Roche
Committed to innovation and profitable growth

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Head of Investor Relations

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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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Fundamentals

Challenges

Efficiency

Focus
Key Pharmaceuticals & Diagnostics products

A risk-diversified portfolio of drugs and BUs

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

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

* 2010 sales
## Q1 2011: Group sales

*Supporting full-year guidance, strong currency impact*

<table>
<thead>
<tr>
<th>Division</th>
<th>2010 CHF m</th>
<th>2011 CHF m</th>
<th>change in % CHF</th>
<th>change in local</th>
<th>Excluding Tamiflu&lt;sup&gt;1&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceuticals Division</td>
<td>9,727</td>
<td>8,712</td>
<td>-10</td>
<td>-2</td>
<td>+1</td>
</tr>
<tr>
<td>Diagnostics Division</td>
<td>2,518</td>
<td>2,408</td>
<td>-4</td>
<td>+6</td>
<td>+6</td>
</tr>
<tr>
<td>Roche Group</td>
<td>12,245</td>
<td>11,120</td>
<td>-9</td>
<td>0</td>
<td>+2</td>
</tr>
</tbody>
</table>

<sup>1</sup> local currency
Confirming full year Pharma sales guidance of low-single digit growth¹

<table>
<thead>
<tr>
<th></th>
<th>Q1 impact on Pharma sales growth</th>
<th>Outlook on sales growth impact for the rest of 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>US Healthcare Reform</strong></td>
<td>-0.6 %p</td>
<td>To level out in H2 2011</td>
</tr>
<tr>
<td><strong>EU austerity measures</strong></td>
<td>-1.0 %p</td>
<td>To level out in H2 2011</td>
</tr>
<tr>
<td><strong>Japan price cuts</strong></td>
<td>-0.7 %p</td>
<td>To level out as of Q2 2011</td>
</tr>
<tr>
<td><strong>ODAC rec. on Avastin mBC</strong></td>
<td>-1.3 %p</td>
<td>To level out as of Q4 2011</td>
</tr>
</tbody>
</table>

¹ local currency, excluding Tamiflu
## 2010: Group results

**Stable sales, Core EPS growth at 10%**

<table>
<thead>
<tr>
<th>CHF m</th>
<th>2009</th>
<th>2010</th>
<th>% change CHF</th>
<th>% change local</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>49,051</td>
<td>47,473</td>
<td>-3</td>
<td>0</td>
</tr>
<tr>
<td><strong>Core operating profit</strong></td>
<td>16,272</td>
<td>16,591</td>
<td>+2</td>
<td>+7</td>
</tr>
<tr>
<td>% of sales</td>
<td>33.2</td>
<td>34.9</td>
<td>+1.7 p</td>
<td></td>
</tr>
<tr>
<td><strong>IFRS operating profit</strong></td>
<td>12,277</td>
<td>13,486</td>
<td>+10</td>
<td>+15</td>
</tr>
<tr>
<td>% of sales</td>
<td>25.0</td>
<td>28.4</td>
<td>+3.4 p</td>
<td></td>
</tr>
<tr>
<td><strong>Operating free cash flow</strong></td>
<td>15,722</td>
<td>14,149</td>
<td>-10</td>
<td>-6</td>
</tr>
<tr>
<td>% of sales</td>
<td>32.1</td>
<td>29.8</td>
<td>-2.3 p</td>
<td></td>
</tr>
<tr>
<td><strong>Core net financial income</strong></td>
<td>-1,668</td>
<td>-2,272</td>
<td>+36</td>
<td></td>
</tr>
<tr>
<td><strong>Core tax rate in %</strong></td>
<td>22.5</td>
<td>21.9</td>
<td>-0.6 p</td>
<td></td>
</tr>
<tr>
<td><strong>Core net income</strong></td>
<td>11,317</td>
<td>11,181</td>
<td>-1</td>
<td></td>
</tr>
<tr>
<td>% of sales</td>
<td>23.1</td>
<td>23.6</td>
<td>+0.5 p</td>
<td></td>
</tr>
<tr>
<td><strong>Core EPS (CHF)</strong></td>
<td>12.34</td>
<td>12.78</td>
<td>+4</td>
<td>+10</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>8,893</td>
<td>4,699</td>
<td>-47</td>
<td></td>
</tr>
</tbody>
</table>
Strong Cash Flow

Roche Group

Operating Free Cash flow as % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>OFCF</th>
<th>FCF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>10.7</td>
<td>4.0</td>
</tr>
<tr>
<td>2008</td>
<td>12.4</td>
<td>5.0</td>
</tr>
<tr>
<td>2009</td>
<td>15.7</td>
<td>8.9</td>
</tr>
<tr>
<td>2010</td>
<td>14.1</td>
<td>4.7</td>
</tr>
</tbody>
</table>

OFCF = Operating Free Cash flow, FCF = Free Cash flow
A leading pipeline
12 NMEs in late-stage development

Number of NMEs

- Virology
- CNS
- Metabolic
- Inflammation
- Oncology

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
<th>Disease Area</th>
<th>NMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2</td>
<td>Metabolic</td>
<td>ocrelizumab, Actemra</td>
</tr>
<tr>
<td>2008</td>
<td>4</td>
<td>Metabolic</td>
<td>taspoglutide, dalcetrapib</td>
</tr>
<tr>
<td>2009</td>
<td>10</td>
<td>Metabolic</td>
<td>Glycine reuptake inh: aleglitazar, taspoglutide, dalcetrapib, ocrelizumab, Hedgehog inh: lebrikizumab</td>
</tr>
<tr>
<td>2010</td>
<td>12</td>
<td>Metabolic</td>
<td>HCV pot inh: ocrelizumab MS, Glycine reuptake inh: aleglitazar, dalcetrapib, lebrikizumab, MetMAb: MetMAb</td>
</tr>
</tbody>
</table>

1 LIP decision made, phase III start pending
2010: Continuous increase of pay-out ratio over three years

Average yearly dividend growth (2004-2010): 22%

Pay-out ratio calculated as dividend per share divided by core earnings per share (diluted)

Pay-out ratio calculated as dividend per share divided by earnings (before exceptional items) per share (diluted)

1 As announced in relation to the financial results for 2007
2010 Dividend: Proposed by the Board of Directors
Fundamentals

Challenges

Efficiency

Focus
The basic challenge

- Increasing price pressure
- Increasing development cost

Sales / cost

How to tackle?
The Problem Statement: Costs to develop new drugs are increasing

Capitalized Preclinical, Clinical, And Total Cost Per New Drug
In millions of 2000 USD

<table>
<thead>
<tr>
<th>Millions of dollars</th>
<th>Hansen 1979</th>
<th>DiMasi 2003</th>
<th>DiMasi 1991</th>
<th>Pharmaprojects</th>
</tr>
</thead>
<tbody>
<tr>
<td>800</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>600</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>400</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>200</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Preclinical cost | Clinical cost | Total cost

Adams C P, Brantner V V Health Aff 2006;25:420-428
There is also risk in R&D

<table>
<thead>
<tr>
<th>Success (+) Failure (-)</th>
<th>Roche</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
</tr>
<tr>
<td></td>
<td>(+)</td>
</tr>
<tr>
<td>Phase II</td>
<td>6</td>
</tr>
<tr>
<td>Phase III</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>27</td>
</tr>
<tr>
<td>Ph III success rate</td>
<td>91%</td>
</tr>
<tr>
<td>Industry ph III success rate</td>
<td>63%¹</td>
</tr>
</tbody>
</table>

Based on IR up-dates KMR Group, 1) = 2006-2008, 2) = 2007-2009,
## Key clinical trials since October 2010

### 18 positive studies in 6 months

<table>
<thead>
<tr>
<th>Compound</th>
<th>Indication</th>
<th>Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>MetMAb</td>
<td>2nd/3rd line NSCLC</td>
<td>Randomised Phase II, ESMO 2010</td>
</tr>
<tr>
<td>Avastin</td>
<td>front line Ovarian Cancer</td>
<td>ICON7 Phase III, ESMO 2010</td>
</tr>
<tr>
<td>Ocrelizumab</td>
<td>RR Multiple Sclerosis</td>
<td>Randomised Phase II, ECTRIMS 2010</td>
</tr>
<tr>
<td>Mericitabine (RG7128)</td>
<td>Hepatitis C</td>
<td>PROPEL randomised Phase IIb, interim data AASLD 2010</td>
</tr>
<tr>
<td>Vemurafenib (BRAF inh)</td>
<td>Metastatic Melanoma</td>
<td>BRIM2 Phase II, Melanoma Research Congress 2010</td>
</tr>
<tr>
<td>GA101</td>
<td>Non-Hodgkin's Lymphoma</td>
<td>Randomised Phase II, ASH 2010</td>
</tr>
<tr>
<td>Glycine Reuptake inh. (GlyT-1)</td>
<td>Schizophrenia</td>
<td>Randomised Phase II, ACNP 2010</td>
</tr>
<tr>
<td>Pertuzumab</td>
<td>Neoadjuvant HER2+ Breast Cancer</td>
<td>NEOSPHERE randomised Phase II, SABCS 2010</td>
</tr>
<tr>
<td>Lebrikizumab</td>
<td>Asthma</td>
<td>Randomised Phase II, data in house</td>
</tr>
<tr>
<td>Dalcetrapib</td>
<td>CV risk reduction</td>
<td>Dal-VESSEL, Dal-PLAQUE safety data in house</td>
</tr>
<tr>
<td>T-DM1</td>
<td>1st line HER2-positive breast cancer</td>
<td>Randomised Phase II, Apr 2011</td>
</tr>
<tr>
<td>Vemurafenib (BRAF inh)</td>
<td>Metastatic Melanoma</td>
<td>BRIM3 Phase III interim analysis, Jan 2011</td>
</tr>
<tr>
<td>Tarceva</td>
<td>Advanced NSCLC</td>
<td>EURTAC Phase III interim analysis, Jan 2011</td>
</tr>
<tr>
<td>Avastin</td>
<td>Relapsed Ovarian Cancer</td>
<td>OCEANS Phase III, Feb 2011</td>
</tr>
<tr>
<td>Lucentis</td>
<td>Diabetic macular edema (DME)</td>
<td>RISE and RIDE, 2 Phase III studies, Feb-Mar 2011</td>
</tr>
<tr>
<td>Vismodegib (Hedgehog inh)</td>
<td>Basal Cell Carcinoma (mBCC)</td>
<td>Pivotal Phase II, Mar 2011</td>
</tr>
</tbody>
</table>

Pivotal studies in Q1 2011
R&D allocation

Mix of qualitative and quantitative factors

Research & Early Development

- Annual budget allocation
- Number of phase II transitions expected

Late Stage Development

- Unmet medical need
- Market potential
- Efficient development
- Probability of technical success

Top down

Project driven
How much to invest in R&D to secure the future?

R&D as % of sales

all before exceptional items
Can we do better on G&A and M&D?

G&A and M&D as % of sales

all before exceptional items
# Operational Excellence

**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>
</tr>
</thead>
<tbody>
<tr>
<td>Research &amp; Early Dev.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tech Ops / Sites</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial – US/EU</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial - ROW</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G&amp;A/Procurement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ Finance, IT, HR, Communication, Legal

[Diagram showing impact levels: Strong impact vs. Moderate impact]
Operational Excellence: 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
Fundamentals

Challenges

Efficiency

Focus
Spending on R&D too high? Value of the pipeline?

Figure 5: R&D ratio: R&D spend as % of sales - pharma division only for Roche & Novartis

% of Market Capitalisation accounted for by Marketed Products (EmV analysis)

Source: J.P. Morgan estimates Company data.
Roche: Limited exposure to patent expiries in the short and medium term

Business impact from biosimilars 2014/15 and beyond?

% 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
Roche: Focused on medically differentiated therapies
A leading pipeline

12 NMEs in late-stage development

Number of NMEs

- Virology
- CNS
- Metabolic
- Inflammation
- Oncology

2007
- Ocrelizumab
- Actemra

2008
- Taspoglutide
- Dalcetrapib

2009
- Ocrelizumab MS
- Aleglitazar
- Taspoglutide
- Dalcetrapib
- Ocrelizumab
- Hedgehog inh
- BRAF inhibitor
- T-DM1
- GA101 (CLL)
- Pertuzumab

2010
- HCV pot inh
- Ocrelizumab MS
- Aleglitazar
- Dalcetrapib
- Lebrikizumab
- MetMAb
- Hedgehog inh
- BRAF inhibitor
- T-DM1
- GA101 (CLL, NHL)
- Pertuzumab

1 LIP decision made, phase III start pending
Our delivery

Personalized Healthcare becoming reality

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

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

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

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

- **Lebrikizumab**
  Asthma (periostin level)

- **RG7204**
  Metastatic melanoma (BRAF V600E mutation)

1 LIP decision made, phase III start pending
Personalised Healthcare- benefit for all stakeholders, including the industry

Today

- Reduced Patient pool
- Price increase/stability

Benefit from patient stratification

- Increased market share
- Lower development costs
- Faster penetration

Future

- Time to market

Roche
Summary

Clear and focused strategy
- Medically differentiated products
- Personalized Healthcare becoming a reality (6 NMEs in late-stage)

Leading profitability and cash generation
- Cash is the yard stick for performance
We Innovate Healthcare