Roche

Severin Schwan
Chief Executive Officer
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6. increased government pricing pressures;
7. interruptions in production;
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A position of strength

Operational Excellence – adapting to a changing environment
Solid sales growth in first nine months

<table>
<thead>
<tr>
<th>CHF bn</th>
<th>YTD Sept 2009</th>
<th>YTD Sept 2010</th>
<th>change in %</th>
<th>Excluding Tamiflu*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceuticals Division</td>
<td>29.0</td>
<td>28.4</td>
<td>-2</td>
<td>+1</td>
</tr>
<tr>
<td>Diagnostics Division</td>
<td>7.4</td>
<td>7.7</td>
<td>+5</td>
<td>+8</td>
</tr>
<tr>
<td>Roche Group</td>
<td>36.4</td>
<td>36.1</td>
<td>-1</td>
<td>+2</td>
</tr>
</tbody>
</table>

*in local currency
Continuous growth in sales and margin

Group sales (CHF bn)

Operating profit\(^1\) (CHF bn) and margin

CAGR: 11%

\(^1\) before exceptional items
Key Pharmaceuticals & Diagnostics products
A risk-diversified portfolio of drugs and BUs

- Avastin
- MabThera/Rituxan
- Herceptin
- Diabetes Care
- Pegasys
- Immunochemistry
- CellCept
- NeoRecormon
- Tarceva
- Clinical Chemistry
- Xeloda
- Lucentis
- Molecular Dx
- Boniva/Bonviva

2 with > than CHF 6 bn
1 with > than CHF 5 bn
11 with > than CHF 1 bn

* Sales 2009
Roche in Emerging Markets
Gaining in significance

**United States**

35% Group sales
38% Pharma sales, +4%*
23% Dia sales, +5%

**Western Europe**

29% Group sales
26% Pharma sales, +3%*
41% Dia sales, +4%

**International**

27% sales Group
25% Pharma sales, +11%*
31% Dia sales, +17%

**Japan**

9% sales Group
11% Pharma sales, +2%*
5% Dia sales, +7%

YTD Sept 2010: All growth in local currencies; *Excluding Tamiflu
Roche in Emerging Markets
Oncology leading the trend

International region as % of Oncology sales

Herceptin

MabThera/Rituxan

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% 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 primary patent protection of our key biologics

<table>
<thead>
<tr>
<th>Patents</th>
<th>US</th>
<th>EU/ROW/EM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avastin</td>
<td>2019</td>
<td>similar</td>
</tr>
<tr>
<td>Lucentis</td>
<td>2019</td>
<td>marketed by Novartis</td>
</tr>
<tr>
<td>Rituxan/MabThera</td>
<td>2018</td>
<td>earlier</td>
</tr>
<tr>
<td>Herceptin</td>
<td>2019</td>
<td>earlier</td>
</tr>
<tr>
<td>Pegasys</td>
<td>2018</td>
<td>similar</td>
</tr>
</tbody>
</table>

## 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

Operational Excellence – adapting to a changing environment
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

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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**

<table>
<thead>
<tr>
<th>Group Functions¹</th>
<th>Pharma Medicines</th>
<th>gRED</th>
<th>pRED</th>
<th>Pharma Partnering</th>
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</thead>
<tbody>
<tr>
<td>Research &amp; Early Dev.</td>
<td>![Shaded Box]</td>
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<td>![Shaded Box]</td>
<td>![Shaded Box]</td>
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<tr>
<td>Tech Ops / Sites</td>
<td>![Shaded Box]</td>
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<tr>
<td>Commercial - US/EU</td>
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<tr>
<td>Commercial - ROW</td>
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<td>![Shaded Box]</td>
<td>![Shaded Box]</td>
</tr>
<tr>
<td>G&amp;A/Procurement</td>
<td>![Shaded Box]</td>
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</tbody>
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¹ Finance, IT, HR, Communication, Legal
Financial impact

Expected savings of CHF 2.4 billion by 2012

1 In addition to synergies of CHF 1 billion from the Genentech integration

2 Pharma Partnering, gRED, Diagnostics sites
Financial impact

One-off restructuring costs of about CHF 2.7 billion

CHF million

- Total 2010-12: 2,700
  - Cash: 1,500
    - 2010: 900
    - 2011: 400
    - 2012: 200
  - Non-Cash: 1,200
    - 2010: 600
    - 2011: 800
    - 2012: 400
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

**T-DM1**
*Metastatic breast cancer*
(HER-2 expression level)

**Pertuzumab**
*Metastatic breast cancer*
(HER-2/3 expression level)

**RG 7128**
*Hepatitis C*
(HCV viral load, genotype)

**MetMAb**
*Non-small cell lung cancer*
(MET status)

**Lebrikizumab**
*Asthma*
(periostin level)

**RG 7204**
*Metastatic melanoma*
(BRAF V600E mutation)

1 LIP and phase III decision pending
2010: late-stage pipeline progressing well

Number of NMEs
- Virology
- CNS
- Metabolic
- Inflammation
- Oncology

up to 14
- HCV pol inh
- ocrelizumab MS
- GlyT-1 inh
- SGLT2 inh
- aleglitazar
- tasogludite
- dalcetrapib
- lebrikizumab
- MetMAb
- T-DM1
- GA101 (CLL, NHL)
- pertuzumab

2007 2008 2009 2010E
- 2008: late-stage pipeline progressing well

1 LIP decision made, phase III pending; 2 LIP and phase III decision pending
### 2011: major clinical news for late-stage NMEs
#### 6 Phase III and 7 Phase II

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

*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

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

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 upmost 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