Roche: Navigating through rough seas

Helvea Swiss Equities 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

All mentioned trademarks are legally protected.

2008: delivering on our commitments !

Gaining market share in a challenging environment

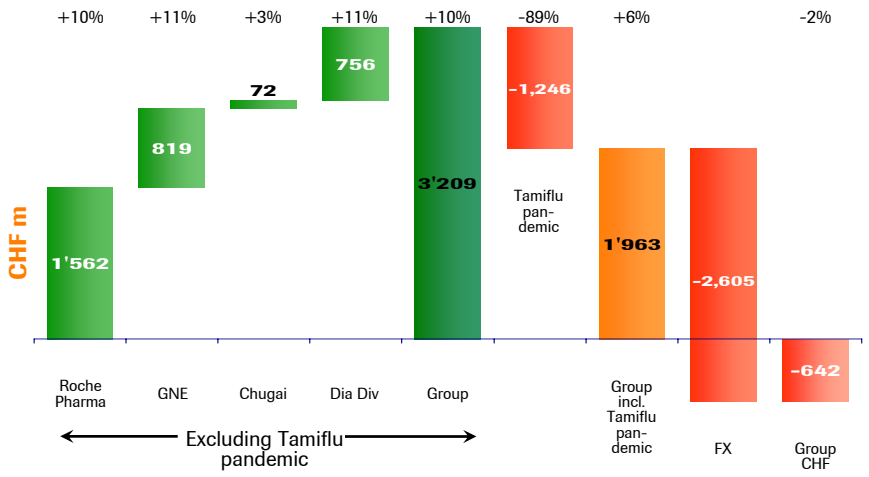
Continued above market growth in both divisions

Results Jan – Sept 2008

CHF bn	YTD 9'07	YTD 9'08	% change in CHF	% change in local	USD growth
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
Roche Group	33.9	33.3	-2	6	13
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



Reconfirming objectives for 2008

Sales

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

Core EPS

- Core earnings per share target[2] 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

[1] Excluding government and corporate stockpiling orders of Tamiflu for pandemic use
[2] At constant exchange rates

Barring unforeseen events

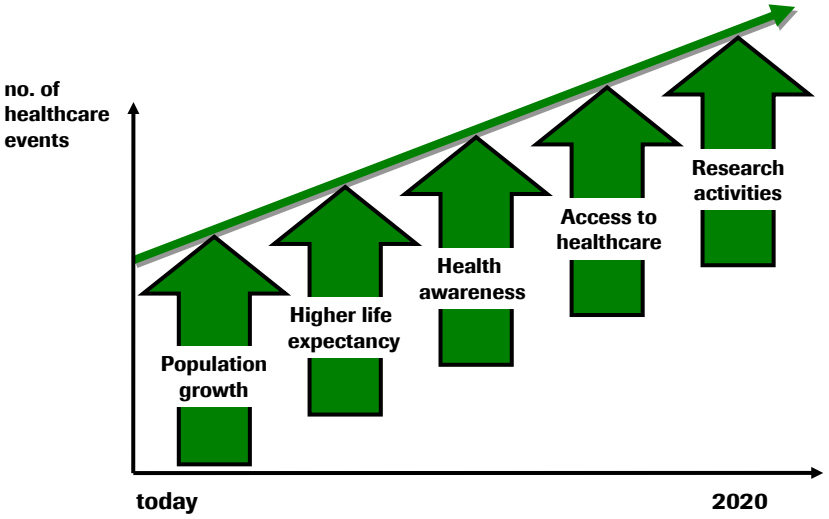
2009 + : how does Roche intend to weather the upcoming storms ?

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

Base case assumption:

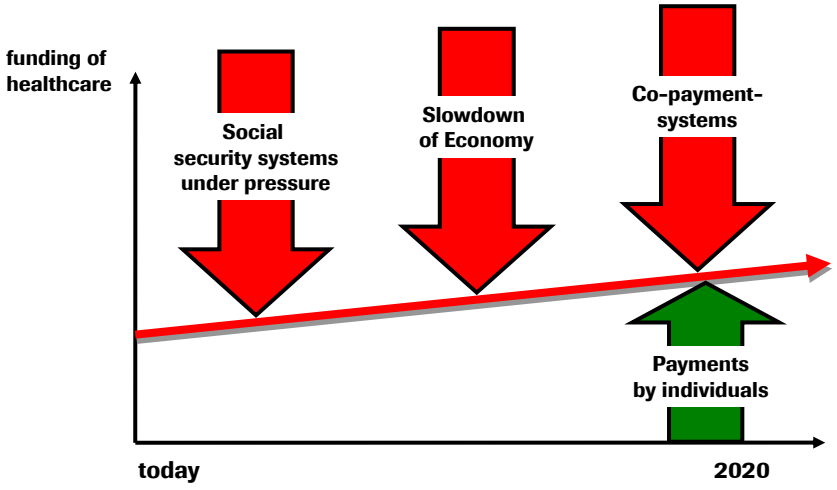
the global economy will go through a period of severe recession

Even in an economic downturn the demand for healthcare will increase…

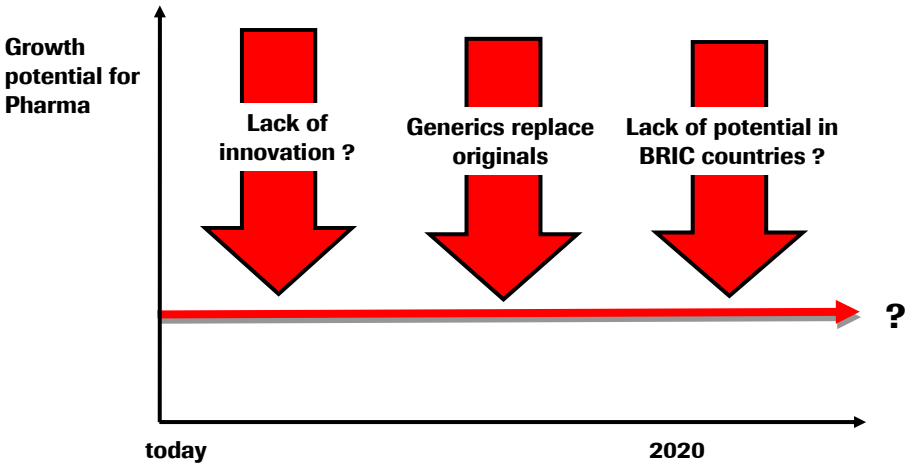


… but the funding will become even more challenging

The funds available for healthcare are and will be limited

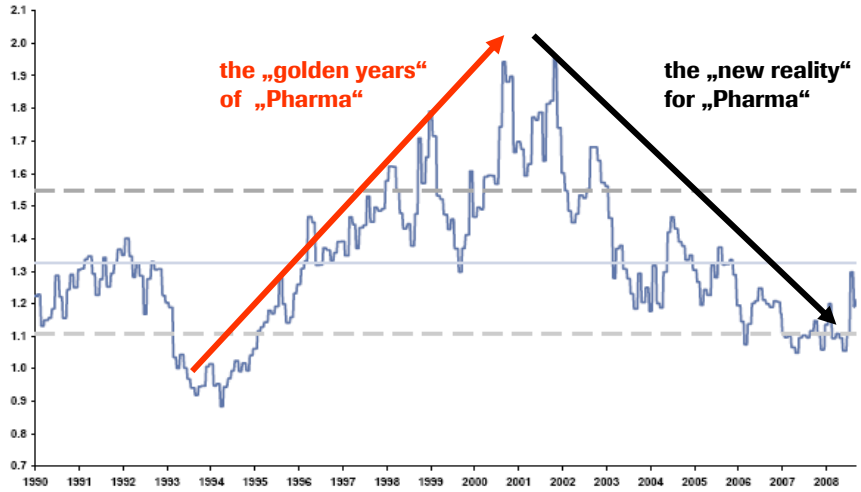


Investors see fundamental challenges for "Pharma"



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

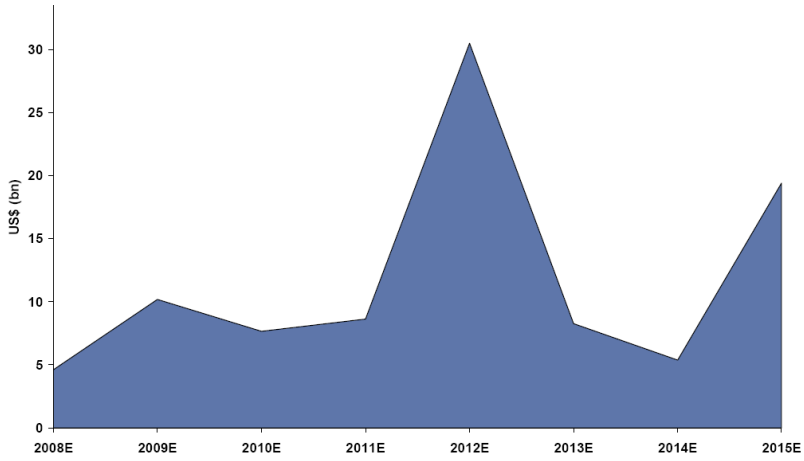
EU drug median 12m forward P/E relative to median EU market 1990-2008



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

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

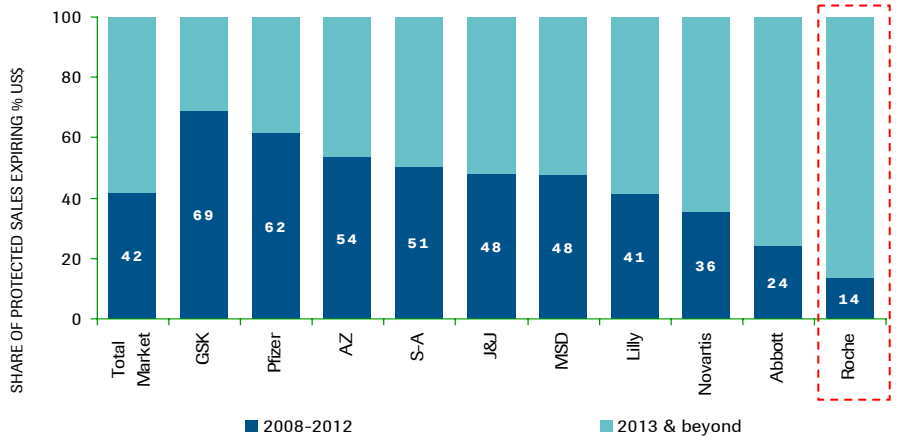


Source: Goldman Sachs Research estimates.

Patent expiry 2008-2012

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

Top 10 Corporations Protected Sales Expiring to 2012 & Beyond (US$ Const)



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

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

Unique geographic risk diversification

USA | (Greater) Europe | Japan | Asia / China | Latin America

Unique “pillars of value” risk diversification

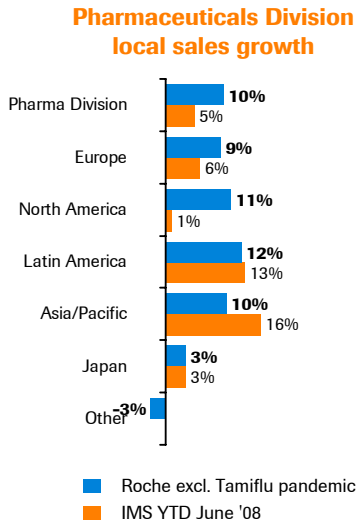
- AVASTIN (bevacizumab) — Colorectal ca.
- AVASTIN (bevacizumab) — Breast cancer
- AVASTIN (bevacizumab) — Lung cancer
- Herceptin trastuzumab — Breast ca., HER2+
- MABTHERA rituximab REBUILDING LIVES — Oncology and RA
- ACTEMRA tocilizumab — RA
- Bonviva — Osteoporosis
- PEGASYS peginterferon alfa-2a (40KD) — Hepatitis C+B
- NeoRecormon Epoetin Beta Energy to Make a Difference — Anemia
- MIRCERA — Anemia
- CellCept mycophenolate mofetil — Transplantation

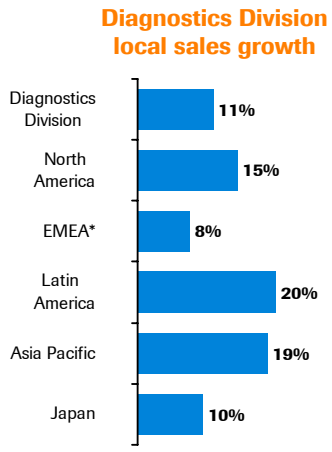
Immuno-Diagnostics | Diabetes Care | Molecular Diagnostics

FUTURE PILLARS

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

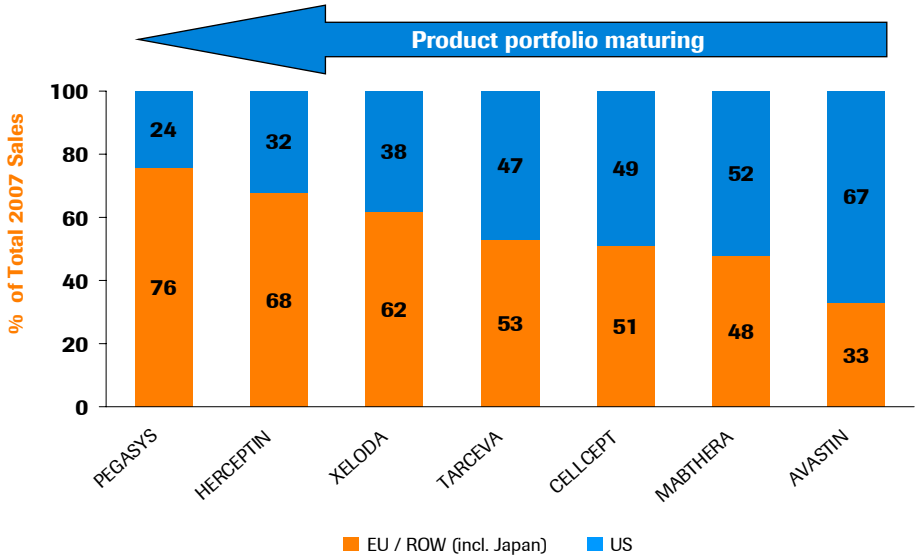
The geography: YTD Sept '08: most Roche regions continue to outperform the market





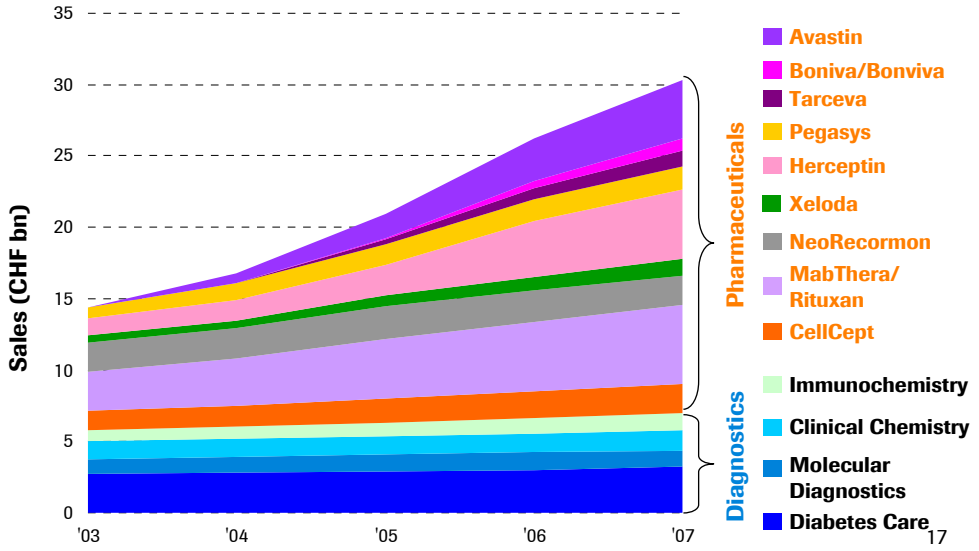
(for Diagnostics there are no YTD Sept '08 benchmarking data available, yet)

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



Key Pharmaceuticals & Diagnostics products

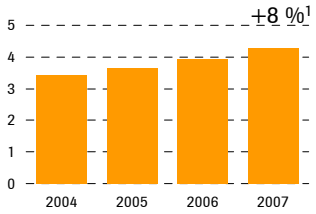
2007 sales around or above CHF 1 billion



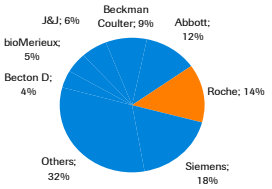
Professional Diagnostics

Roche is number two and growing above market

Sales CHF billion



Market share 2007



[1] local growth

Strengths

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

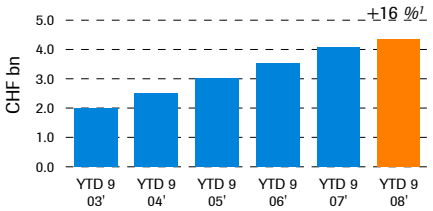
Growth drivers & Opportunities

- 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)

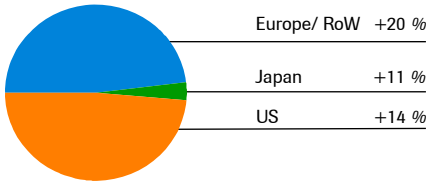
MabThera/Rituxan: Strong growth over a decade

Penetration in oncology & RA continues to increase

Global sales



Regional sales **Local growth**



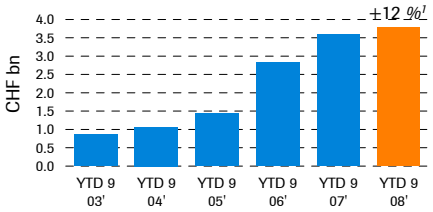
- Global Sales: 2007: CHF 5.5 bn; YTD Sept. 2008: CHF 4.3 bn (+16%)
- Current growth drivers: aggressive and indolent non-Hodgkin lymphoma (NHL), rheumatoid arthritis
- Future growth drivers: further uptake in NHL; Chronic Lymphocytic Leukemia (CLL): 1st line CLL filed in EU in 2008, to be filed for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

[1] local growth

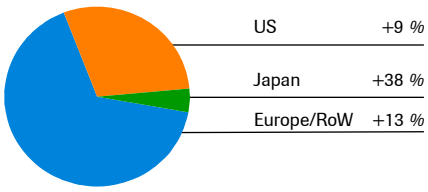
Herceptin: double-digit growth maintained

Adjuvant usage continues to drive growth

Global sales



Regional sales **Local growth**

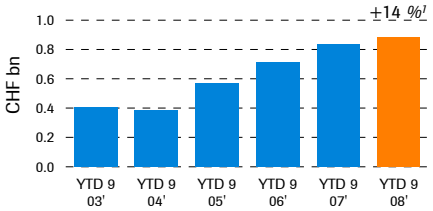


- Global Sales: 2007: CHF 4.9 bn; YTD Sept. 2008: CHF 3.8 bn (+12%)
- Current growth drivers: HER2-positive metastatic and adjuvant (early) breast cancer
- Future growth drivers: further rollout in adj HER2-positive BC; phase III data in HER2-positive gastric cancer expected in 2009

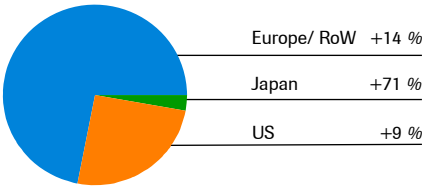
[1] local growth

Xeloda
Label expansions driving growth

Global sales



Regional sales **Local growth**



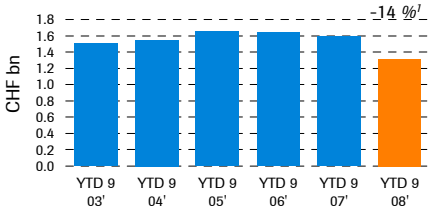
- Global Sales: 2007: CHF 1.2bn; YTD Sept. 2008: CHF 880 mn (+14%)
- Current growth drivers: metastatic colorectal, gastric and breast cancer, adjuvant colon cancer
- Future growth drivers: further rollout in current indications, adjuvant colon cancer label extension (filing 2009), adjuvant breast cancer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

New data presented at San Antonio Breast Cancer Meeting (DEC 08)
Suggest very strong efficacy in adjuvant Breast Cancer

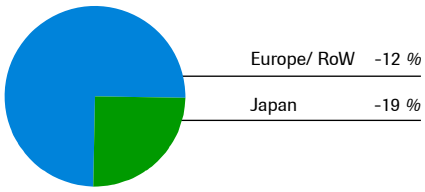
[1] local gr

NeoRecormon/Epogin (anemia franchise)
Holding up well in a highly competitive market

Global sales



Regional sales **Local growth**



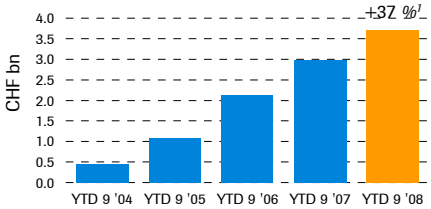
- Global Sales: 2007: CHF 2.1 bn; YTD Sept. 2008: CHF 1.3 bn (-14%)
- Current growth drivers: declining in a highly competitive market (price pressure and biosimilars)
- Future growth drivers: some stabilisation seen recently; Mircera launch
- Patent protection: expired in EU

[1] local growth

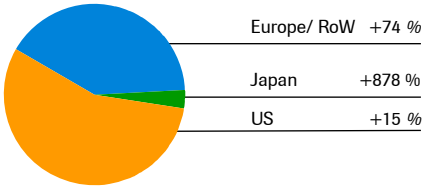
Avastin: very strong growth in EU/RoW continues

Growth driven by multiple new indications

Global sales



Regional sales **Local growth**



- 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

[1] local growth.

Our Avastin strategy: Setting new standards of care

New tumor types, new combinations, new lines of intervention

Clinically differentiated product

↓

target all tumor types

↓

target all possible combinations

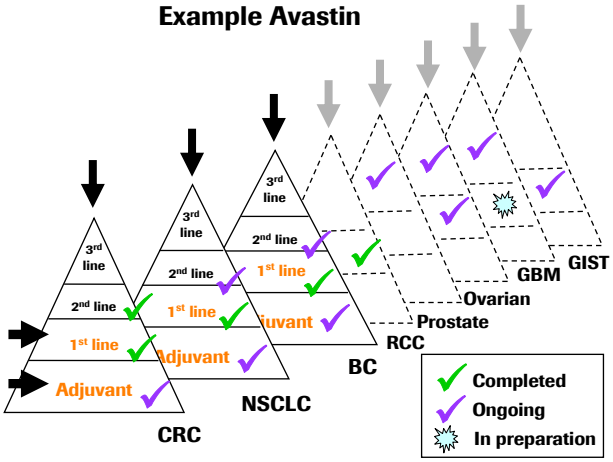
↓

target earlier (adjuvant) intervention

↓

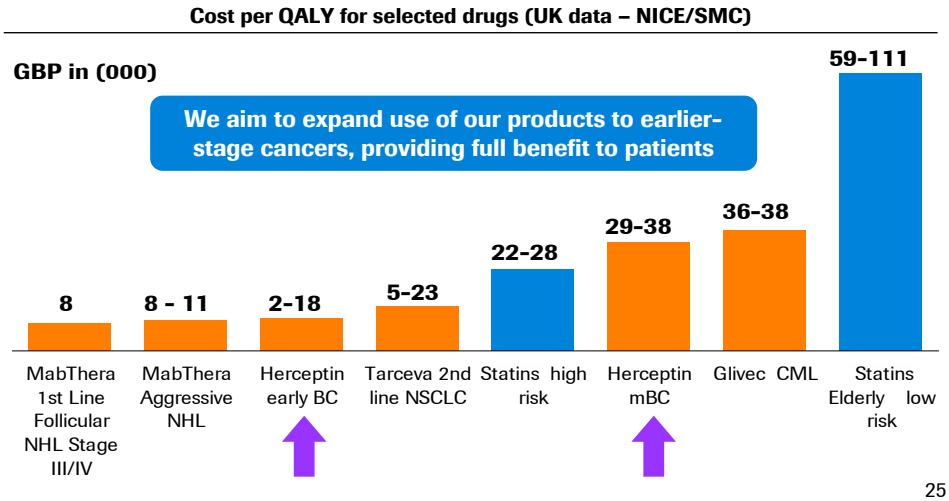
Superior outcome for patients

Example Avastin



Funding

Roche oncology products are cost-effective



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 the weather the upcoming storm

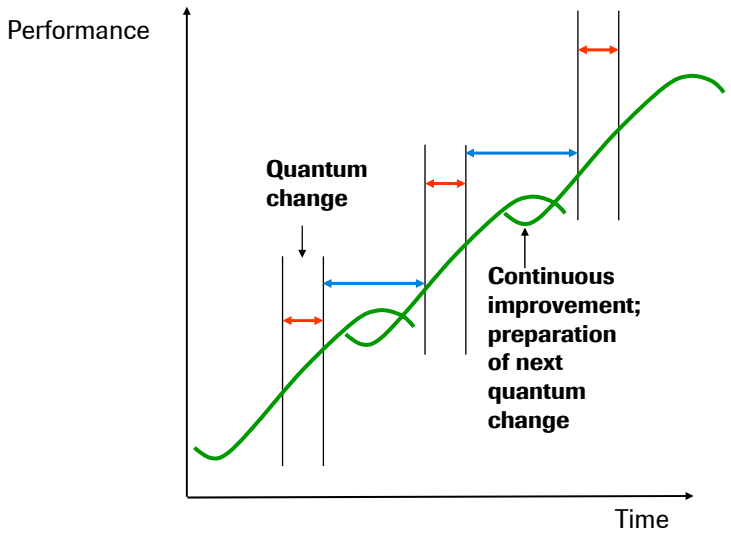
We have been preparing for rougher seas for many years !

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 !

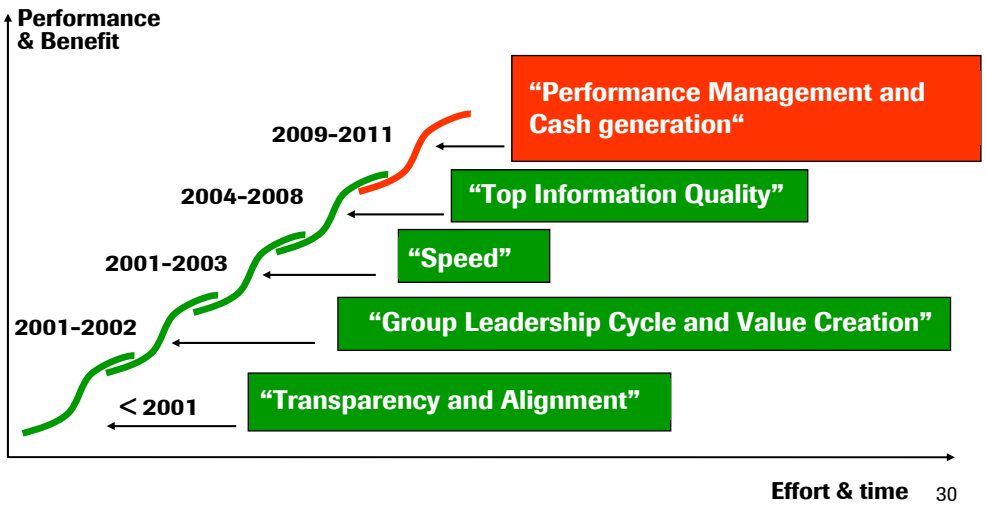
Learning: Theory of Large-Scale Transformation …

Requires multiple S-Curves building on each other



A succesful S-curve: Accounting & Controlling

Many steps to establish Roche as a clear Leader



Roche Cash Flow Reporting

Unique, state-of-the-art solution

~200 reporting entities

Regular monthly financial reporting
- Income statement
- Balance sheet

\+ Flow information: identifying cash and non-cash movements

Work day 3

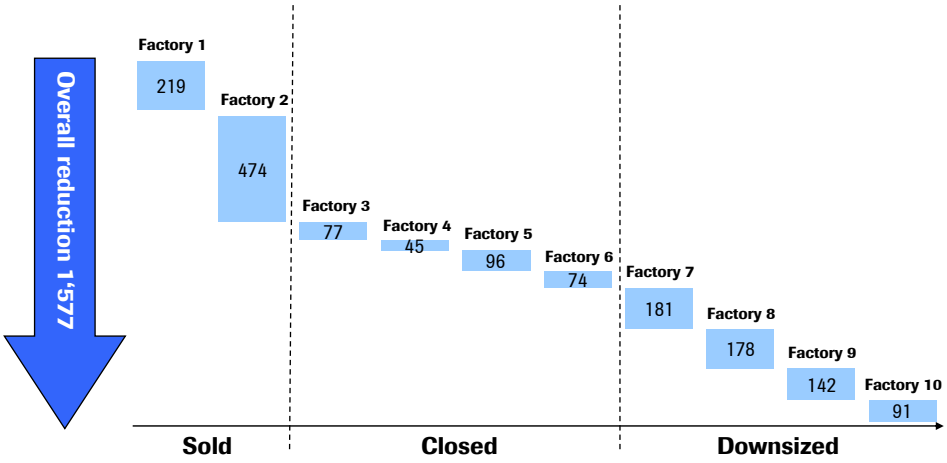
Monthly Free Cash Flow Statements
- Group
- Divisions / sub-divisions
- Local companies
- including reconciliation to net cash position

Work day 5

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

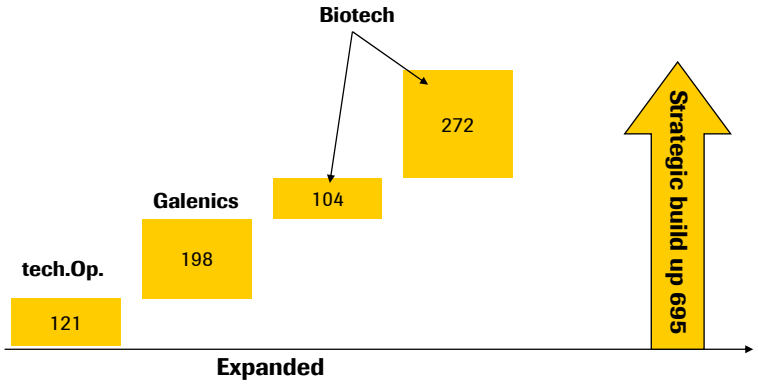
Headcount – Restructurings 2007 -2009 (Production)

Exit non-core activities in a quiet, professional manner



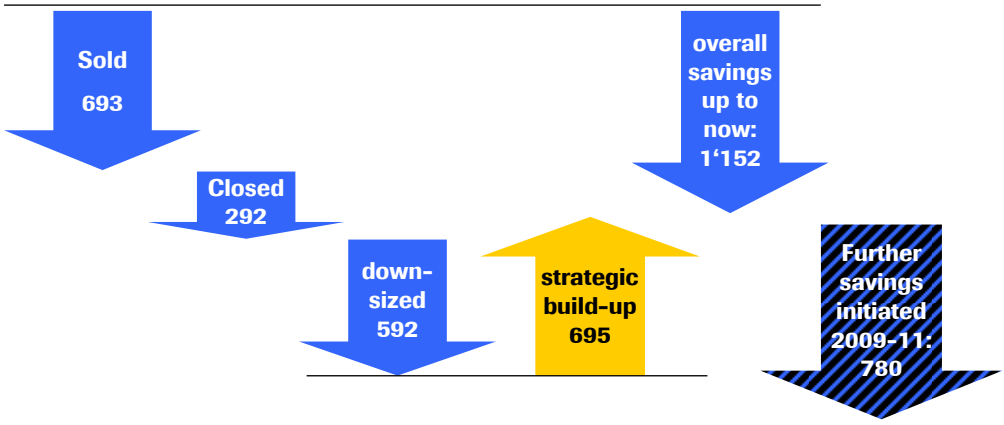
Headcount – Increases 2007 -2009 (Production)

Build-up of strategic activities: investing into our future



Headcount – Restructurings 2007 -2009 (Production)

Improved strategic position – and more efficient



Key objectives of combining Genentech and Roche

…building a leading organization

Roche

Research and Early Development

Enhance innovation

- Allow diversity of approaches in research
- Encourage sharing of IP, technologies, networks etc.
- Post 2015 partnership

Late Develop-ment | **Manu-facturing** | **Com-mercial** | **Admin & other**

Improve operational efficiency

- Reduce complexity
- Eliminate duplications
- Leverage combined scale in the US and globally

Impact by function and site

Does not affect Research, Early development and Sales forces

Roche

	Research	Early develop-ment	Late develo-ment	Manu-facturing	Com-mercial	Sales Force	Admin / other
Genentech			align	align	HQ		HQ
Nutley			align	close	transfer		align
Palo Alto	transfer	transfer	transfer				transfer

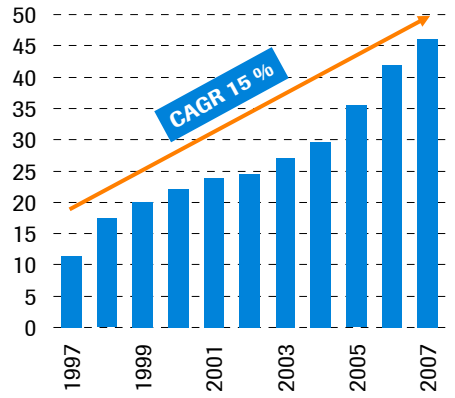
No impact | Impact (transfer, close or align)

Active management of our situation is paying off

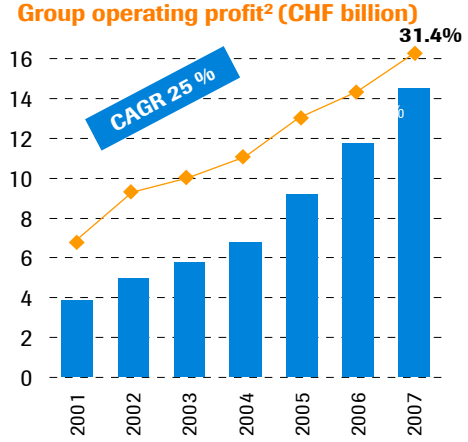
Outstanding long-term value creation

Roche

Group sales[1] (CHF billion)



Group operating profit[2] (CHF billion)



Continuing to focus on our core assets

[1] Prescription and Diagnostics
[2] Continuing businesses, before exceptional items

The Roche advantages

Roche

- 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

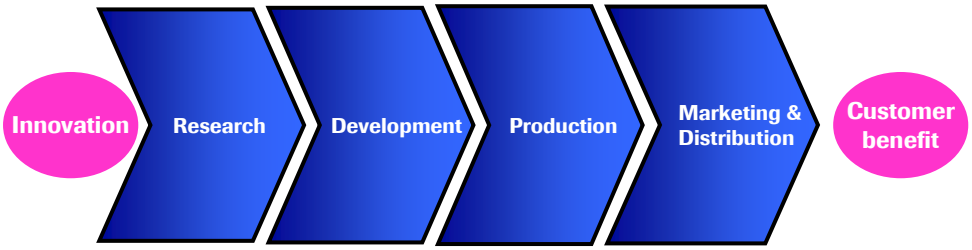
Roche is a learning organisation – ready to cope with the challenges of the downturn

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

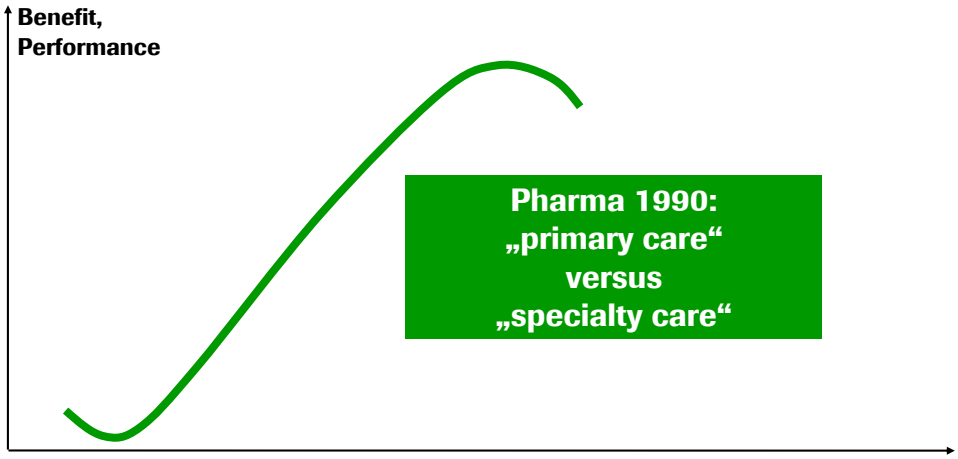
Sustainable leadership based on innovation

How can we constantly provide significant benefit to customers?

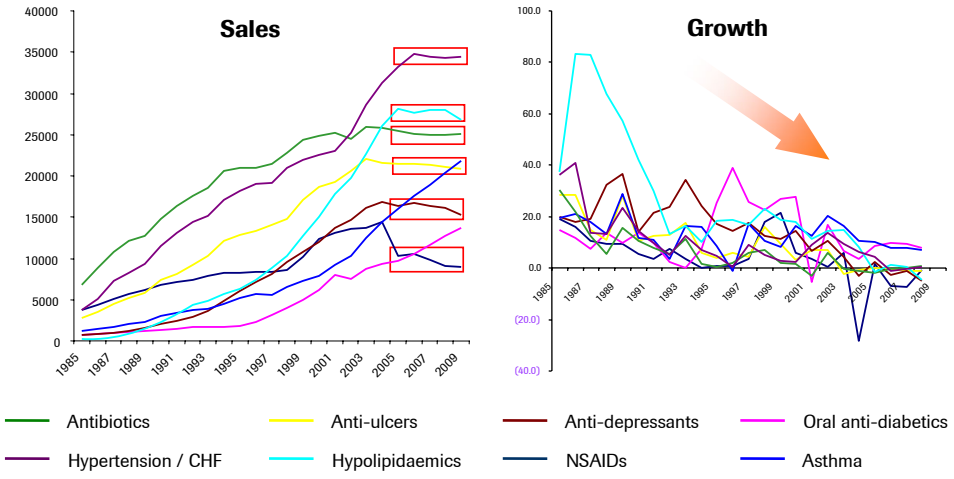


Which degree of innovation (= medical differentiation) is necessary to jump regulatory and reimbursement hurdles?

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

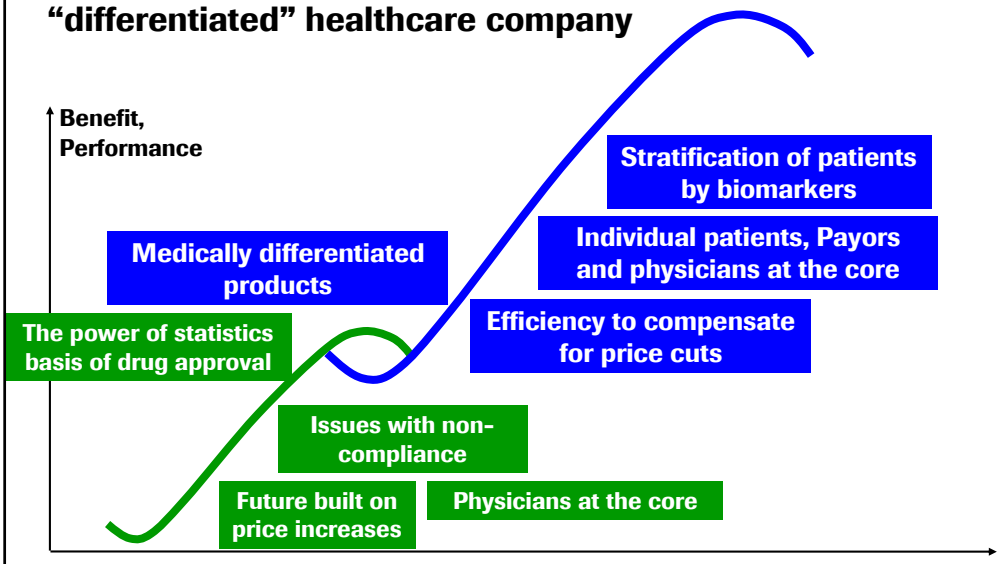


Traditional “primary care” markets are flattening out



Source: Wood Mackenzie

How we see the mid-term priorities for a "differentiated" healthcare company



Key objectives of combining Genentech and Roche

…enhance innovation and operational efficiency

Research and Early Development

Enhance innovation

- Allow diversity of approaches in research
- Encourage sharing of IP, technologies, networks etc.
- Post 2015 partnership

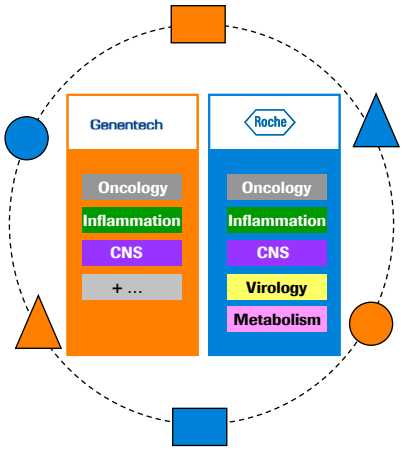
Late Develop-ment | **Manu-facturing** | **Com-mercial** | **Admin & other**

Improve operational efficiency

- Reduce complexity
- Eliminate duplications
- Leverage combined scale in the US and globally

Enhance innovation

…by mutual access to IP, technologies and science network



Examples from Roche network

IP:

- Biomarkers
- Libraries (small molecules)

Technologies:

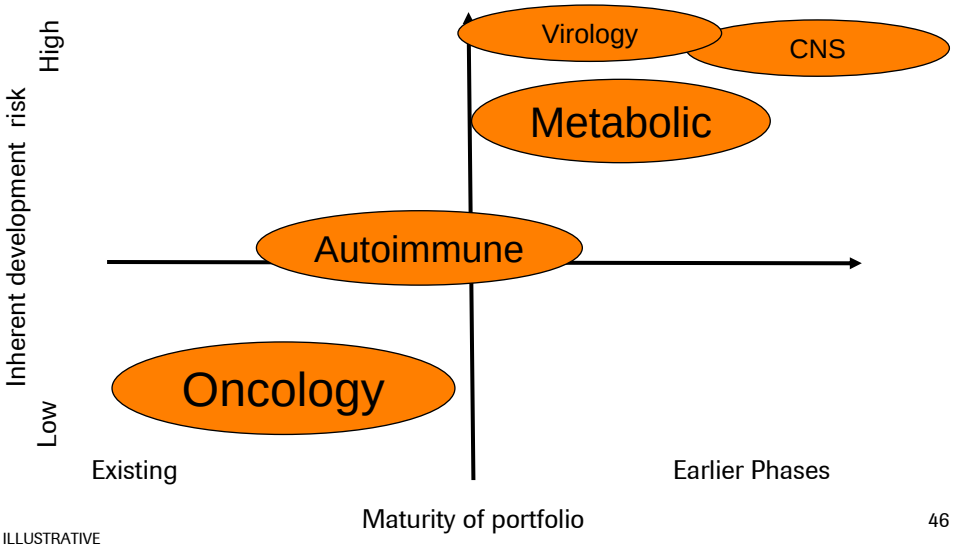
- Antibody technology platform (GlycArt)
- Protein therapeutics (Penzberg)
- siRNA (Kulmbach, Alnylam)
- Immunohistochemistry (Ventana tissue diagnostics & companion diagnostics)

Partnerships:

- Combined global partnerships >100

Key drivers for long term development in place

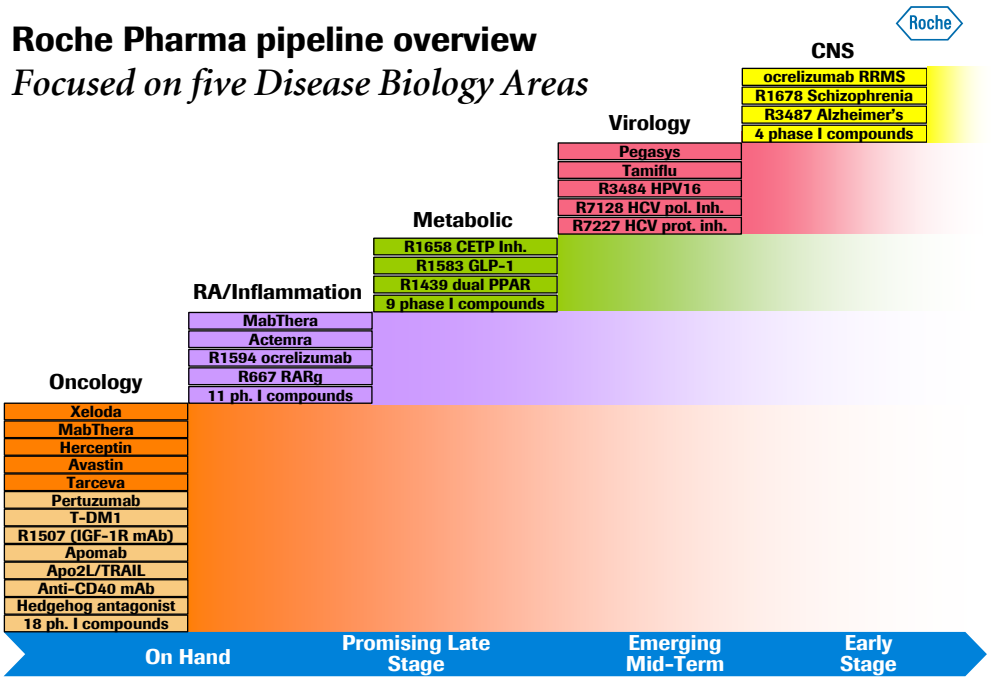
Develop the short term drivers while shaping the others



ILLUSTRATIVE

Roche Pharma pipeline overview

Focused on five Disease Biology Areas



The Roche perspective

Roche

- 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