

## Roche: Building on strength

*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 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.

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

All mentioned trademarks are legally protected

## Performance update

### Our priorities

## Our business model works - also in the current environment

### Short term

- Acting from a position of stability and strength: ~CHF 3 bn organic sales growth<sup>1</sup>
- Products serving high medical needs - less exposed to economic climate

### Long term

- Demand will remain for products with clear medical value
- Progress in science will lead to more targeted treatment options
- Well positioned with an innovation-focused business model leveraging Pharma & Diagnostics

### Genentech minority buy-out

- Roche reaffirms commitment to Genentech offer and a negotiated agreement

<sup>1</sup> YTD Sept 2008, excluding Tamiflu government and corporate pandemic sales

## Continued strong growth in both divisions

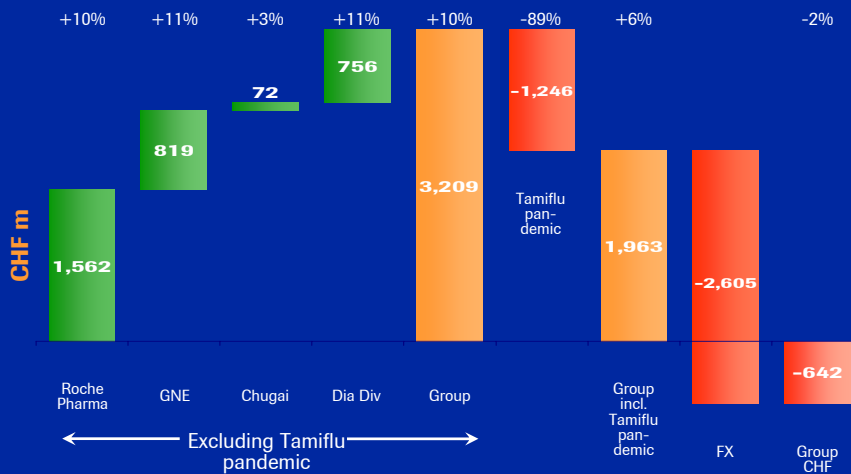


CHF bn	YTD 9'07	YTD 9'08	% change in		USD growth
			CHF	local	
Pharmaceuticals	27.1	26.2	-3	4	11
excl. Tamiflu pandemic	25.7	26.1	1	10	17
Diagnostics	6.8	7.1	4	11	20
<b>Roche Group</b>	<b>33.9</b>	<b>33.3</b>	<b>-2</b>	<b>6</b>	<b>13</b>
excl. Tamiflu pandemic	<b>32.5</b>	<b>33.2</b>	<b>2</b>	<b>10</b>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

5

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

*Strong underlying growth impacted by currency and Tamiflu effect*

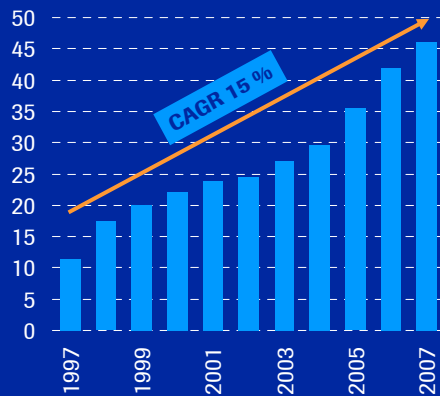


6

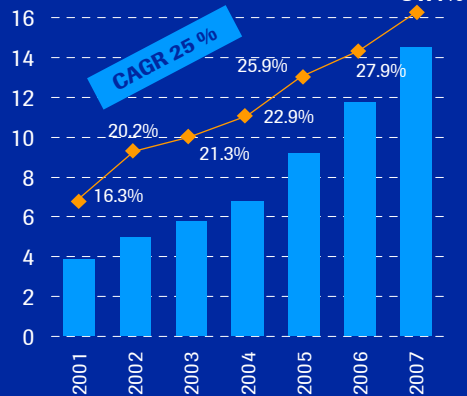
## Focus on differentiated products paying off *Outstanding long-term value creation*



**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

7

## 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

Barring unforeseen events

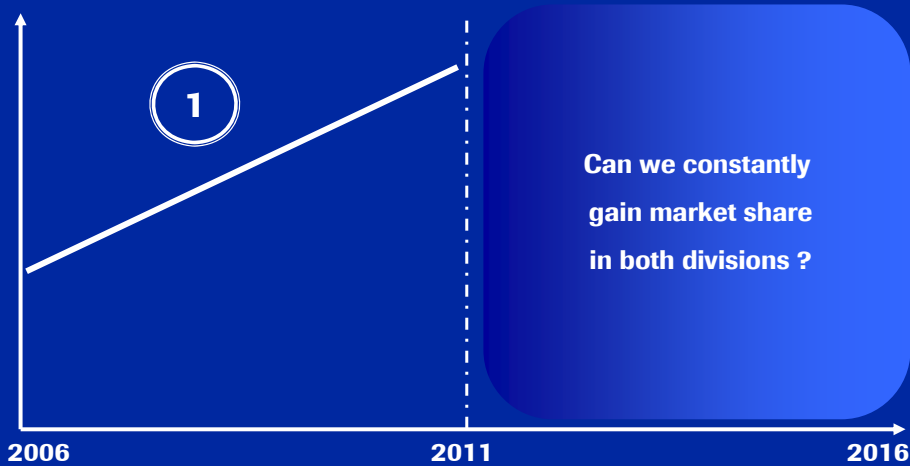
8

## Performance update

## Our priorities

## Roche Challenge # 1

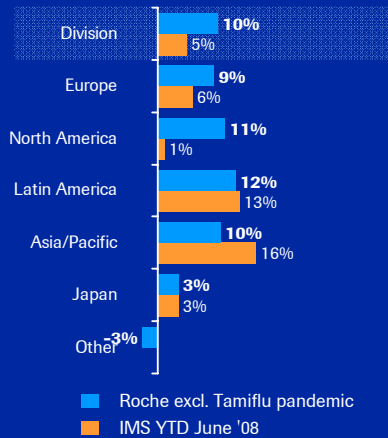
*Achieve above peer level sales growth for both divisions*



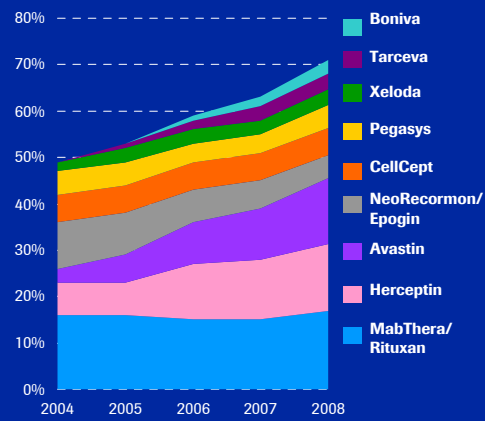
## YTD Sept '08: Risk-diversified business continues to outperform the market



### Local sales growth

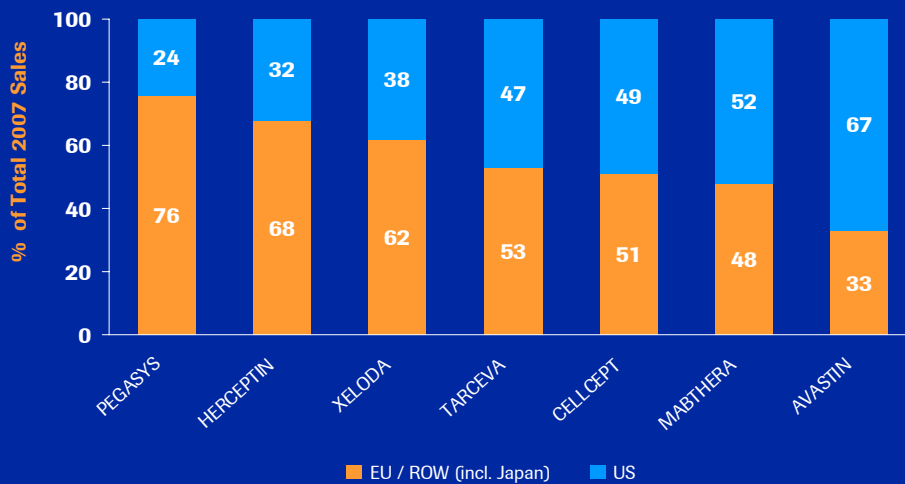


### Key products account for >70% of business



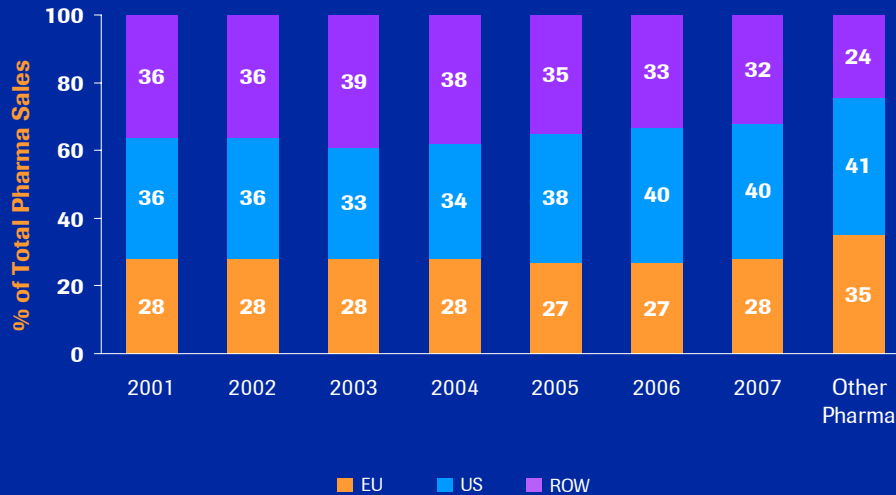
11

## Major growth opportunities outside the US



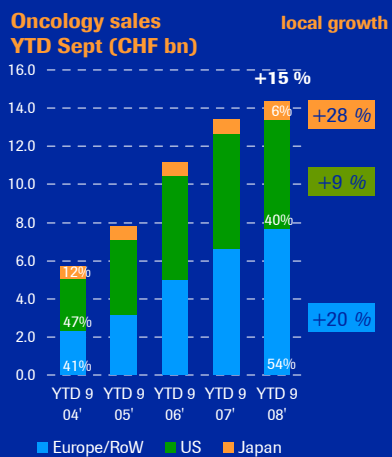
12

## A well balanced geographic split ROW of continued importance



13

## Oncology: Europe/RoW continues impressive growth



### Double-digit growth outside the US

#### Europe/RoW

- Continued strong increase in Avastin utilization across four approved tumor types
- Emerging markets contributing to continued MabThera, Herceptin, Tarceva growth - Avastin still untapped potential

#### Japan

- Important progress made in portfolio roll-out
  - Avastin, Tarceva, Herceptin (adjuvant) launches

14

## Our oncology strategy: Setting new standards of care

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



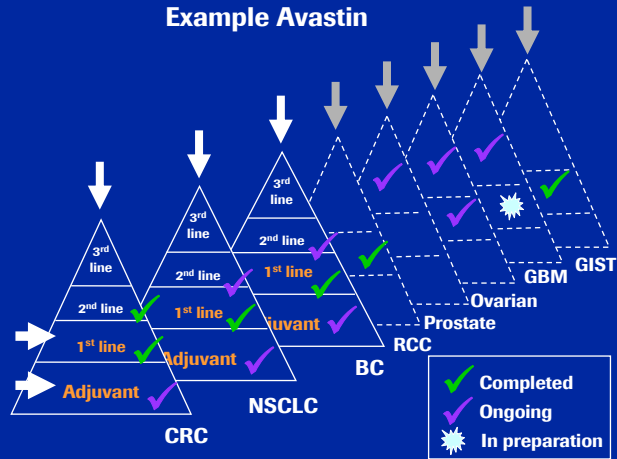
Clinically differentiated product

target all tumor types

target all possible combinations

target earlier (adjuvant) intervention

Superior outcome for patients



15

## Avastin still early in its journey

*Realising full potential across tumour types*



Tumour	Early/adjuvant (Potential for cure)	Advanced/metastatic (Extending life)	
		1 <sup>st</sup> -line of treatment	2 <sup>nd</sup> -line of treatment
Colon/rectal	Phase III (AVANT, NSABP C-08, E5202, E5204)	✓ <b>Launched</b> [EU, US, JP; broad label in 1st and subsequent lines]	
Lung (NSCLC)	Phase III (E1505)	✓ <b>Launched</b> [EU majority of chemos, US carboplatin/paclitaxel]	Phase III (BETA Lung w/Tarceva)
Breast (HER2-)	Phase III (BEATRICE, E5103)	✓ <b>Launched</b> [EU paclitaxel] Phase III (AVADO, RIBBON-1)	Phase III (RIBBON-2, incl. w/Xeloda)
Breast (HER2+)	Phase III (BETH w/Herceptin)	Phase III (AVEREL w/Herceptin)	-
Kidney (RCC)	-	✓ <b>Launched</b> [EU; with interferon]	

**Avastin also trialed in gastric, ovarian, prostate, aNHL, and brain (GBM)**

(Trial names) [Approval status]. More trials are ongoing than listed above.

16



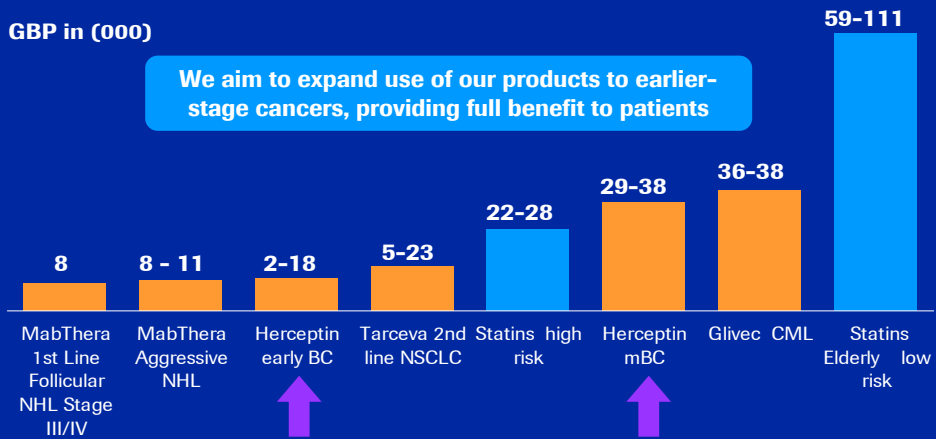
## Funding

Roche oncology products are cost-effective



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

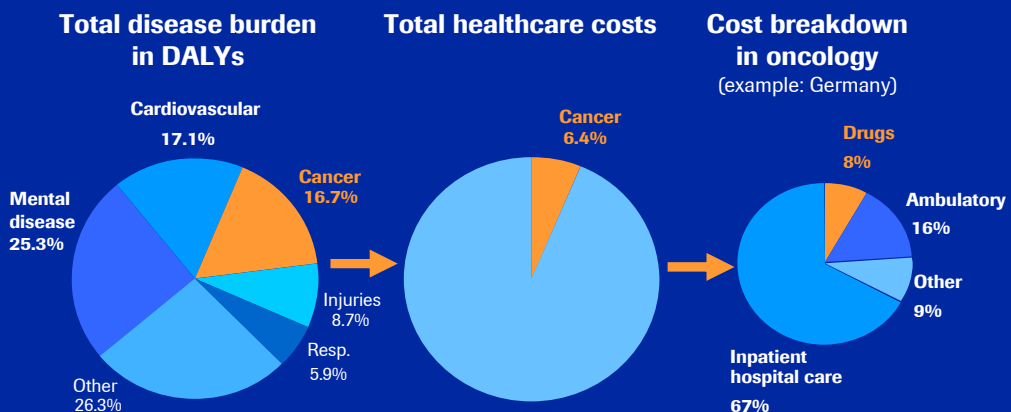
GBP in (000)



17

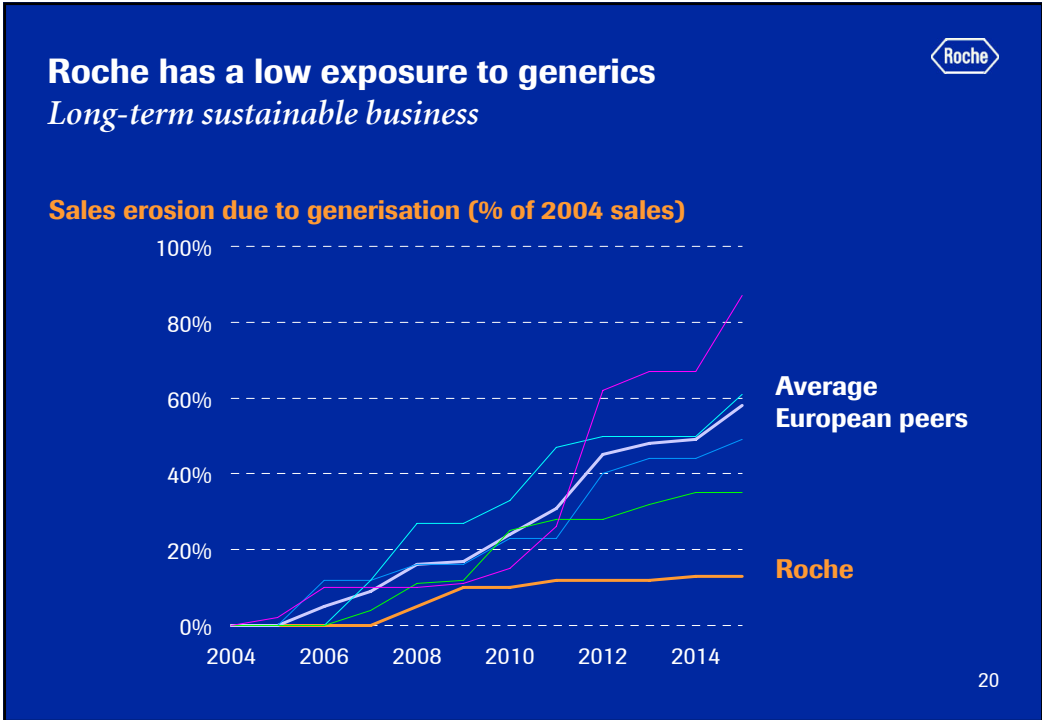
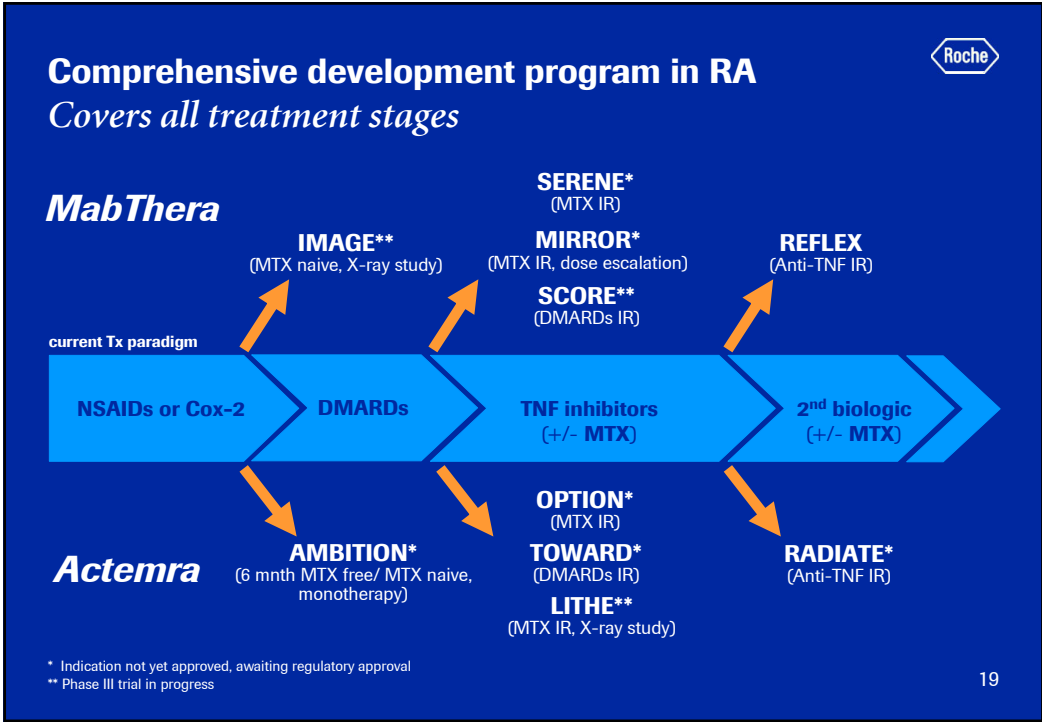
## Oncology is still dramatically under funded

Compared to other disease areas



Source: A pan-European comparison regarding patient access to cancer drugs, Karolinska Institute  
DALY: Disability-Adjusted Life Years, figures from 2002/3; Commonly used measure of the burden of disease

18



## Roche has a unique investment case



### Roche: Unique geographic risk diversification

USA

(Greater)  
Europe

Japan

Asia / China

Latin  
America

### Roche: Unique “pillars of value” risk diversification

Avastin  
in CRC

Avastin  
in NSCLC

Avastin  
in BC

MabThera

Xeloda

Herceptin

Tarceva

Actemra

MabThera in RA

Pegasys

Neo Recormon  
Mircera

Boniva

CellCept

Immuno-  
Diagnostics

Diabetes Care

Molecular  
Diagnostics

Avastin adjuvant  
CC

Avastin adjuvant  
NSCLC

Avastin adjuvant  
BC

CETP i

GLP-1

Pertuzumab

Ocrelizumab (AD)

**FUTURE PILLARS**

21

## The short/medium-term *sales* perspective



### Challenge # 1:

Achieve above industry-standard sales growth

### Conclusion # 1:

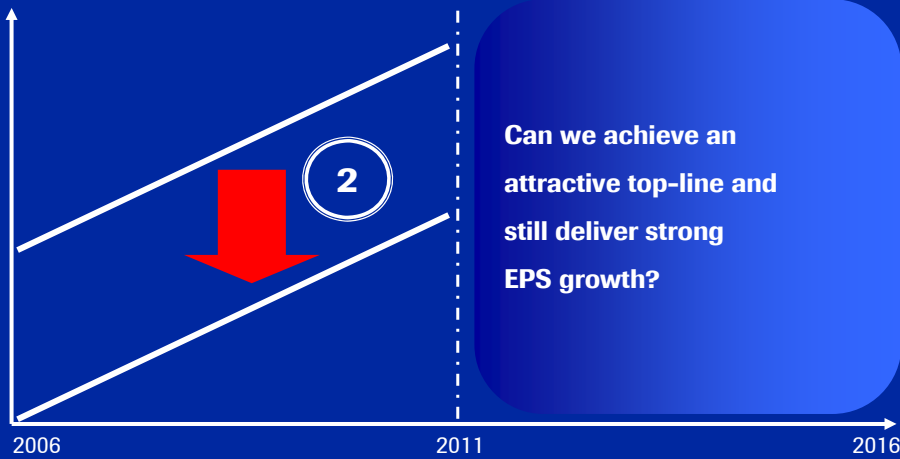
Roche wants to maximize assets on hand –  
and to translate value opportunities into reality



22

## Challenge # 2

*Turn attractive top line into attractive bottom line*



23

## Doing the right things *right*

*Three focus areas*



- **People are key!**

Activate potential and constantly educate: to learn faster than our competitors is the only sustainable factor of success!

- **The right “quantum” size for Roche?**

Fixed cost versus variable cost

- **Operational productivity**

24

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

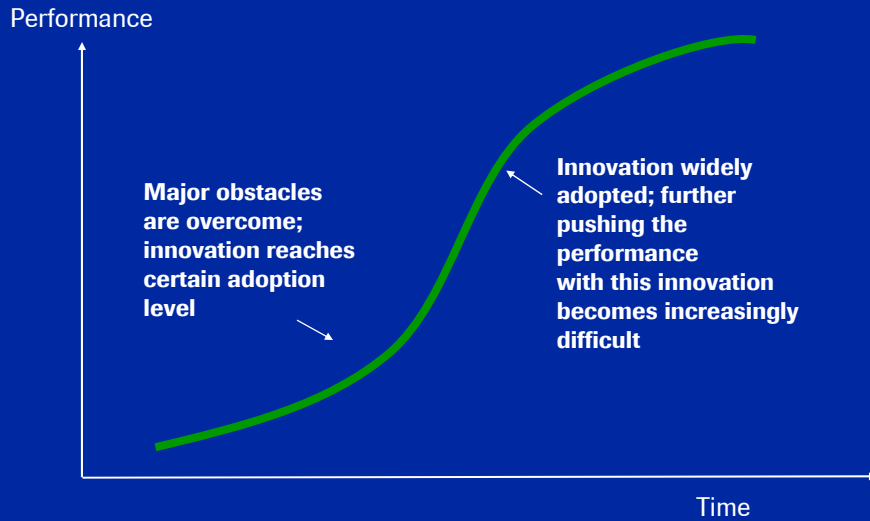
## **Activate our employees' potential**

*Constant education to overcome fear of change*



## Innovation and Change Management

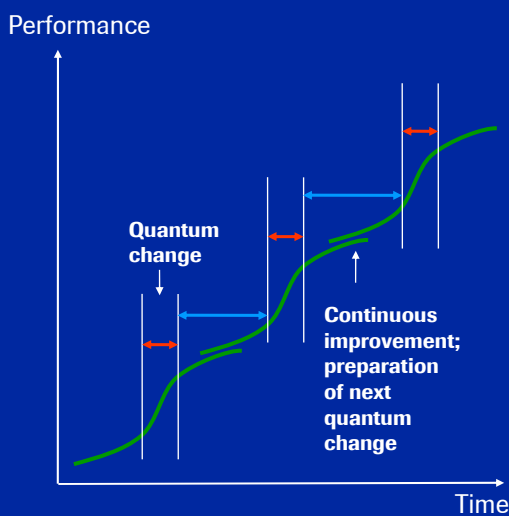
*Performance improvements are not linear*



27

## Large-Scale Transformation

*Requires multiple S-Curves building on each other*



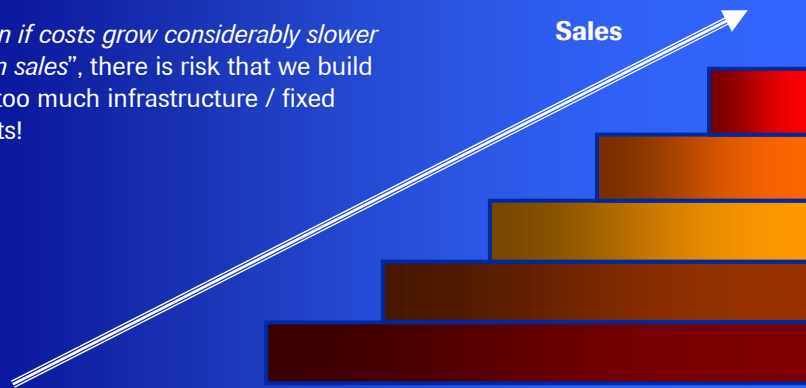
- Critical for large scale transformation is that major innovations build on each other
- Combination of quantum-leap progress and continuous improvement
  - Organisation needs a major step change every few years followed by a period of stability to digest, optimize and continuous improvements

28

## What is the right quantum size for a “sustainable” Roche?



*Even if costs grow considerably slower than sales”, there is risk that we build up too much infrastructure / fixed costs!*

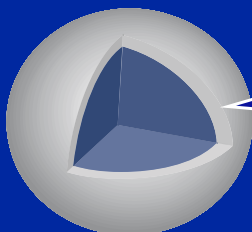


29

## Constantly improving operational productivity



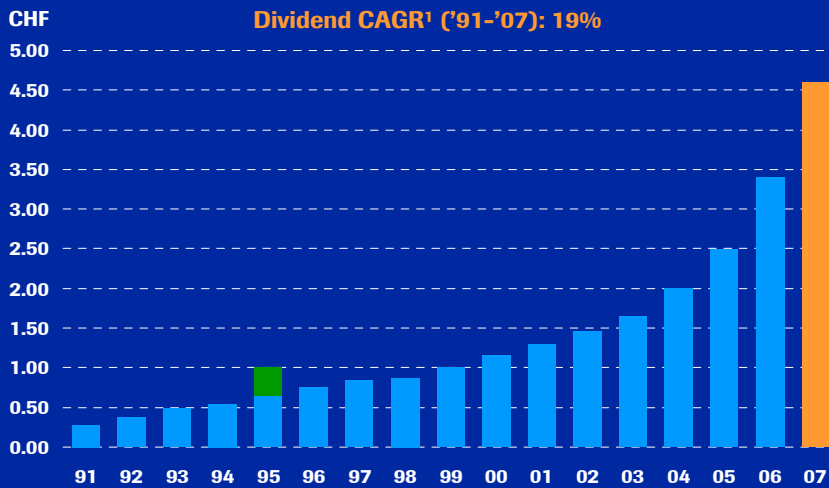
Operational productivity is an important key enabler for the Roche Group



We must become better and cheaper in whatever we do!

30

## Committed to continuously increase pay-out ratio over the next 3 years



<sup>1</sup> Compound Annual Growth Rate.  
1995 includes centenary bonus. 2007 Dividend: Proposed by the Board of Directors.

31

## Short/medium term *bottom-line* perspective



### Challenge # 2:

Achieve above industry-standard value creation

### Conclusion # 2:

Roche has many programs running to ensure above industry standard EPS-growth

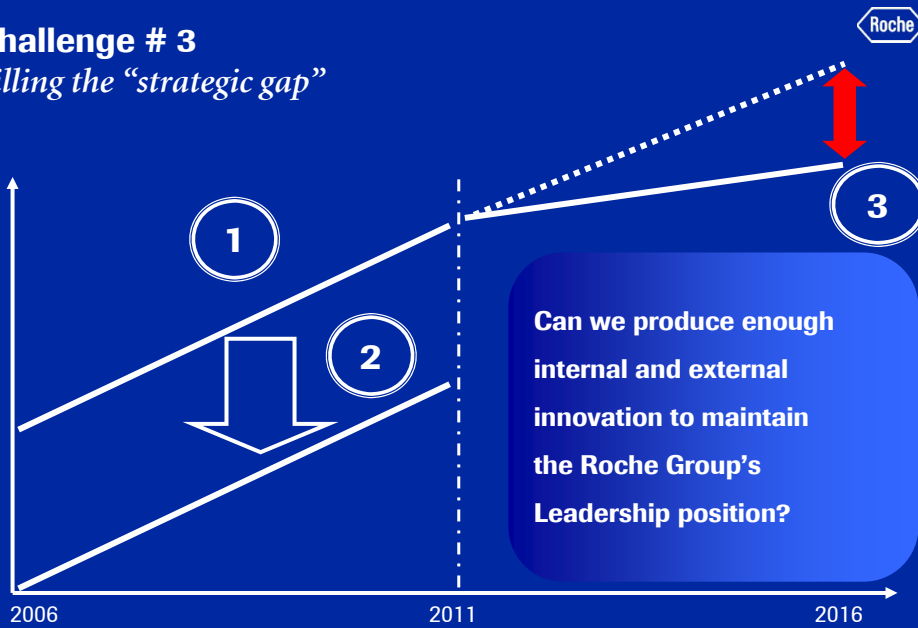


32



### Challenge # 3

Filling the “strategic gap”



33

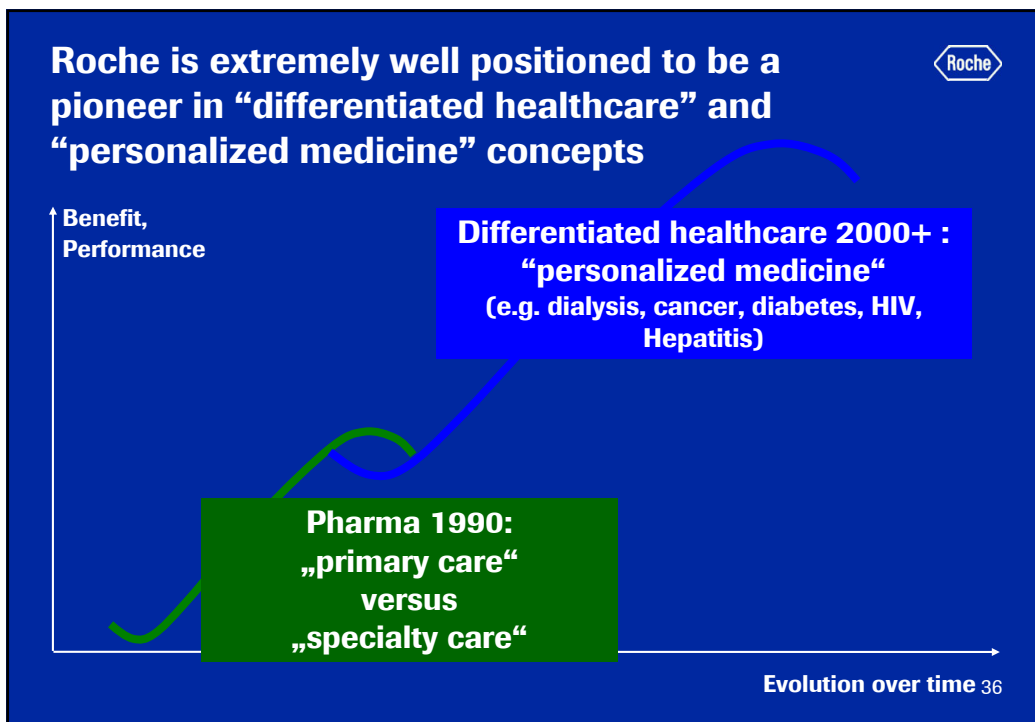
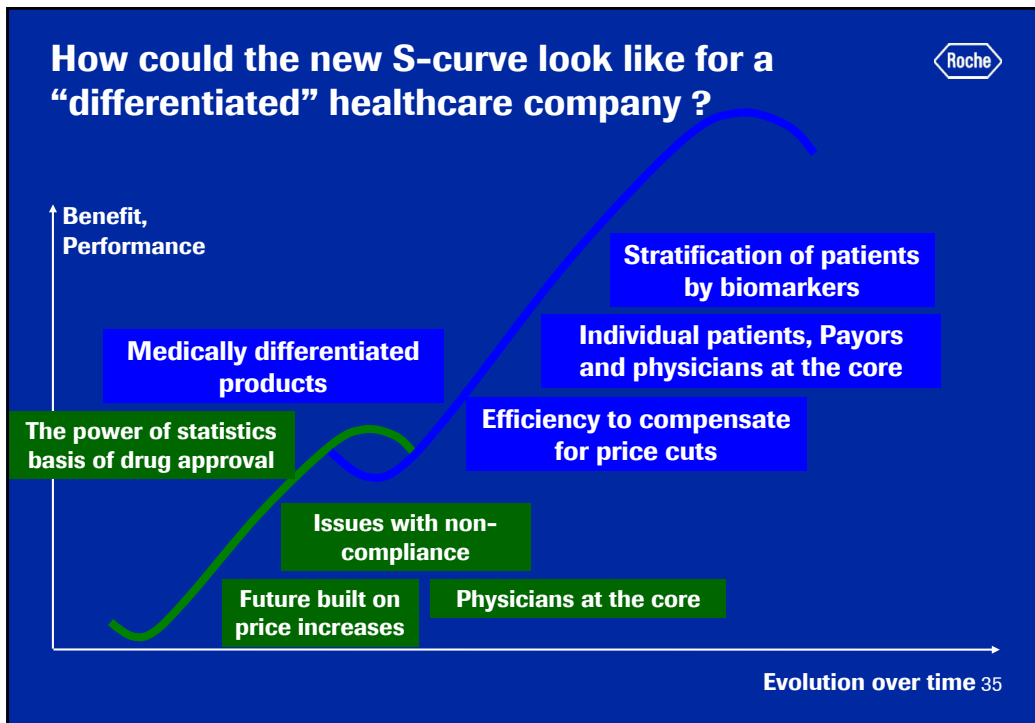
### Sustainable leadership

How can we constantly provide benefit to customers?



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

34



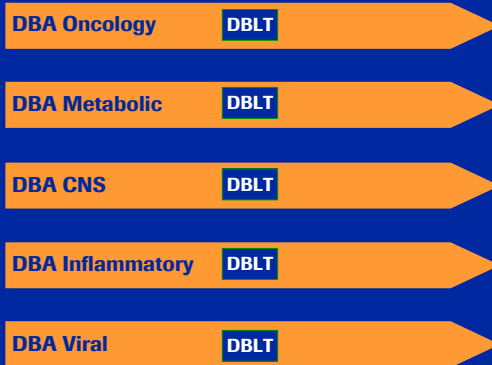
## Roche 2015: Disease Biology Areas (DBAs)



### Alignment and focus

#### Disease Biology Areas

Idea ←————→ Market



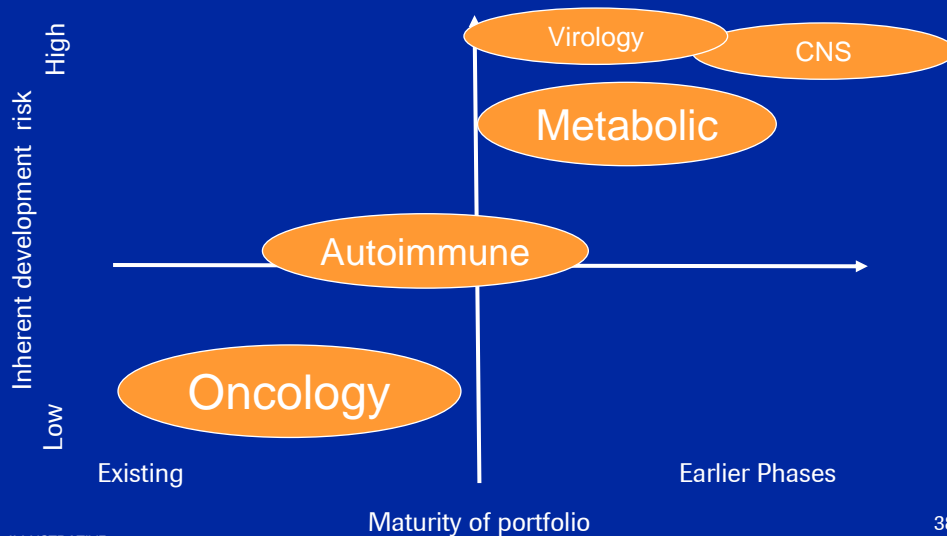
- Focus on five DBAs
- Decisions made by Disease Biology Leadership Teams (DBLTs) against measurable metrics
- **Up to Proof of Concept:** DBLTs manage compound progression within respective DBA
- **After Proof of Concept:** DBLTs responsible for conducting scientific/ medical reviews and providing options to Pharma Leadership Team

- Clear focus
- More independent and flexible disease areas
- Faster and simpler decision processes

## Key drivers for long term development in place

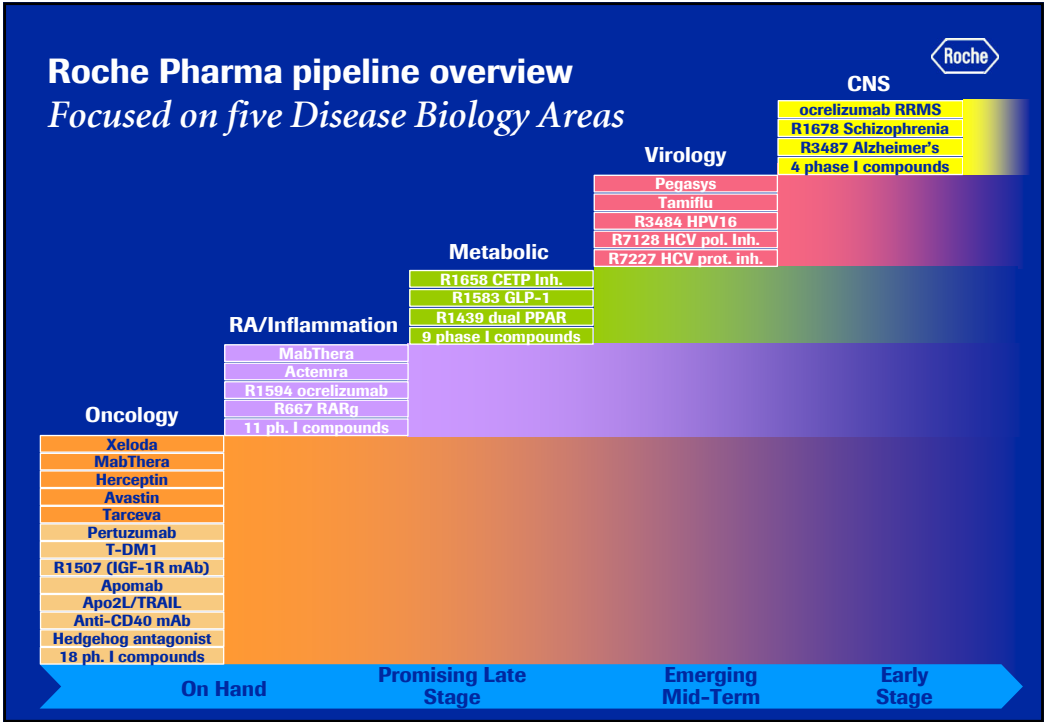
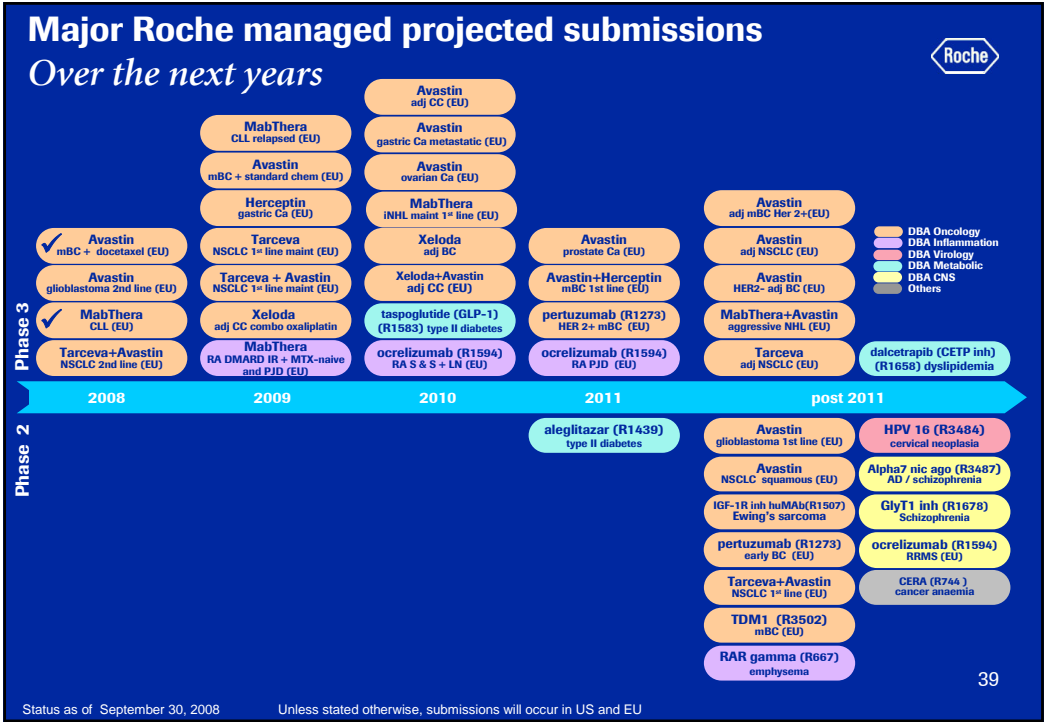


### Develop the short term drivers while shaping the others



ILLUSTRATIVE

38



**Long-term perspective**  
*Roche 2015 is a crucial platform*



**Challenge # 3:**  
**Filling the value gap**



**Conclusion 3:**  
With Roche 2015 we have the right platform in place  
to identify the right priorities

41



*We Innovate Healthcare*