Roche –
Committed to innovation and profitable growth

Severin Schwan, CEO Roche

Zurich, January 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:

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

All mentioned trademarks are legally protected
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 returns\(^1\) on R&D falling to critical level

\[
\text{Return on R&D investment}
\]

Cost of Capital: 8\%-10\%

\(^1\) 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

Average annual
NME peak sales (2001-10)¹
[US$ bn]

$710 m Peak Sales
(per $1 bn R&D)

4 x

$165 m Peak Sales
(per $1 bn R&D)

Average annual R&D investment (1997-2006)¹
[US$ bn]

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

Source: EvaluatePharma; BCG analysis; Roche analysis
Implications from R&D productivity challenge

Segregation and Diversification

**Segregation**
*Industry will separate into two distinct segments*

- **True Innovation Players**
  - *high differentiation*

- **‘Me-too’ Players**
  - *

- **Generics Players**
  - *medium differentiation*

**Diversification**
*Some players adding other healthcare businesses*

- **OTC**
- **Medical Devices**
- **Nutrition**
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

**Industry:** 4%

**Roche:** 9%

Source: Industry success rates - Linda Martin, KMR, Bernstein R&D conference 2011
Roche – publically available data, BCG analysis
Following the science translates into clinical success- 20 positive trials in last 15 months
Innovate and re-shape biologics market
Re-defining standard of care in HER2-positive breast cancer

**2nd line mBC**
- Xeloda + lapatinib
- T-DM1

**1st line mBC**
- Herceptin + chemo
- Herceptin & pertuzumab + chemo
- T-DM1 & pertuzumab

**Adjuvant BC**
- Herceptin + chemo
- Herceptin Subcutaneous
- Herceptin & pertuzumab + chemo

Timelines refer to the expected dates of first filing.

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**

<table>
<thead>
<tr>
<th></th>
<th>HY 2008</th>
<th>HY 2009</th>
<th>HY 2010</th>
<th>HY 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>7.6</td>
<td>8.4</td>
<td>9.2</td>
<td>8.3</td>
</tr>
<tr>
<td>Margin</td>
<td>34.7%</td>
<td>35.0%</td>
<td>37.2%</td>
<td>38.1%</td>
</tr>
</tbody>
</table>

+5% in LC\(^1\)

**Group operating free cash flow (CHF bn) and margin**

<table>
<thead>
<tr>
<th></th>
<th>HY 2008</th>
<th>HY 2009</th>
<th>HY 2010</th>
<th>HY 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>4.8</td>
<td>6.8</td>
<td>6.4</td>
<td>6.9</td>
</tr>
<tr>
<td>Margin</td>
<td>21.8%</td>
<td>28.2%</td>
<td>26.1%</td>
<td>31.6%</td>
</tr>
</tbody>
</table>

+27% in LC\(^1\)

\(^1\) local currency
Core operating profit development HY 2011

Profit growth driven by productivity improvements

- US healthcare reform incl. excise tax
- EU austerity measures
- Japan price cuts 2010

Core Op. Profit HY10 @ FY10 Fx rates

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>8'834</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Core Op. Profit HY11 @ FY10 Fx rates

9'277

+5%
Portfolio outlook

Expanding into selected therapeutic franchises

Market potential

Larger (> 1 bn)

Smaller (<1 bn)

Potential Launch Year

<table>
<thead>
<tr>
<th>Potential Launch Year</th>
<th>Zelboraf</th>
<th>vismodegib</th>
<th>pertuzumab</th>
<th>T-DM1</th>
<th>obinutuzumab</th>
<th>bitorpentin</th>
<th>dalcechip</th>
<th>ocrelizumab</th>
<th>onartuzumab</th>
<th>mericitabine</th>
<th>lebrikizumab</th>
<th>aleglitazar</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Non risk-adjusted
Our delivery

Personalized Healthcare becoming reality

T-DM1
Metastatic breast cancer
[HER-2 expression level]

pertuzumab
Metastatic breast cancer
[HER-2/3 expression level]

mericitabine
Hepatitis C
[HCV viral load, genotype]

onartuzumab
Non-small cell lung cancer
[cMET status]

glebrikizumab
Asthma
[periostin level]

Zelboraf
Metastatic melanoma
[BRAF V600E mutation]

1 LIP decision made, phase III start pending
Efficiency improvements and long-term growth

Track-record

Core operating profit and margin

<table>
<thead>
<tr>
<th>HY 2008</th>
<th>HY 2009</th>
<th>HY 2010</th>
<th>HY 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.6</td>
<td>8.4</td>
<td>9.2</td>
<td>8.3</td>
</tr>
</tbody>
</table>

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
Roche

We Innovate Healthcare