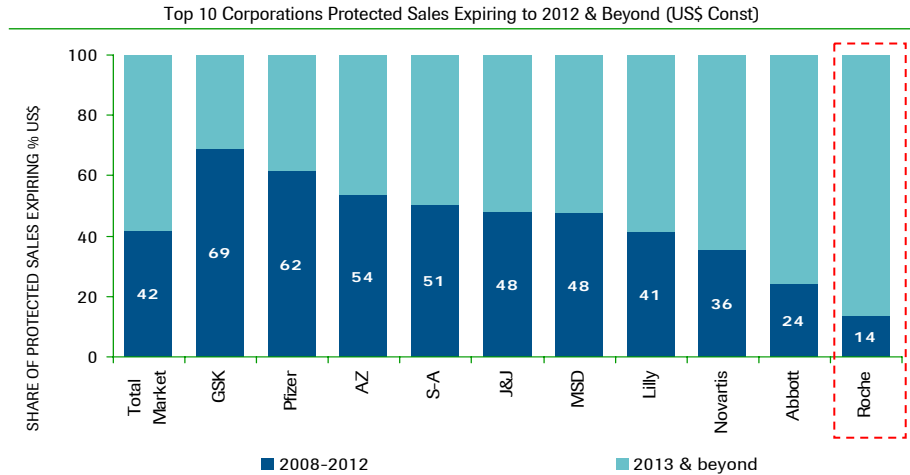
Source: Goldman Sachs Research estimates.

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## Patent expiry 2008-2012



*Roche short-/medium-term has the strongest patent protected portfolio... and highest share of biotech products*



Source: IMS Health MIDAS Market Segmentation MAT June 2008, Ethical protected brand sales only.

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**Roche is not just „Pharma“: it is *the* leading biotechnology company in the world with global customer access !**



### Unique geographic risk diversification



### Unique “pillars of value” risk diversification



- Avastin adjuvant Colon cancer
- Avastin adjuvant Breast cancer
- Avastin metastatic Brain, ovarian, gastric, prostate
- CETP inhibitor
- GLP-1
- Pertuzumab
- Ocrelizumab (AI)
- TDM1 (mBC)

**Immuno-Diagnostics**

**Diabetes Care**

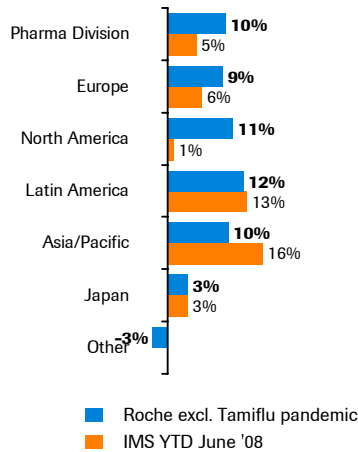
**Molecular Diagnostics**

**FUTURE PILLARS 14**

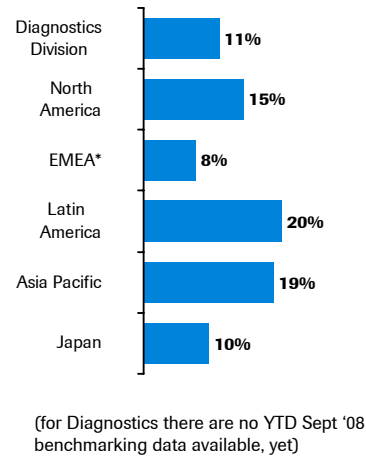
## The geography: YTD Sept '08: most Roche regions continue to outperform the market



### Pharmaceuticals Division local sales growth

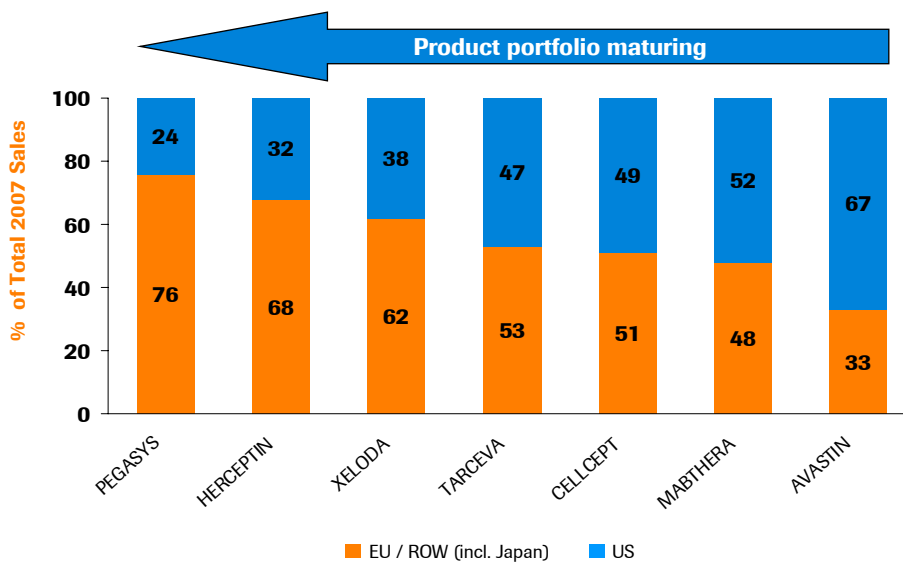


### Diagnostics Division local sales growth



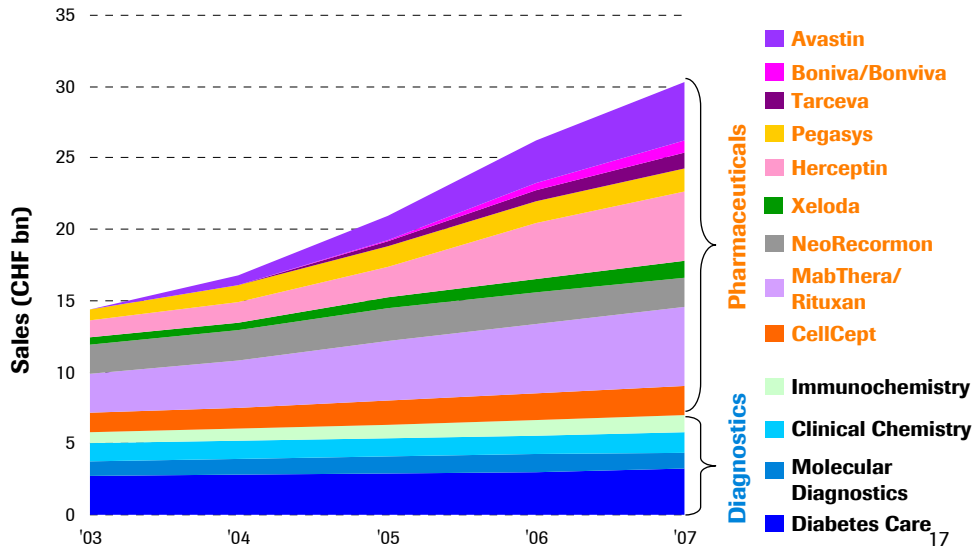
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## The geography: Major growth opportunities outside the US for key products



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## Key Pharmaceuticals & Diagnostics products 2007 sales around or above CHF 1 billion

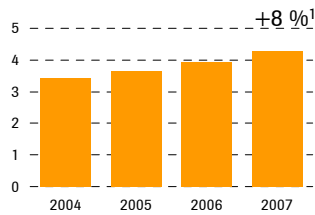


## Professional Diagnostics

Roche is number two and growing above market



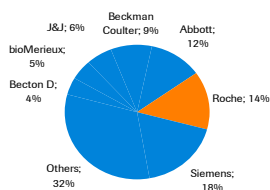
Sales CHF billion



### Strengths

- Broad customer base
- Large Immunoassay and clinical chem menu
- Leader in Hospital Glucose & Coag monitoring
- Strong IP position

Market share 2007



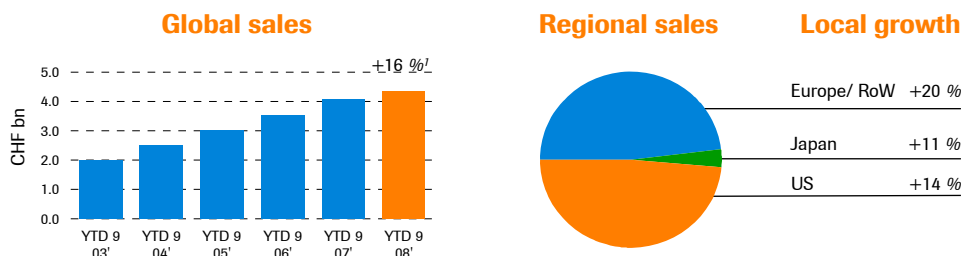
### Growth drivers & Opportunities

- Drive towards automation & lab efficiency
  - Increased consolidation of hospitals and laboratories & skilled labor shortages
- New markers & markets
  - Cardiovascular disease, inf. diseases, oncology
- US Market (#3)

<sup>1</sup> local growth

## MabThera/Rituxan: Strong growth over a decade

*Penetration in oncology & RA continues to increase*

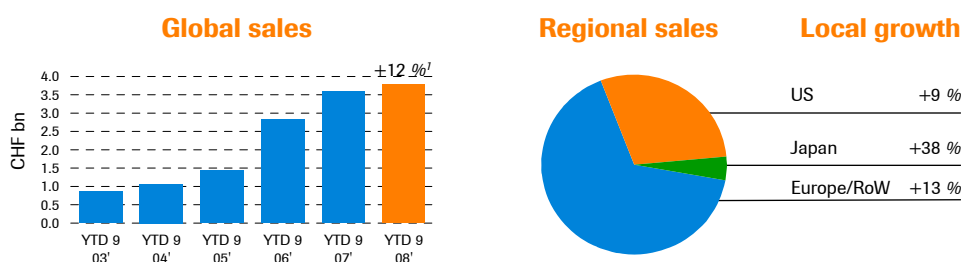


- **Global Sales:** 2007: CHF 5.5 bn; YTD Sept. 2008: CHF 4.3 bn (+16%)
- **Current growth drivers:** aggressive and indolent non-Hodgkin lymphoma (NHL), rheumatoid arthritis
- **Future growth drivers:** further uptake in NHL; Chronic Lymphocytic Leukemia (CLL): 1st line CLL filed in EU in 2008, to be filed for relapsed / refractory CLL in EU in 2009

<sup>1</sup> local growth

## Herceptin: double-digit growth maintained

*Adjuvant usage continues to drive growth*

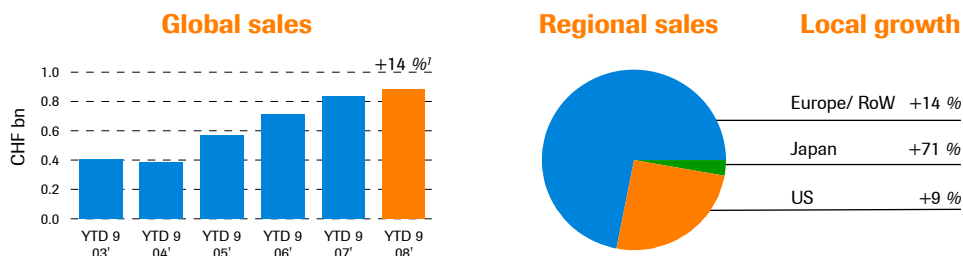


- **Global Sales:** 2007: CHF 4.9 bn; YTD Sept. 2008: CHF 3.8 bn (+12%)
- **Current growth drivers:** HER2-positive metastatic and adjuvant (early) breast cancer
- **Future growth drivers:** further rollout in adj HER2-positive BC; phase III data in HER2-positive gastric cancer expected in 2009

<sup>1</sup> local growth

## Xeloda

### Label expansions driving growth



- **Global Sales:** 2007: CHF 1.2bn; YTD Sept. 2008: CHF 880 mn (+14%)
- **Current growth drivers:** metastatic colorectal, gastric and breast cancer, adjuvant colon cancer
- **Future growth drivers:** further rollout in current indications, adjuvant colon cancer label extension (filing 2009), adjuvant breast cancer (filing 2010)

**New data presented at San Antonio Breast Cancer Meeting (DEC 08)**

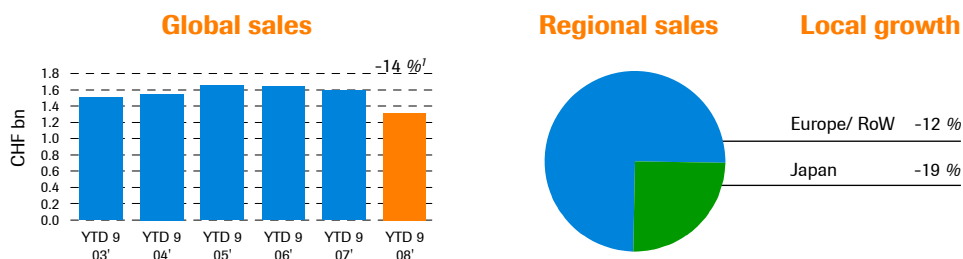
**Suggest very strong efficacy in adjuvant Breast Cancer**

<sup>1</sup> local gr

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## NeoRecormon/Epogin (anemia franchise)

### Holding up well in a highly competitive market



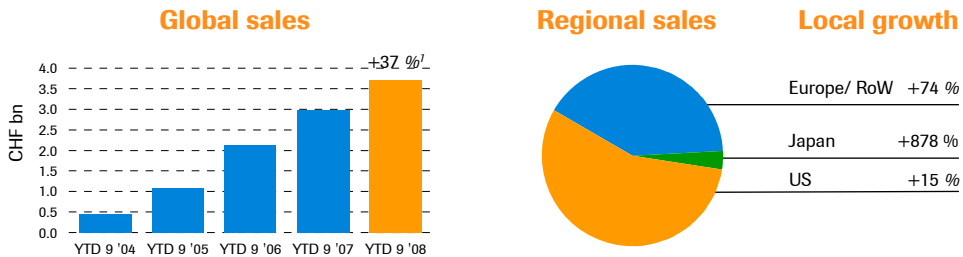
- **Global Sales:** 2007: CHF 2.1 bn; YTD Sept. 2008: CHF 1.3 bn (-14%)
- **Current growth drivers:** declining in a highly competitive market (price pressure and biosimilars)
- **Future growth drivers:** some stabilisation seen recently; Mircera launch
- **Patent protection:** expired in EU

<sup>1</sup> local growth

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## Avastin: very strong growth in EU/RoW continues

*Growth driven by multiple new indications*



- **Global Sales:** 2007: CHF CHF 4.1 bn; YTD Sept. 2008 sales of CHF 3.7 bn (+37%)
- **Current growth drivers:** approved in 4 metastatic cancer indications: colorectal, lung (NSCLC), breast and renal cell cancer (EU)
- **Future growth drivers:**
  - Further metastatic indications: filed for brain cancer (glioblastoma), phase III studies in ovarian, prostate, gastric cancer, GIST and others
  - Adjuvant (early stage cancer) studies: colon (first results mid-2009), breast, NSCLC

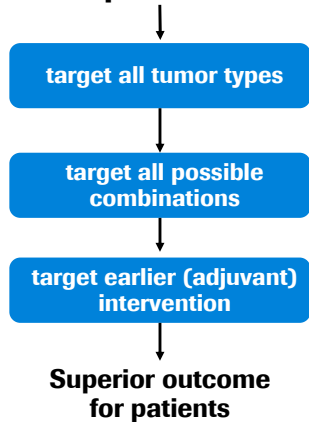
<sup>1</sup> local growth.

## Our Avastin strategy: Setting new standards of care

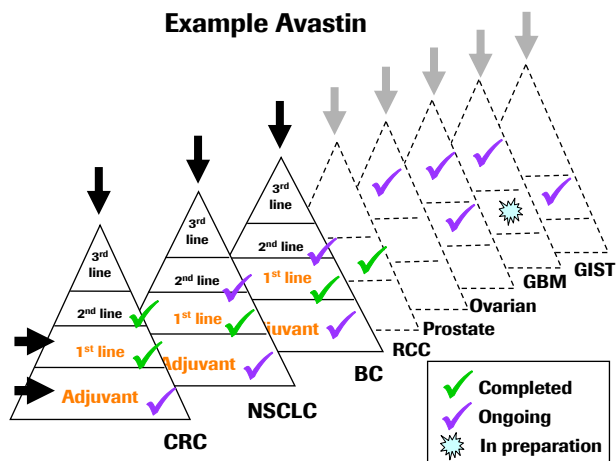
*New tumor types, new combinations, new lines of intervention*



### Clinically differentiated product



### Example Avastin



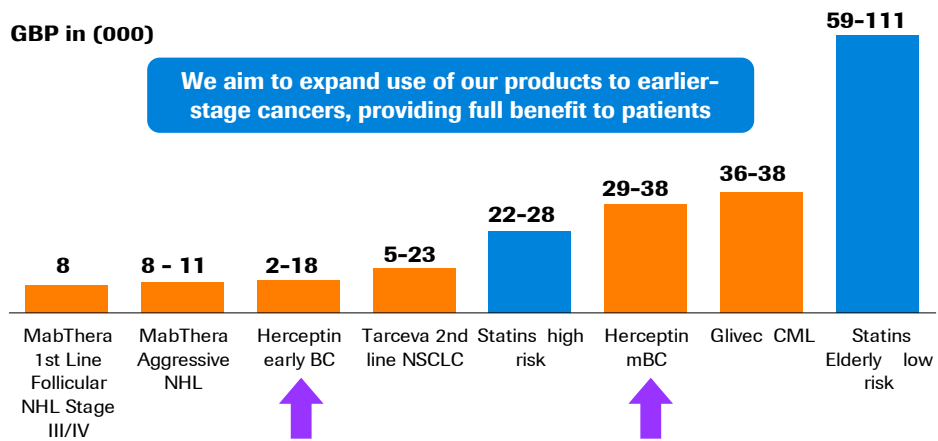
## Funding

*Roche oncology products are cost-effective*



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

GBP in (000)



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## The Roche advantages



- Young product portfolio (Patent expiry risk in 5 to 8 years, only)
- Medically differentiated products and services: each product / service has a strong competitive position
- Strong customer support organisations in the mature and emerging markets



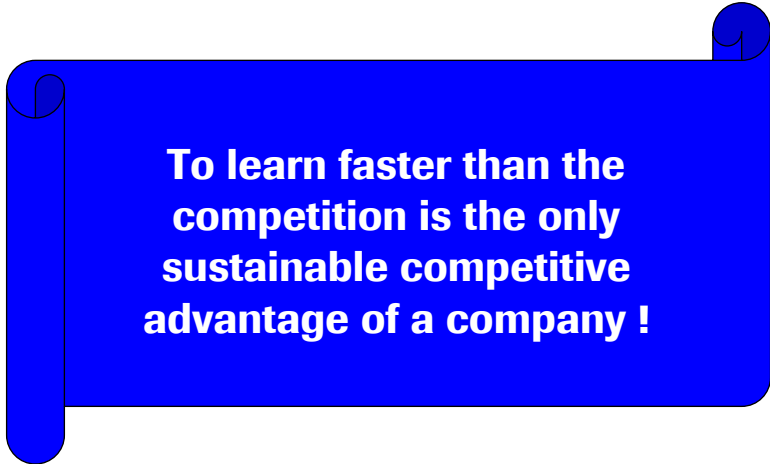
**Roche has a strong position to weather the upcoming storm**

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**We have been preparing for rougher seas for many years !**

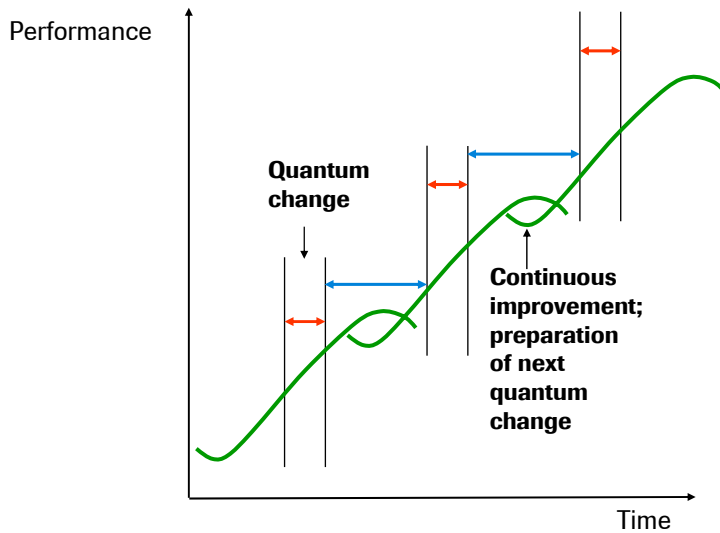
*Medium-/Long-term perspectives  
instead of short-term trouble shooting*



**To learn faster than the competition is the only sustainable competitive advantage of a company !**

## Learning: Theory of Large-Scale Transformation ...

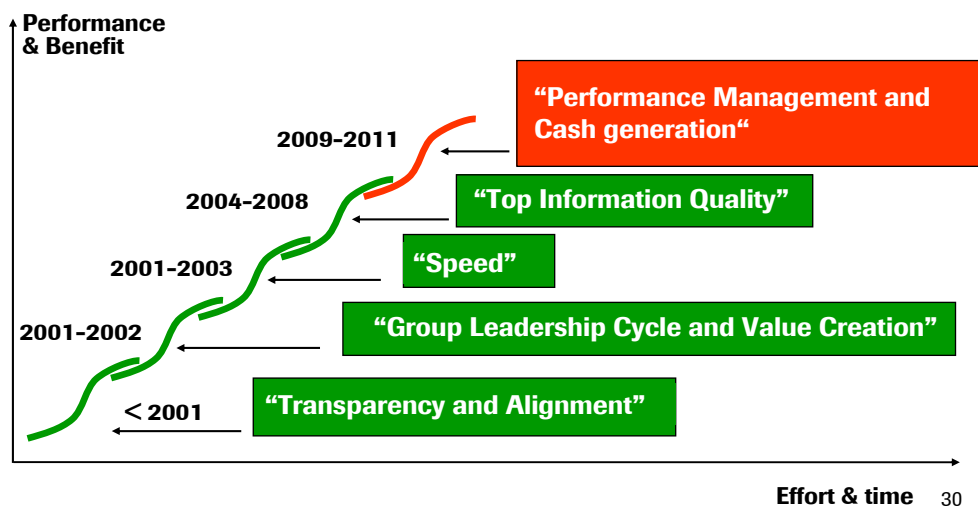
*Requires multiple S-Curves building on each other*



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## A succesful S-curve: Accounting & Controlling

*Many steps to establish Roche as a clear Leader*



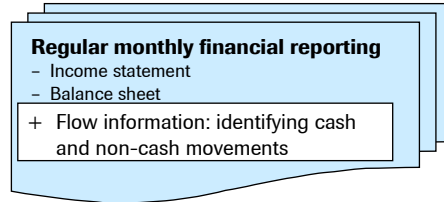
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## Roche Cash Flow Reporting

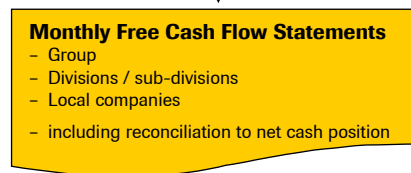
*Unique, state-of-the-art solution*



~200 reporting entities



Work day 3



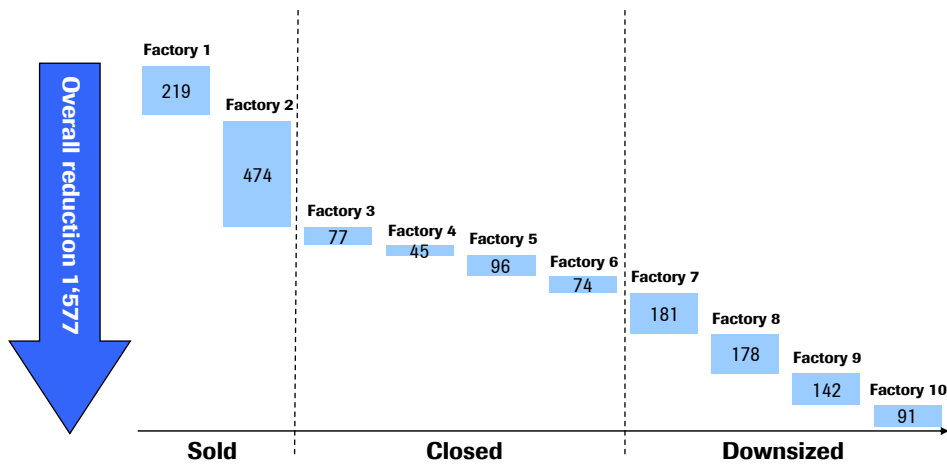
Work day 5

Fully automated, integrated and transparent view on cash generation and use of cash

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## Headcount – Restructurings 2007 -2009 (Production)

*Exit non-core activities in a quiet, professional manner*

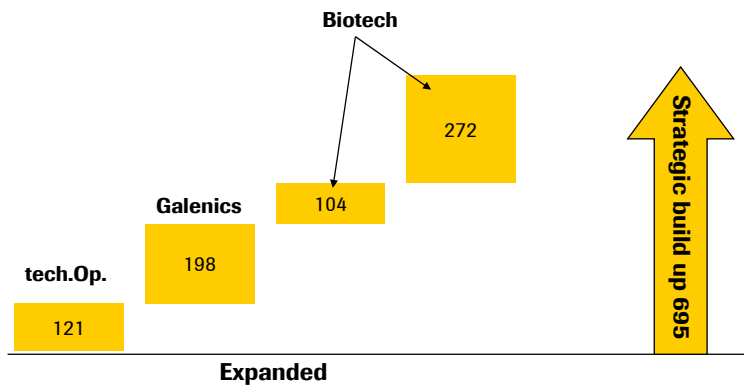


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## Headcount – Increases 2007 -2009 (Production)



*Build-up of strategic activities: investing into our future*

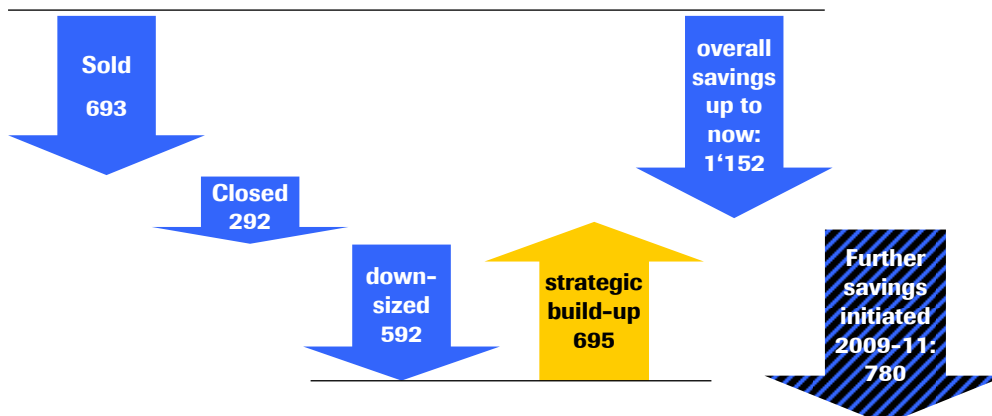


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## Headcount – Restructurings 2007 -2009 (Production)

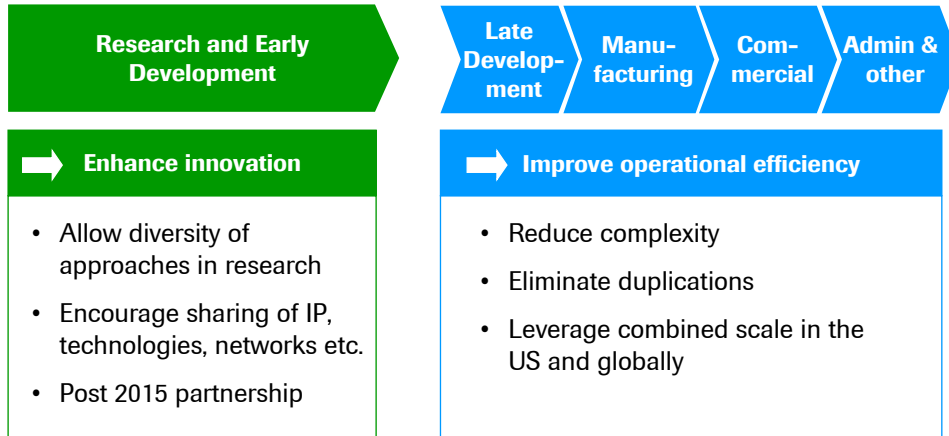


*Improved strategic position – and more efficient*



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## Key objectives of combining Genentech and Roche ...building a leading organization

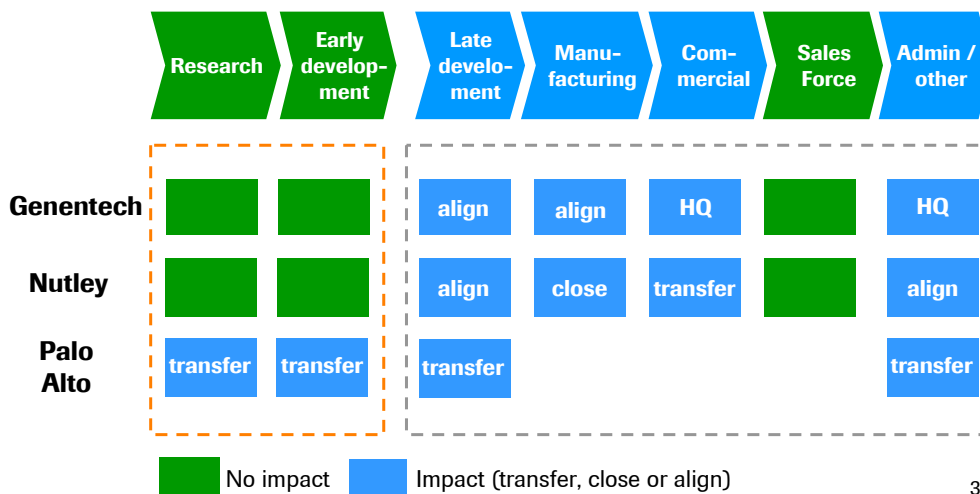


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## Impact by function and site



*Does not affect Research, Early development and Sales forces*

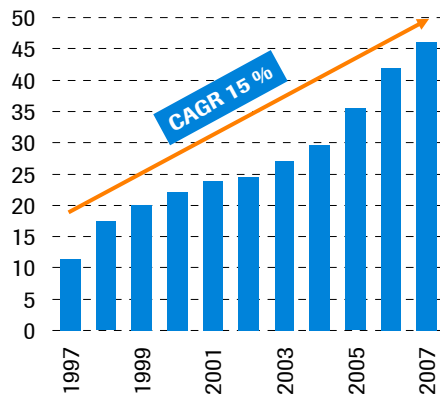


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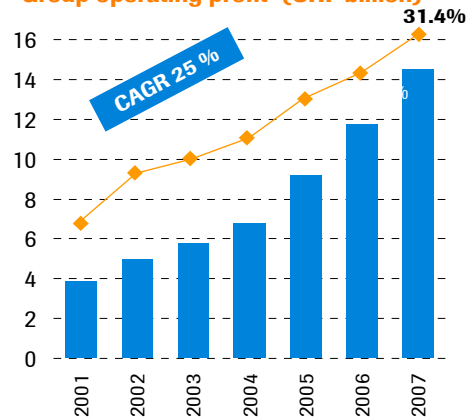
## Active management of our situation is paying off Outstanding long-term value creation



Group sales<sup>1</sup> (CHF billion)



Group operating profit<sup>2</sup> (CHF billion)



Continuing to focus on our core assets

<sup>1</sup> Prescription and Diagnostics  
<sup>2</sup> Continuing businesses, before exceptional items

## The Roche advantages



- State of the art management information systems  
to create value in challenging times
- Efficiency programs running for several years, benchmarking  
with other industries in tough environments
- Selected adjustment of organisation in mature markets /  
Strategic build up in emerging markets
- Genentech transaction a platform to realise certain synergies  
in the USA



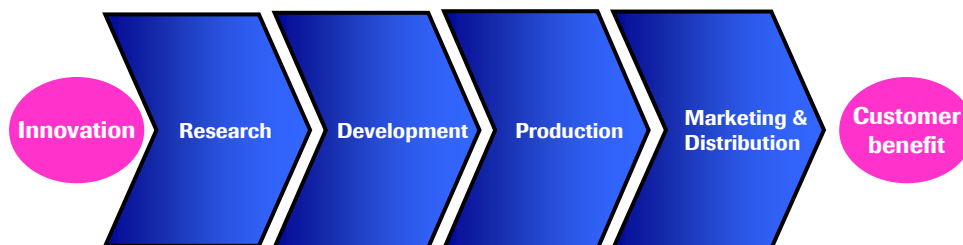
Roche is a learning organisation - ready to cope with the  
challenges of the downturn

**At the end of the storm there is no future  
without investment in innovation now !**

*We are not sacrificing the long-term  
perspectives by short-sighted cost cuts*

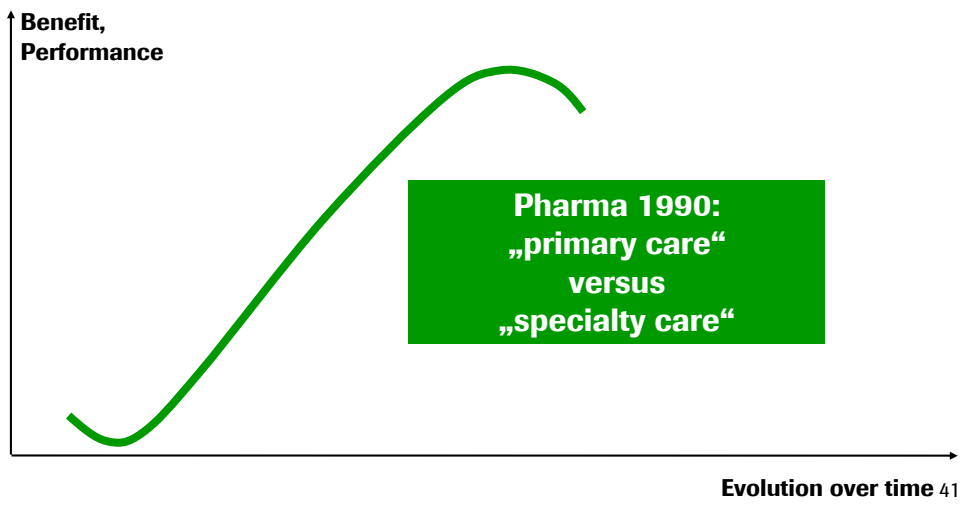
**Sustainable leadership based on innovation**

*How can we constantly provide significant benefit to customers?*

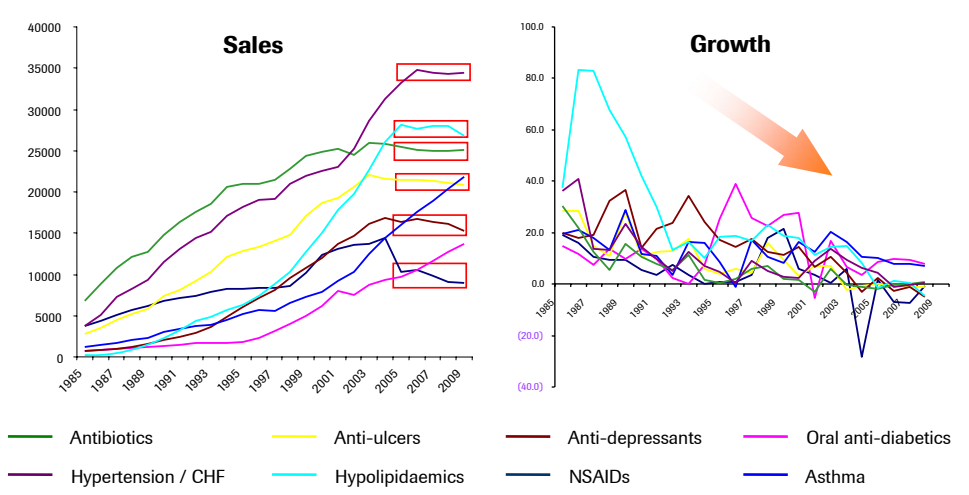


**Which degree of innovation (= medical differentiation) is necessary to jump  
regulatory and reimbursement hurdles?**

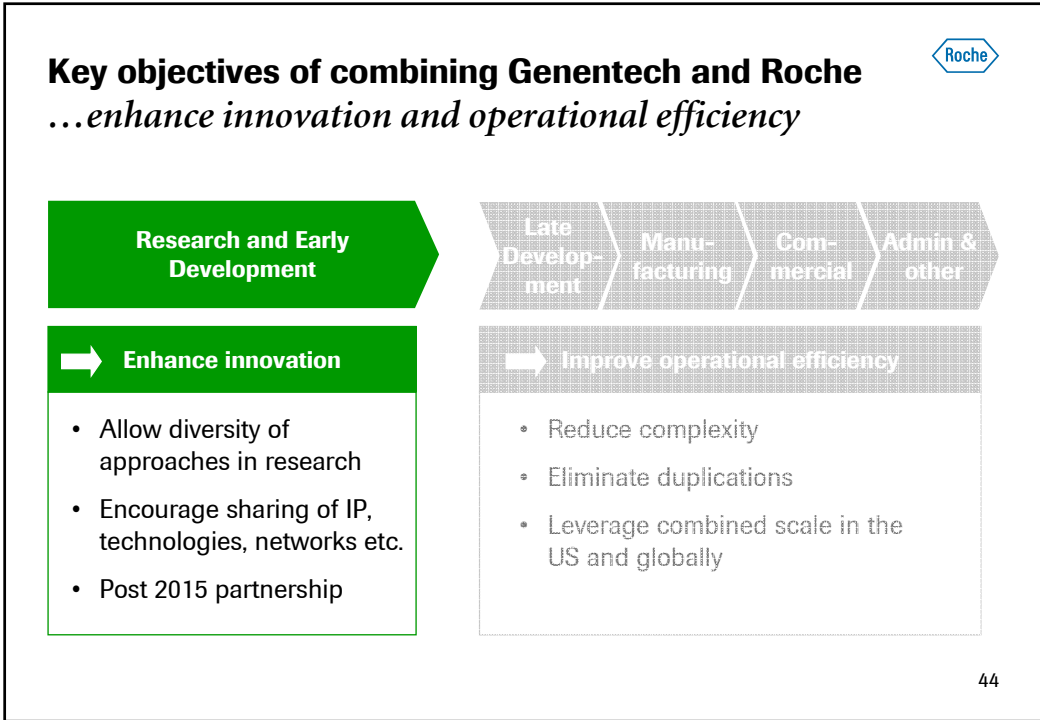
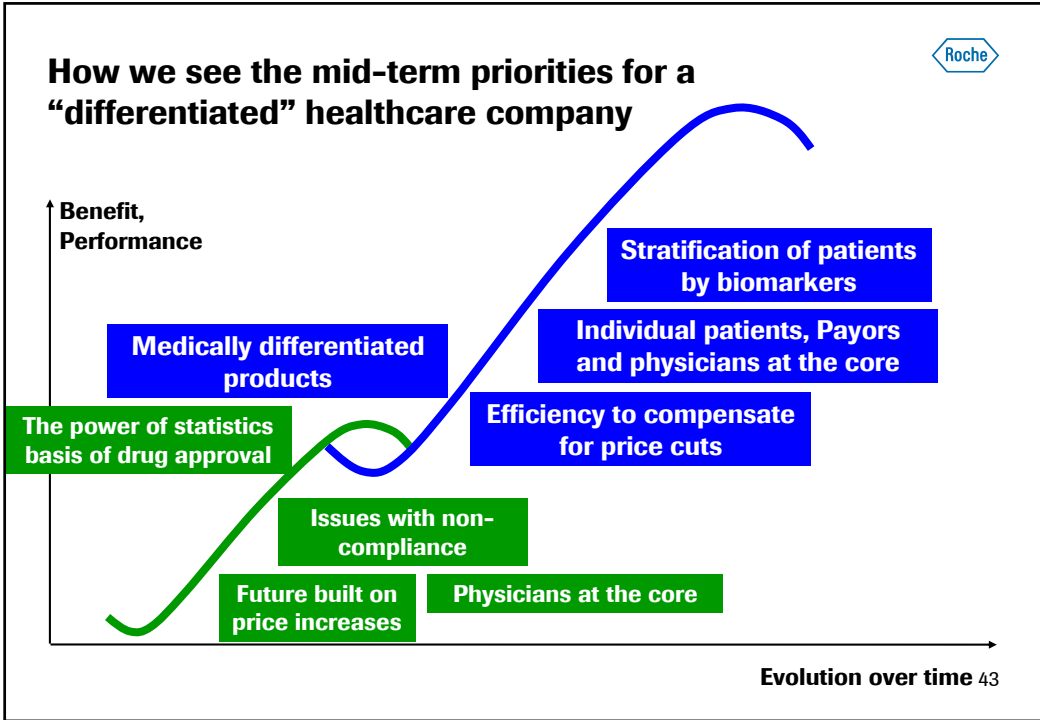
## Roche assumes fundamental changes in the way healthcare is provided: “primary care” versus “specialty care” is seen as a concept of the past



## Traditional “primary care” markets are flattening out

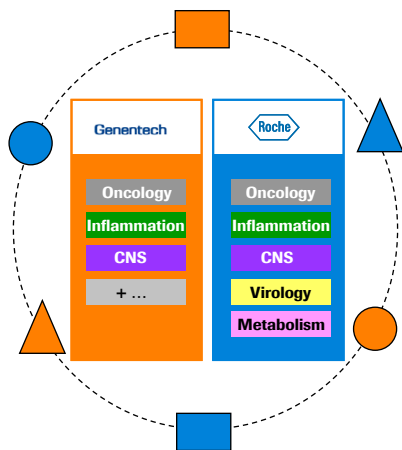


Source: Wood Mackenzie



## Enhance innovation

*...by mutual access to IP, technologies and science network*



### Examples from Roche network

#### ● IP:

- Biomarkers
- Libraries (small molecules)

#### ▲ Technologies:

- Antibody technology platform (GlycArt)
- Protein therapeutics (Penzberg)
- siRNA (Kulmbach, Alnylam)
- Immunohistochemistry (Ventana tissue diagnostics & companion diagnostics)

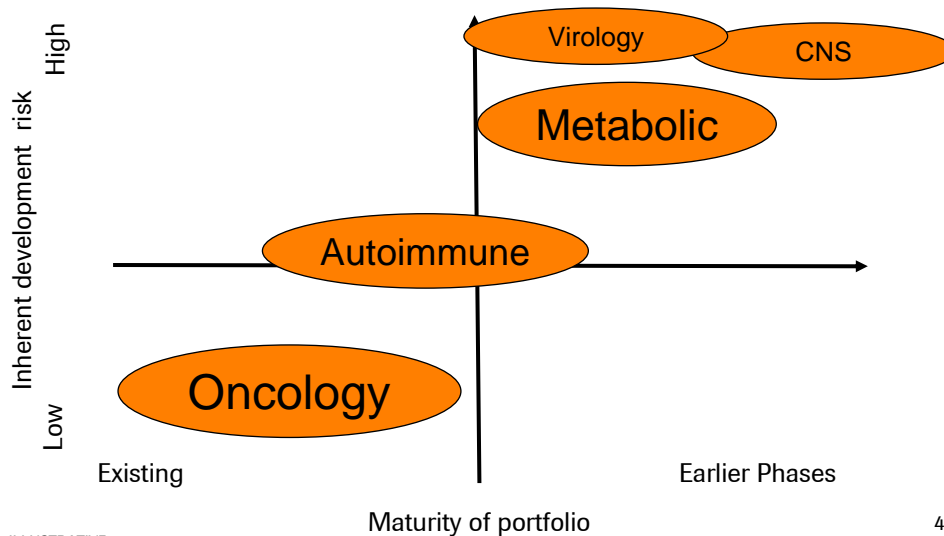
#### ■ Partnerships:

- Combined global partnerships >100

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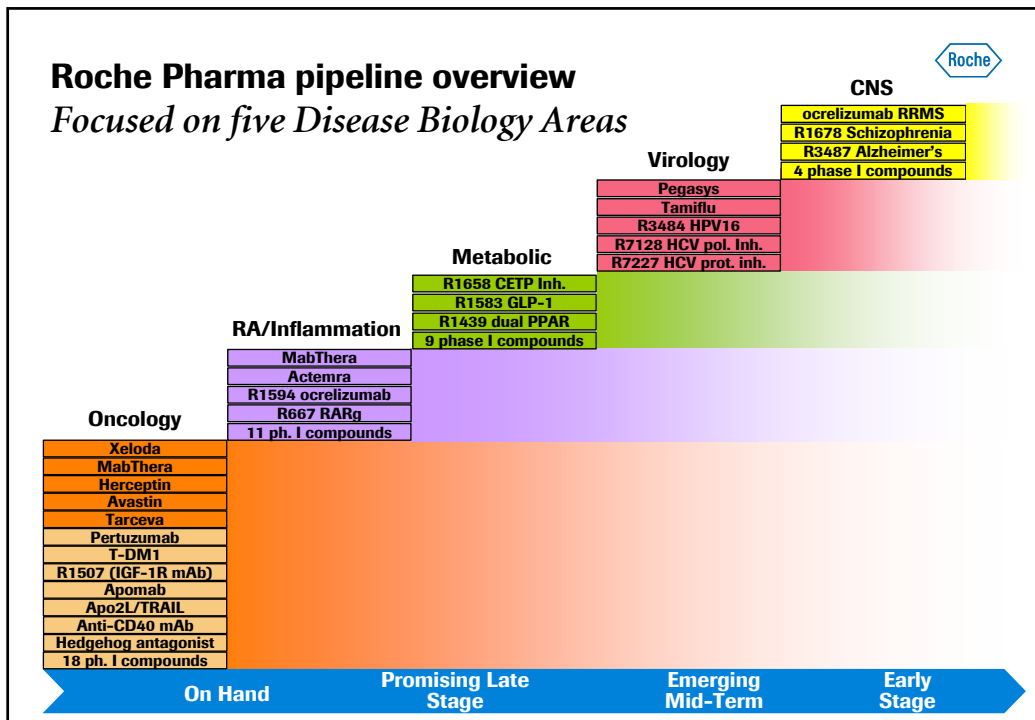
## Key drivers for long term development in place

*Develop the short term drivers while shaping the others*



ILLUSTRATIVE

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## The Roche perspective

- We do not sacrifice our long-term future by short-term cost cutting: innovation remains key !
- We have established an entrepreneurial model for our R & D – set up
- We are preparing for fundamental changes in the healthcare environment

Roche delivering now – but still getting prepared for and investing into the future !



*We Innovate Healthcare*