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# **Roche: Committed to innovation and profitable growth**

***Dr. Alan Hippe, CFO Roche***

***May 2012***

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:

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- 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.

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## **A good start into the year**

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**Strong fundamentals**

**Sustainable strategy**

# Q1 2012: Highlights

## *Sales*

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- Group and Pharma: +2%<sup>1</sup> (+3%<sup>1</sup> excluding Tamiflu)
- Diagnostics: +4%<sup>1</sup>
- Negative currency impact (-3%p)

## *2 Approvals of New Molecular Entities*

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- Erivedge in advanced basal cell carcinoma – approved in US
- Zelboraf in metastatic melanoma – approved in EU

## *5 positive late-stage trials and regulatory filings*

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- Avastin in metastatic colorectal cancer: treatment through multiple lines (TML)
- T-DM1 in HER2+ metastatic breast cancer (EMILIA)
- Herceptin subcutaneous in HER2+ breast cancer (HANNAH)-filed in EU
- Actemra in polyarticular-course juvenile idiopathic arthritis (CHERISH)
- Actemra in rheumatoid arthritis (ADACTA)

<sup>1</sup> at Constant Exchange Rates

# Q1 2012: Group sales

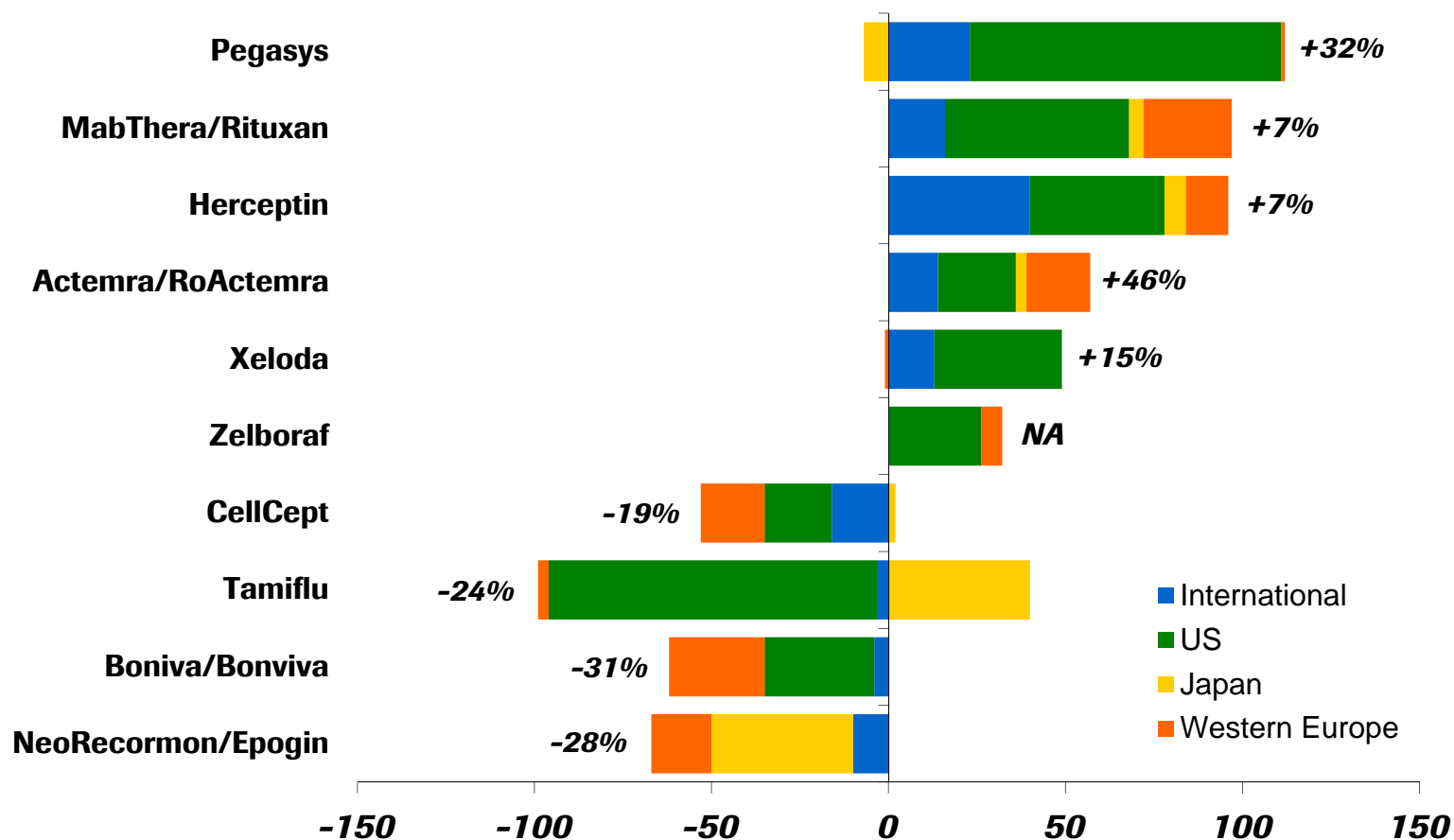
*On track to meet full-year guidance*

	2012 CHF m	2011 CHF m	change in % CHF	change in % CER
<b>Pharmaceuticals Division</b>	<b>8,624</b>	8,712	<b>-1</b>	<b>2</b>
<b>Diagnostics Division</b>	<b>2,403</b>	2,408	<b>0</b>	<b>4</b>
<b>Roche Group</b>	<b>11,027</b>	11,120	<b>-1</b>	<b>2</b>

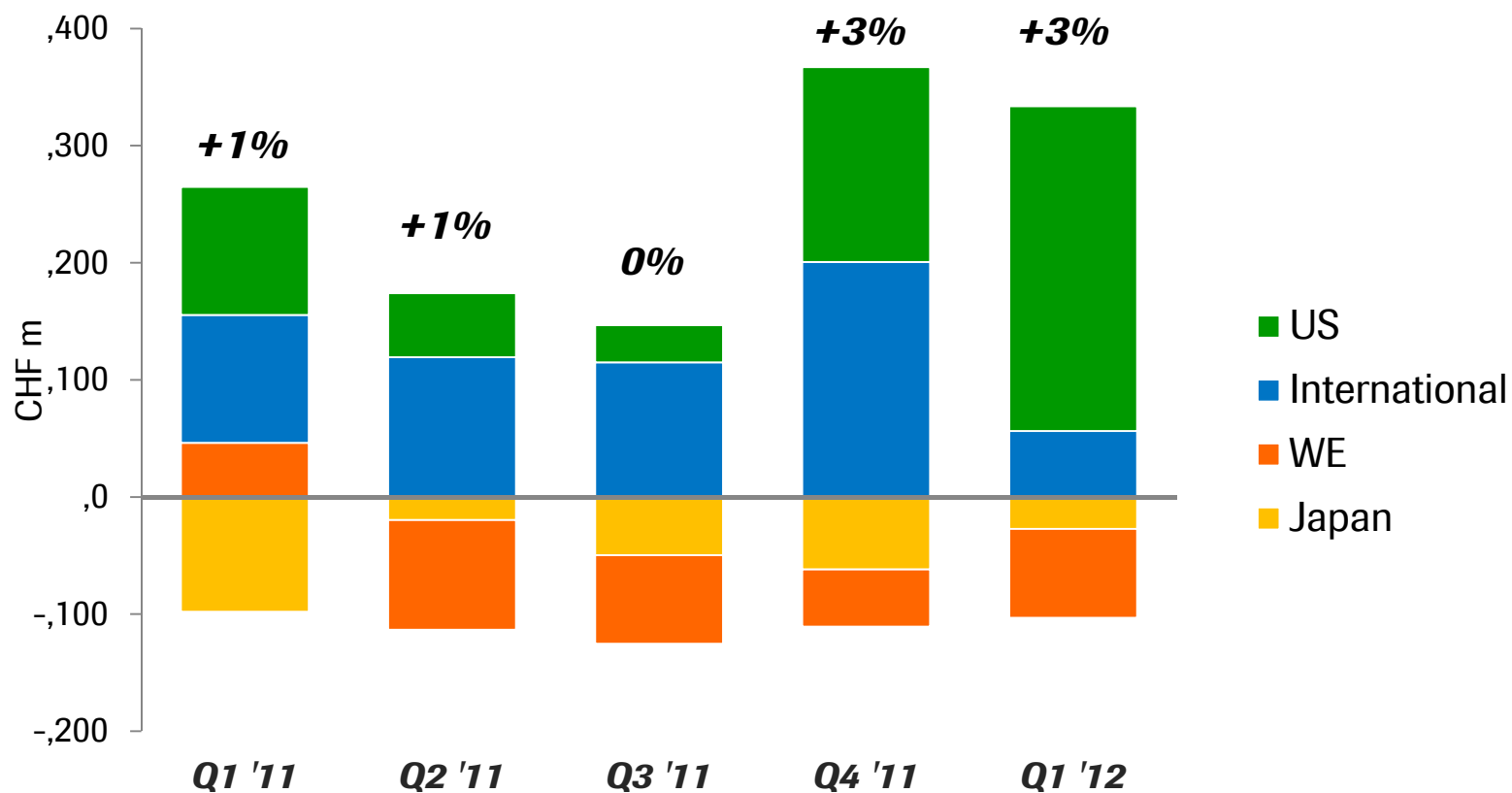
<sup>1</sup> CER=Constant Exchange Rates

# Q1 2012: Pharma sales drivers

## *Oncology and Pegasys main growth drivers*



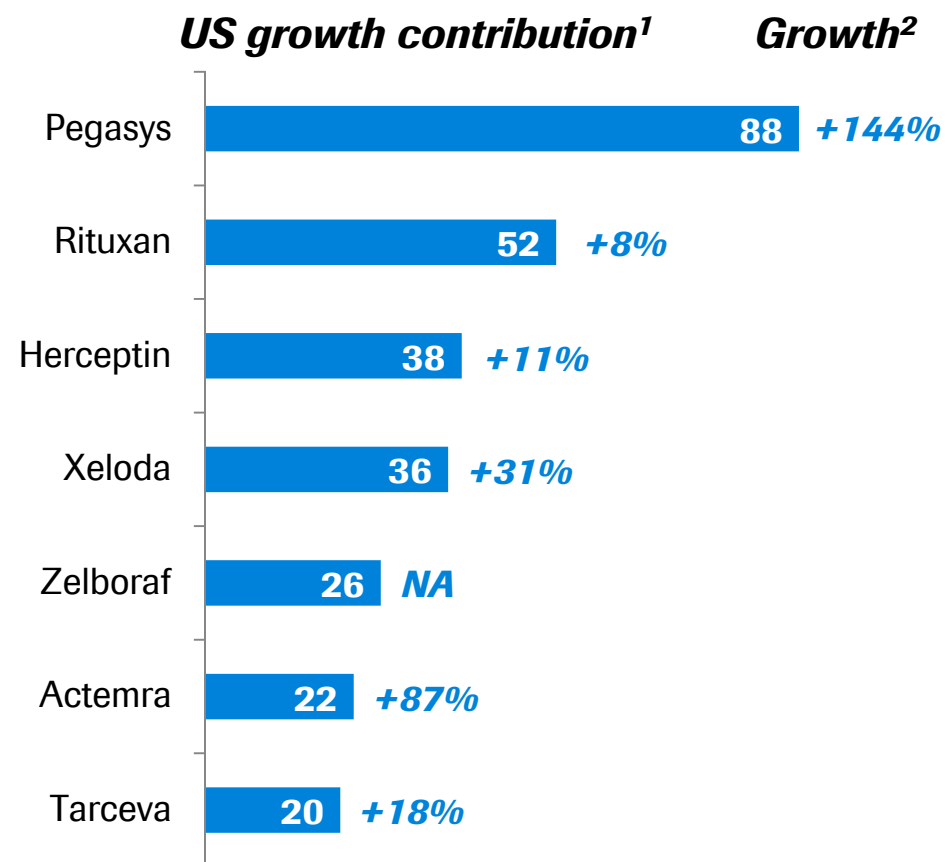
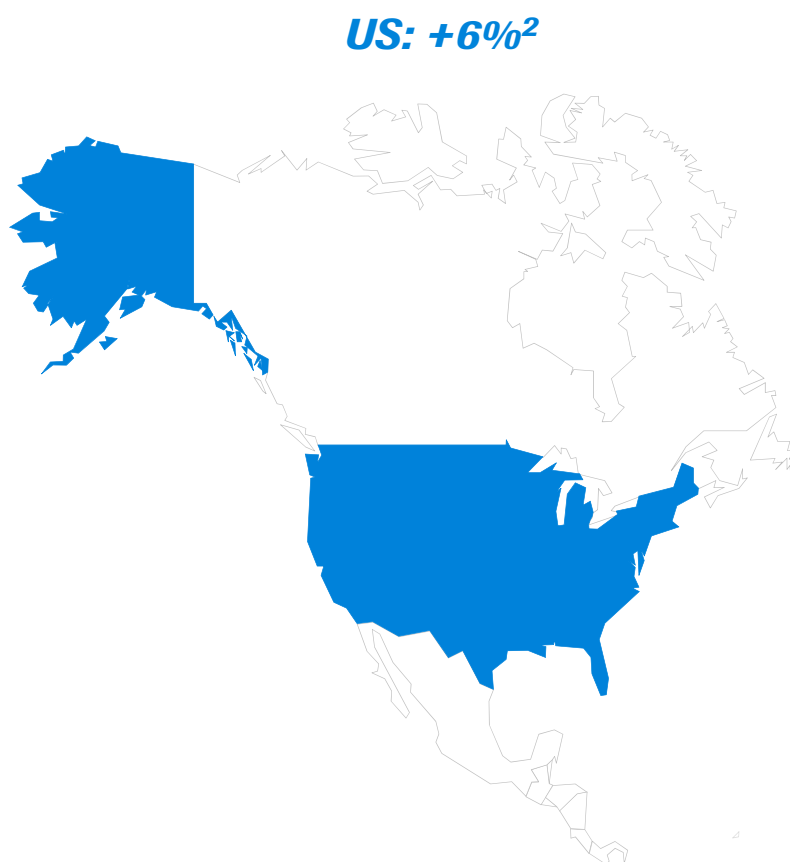
# Pharma quarterly growth (excluding Tamiflu)



Absolute amounts in CHF m at Constant Exchange Rates (CER) average 2011; all YOY growth rates at CER

# Q1 2012: US back to strong growth

## *Driven by Oncology and Pegasys*

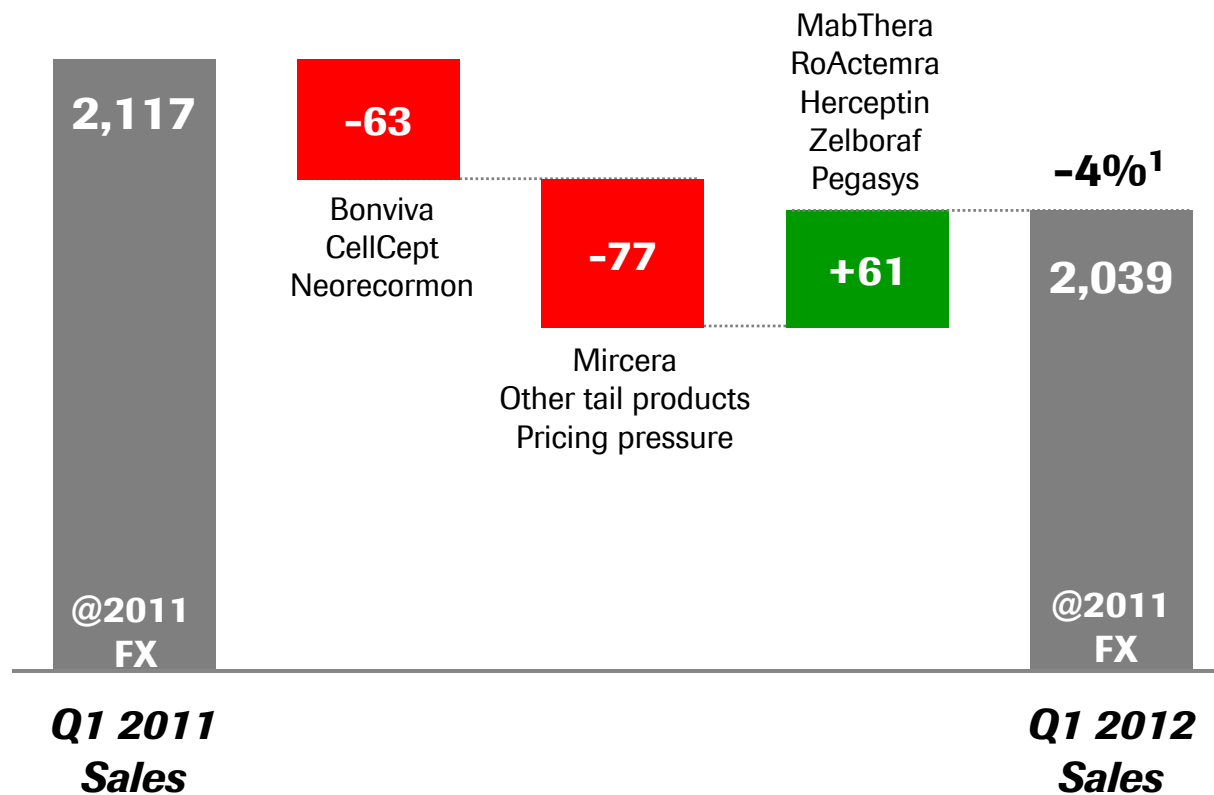


<sup>1</sup> CHF m at average 2011 exchange rates; <sup>2</sup>CER=Constant Exchange Rates



# Q1 2012: Western Europe

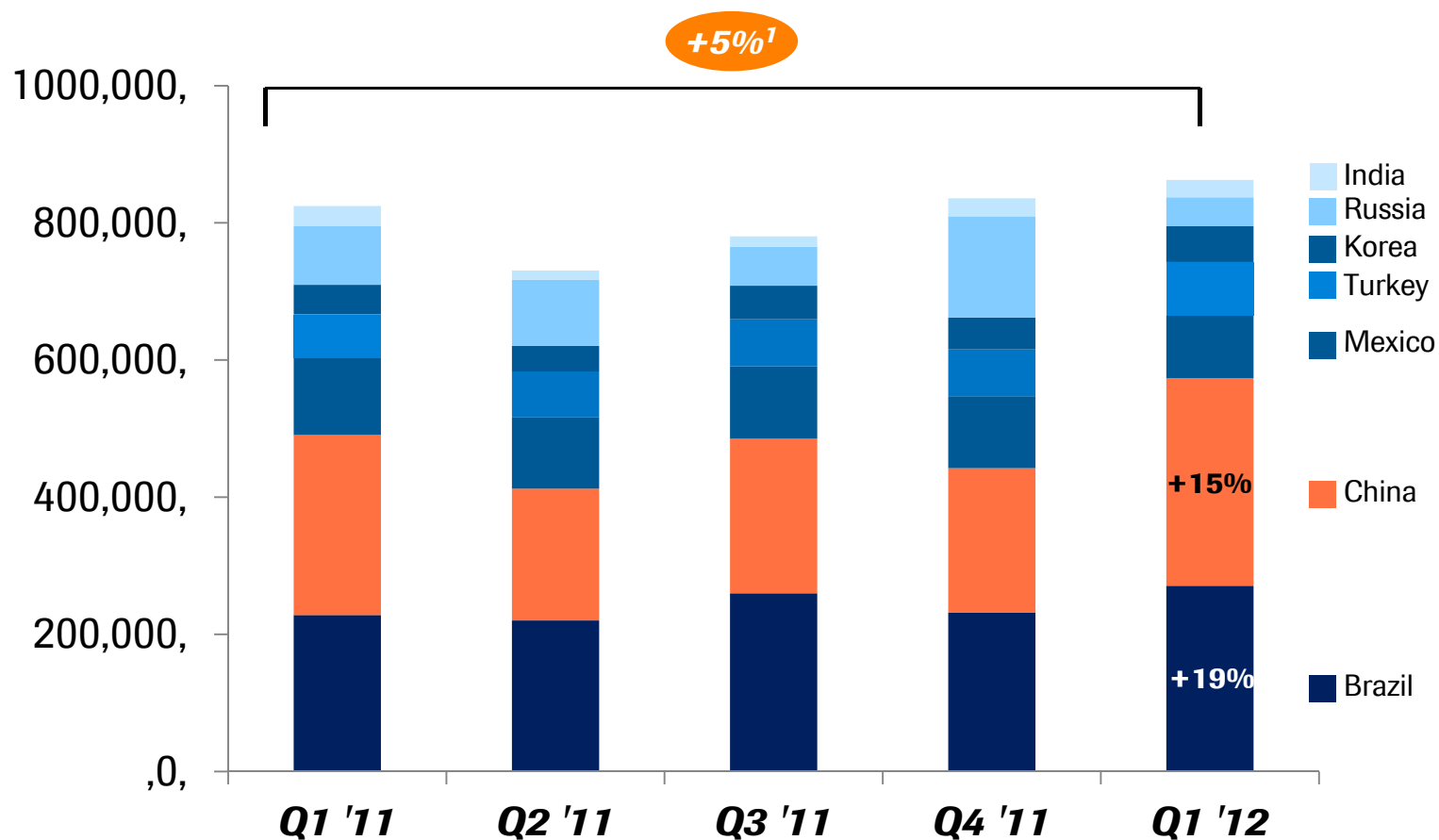
## *Significant impact of genericized products*



<sup>1</sup> CER=Constant Exchange Rates

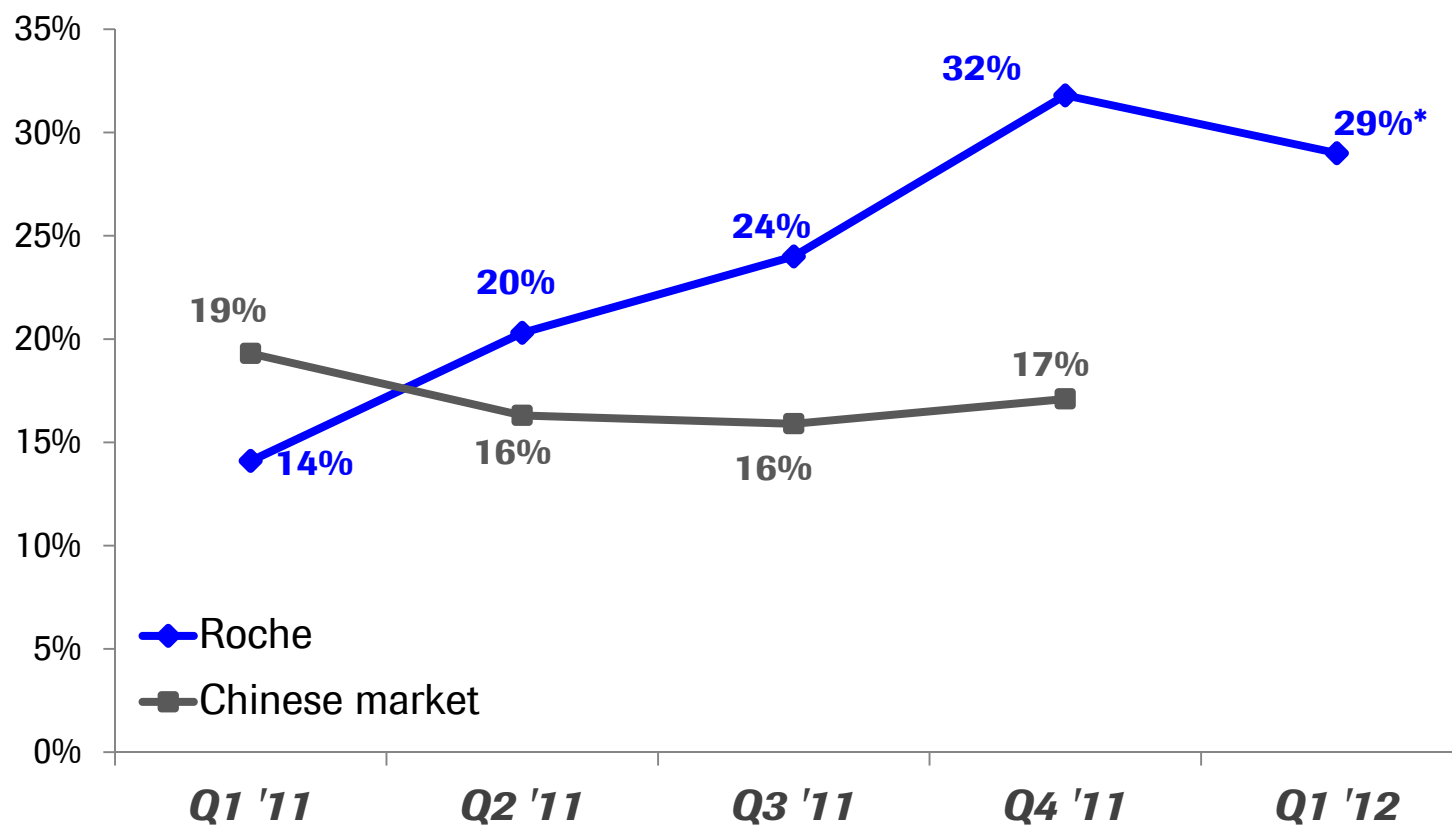
# E7 countries: solid growth despite strong base

## *One-off effects in Q1 in China and Russia*



<sup>1</sup> CER=Constant Exchange Rates; absolute values in CHF m at average 2011 exchange rates

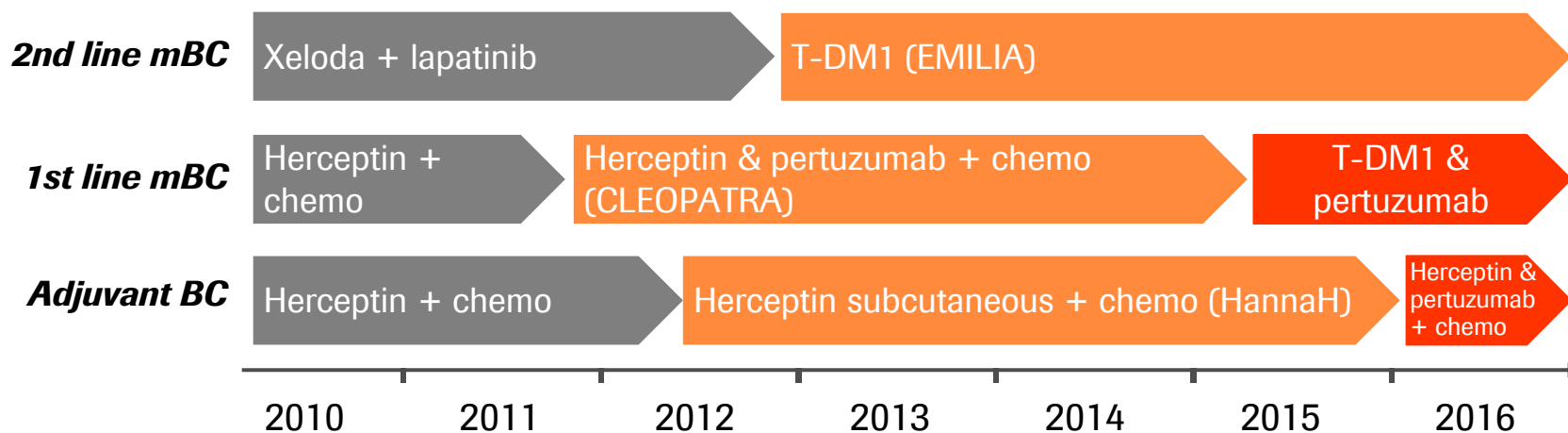
# China: Roche outgrowing the market



Source: IMS Hospital Audits, January 2012; \* Roche estimate for Q1 in-market sales in China

# Securing growth for HER2 franchise

## *HannaH and EMILIA advancing the standard of care*



Established standard of care
  Potential new standard of care
  Future standard of care

# Q2 2012: Clinical data to be presented at upcoming meetings

<b>EASL</b> <i>Barcelona, April 18-22</i>	<b>ASCO</b> <i>Chicago, June 1-5</i>	<b>EULAR</b> <i>Berlin, June 6-9</i>
<p><b><i>danoprevir+mericitabine</i></b></p> <ul style="list-style-type: none"> <li>• INFORM-SVR (pHII, interferon-free combination) treatment-naive and interferon intolerant chronic HepC G1</li> </ul>	<p><b><i>T-DM1</i></b></p> <ul style="list-style-type: none"> <li>• EMILIA (submitted) pretreated HER2+ mBC</li> <li>• PhII safety study in HER2+ eBC</li> </ul>	<p><b><i>Actemra</i></b></p> <ul style="list-style-type: none"> <li>• ADACTA (submitted) Head-to-Head vs. Humira</li> </ul>
<p><b><i>danoprevir</i></b></p> <ul style="list-style-type: none"> <li>• DAUPHINE (pHII) treatment-naive chronic HepC</li> </ul>	<p><b><i>Avastin</i></b></p> <ul style="list-style-type: none"> <li>• TML treatment through multiple lines in mCRC</li> <li>• AURELIA platinum resistant ovarian cancer</li> </ul>	
<p><b><i>mericitabine</i></b></p> <ul style="list-style-type: none"> <li>• PROPEL, JUMP-C (pHII) treatment-naive and failure chronic HepC G1/4</li> </ul>		

**A good start into the year**

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**Strong fundamentals**

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**Sustainable strategy**

# 2011: Group performance

## *Core EPS growth +11%<sup>1</sup>*

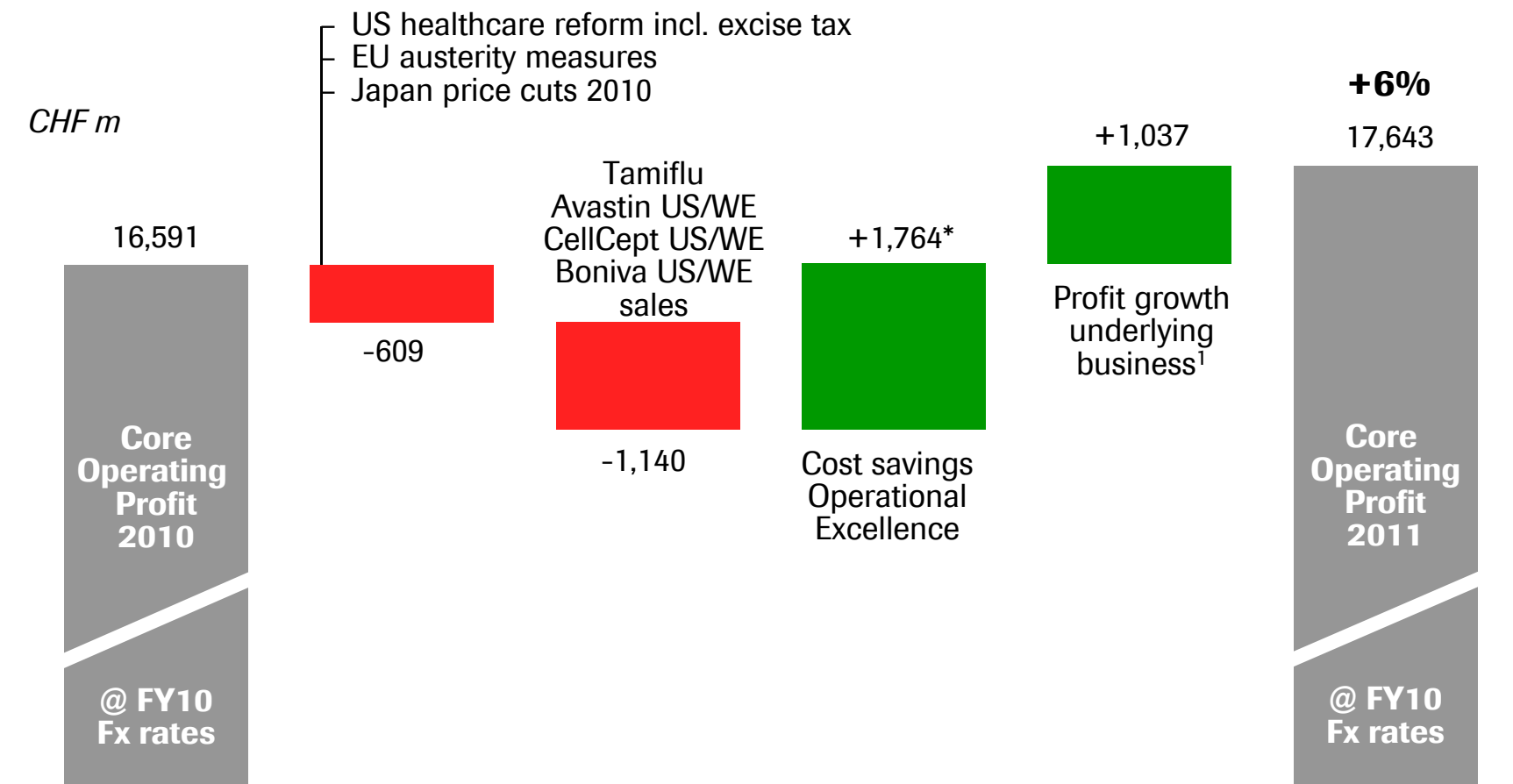
CHF m

	2010	2011	% Change	
			CHF	CER
<b>Sales</b>	<b>47,473</b>	<b>42,531</b>	<b>-10</b>	<b>+1</b>
<b>Core operating profit</b> <i>as % of sales</i>	<b>16,591</b> 34.9	<b>15,149</b> 35.6	<b>-9</b>	<b>+6</b>
<b>Core net financial income</b> <i>Core tax rate in %</i>	<b>-2,272</b> 21.9	<b>-1,581</b> 21.3	<b>-30</b> -0.6 p	<b>-19</b>
<b>Core net income</b> <i>as % of sales</i>	<b>11,181</b> 23.6	<b>10,685</b> 25.1	<b>-4</b>	<b>+11</b>
Attributable to Roche shareholders	10,955	10,470	-4	+11
<b>Core EPS (CHF)</b>	<b>12.78</b>	<b>12.30</b>	<b>-4</b>	<b>+11</b>
<b>Operating free cash flow</b> <i>% of sales</i>	<b>14,149</b> 29.8	<b>13,733</b> 32.3	<b>-3</b> <b>+2.5 p</b>	<b>+14</b>
<b>Free cash flow</b> <i>% of sales</i>	<b>4,699</b> 9.9	<b>3,904</b> 9.2	<b>-17</b> -0.7 p	<b>+21</b>

<sup>1</sup> CER = Constant Exchange Rates

# 2011: Core operating profit development

## *Profit growth driven by productivity improvements*



\* corresponds to CHF 1,836 m at exchange rates at the time of Operational Excellence announcement;

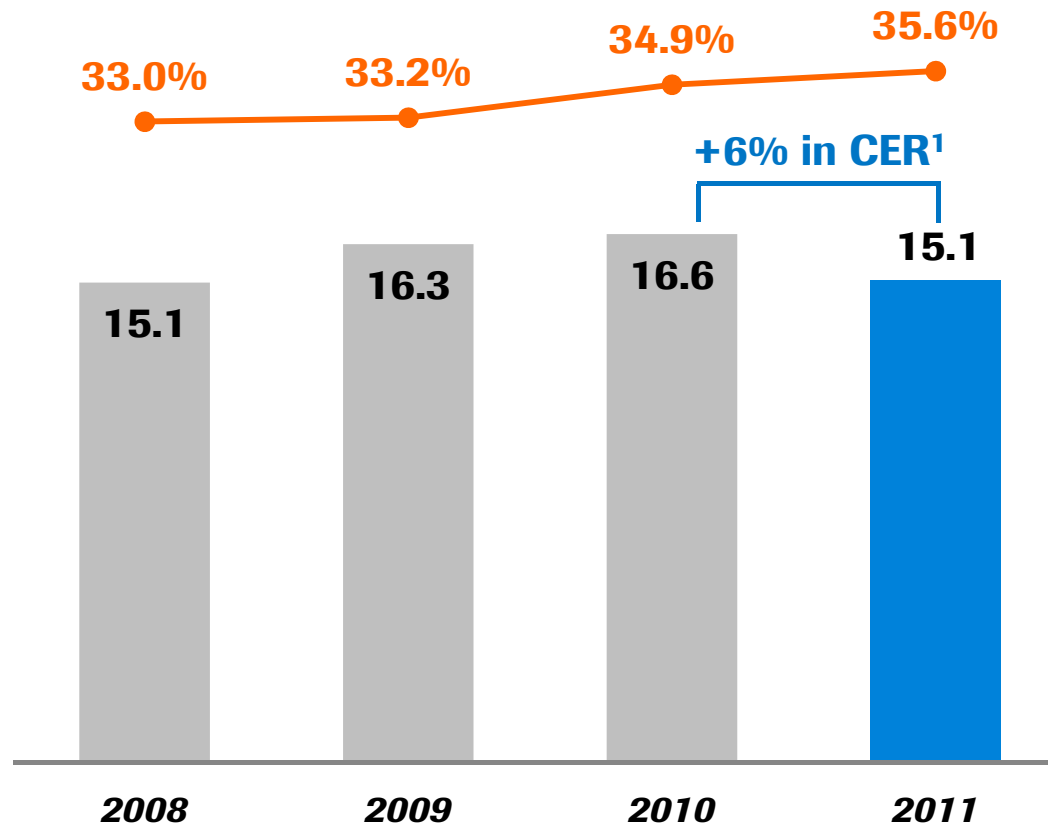
<sup>1</sup> including Genentech integration synergies



# Continuous growth in operating profit and margin



Group core operating profit (CHF bn) and margin

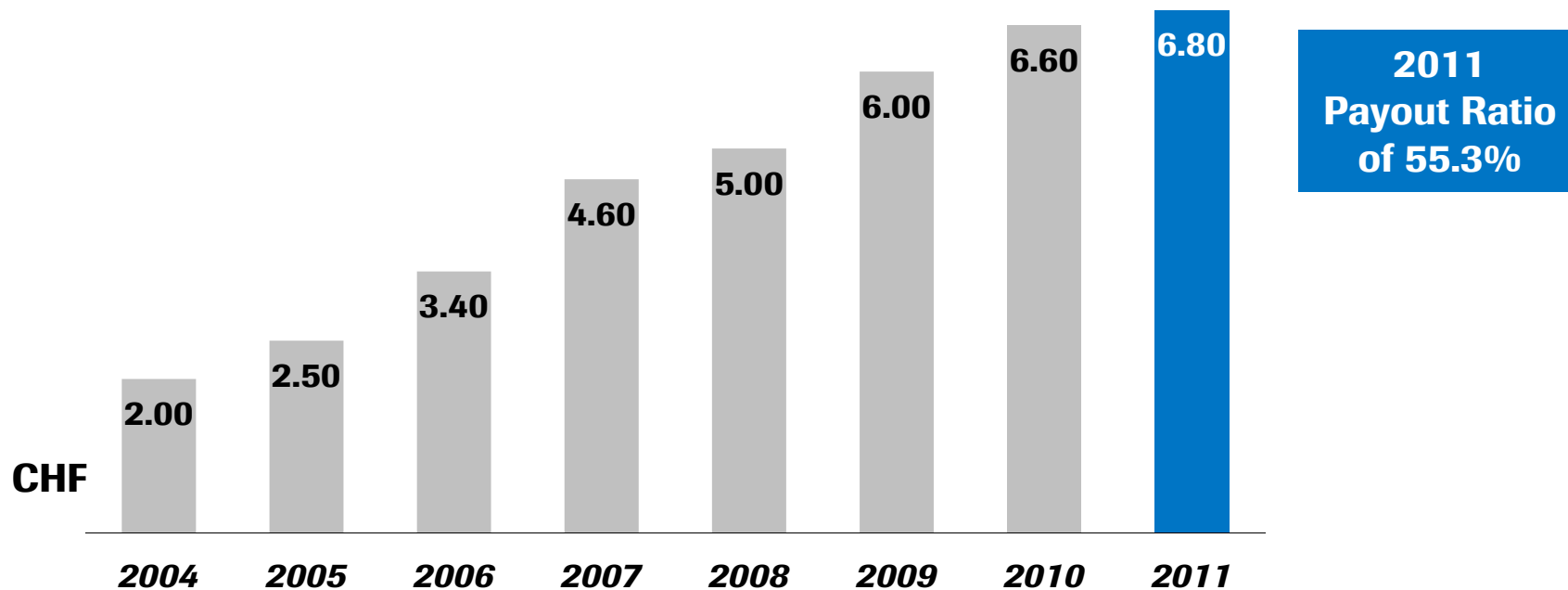


<sup>1</sup> CER = constant exchange rates

# Continuous increase in dividends and pay-out ratio



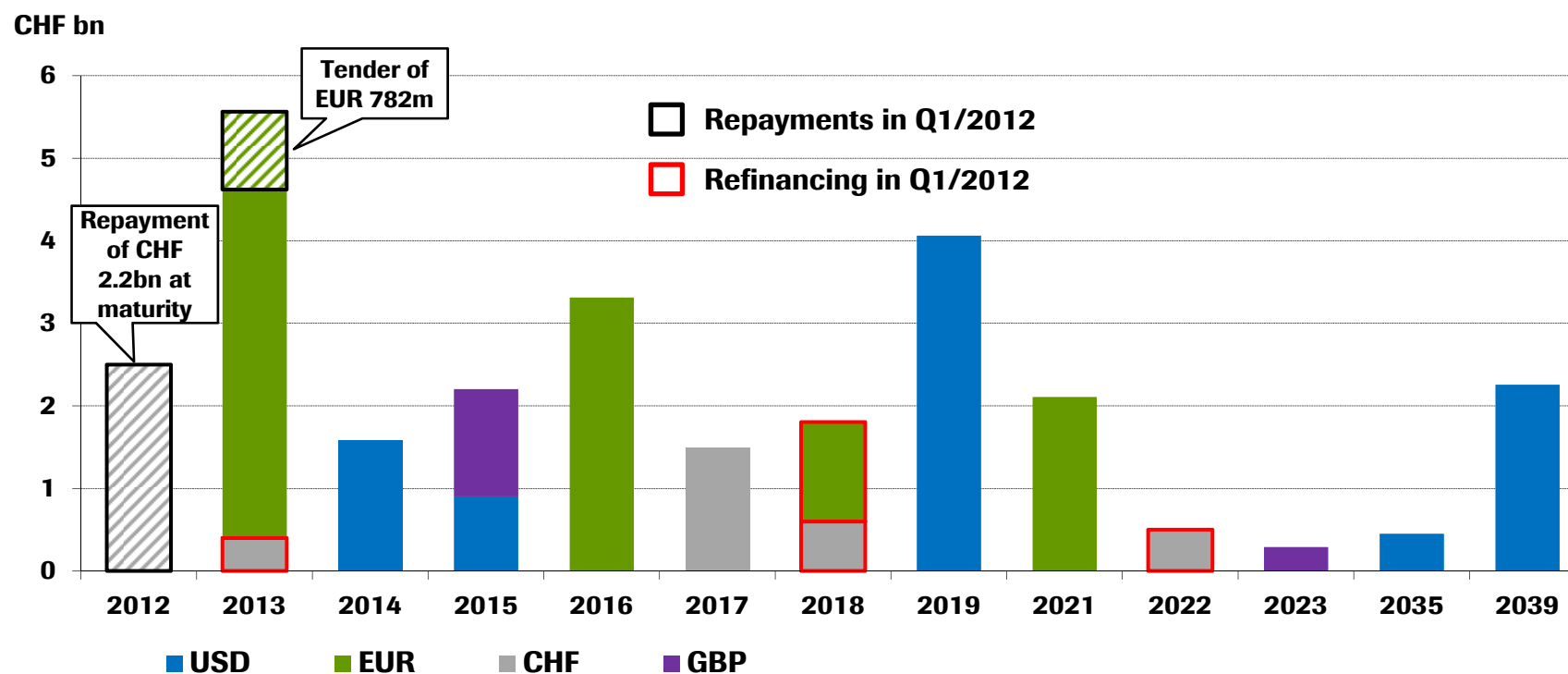
Average yearly dividend growth  
(2004-2011): 19%



Pay-out ratio calculated as dividend per share divided by core earnings per share (diluted); 2011 as proposed by the Board of Directors

# Debt maturity profile

## *Q1 2012 Evolution*



**Of the CHF 48.2bn bonds and notes issued to finance the Genentech transaction, cumulative 23.6bn (49%) have been repaid as of 31 Mar 2012 \***

**A good start into the year**

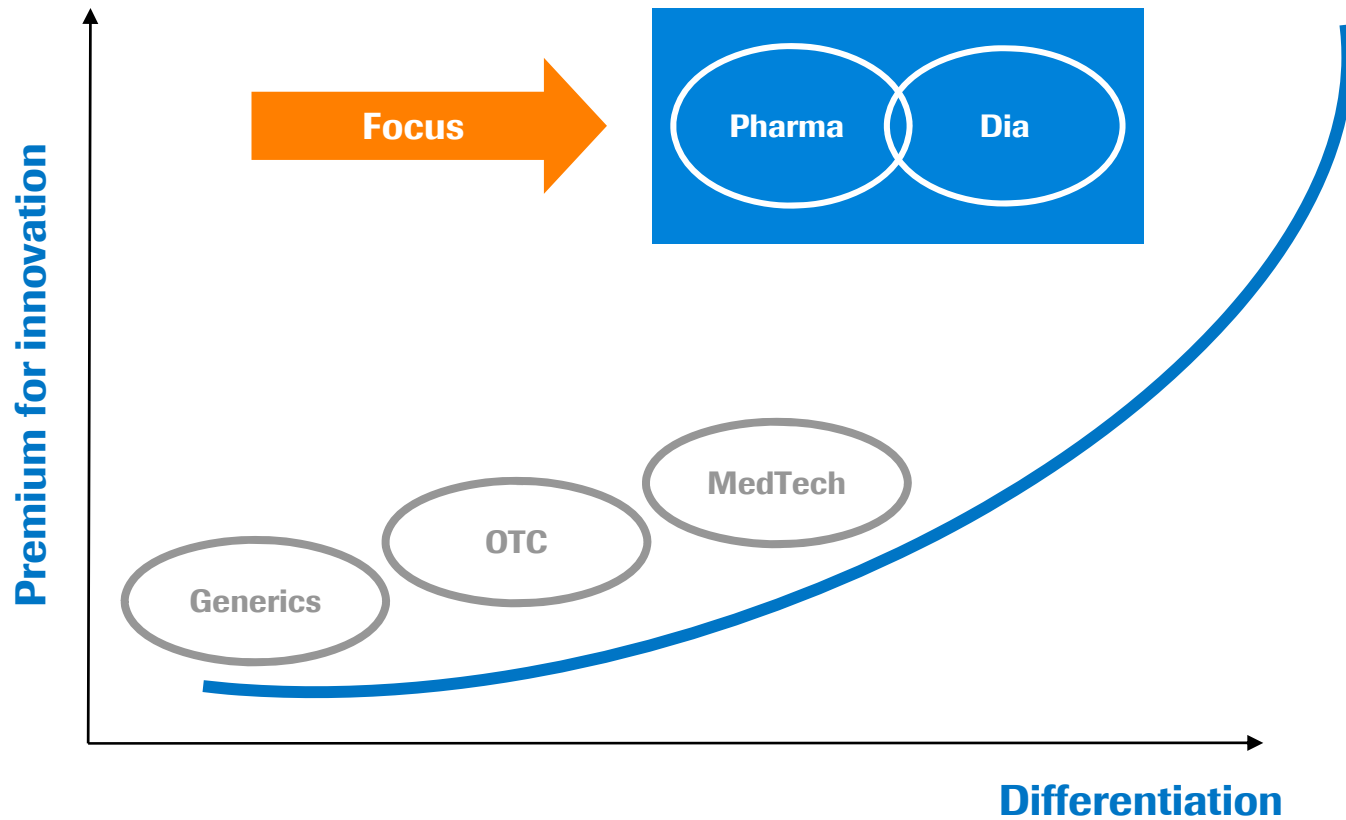
**Strong fundamentals**

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**Sustainable strategy**

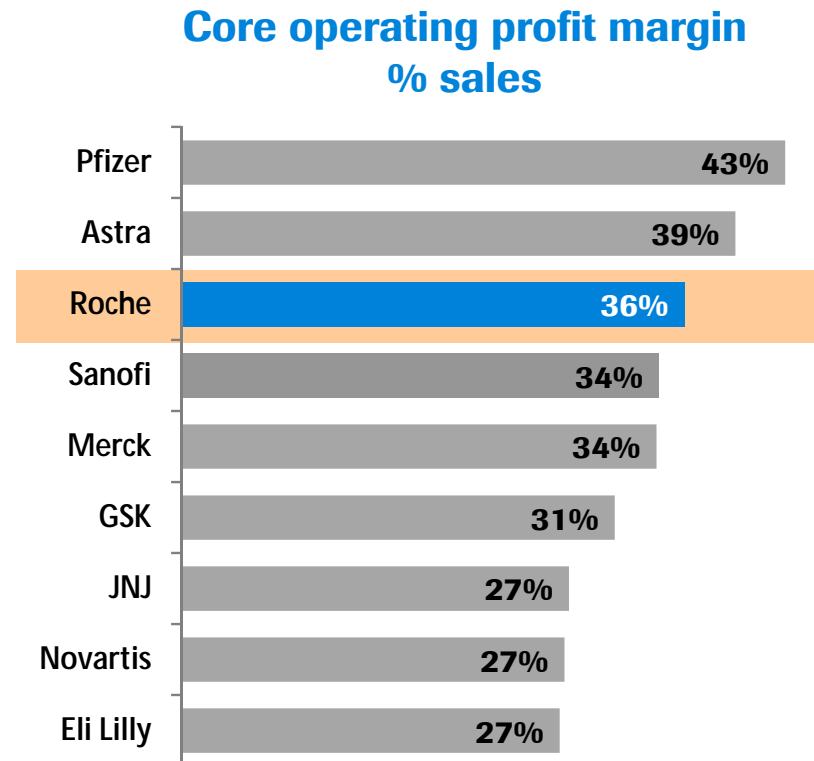
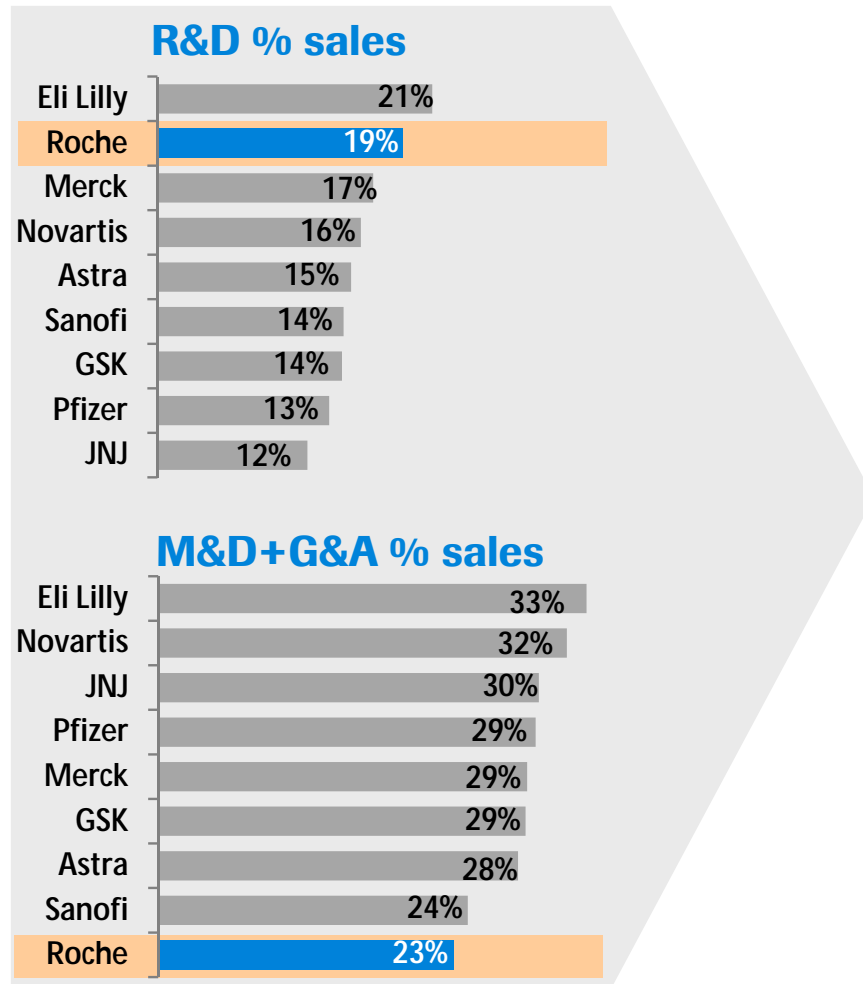
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# Roche: Focused on medically differentiated therapies



# P&L structure reflecting innovation based strategy

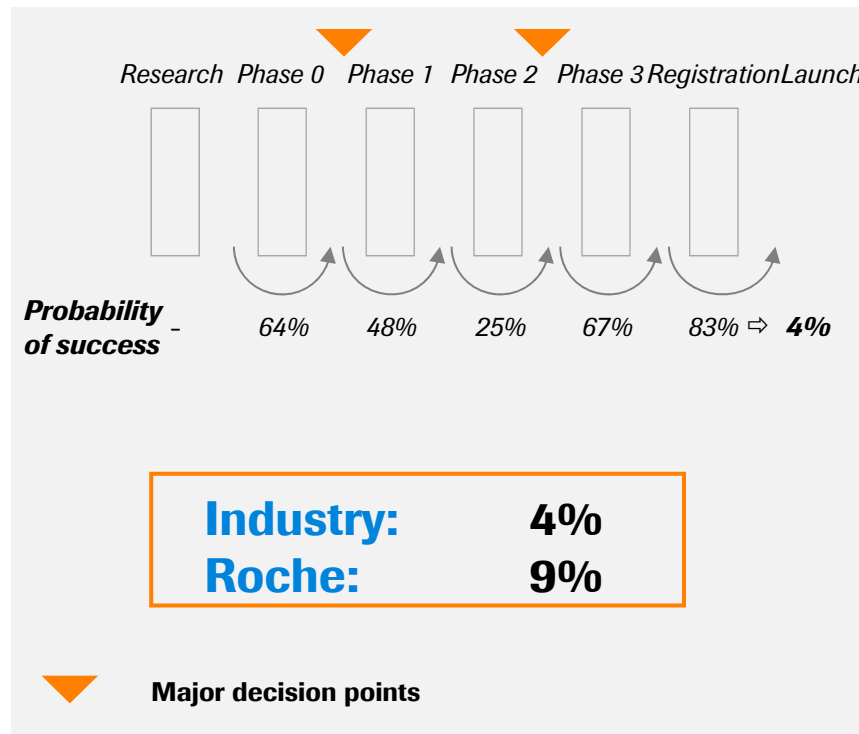
## *Peer group core operating profit margin 2011*



# R&D productivity

## *Excellence in science key lever to reduce attrition*

### Industry success rate 2005-2009

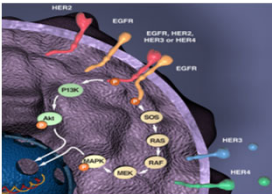


- Understanding of **disease biology**
- Leveraging **Personalized Healthcare** - stratify patient population early on
- **Rigorous decision making** - transition only most promising projects

# Personalised Healthcare is a reality today

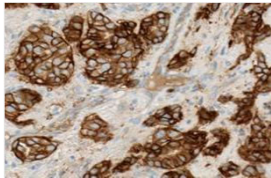
## *Significant progress in 2011*

**APPROVED**



Zelboraf  
Metastatic Melanoma  
BRAF V600E Mutation

**FILED**



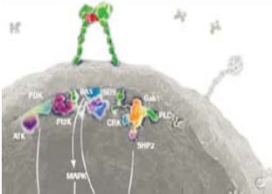
Pertuzumab  
Metastatic Breast Cancer  
HER2 expression level

**TO FILE IN 2012**



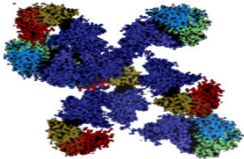
T-DM1  
Metastatic Breast Cancer  
HER2 expression level

**Ph III**



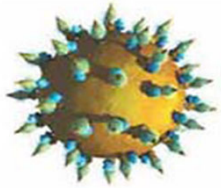
MetMab  
NSCLC  
Met Status

**Ph III**



Lebrikizumab  
Severe uncontrolled asthma  
Periostin level

**Ph III decision in 2012**

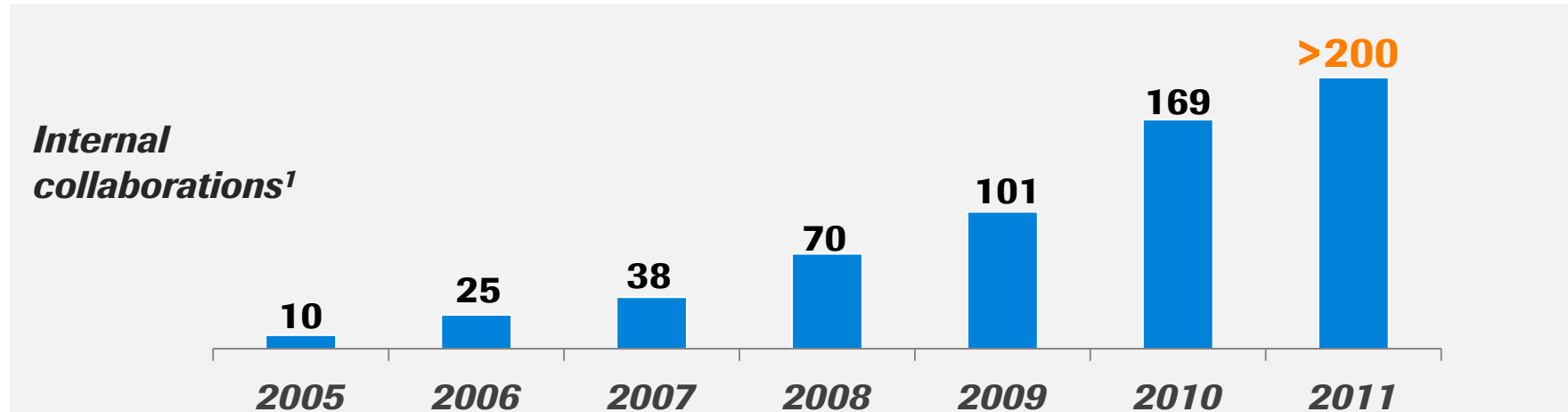


Mericitabine and danoprevir  
Hepatitis C  
HCV viral load, genotype



# Roche Diagnostics commitment to PHC

## *Preferred Partner for Companion Diagnostics (CDx)*



**External collaborations<sup>1</sup>**

- **Personalized Healthcare collaborations with more than 30 pharma and biotech companies**
- **Tissue Diagnostics signs 4 new partnerships**
  - Pfizer (Crizotinib – ALK IHC)
  - Syndax (Entinostat- E-cadherin)
  - Aeterna Zentaris (AEZS 108 – LHRH)
  - Bayer (antibody-drug conjugate)

<sup>1</sup> Including R&D collaborations and CDx projects

# Roche strategy for post-patent biologics marketplace

*Actively pursuing multiple strategies*



<b>Innovate</b>	<b>Re-define the standard of care</b> Mode of administration, combination therapies and new drugs
<b>Protect</b>	<b>Protect high standards</b> <b>Enforce efficacy and safety standards, defend intellectual property</b>
<b>Expand</b>	<b>Act to expand patient access in emerging markets</b> <b>Change from global pricing to tiered pricing, including 2nd brand</b>

# Filings and launches in 2012



## New Molecular Entities

Zelboraf met. melanoma		
Erivedge (US) adv. basal cell carcinoma	pertuzumab HER2+ mBC 1st line	T-DM1 HER2+ advanced mBC

## Launches

## Filed/awaiting launch

## Planned filings

## Additional indications

Avastin relapsed ovarian cancer (EU)	Avastin mBC 2 <sup>nd</sup> line (EU)
Rituxan NHL faster infusion (US)	Avastin mCRC TML
Herceptin sc formulation HER2+	MabThera sc formulation (EU)
Actemra DMARD IR (US)	Tarceva (US) NSCLC EGFR mutation 1 <sup>st</sup> line
Activase extend. time window AIS (US)	Actemra sc formulation
Lucentis diabetic macular edema (US)	Actemra RA DMARD IR H2H (EU)
Lucentis AMD 0.5 mg PRN (US)*	Actemra polyarticular JIA

Oncology  
 Immunology  
 CardioMetabolism

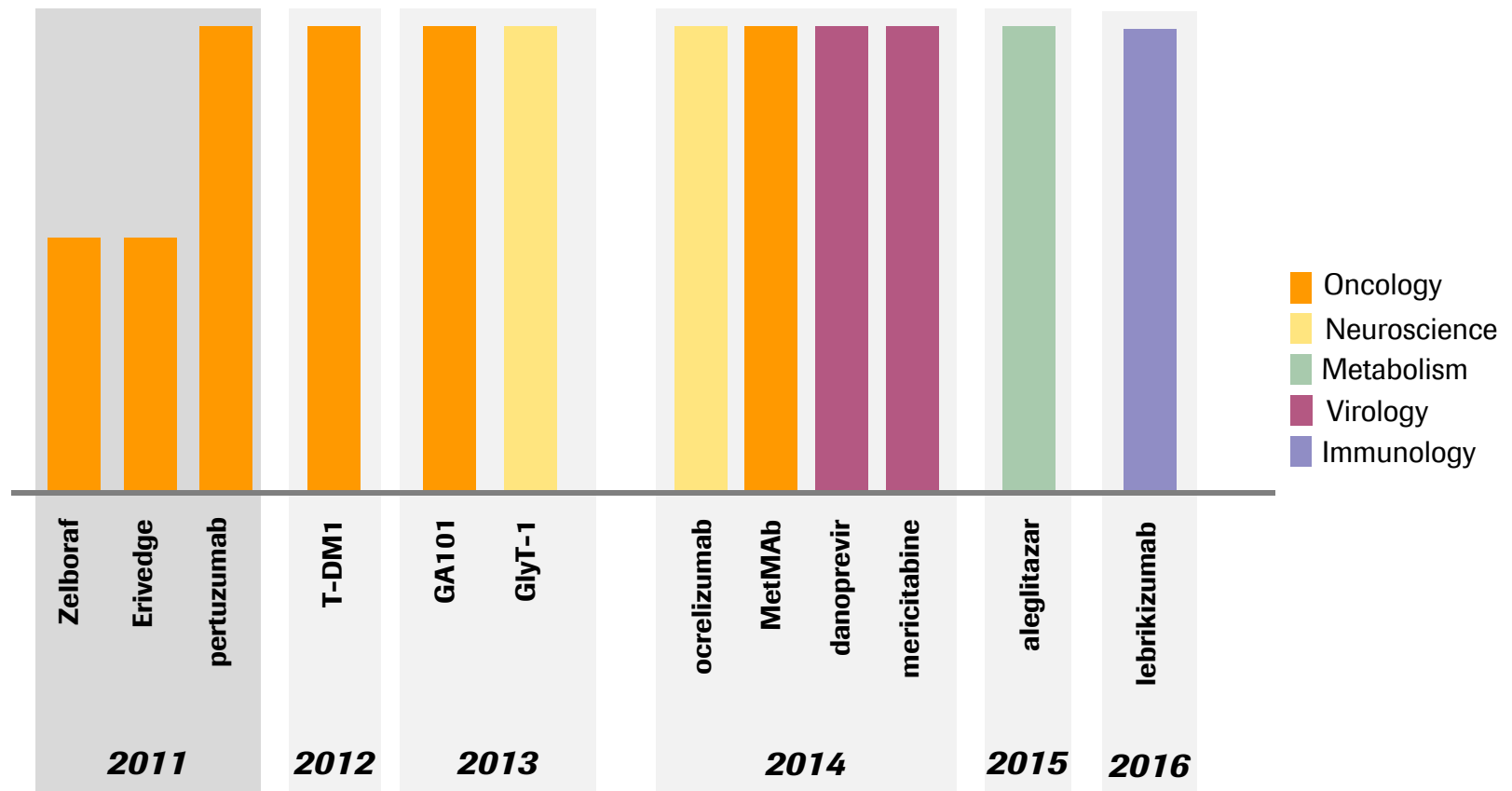
\* New dosing regimen for already approved indication

# 2011: Three New Molecular Entities filed

## *Expanding into selected therapeutic franchises*

**Larger**  
(> 1 bn)

**Smaller**  
(up to ~1 bn)



# Outlook for 2012



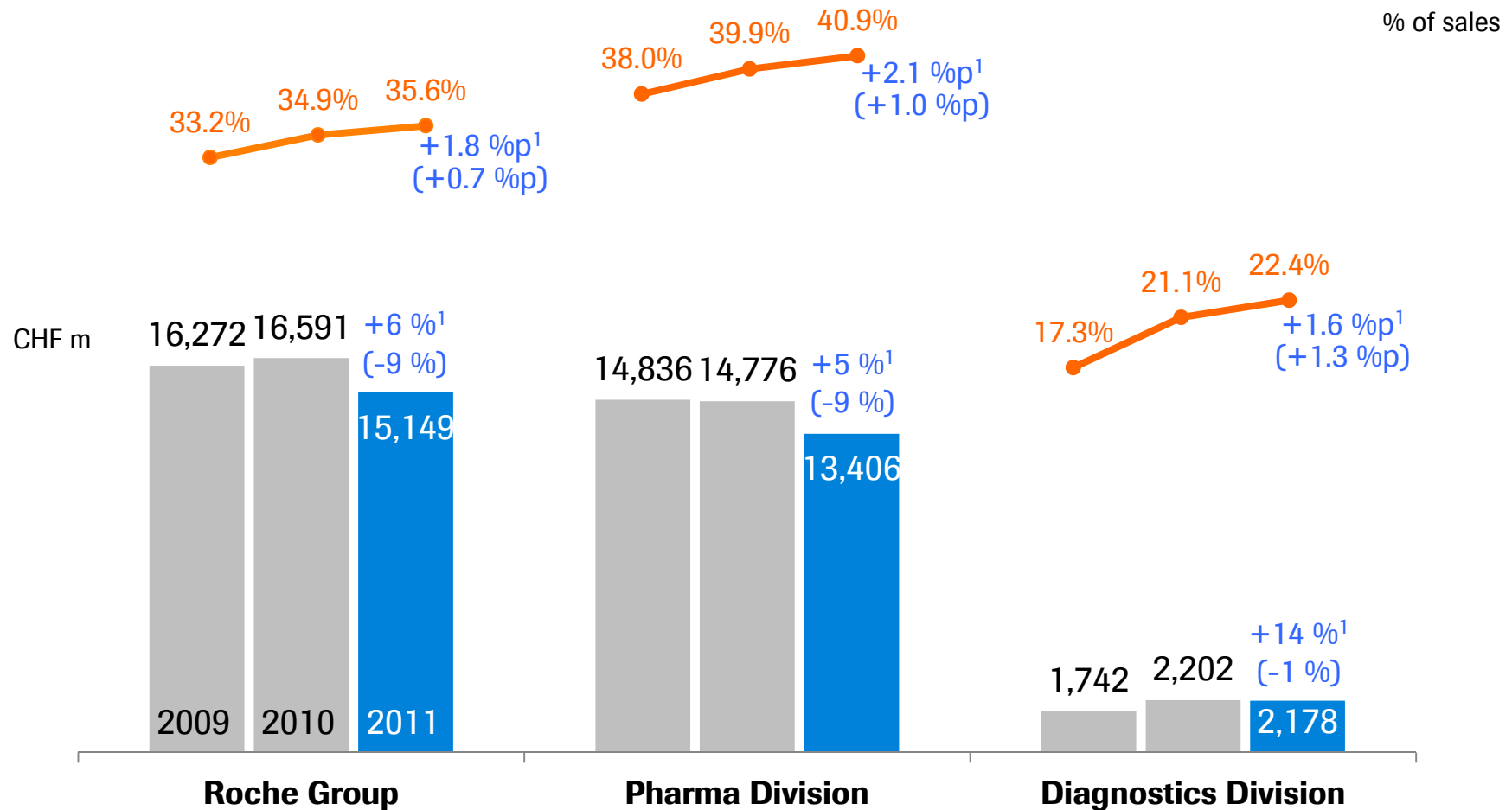
<b>Sales growth (CER)</b>	Group & Pharma: low to mid-single digit Diagnostics: above market
<b>Operational Excellence savings</b>	2012+ : CHF 2.4 bn*
<b>Core EPS growth target (CER)</b>	High single-digit
<b>Dividend outlook</b>	Continue attractive dividend policy



*We Innovate Healthcare*

# Group core operating profit and margin

## *Strong margin increase over years*



<sup>1</sup> CER = Constant Exchange Rates

# Roche: Staying focused on Prescription and Diagnostics

	Rx <sup>1</sup>	OTC	Vaccines	Animal Health	Generics	Bio-similars	Dx	Others
<b>Diversified</b>	Novartis	60%						Ophthalmology
	Merck & Co	90%						
	Pfizer	87%						
	GSK	82%			Generics/EMs			
	Sanofi Aventis	79%			Generics/EMs			
	Bayer	31%						Crop/Material Science
	Abbott	57%						Medical devices
	J&J	36%						Medical devices
	Eli Lilly	94%				Branded Gx	Intention	
<b>Focused</b>	AstraZeneca	100%				Branded Gx	Intention	
	Roche	78%						
	Amgen	100%						
	BMS	100%						

= Active Business Unit      = Recent Transaction (post 2006)  
 = Recent Transaction New Business Area (post 2006)

<sup>1</sup> As of 2010 sales  
Source: FCMG; Company Annual Reports



# Roche: Focus on selected business/disease areas

*Aim to play in the lead*



	Oncology	Inflammation/ Autoimmune	Hepatitis	Macular/Retinal diseases	Biologics	Diagnostics
Roche	1	7	1	2*	1	1
Novartis	2	5	6	1*		
Abbott		1			4	2
Sanofi	4				6	
Pfizer	6	2		7	8	
Merck	10	8	3	3	9	
JNJ	8	3			5	4
AstraZeneca	5					
Amgen		4			2	

Sources: IMS MIDAS in PADD5; For Diagnostic: Industry Analyst Report; \*Lucentis sold by Roche in US, by Novartis in RoW