



**Roche –
Committed to innovation and profitable growth**

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Zurich, January 2012

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- 9 litigation;
- 10 loss of key executives or other employees; and
- 11 adverse publicity and news coverage.

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Business Environment

Strategy

Strong Position and Outlook

A perfect storm

Where do we go from here?

Regulators

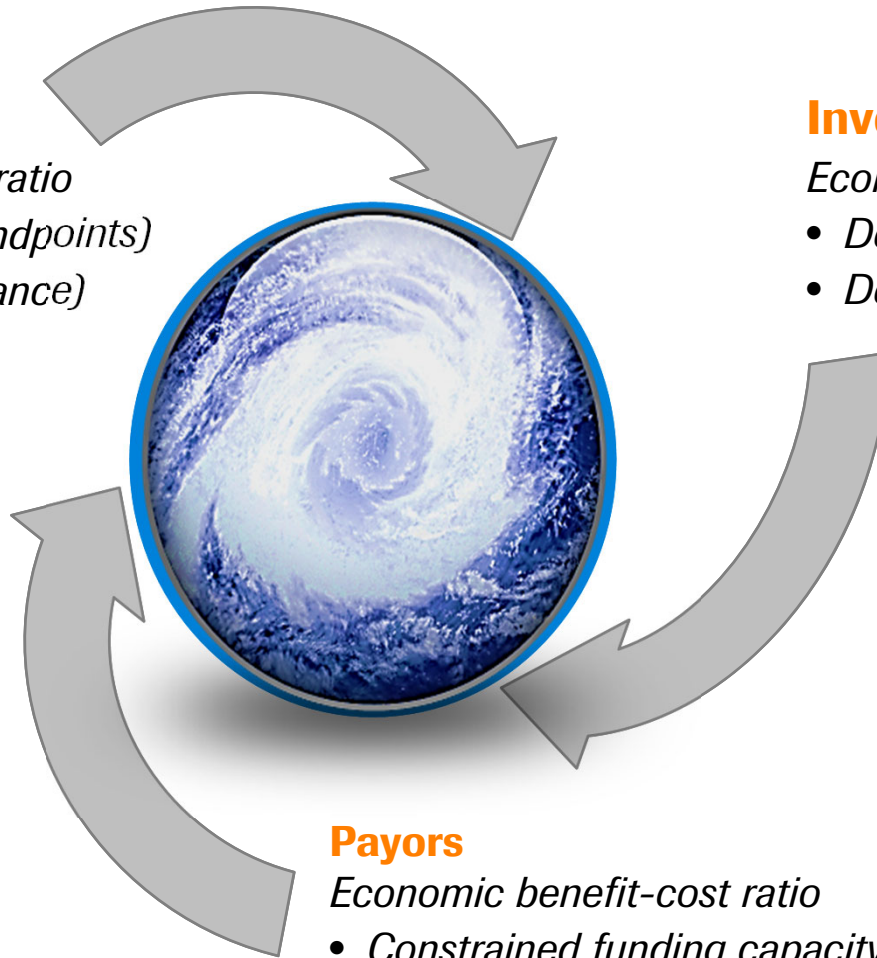
Medical benefit-risk ratio

- *Efficacy (clinical endpoints)*
- *Safety ('zero' tolerance)*

Investors

Economic risk-return ratio

- *Declining Returns*
- *Declining Growth*



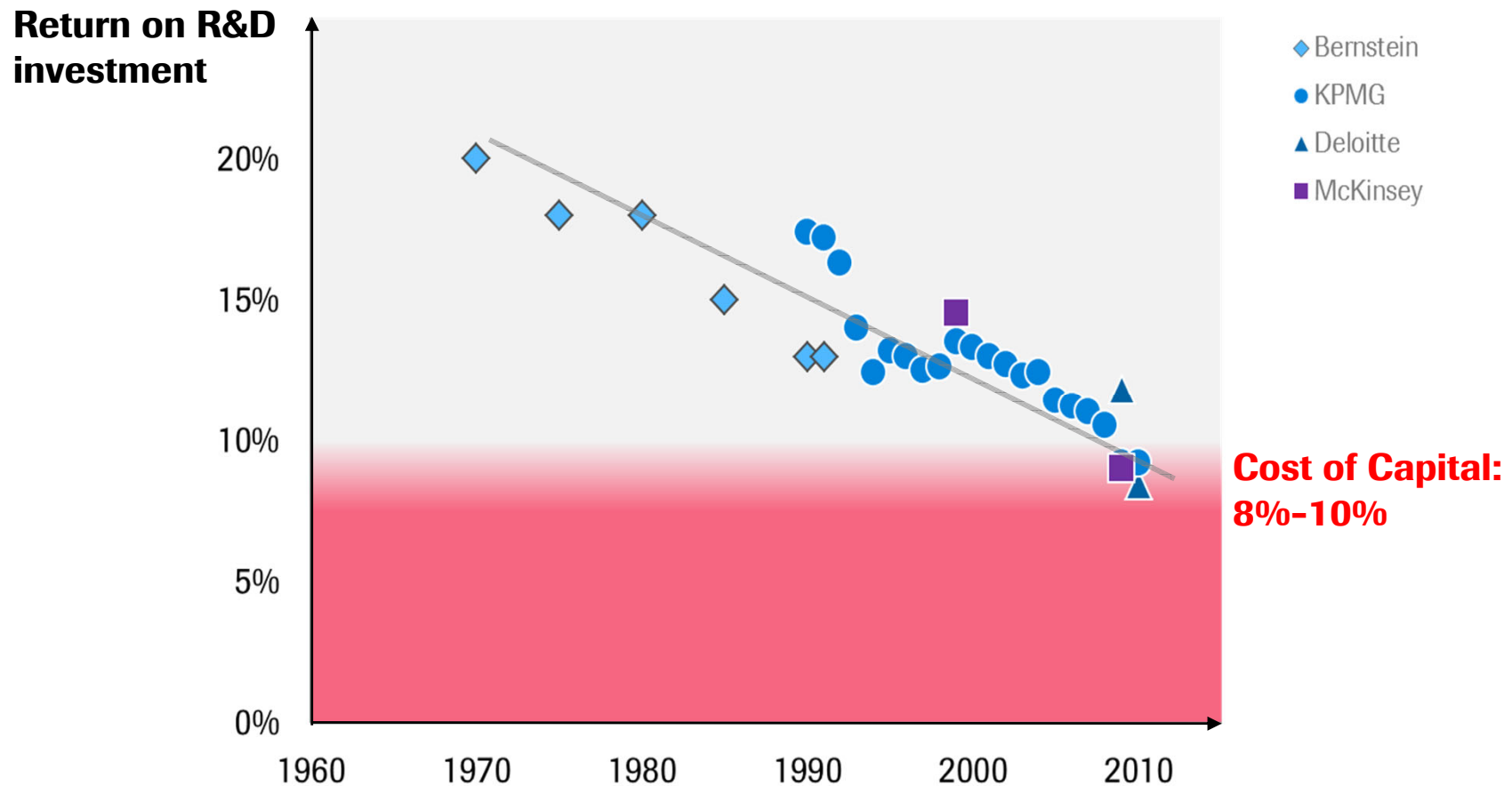
Payors

Economic benefit-cost ratio

- *Constrained funding capacity*
- *Demanding real outcome evidence*

R&D productivity of pharma industry

Average financial returns¹ on R&D falling to critical level

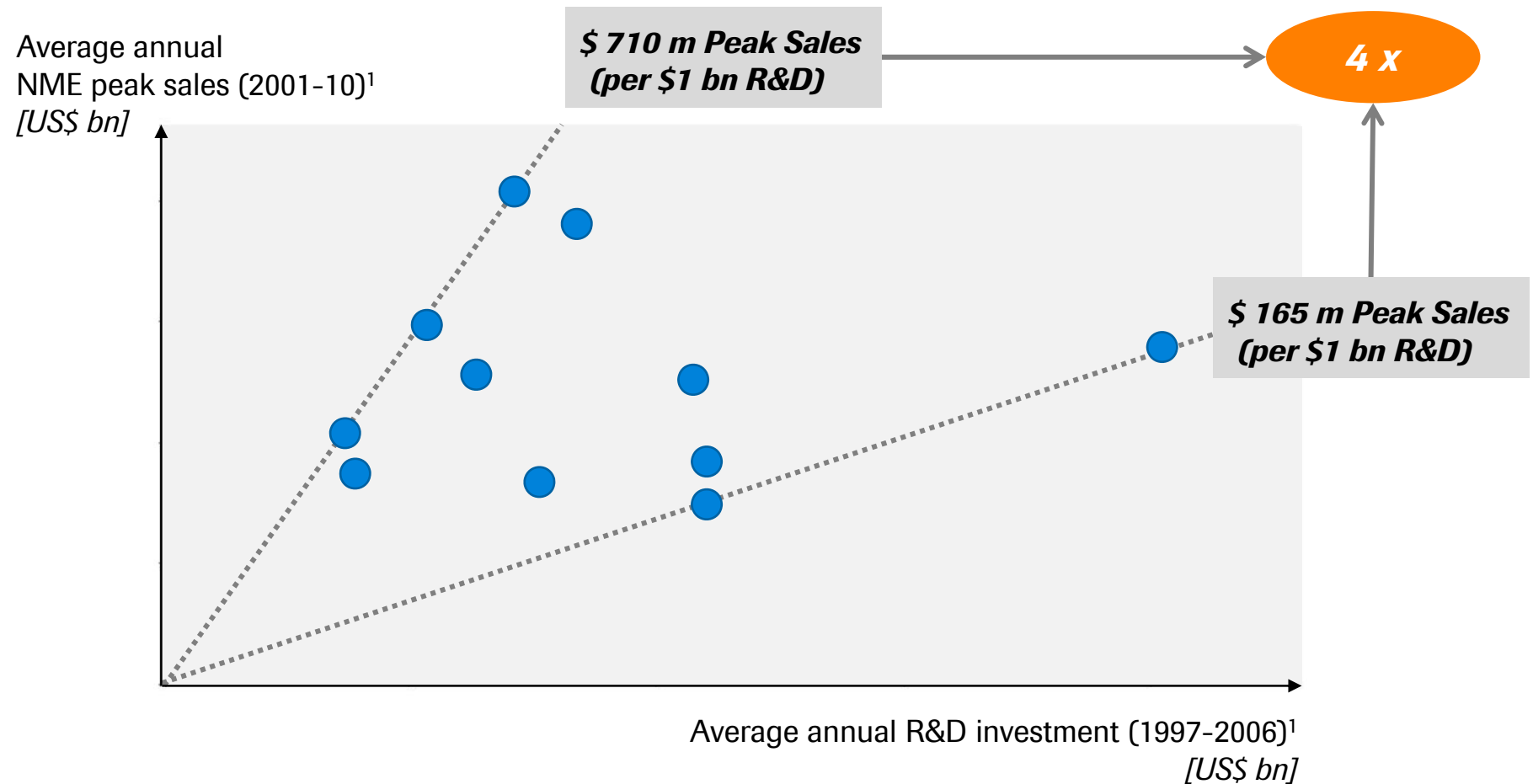


¹ Different methodologies (e.g. IRR, economic returns)

Sources: Bernstein Research 2011, McKinsey 2011, KPMG 2011, Deloitte 2011, Roche analysis; Different methodologies!

R&D productivity of pharma industry

Large variability across pharma players



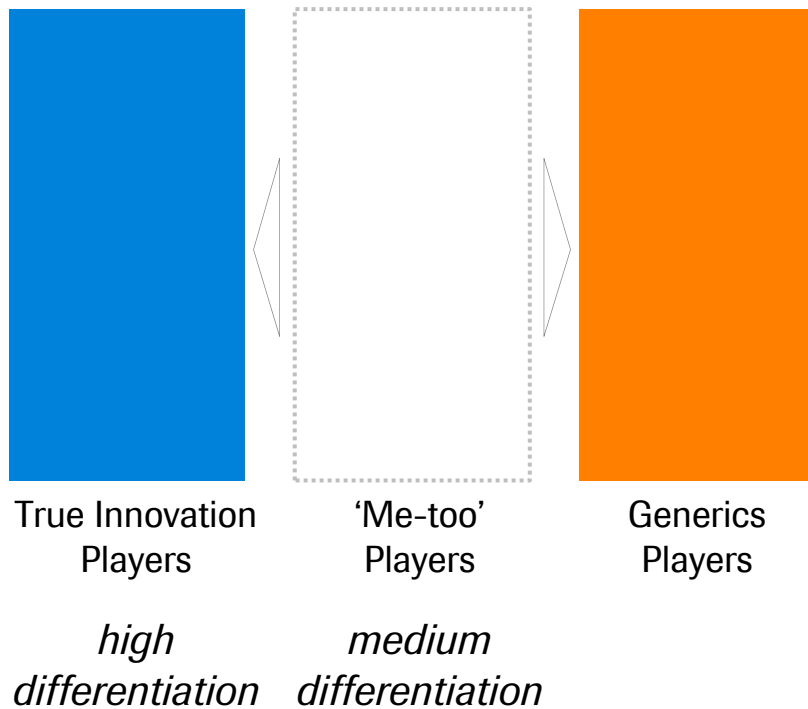
¹ Peak sales and R&D calculated pro forma to account for major M&A

Implications from R&D productivity challenge

Segregation and Diversification

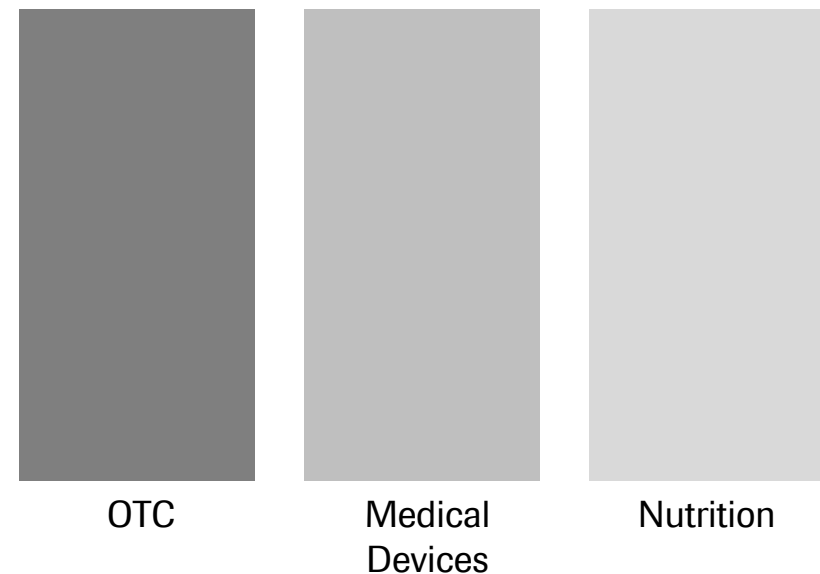
Segregation

Industry will separate into two distinct segments



Diversification

Some players adding other healthcare businesses



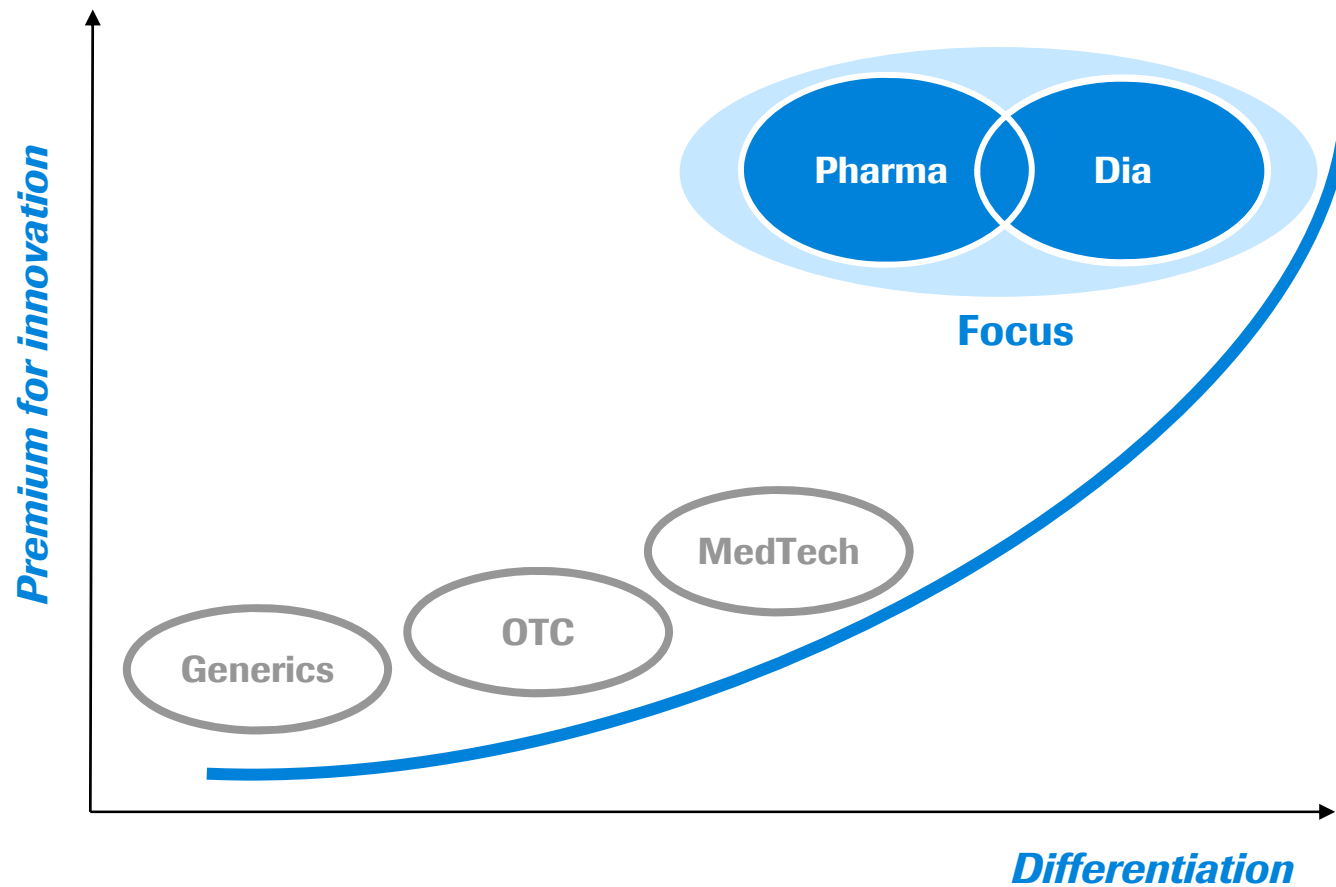
Business Environment

Strategy

Strong Position and Outlook

Roche strategy

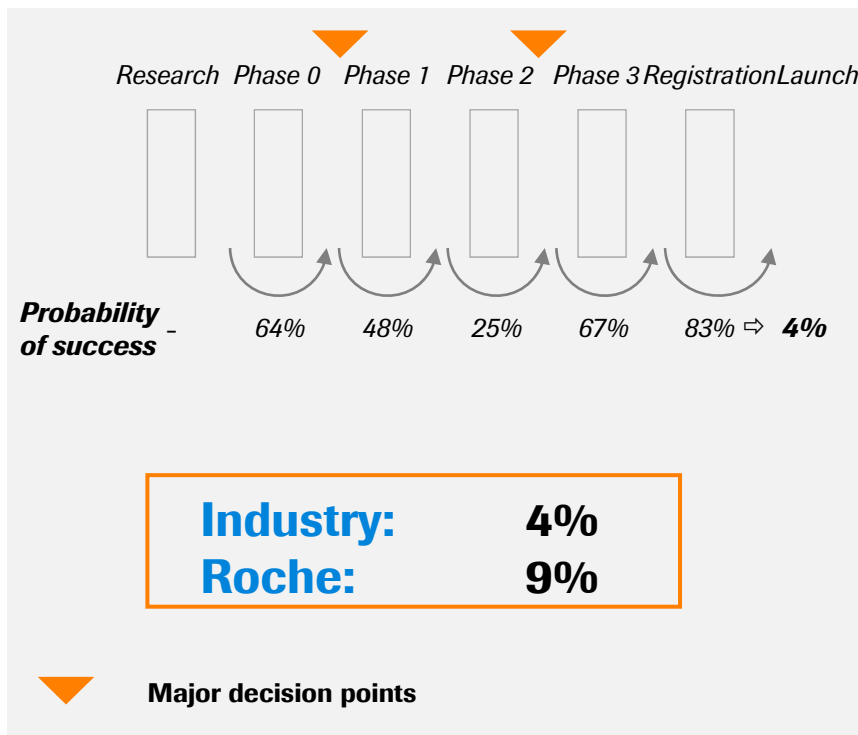
Focused on medically differentiated therapies



R&D productivity

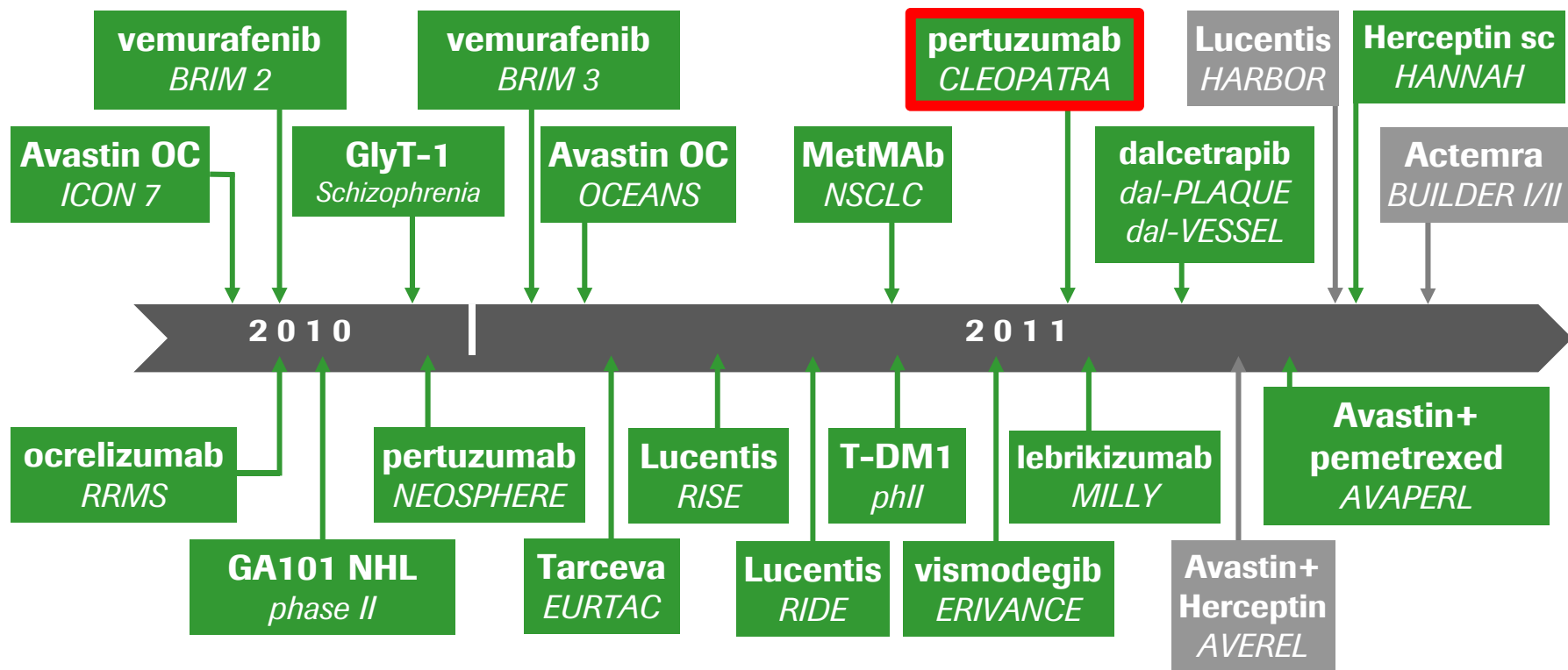
Excellence in science key lever to reduce attrition

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

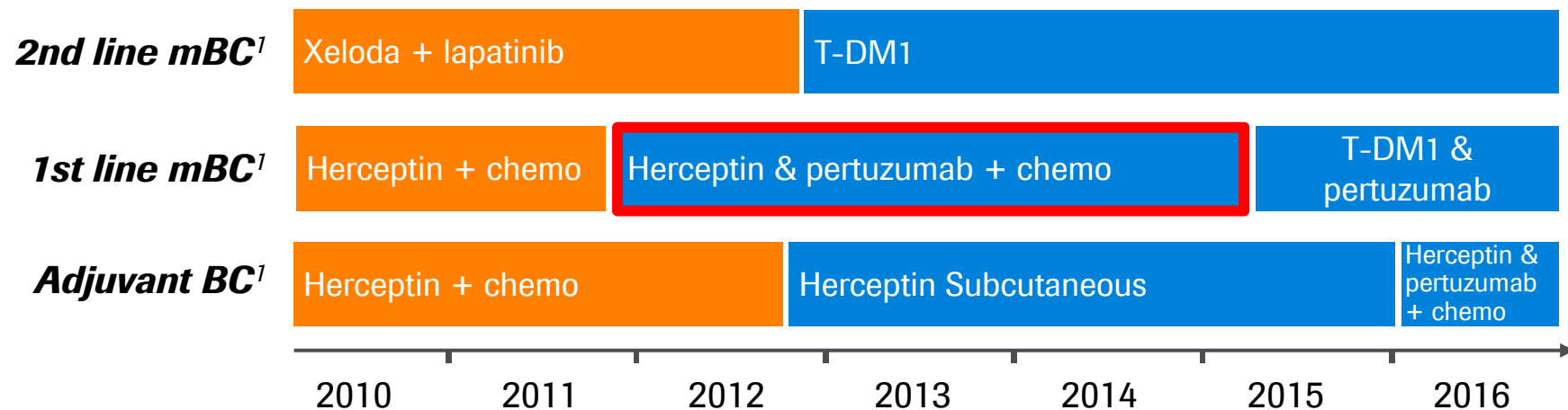
Following the science translates into clinical success- 20 positive trials in last 15 months



■ primary endpoint met
■ primary endpoint not met

Innovate and re-shape biologics market

Re-defining standard of care in HER2-positive breast cancer



■ today's standard of care
■ potential future standard of care

¹ mBC: metastatic breast cancer; BC breast cancer; Timelines refer to the expected dates of first filing

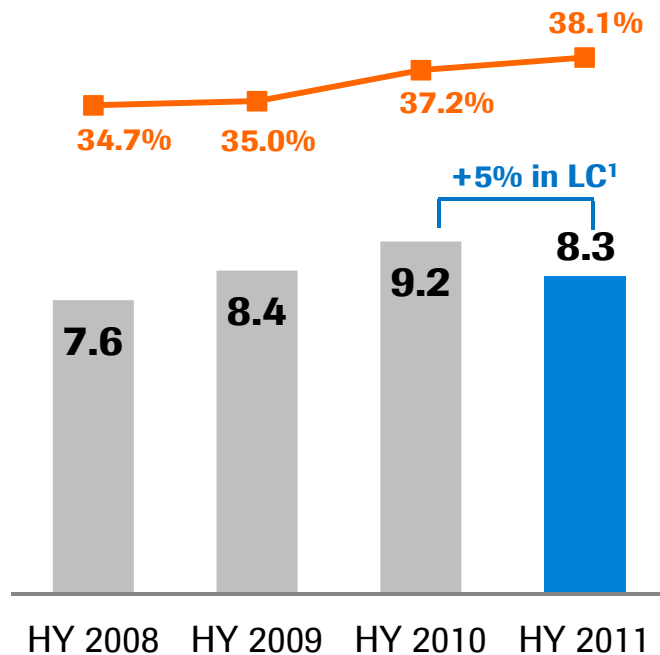
Business Environment

Strategy

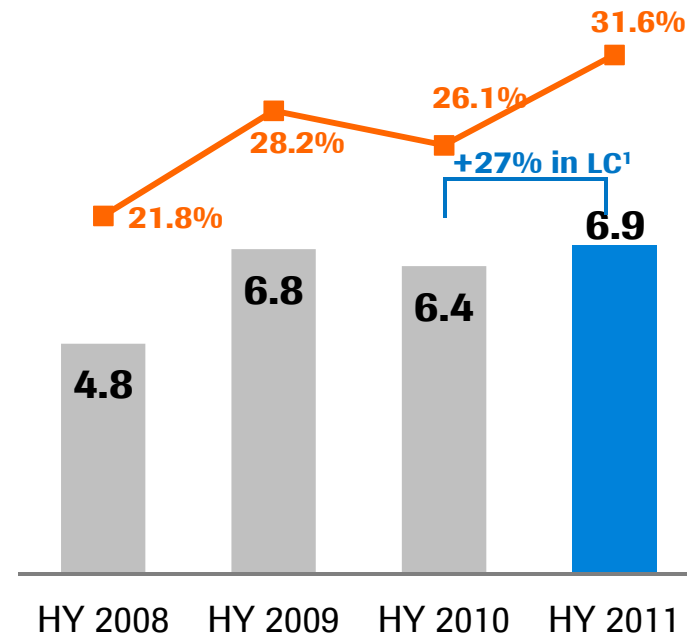
Strong Position and Outlook

Continuous improvement on cash flow and profitability over the years

Group core operating profit (CHF bn) and margin



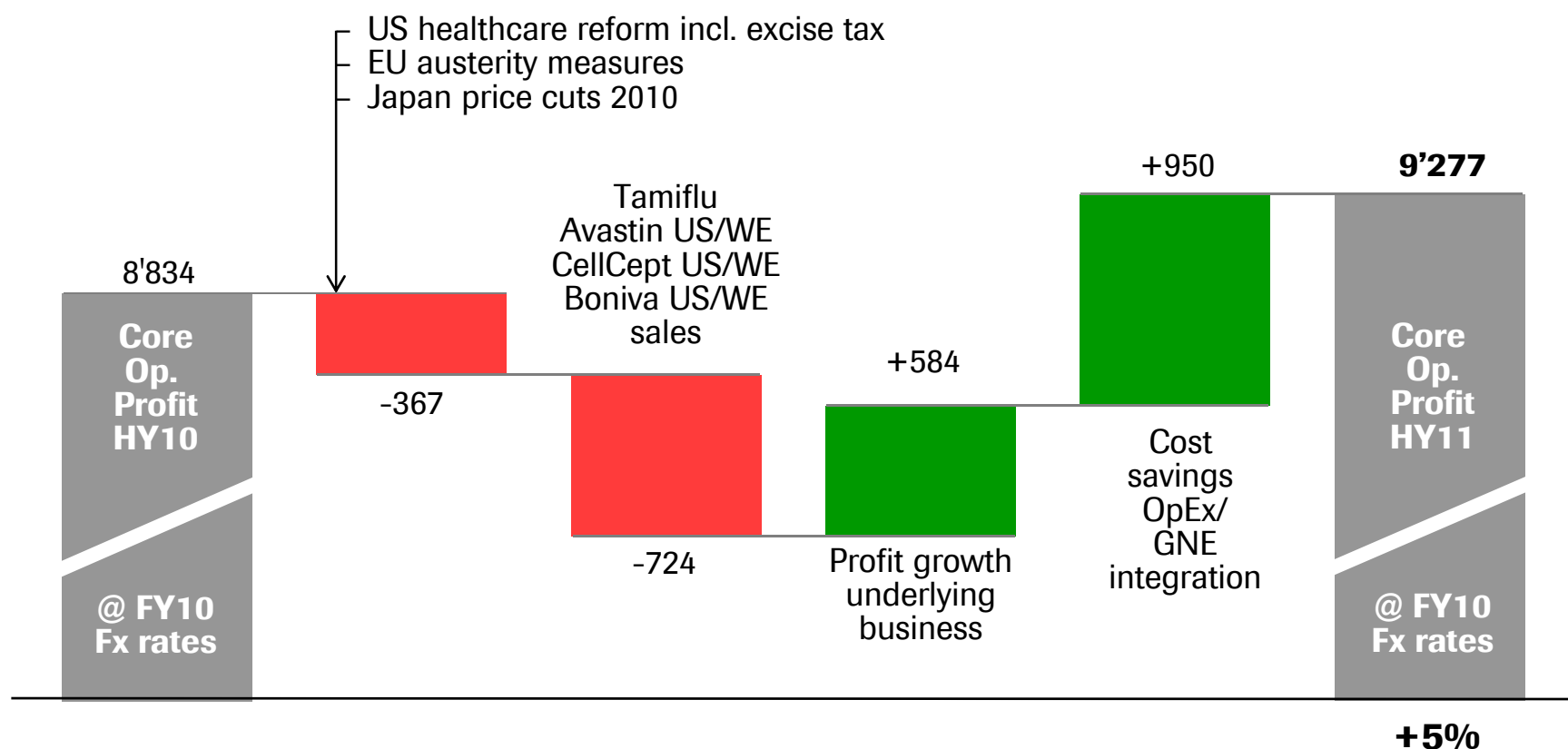
Group operating free cash flow (CHF bn) and margin



¹ local currency

Core operating profit development HY 2011

Profit growth driven by productivity improvements



Portfolio outlook

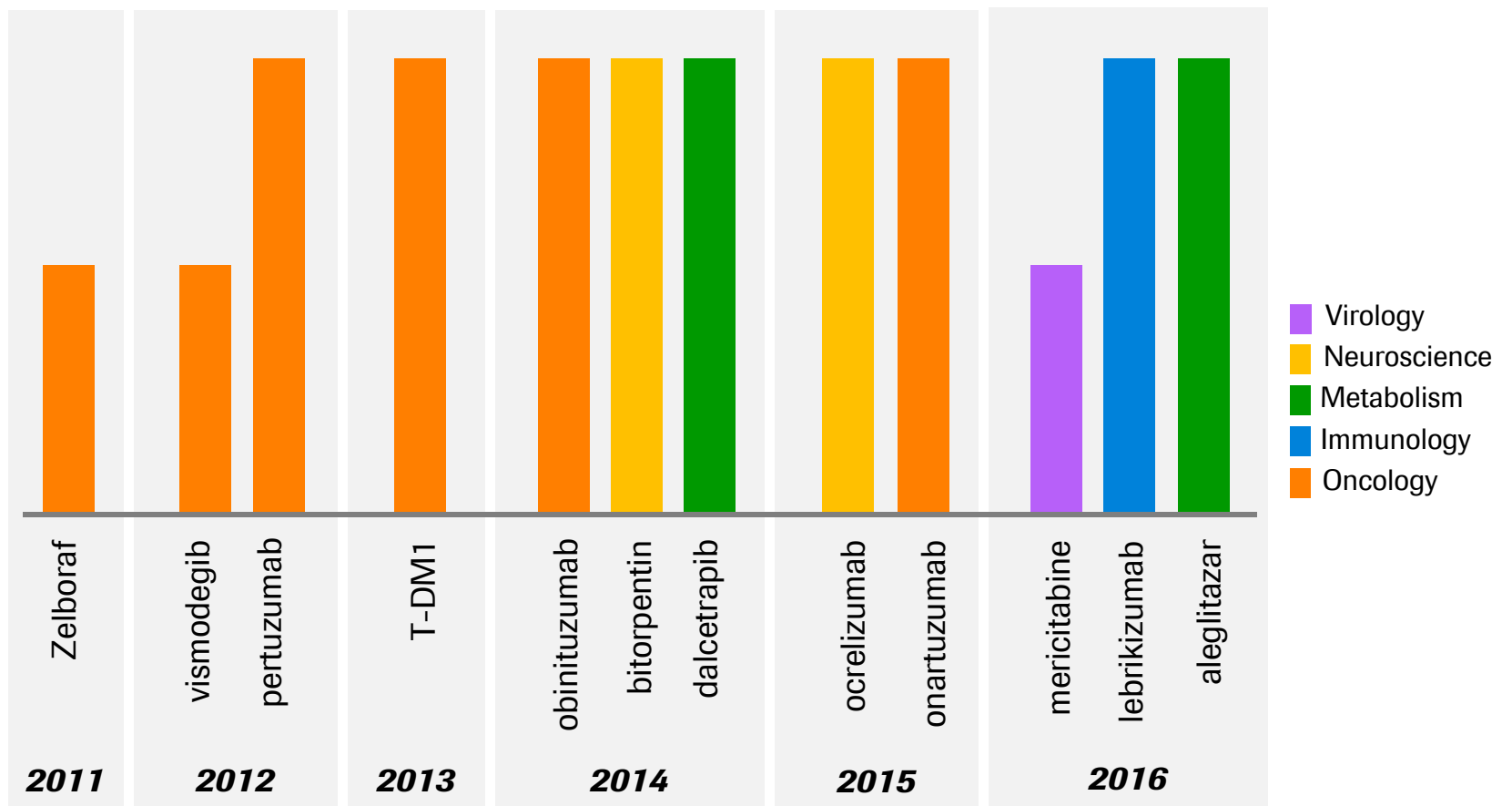
Expanding into selected therapeutic franchises

Market potential

Larger
(> 1 bn)

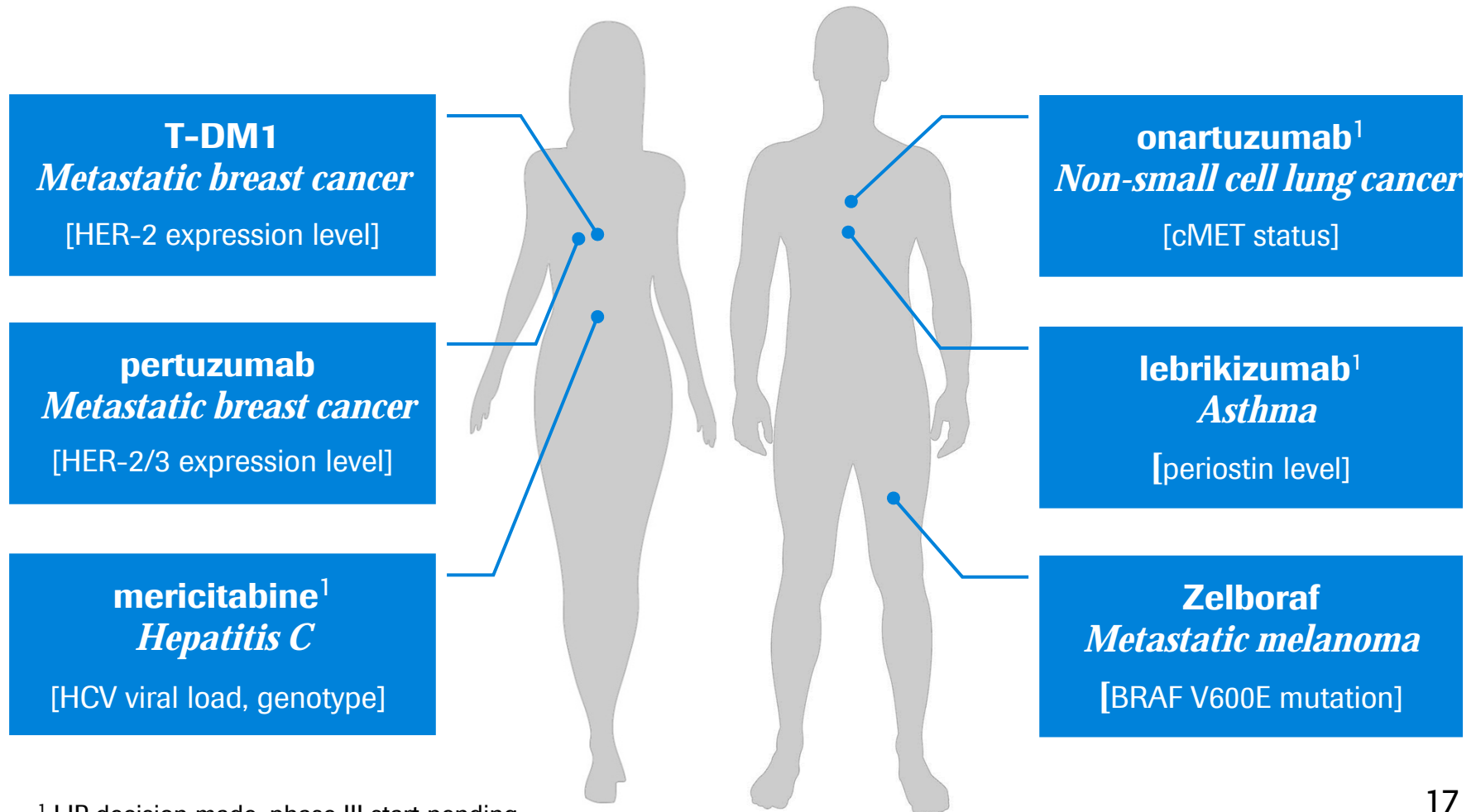
Smaller
(<1 bn)

Potential Launch Year



Our delivery

Personalized Healthcare becoming reality

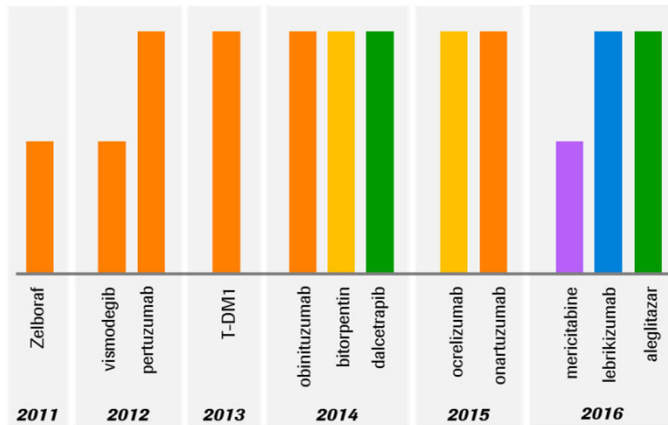
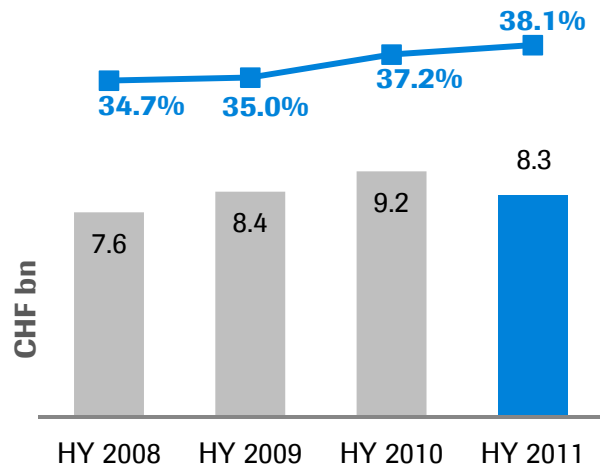


¹ LIP decision made, phase III start pending

Efficiency improvements and long-term growth

Track-record

Core operating profit and margin



Outlook

Profitability

FY 2011

Target increased to around +10%
Core EPS growth*

Growth

NME filings in 2011

Zelboraf (metastatic melanoma),
pertuzumab (first line HER2+ mBC),
vismodegib (advanced BCC)

*in local currency



We Innovate Healthcare