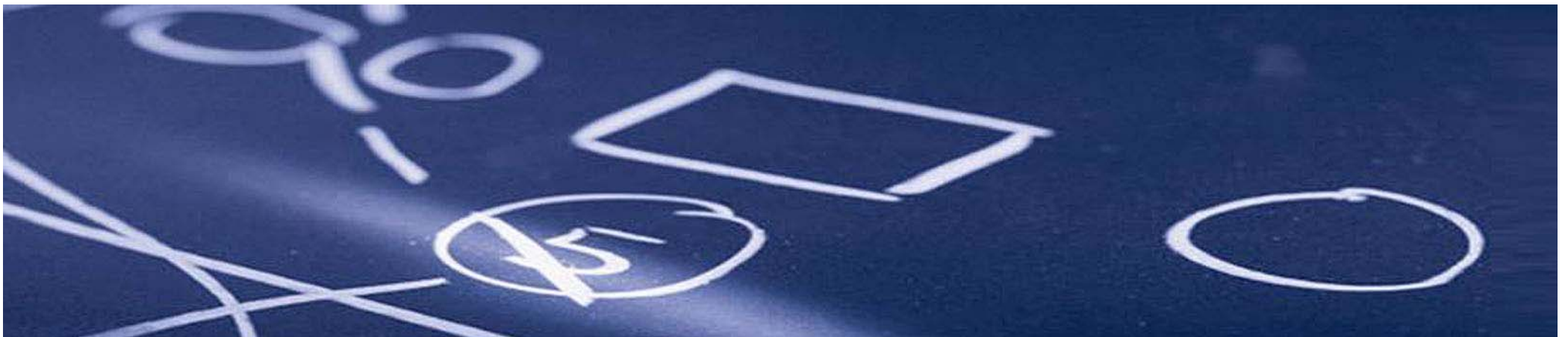






**Roche**

*Severin Schwan*  
*Chief Executive Officer*



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 presentation, 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 fluctuations in currency exchange rates and general financial market conditions;
- 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, unexpected side-effects of pipeline or marketed products;
- 6 increased government pricing pressures;
- 7 interruptions in production;
- 8 loss of or inability to obtain adequate protection for intellectual property rights;
- 9 litigation;
- 10 loss of key executives or other employees; and
- 11 adverse publicity and news coverage.

Any statements regarding earnings per share growth is not a profit forecast and should not be interpreted to mean that Roche’s earnings or earnings per share for this year or any subsequent period will necessarily match or exceed the historical published earnings or earnings per share of Roche.

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**A position of strength**

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**Operational Excellence – adapting to a changing environment**

# Sales YTD September 2010

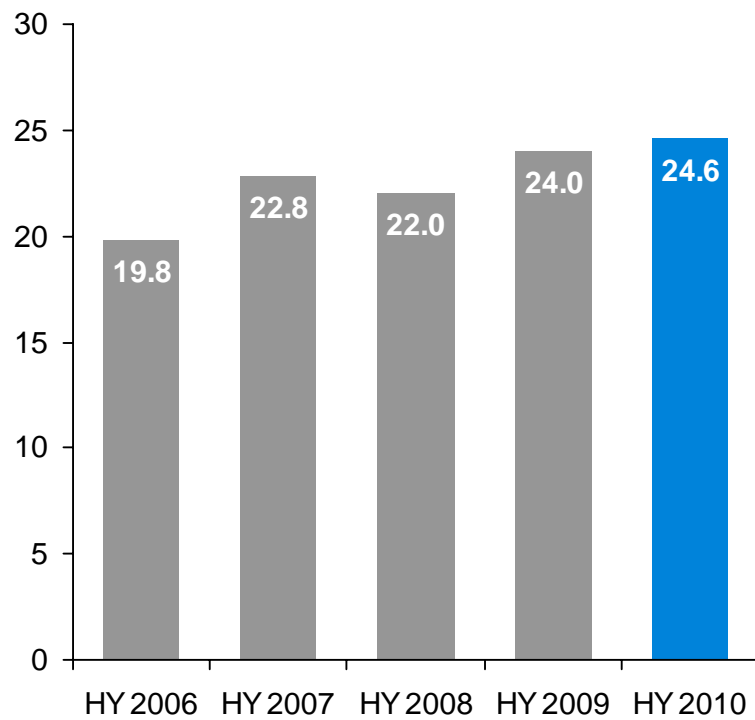
*Solid sales growth in first nine months*

CHF bn	YTD Sept 2009	YTD Sept 2010	change in %		Excluding Tamiflu*
			CHF	local	
Pharmaceuticals Division	29.0	28.4	-2	+1	+5
Diagnostics Division	7.4	7.7	+5	+8	
<b>Roche Group</b>	<b>36.4</b>	<b>36.1</b>	<b>-1</b>	<b>+2</b>	<b>+6</b>

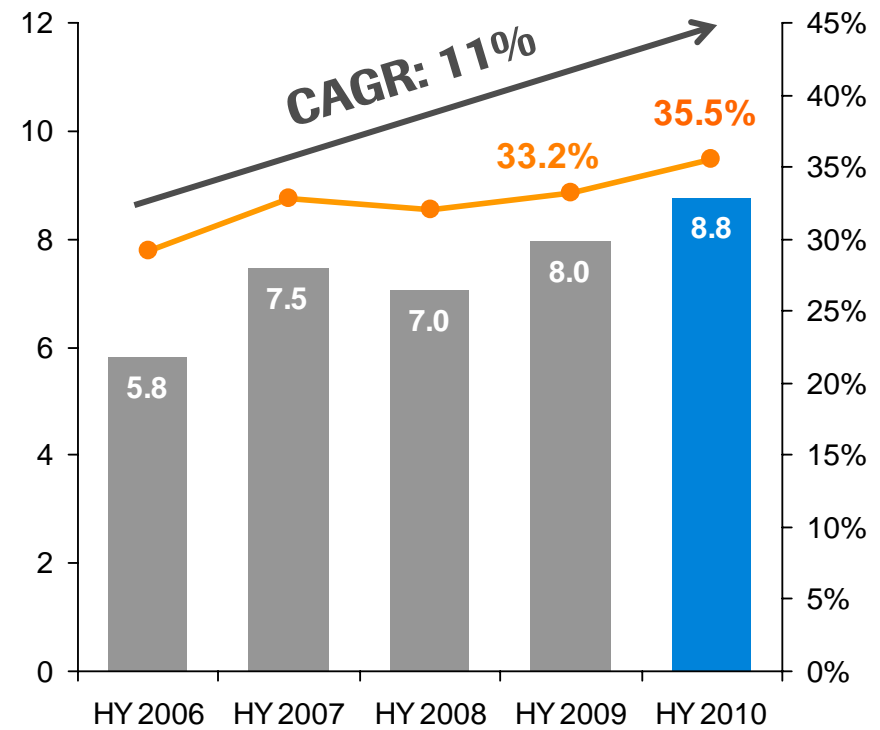
\*in local currency

# Continuous growth in sales and margin

## Group sales (CHF bn)



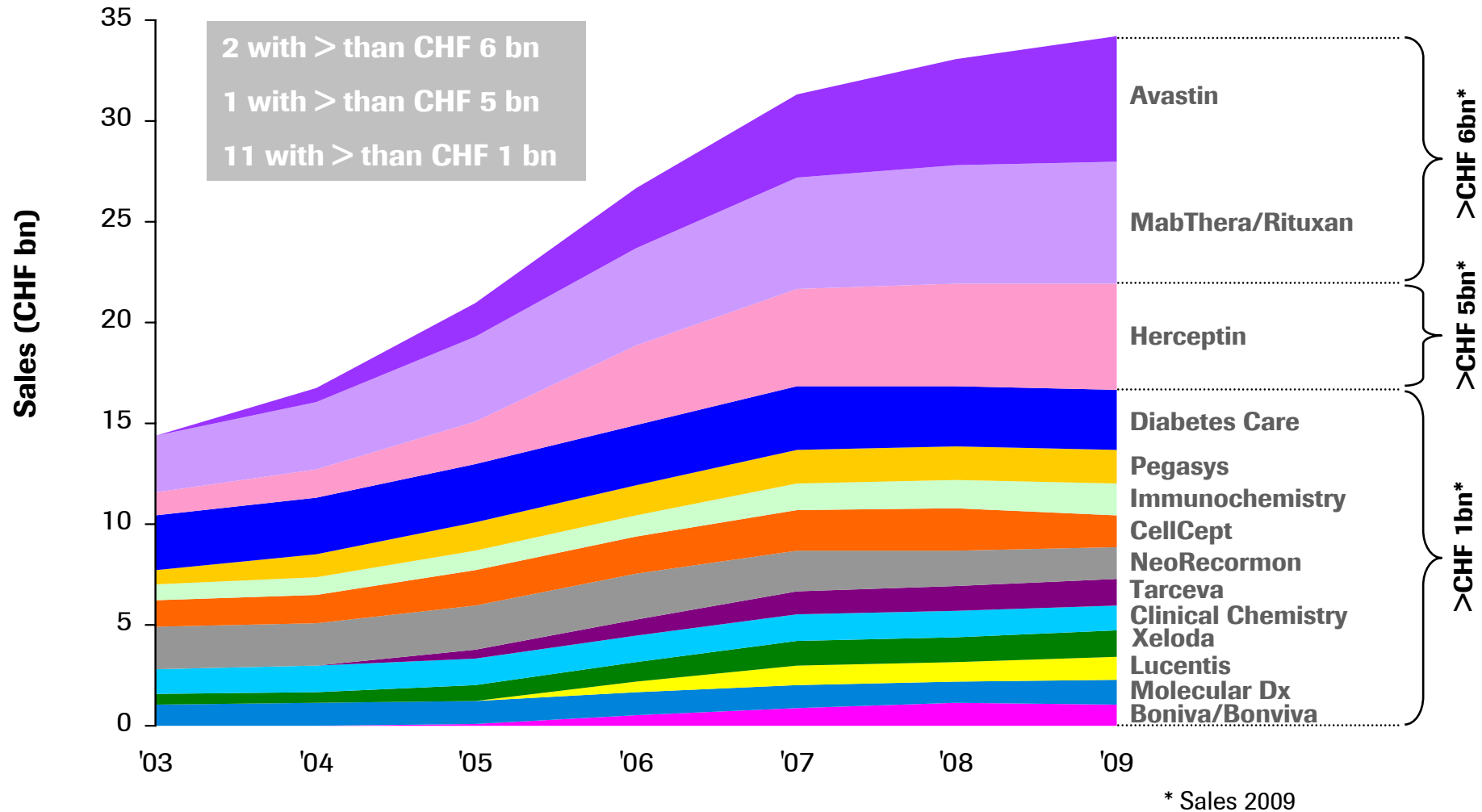
## Operating profit<sup>1</sup> (CHF bn) and margin



<sup>1</sup> before exceptional items

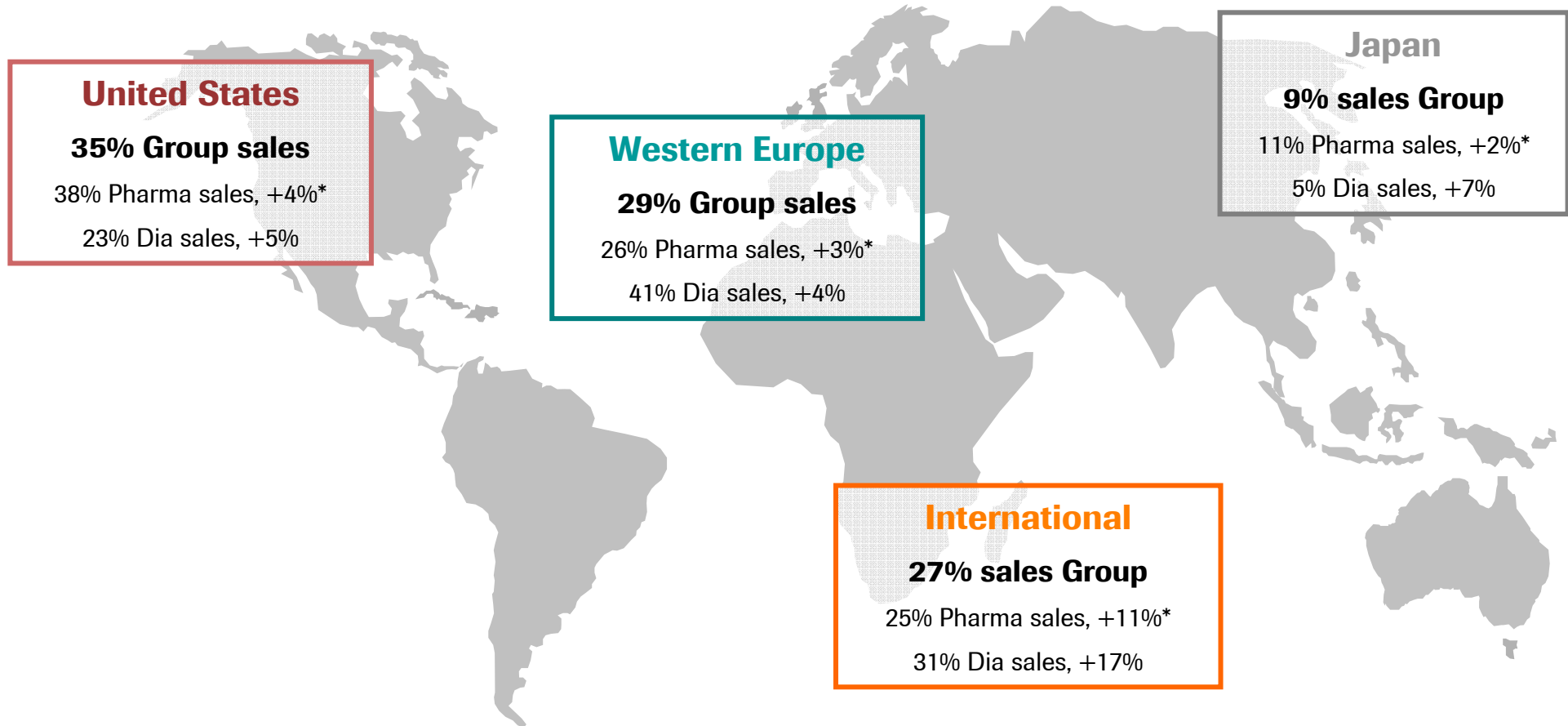
# Key Pharmaceuticals & Diagnostics products

*A risk-diversified portfolio of drugs and BUs*



# Roche in Emerging Markets

## *Gaining in significance*

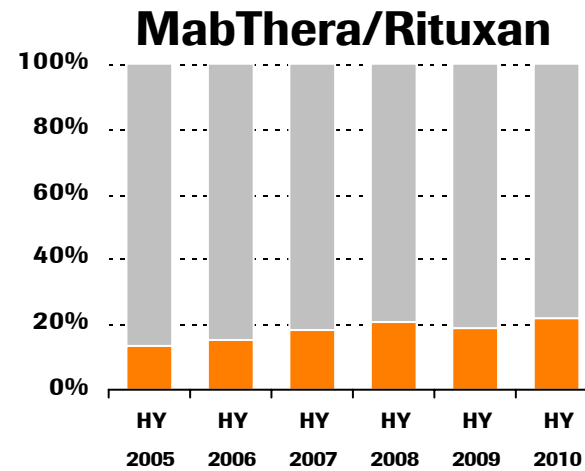
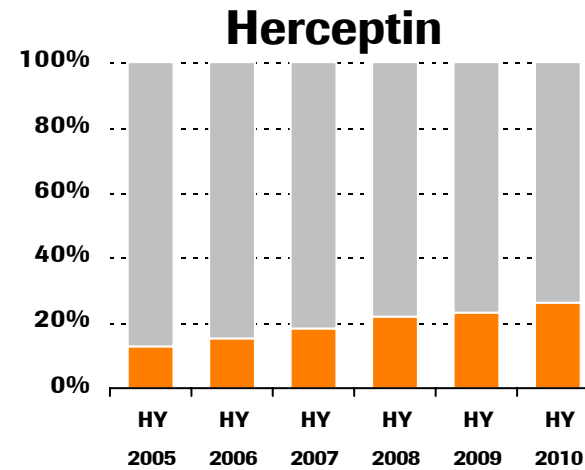
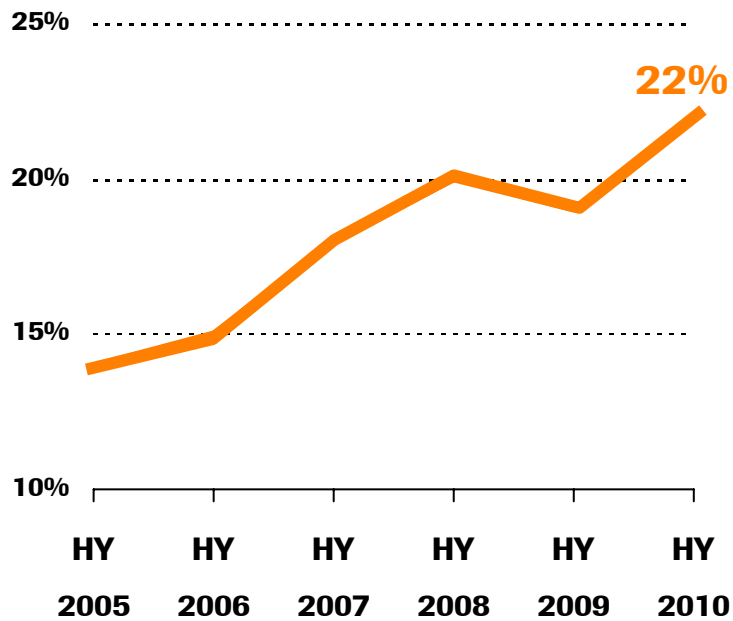




# Roche in Emerging Markets

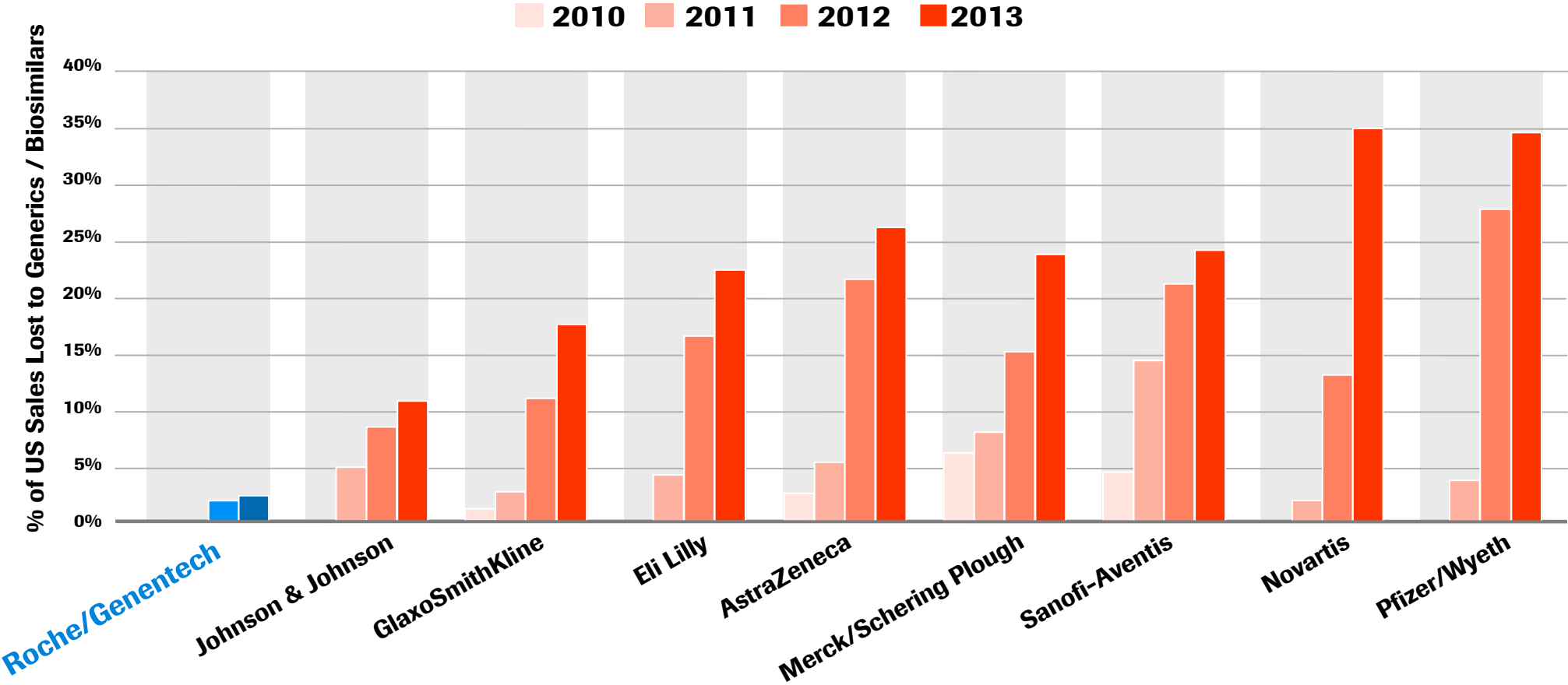
## *Oncology leading the trend*

**International region as  
% of Oncology sales**



Rest  
International

# Roche: Limited exposure to patent expiries



% Sales Lost calculated by subtracting given year sales ('10, '11, '12, '13) from full year sales from year prior to LOE.  
 Data excludes sales lost impact of products with LOE prior to 2010.  
 Source: Evaluate Pharma

# Long patent protection

## *Biosimilars facing high hurdles*

### Long primary patent protection of our key biologics

Patents	US	EU ROW/EM
Avastin	2019	similar
Lucentis	2019	marketed by Novartis
Rituxan/ MabThera	2018	earlier
Herceptin	2019	earlier
Pegasys	2018	similar

### Biosimilars outlook

**US:** recent healthcare legislation opens pathway for biosimilars

FDA in the process of developing guidelines

Data exclusivity for biologics 12 years

**EU:** legal and regulatory hurdles likely to remain high for biosimilars

**ROW/EM:** investment in countries with strong IP regulations (China)

Brand awareness important

# Biosimilar draft guidelines in Europe

- Phase III clinical trials (double blind, equivalence) as normal route for showing similarity, in particular where no pharmacodynamic (PD) pathway
  - In Oncology usually no PD established
  - End points: Response Rate, PFS where most sensitive. OS data to be collected
- Clinical trials required for diseases with different mode of action
  - Rheumatoid Arthritis, Oncology
  - Metastatic, adjuvant
- Extrapolation only to indications with same mode of action
  - Not for different diseases, different mode of action, different dosing, different safety requirements
- The requirements for clinical evaluation of biosimilar mAbs are open to broad interpretation in the current draft guideline. Roche believes that a number of aspects needs to be clarified prior to final implementation

## **A position of strength**

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**Operational Excellence – adapting to a changing environment**

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# Industry environment and Roche

## *Responding decisively to recent challenges*

### Industry

#### **Solid fundamentals**

- Huge unmet medical need
- Dramatic progress in science & technology

#### **Challenging environment**

- Pricing pressure in US and Europe
- Increasing regulatory hurdles

### Roche

#### **Position of strength**

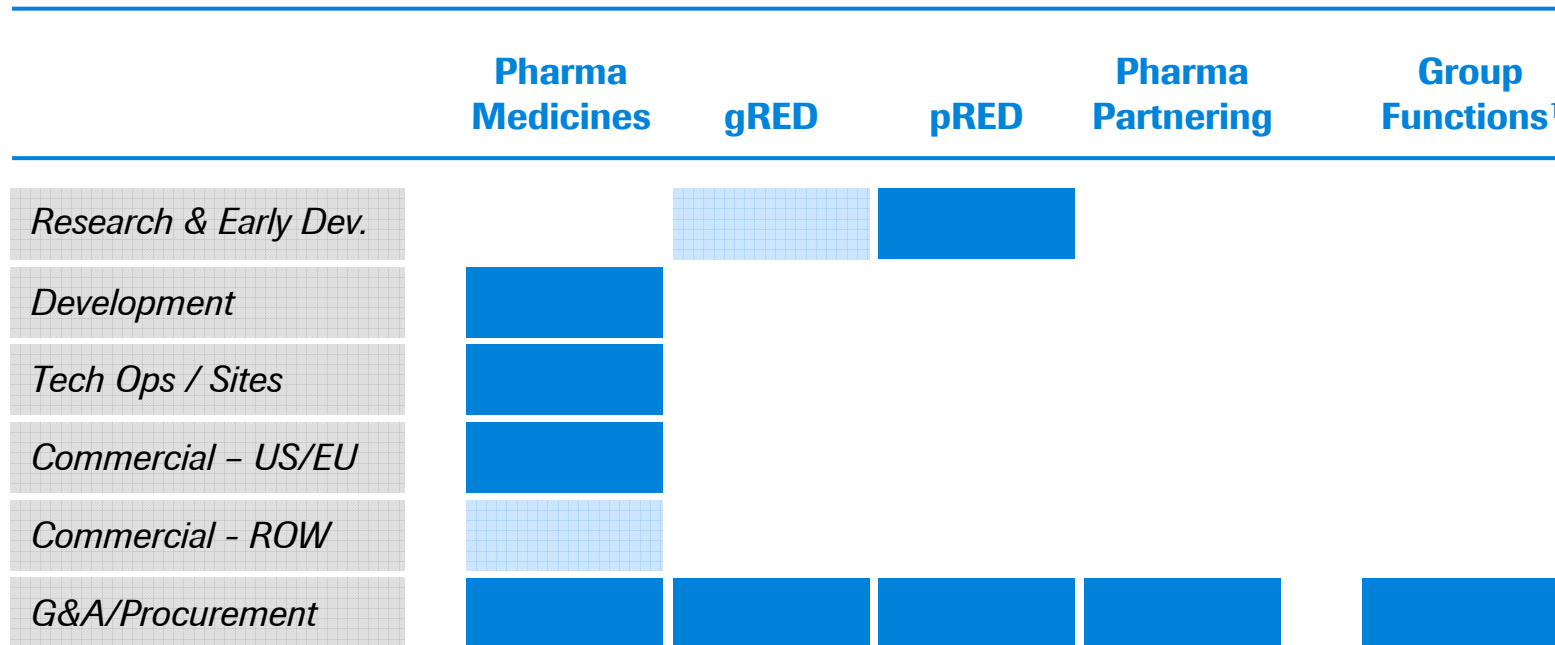
- Clear strategic focus on Rx and Dx
- Leadership in innovation and markets
- High cash-flow and profitability

#### **Operational Excellence**



- Compensate for recent product setbacks
- Focus on investments that will drive innovation

# Approach

*Comprehensive scope, differentiated measures*

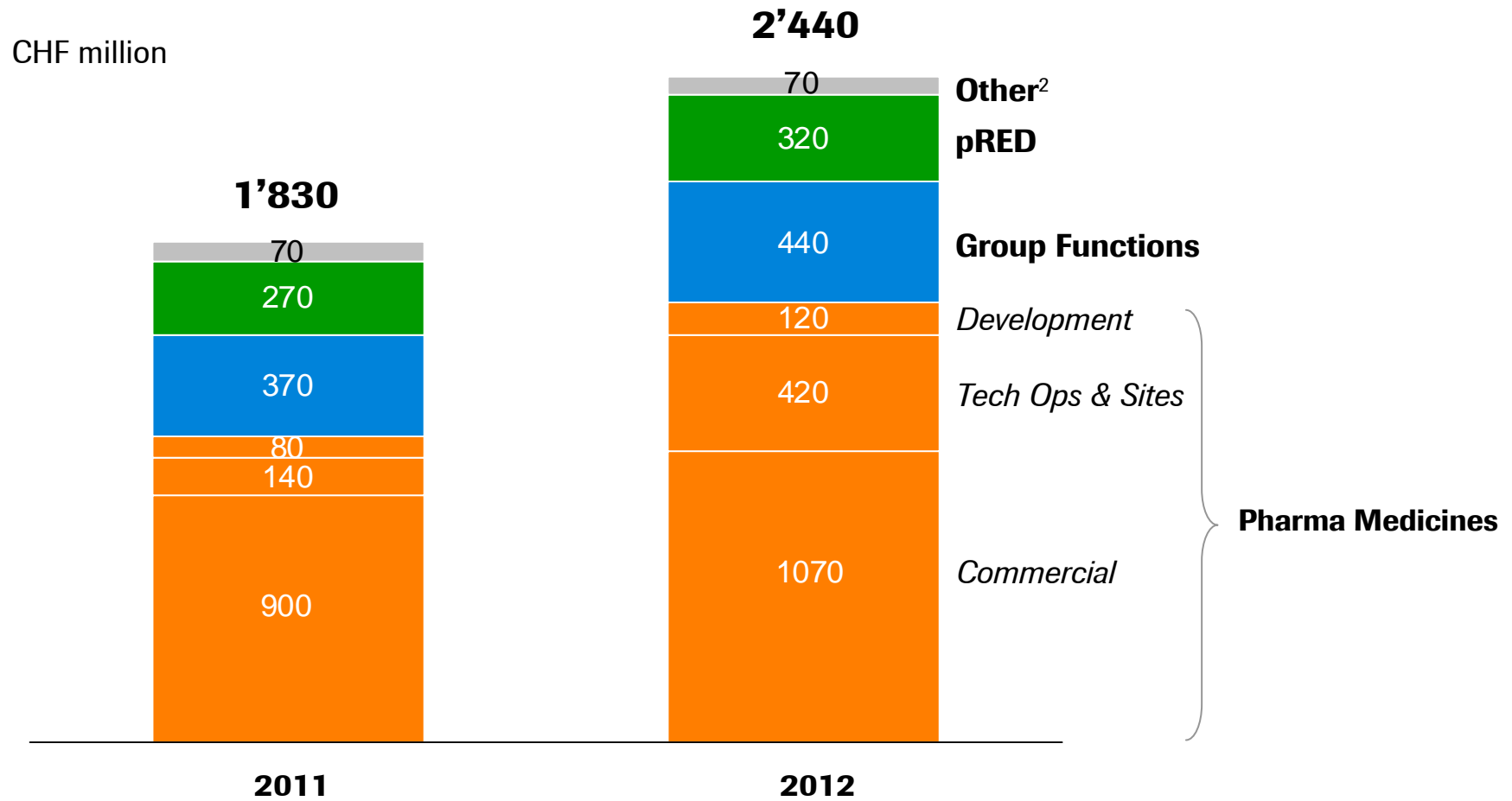


<sup>1</sup> Finance, IT, HR, Communication, Legal

 Strong impact  
 Moderate impact

# Financial impact

*Expected savings of CHF 2.4 billion by 2012<sup>1</sup>*



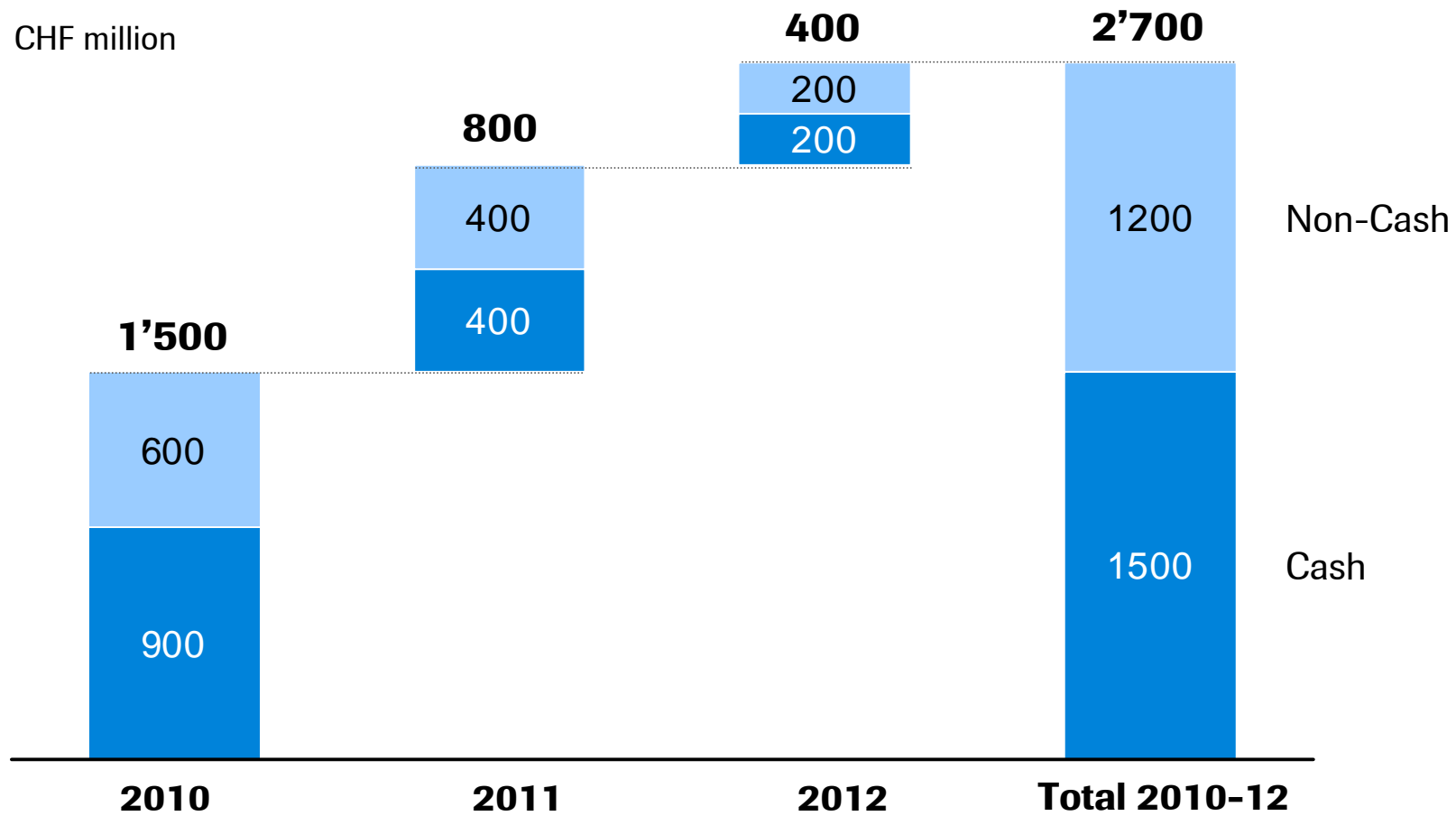
<sup>1</sup> In addition to synergies of CHF 1 billion from the Genentech integration

<sup>2</sup> Pharma Partnering, gRED, Diagnostics sites



# Financial impact

*One-off restructuring costs of about CHF 2.7 billion*



# Impact on product pipeline

## *Protecting innovation capabilities*

### general

- Retain diversity of approaches (gRED, pRED, Pharma Partnering, Diagnostics, Chugai)

### gRED

- Maintain momentum after integration (stable budget 2011)

### pRED

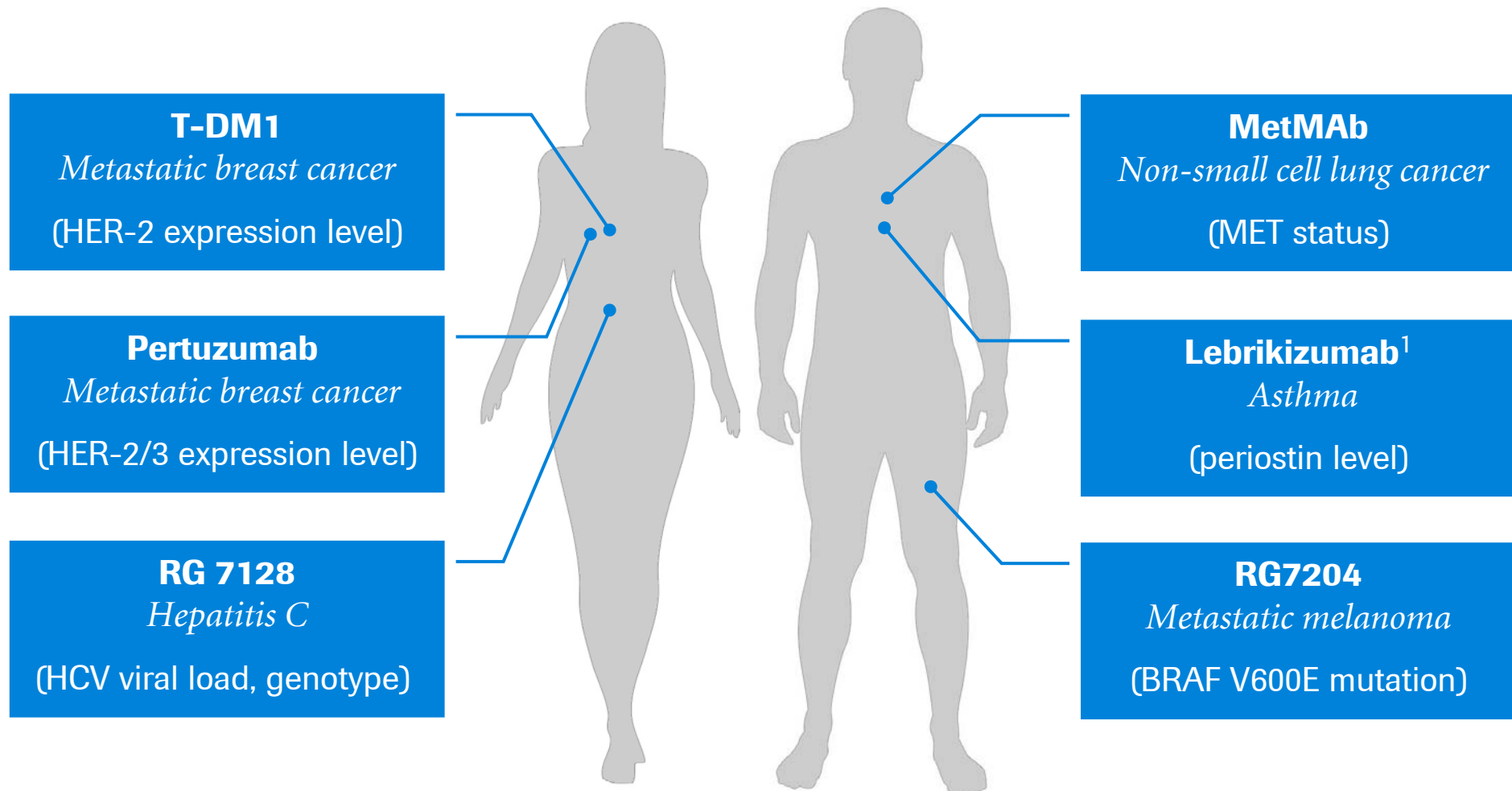
- Implement focused approach, maintain critical mass for core projects and increase flexibility for external partnerships

### development

- Optimize sites and sourcing network to secure funding for key programs

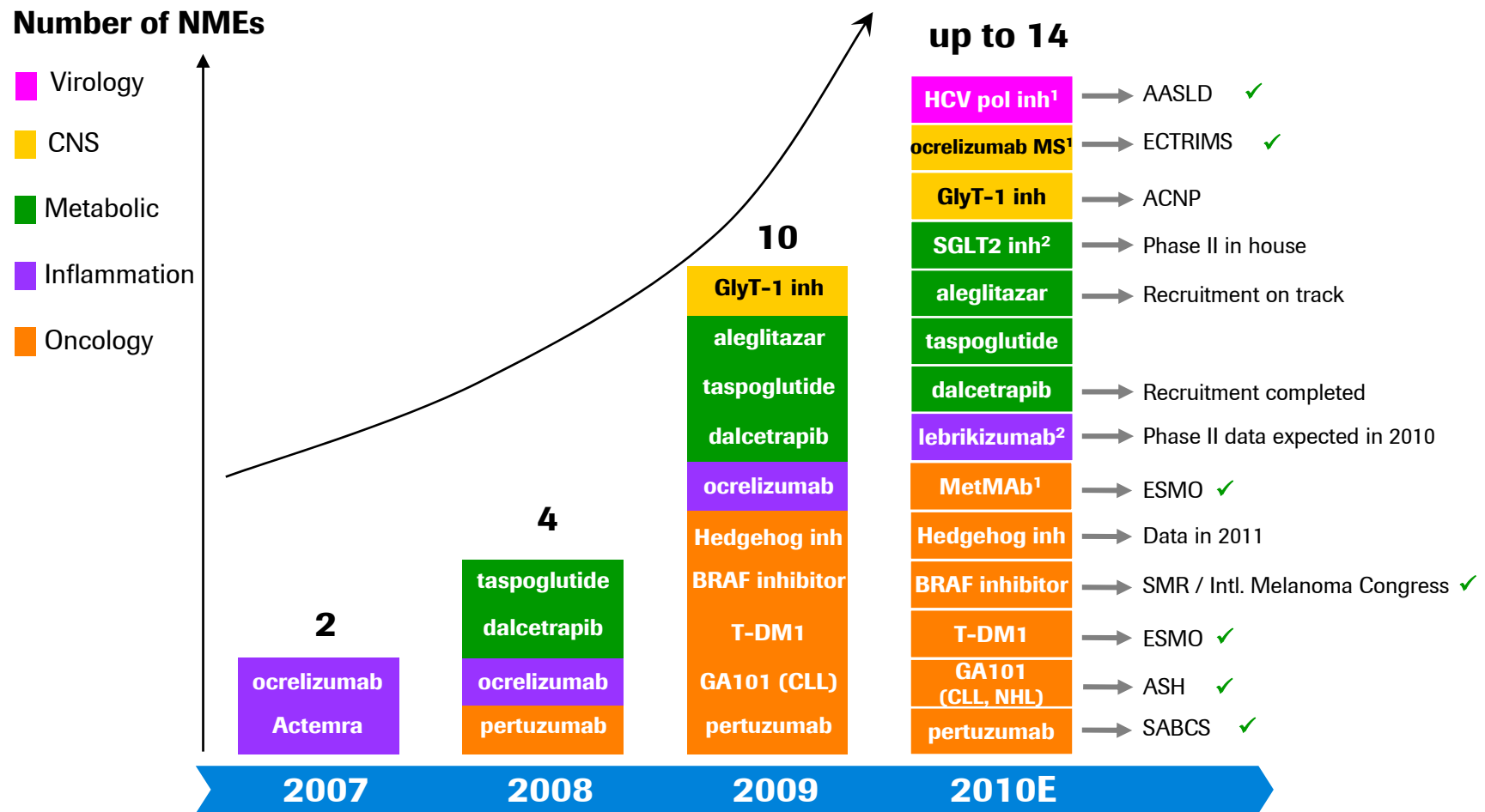
# Impact on product pipeline

## *Progressing Personalized Healthcare*



<sup>1</sup> LIP and phase III decision pending

# 2010: late-stage pipeline progressing well



<sup>1</sup> LIP decision made, phase III pending; <sup>2</sup> LIP and phase III decision pending

# 2011: major clinical news for late-stage NMEs

## *6 Phase III and 7 Phase II*

Compound	Indication	Study
<b>Hedgehog Pathway Inh</b>	advanced BCC	Ph II - Pivotal study
<b>T-DM1</b>	1st line HER2+ mBC	Ph II - final data
<b>GA101</b>	Relapsed indolent NHL	Ph II Head-to-Head with Rituxan
<b>MetMab</b>	NSCLC 2nd / 3rd line	Ph II - final data
<b>Lebrikizumab</b>	asthma	Ph II MILLY
<b>Nucleoside Pol Inh</b>	Hepatitis C	Ph IIb PROPEL
<b>Dalcetrapib</b>	Atherosclerosis CV risk red.	Ph IIb dal-VESSEL; dal-PLAQUE
<b>Lucentis</b>	diabetic macular edema	Ph III RIDE & RISE
<b>Avastin</b>	relapsed ovarian cancer	Ph III OCEANS
<b>BRAF inh</b>	1st line met melanoma	Ph III BRIM3
<b>Pertuzumab + Herceptin</b>	1st line HER2+ mBC	Ph III CLEOPATRA
<b>Avastin + Herceptin</b>	1st line HER2+ BC	Ph III AVEREL
<b>Herceptin</b>	adj HER2+BC sc	Ph III HANNAH

\*TML= treatment through multiple lines; Oncology and CV outcome studies are event driven, timelines may change

## Conclusions

*Roche well positioned for the future*

- Unchanged innovation-driven strategy
- Optimized operational setup driving current business and increasing profitability
- Continued significant investments in industry-leading product pipeline
- Financial Outlook to be updated with Year-End 2010 results

# Outlook for 2010: on track to achieve goals

<b>Sales growth (in LC)</b>	Group & Pharma (excl. Tamiflu): mid single-digit Diagnostics: significantly above market
<b>Synergies</b>	2010: CHF 800 m 2011: CHF 1,000 m
<b>R&amp;D investment</b>	Slightly below 2009 level
<b>Core EPS growth (in LC)</b>	Double-digit
<b>Debt</b>	2010: 33% reduction (revised from 25%) 2015: Aim to return to net cash position
<b>3 yr Dividend outlook</b>	Maintained (as announced in 2008)*

Barring unforeseen events;

**Total Tamiflu sales of up to CHF 1 bn assumed for 2010;** LC=Local Currency

\* Continuous increase in dividend pay-out ratio over the period 2008-2010



*We Innovate Healthcare*



## **Biosimilar draft guidelines in Europe**

*Similarity on safety is of utmost importance*

- Reassurance on clinical safety prior to approval
  - Also for MAbs specific toxicities (i.e. cardiotoxicity)
- Large post-approval safety studies
  - For all claimed indications and to detect rare and serious events (PML)
- Biosimilars to have their own brand names – no automatic substitution