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

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- 6 increased government pricing pressures;
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## **Financial performance**

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## **Challenges and answers**

## **Sustainable strategy**

# HY 2011: Group performance

## *Core EPS growth +10%<sup>1</sup>*

CHF m	2010	2011	%Change	
			CHF	LC
<b>Sales</b>	<b>24,636</b>	<b>21,671</b>	<b>-12</b>	<b>0</b>
<b>Core operating profit</b> <i>as % of sales</i>	<b>9,159</b> 37.2	<b>8,251</b> 38.1	<b>-10</b>	<b>+5</b>
<b>Core net income</b> <i>as % of sales</i>	<b>6,062</b> 24.6	<b>5,821</b> 26.9	<b>-4</b>	<b>+11</b>
Attributable to Roche shareholders	5,965	5,697	-4	
<b>Core EPS (CHF)</b>	<b>6.95</b>	<b>6.68</b>	<b>-4</b>	<b>+10</b>
<b>IFRS net income</b> <i>as % of sales</i>	<b>5,565</b> 22.6	<b>5,259</b> 24.3	<b>-5</b>	<b>+10</b>

<sup>1</sup> local currency

# YTD Sept 2011: Group sales

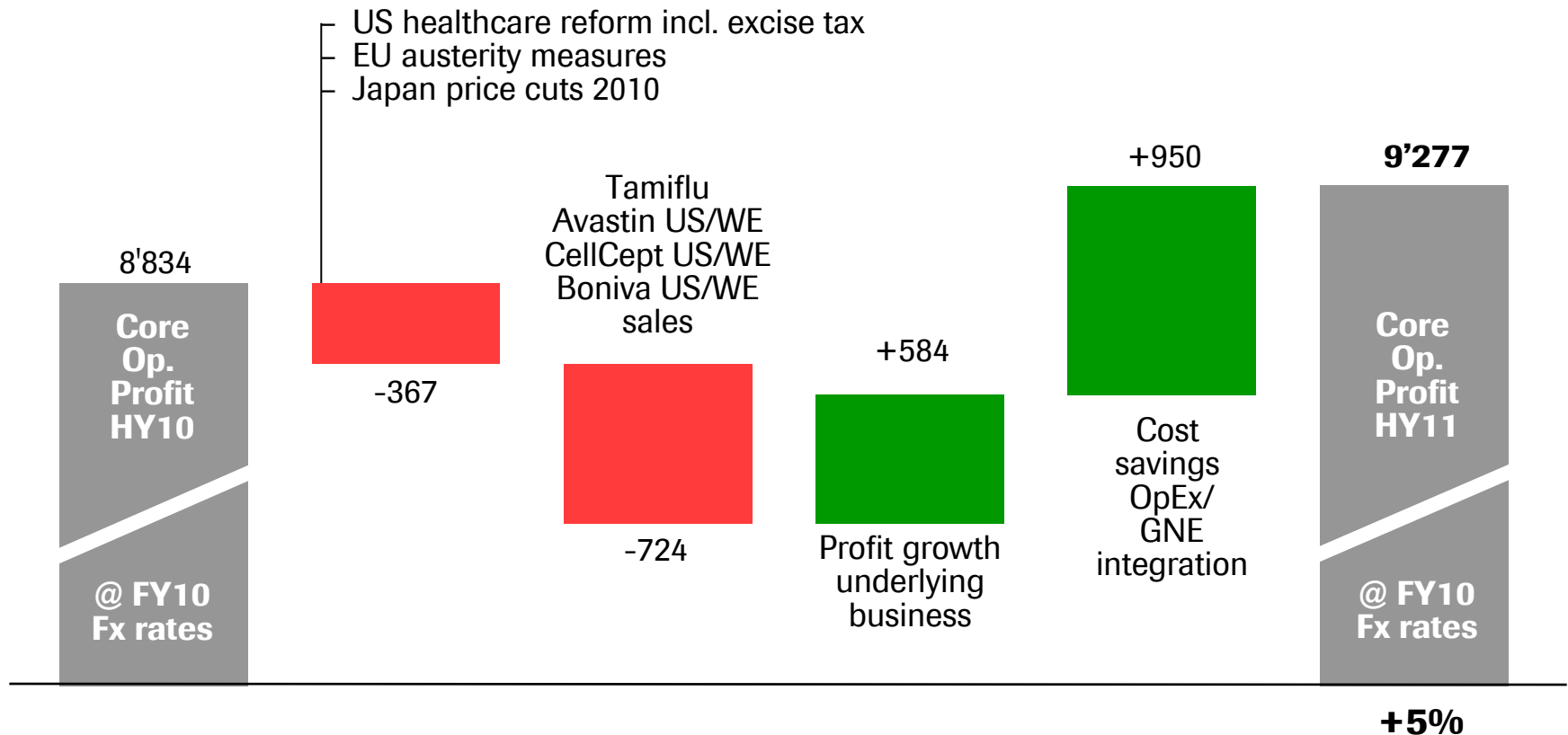
*Supporting full-year guidance, strong currency impact*

<b>CHF bn</b>	<b>2010</b>	<b>2011</b>	<b>change in % CHF</b>	<b>change in % CER</b>	<b>Excluding Tamiflu<sup>1</sup></b>
<b>Pharmaceuticals Division</b>	<b>28.4</b>	<b>24.4</b>	<b>-14</b>	<b>-1</b>	<b>+1</b>
<b>Diagnostics Division</b>	<b>7.7</b>	<b>7.1</b>	<b>-8</b>	<b>+6</b>	
<b>Roche Group</b>	<b>35.3</b>	<b>31.5</b>	<b>-13</b>	<b>0</b>	<b>+2</b>

<sup>1</sup> at Constant Exchange Rates, CER (average full year 2010)

# HY 2011: Core operating profit development

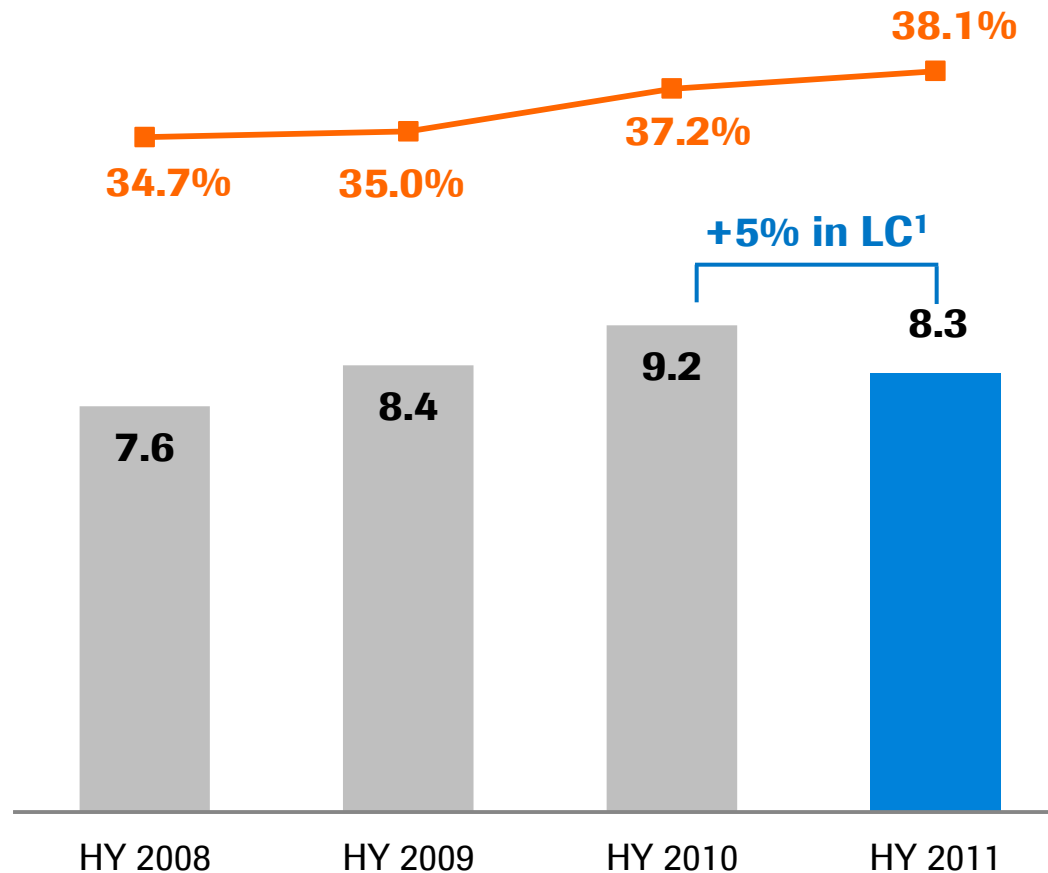
## *Profit growth driven by productivity improvements*



# Continuous growth in operating profit and margin



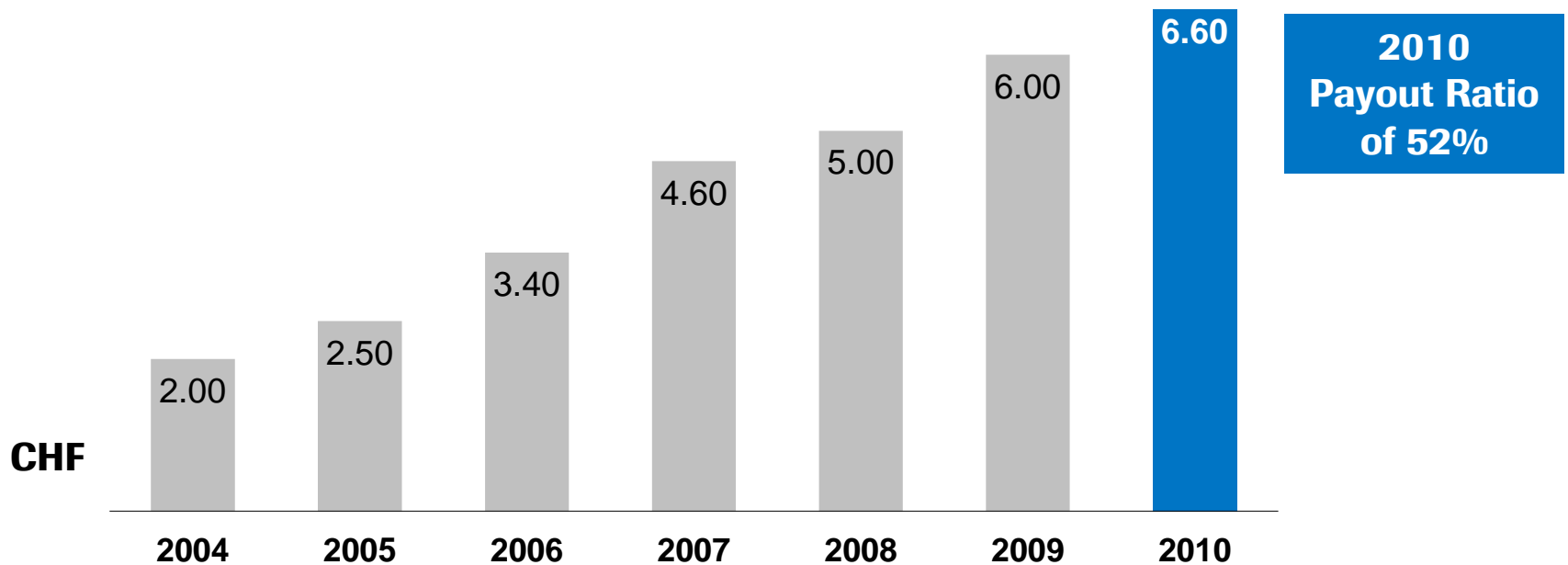
Group core operating profit (CHF bn) and margin



<sup>1</sup> local currency

# Attractive dividend payout ratio

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





**Financial performance**

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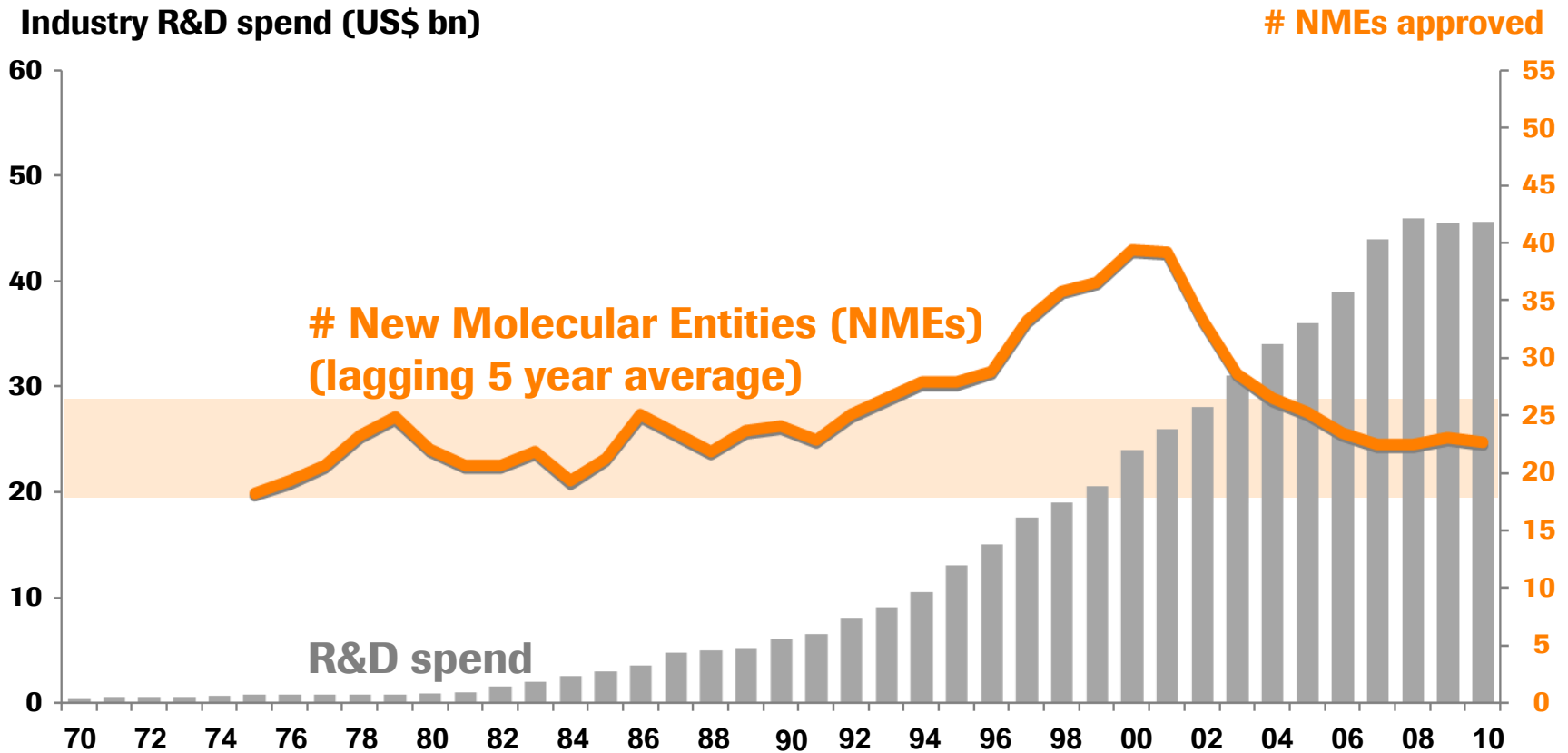
**Challenges and answers**

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**Sustainable strategy**

# R&D productivity of Pharma industry

*Output relatively flat, while R&D costs have increased*



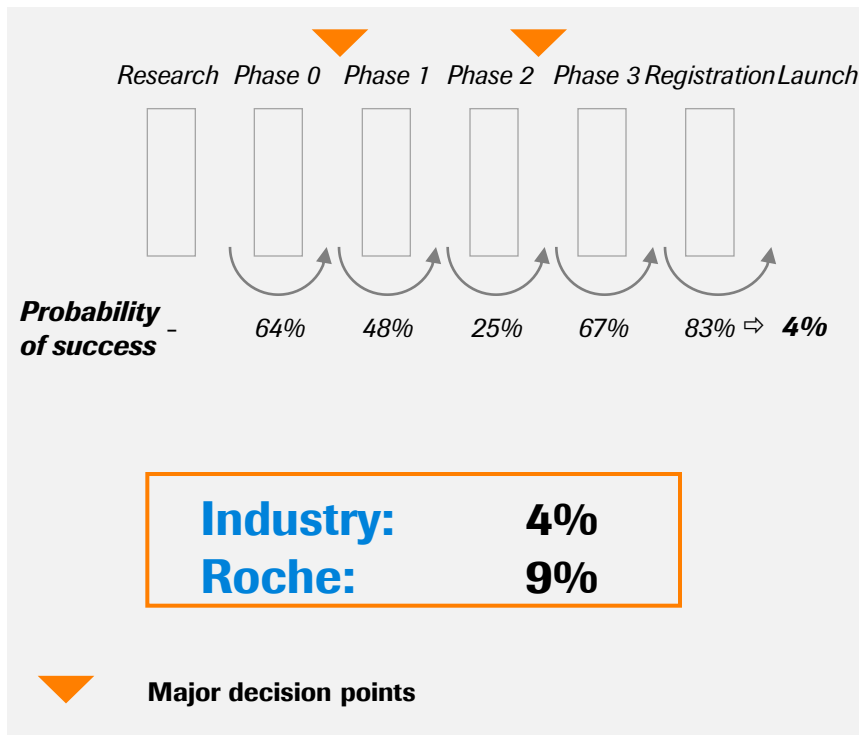
Notes: R&D spend figures may not include overhead components as reported in company annual reports

Source: NME data for 1966-1971 from Peltzman, S. (1973) J. of Political Economy 81, no. 5: 1049-91. NME data for 1972-1979 as reported in Hutt, P.B. (1982) Health Affairs 1(2) 6-24. NME Data for 1980-2007 from Parexel's Pharma R&D Statistical Sourcebook 2009/2010, FDA, and PhRMA. Industry R&D spend data from PhRMA Annual Membership Survey, 2008 and Parexel 2009/2010

# R&D productivity

*Excellence in science key lever to reduce attrition*

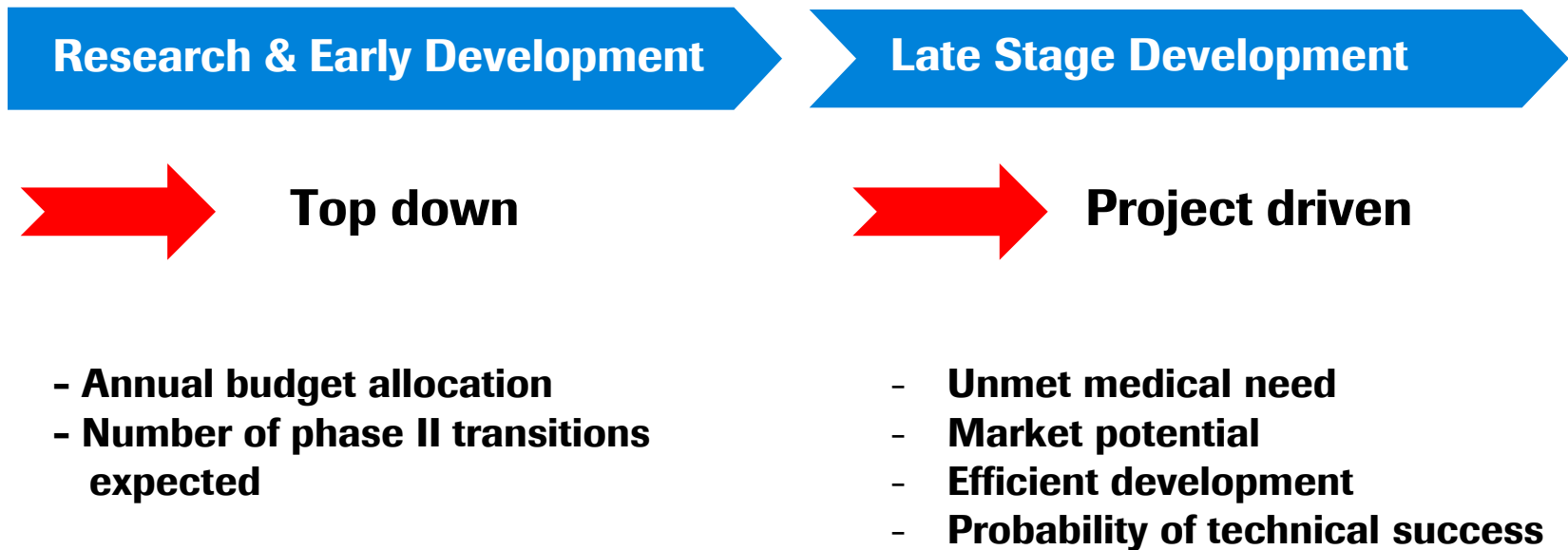
## Industry success rate 2005-2009



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

# R&D allocation

*Mix of qualitative and quantitative factors*



# Initiatives to do ‘more with less’ in Late Stage Development

Late Stage Development

Project driven

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

## Do same with lower costs

- Less investigational sites for the same trial: focus on active sites
- Reduce trial complexity: define and focus on relevant trial end-points
- Enhance competition with CRO’s: reduce cost, but preserve quality
- Transfer non-core activities to lower cost sites (e.g. Nutley to India)

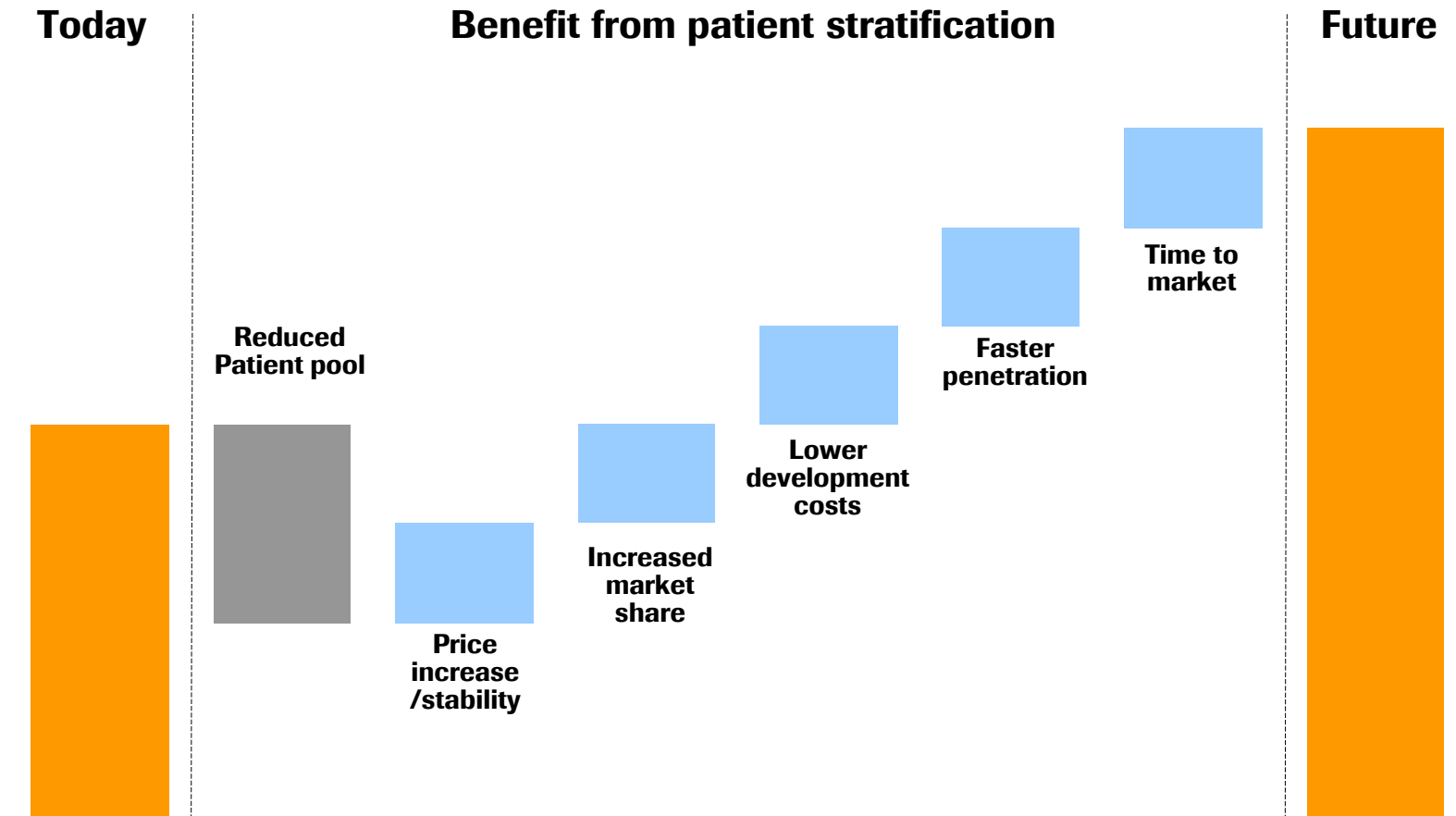
## Do more with same level of R&D investment

- More compounds to enter late-stage development, more studies with the same level of R&D investment

## Increase success rate

- Reduce attrition/increase probability of success with Personalised Healthcare approach
- Set high bar for transition to Late-stage development: only the most promising projects are worth high investment

# Personalised Healthcare- benefit for all stake holders, including the industry



# Roche strategy for post-patent biologics marketplace

## *Actively pursuing multiple strategies*

### **Innovate**

#### **Re-define the standard of care**

Mode of administration, combination therapies and new drugs

### **Protect**

#### **Protect high standards**

**Enforce efficacy and safety standards, defend intellectual property**

### **Expand**

#### **Act to expand patient access in emerging markets**

**Change from global pricing to tiered pricing, including 2nd brand**

**Financial performance**

**Challenges and answers**

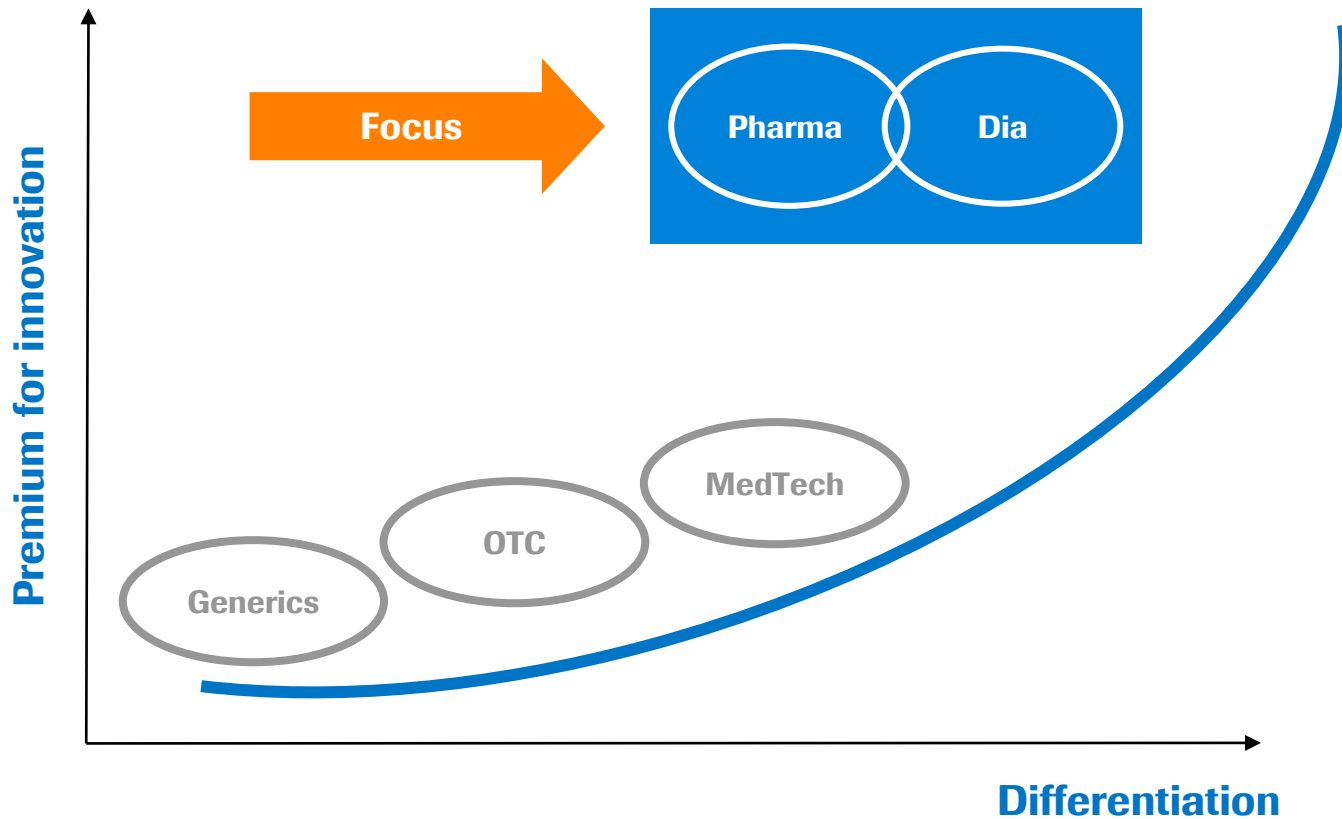
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**Sustainable strategy**

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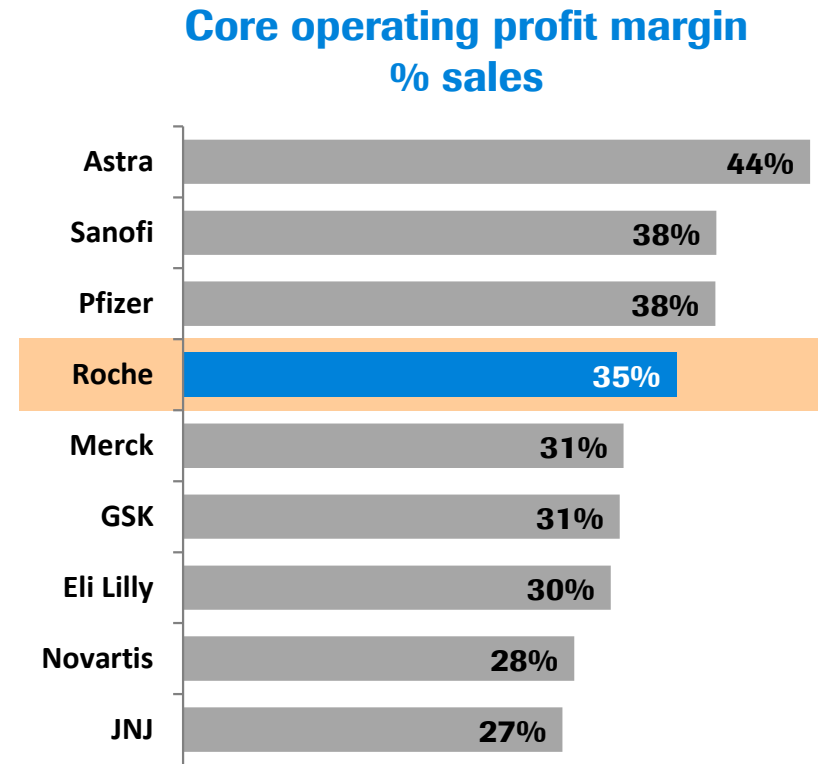
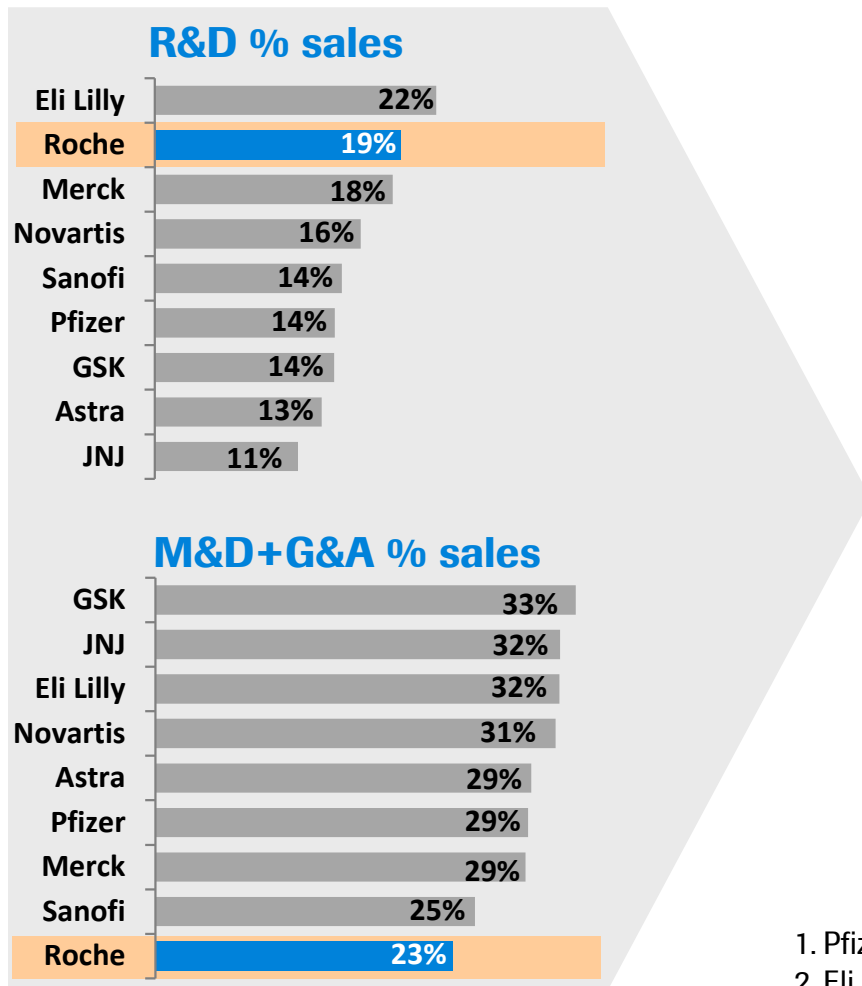


# Roche: Focused on medically differentiated therapies



# P&L structure reflecting innovation based strategy

## *Peer group core operating profit margin 2010*



FY 2010 figures; restated to a core basis based on publicly available information

1. Pfizer: Non-core items in CoS
2. Eli Lilly: 8%p. lower CoS ratio vs. Roche. Not feasible to judge if definition of Lilly's CoS same as Roche's
3. JNJ: No adjustments feasible as no details are disclosed.

# Roche: Staying focused on Prescription and Diagnostics

Diversified

Focused

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

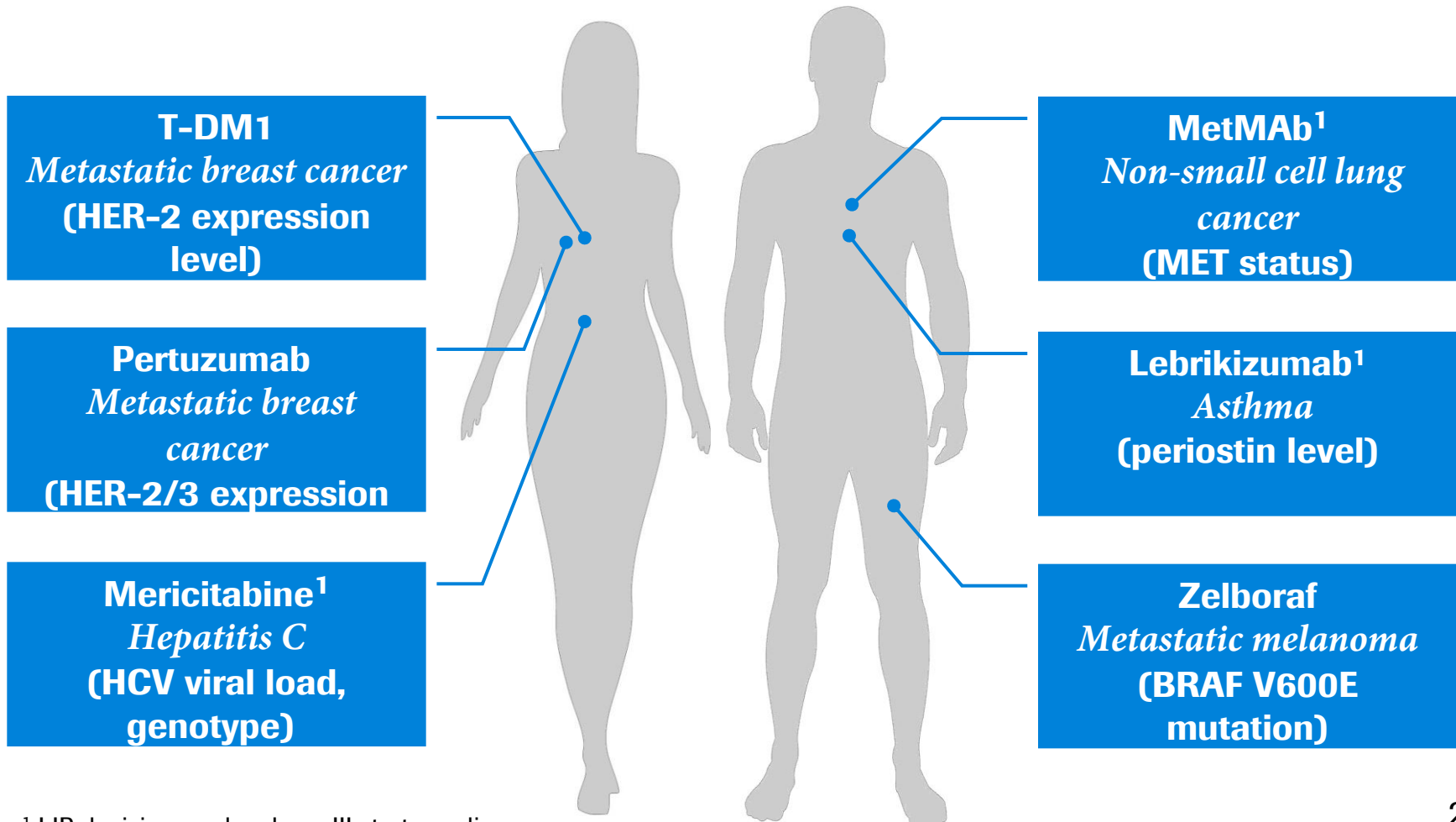
# Roche: Focus on selected business/disease areas

## *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	

# Our delivery

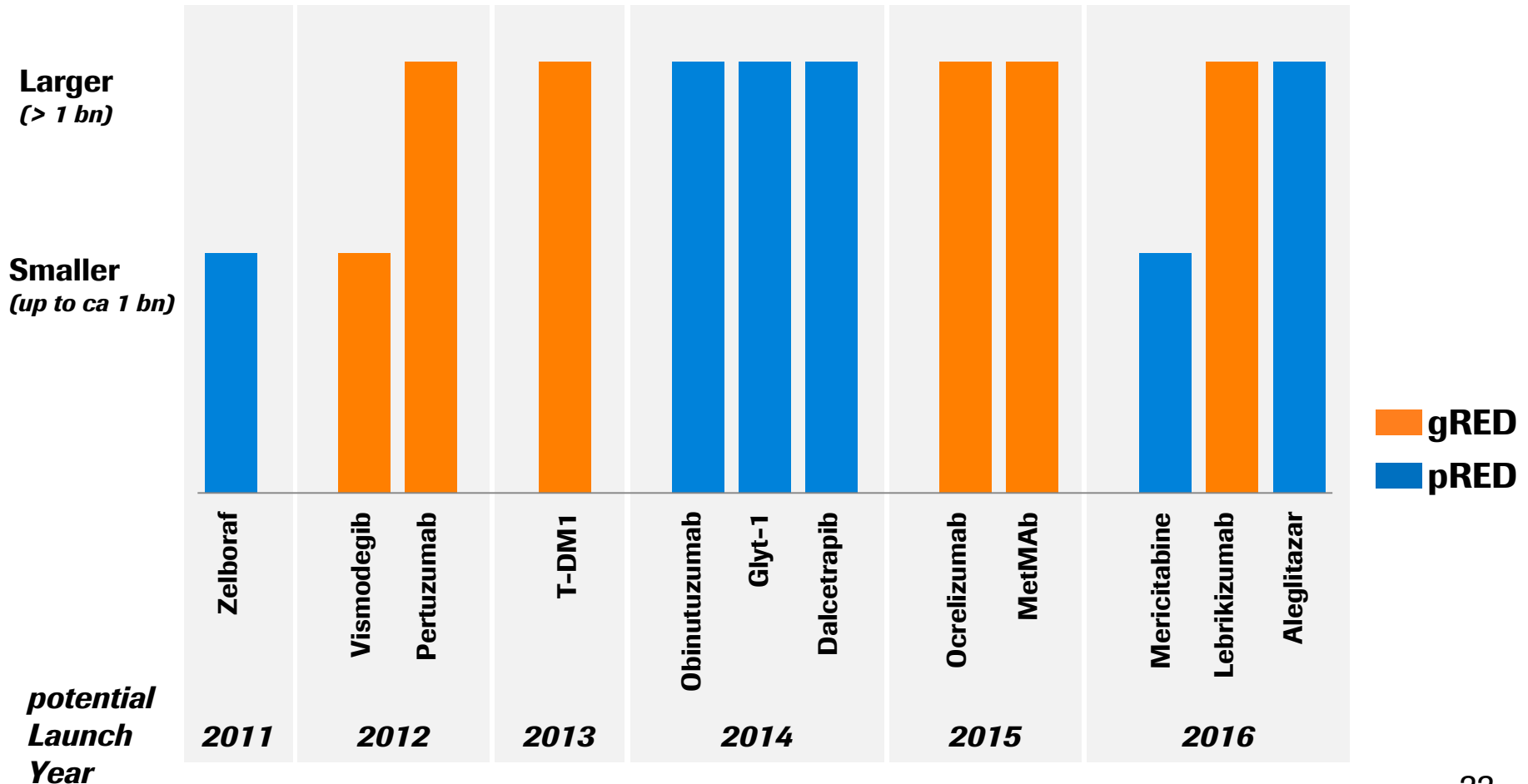
## *Personalized Healthcare becoming reality*



<sup>1</sup> LIP decision made, phase III start pending

# Portfolio outlook

## *Market expectations regarding peak sales*

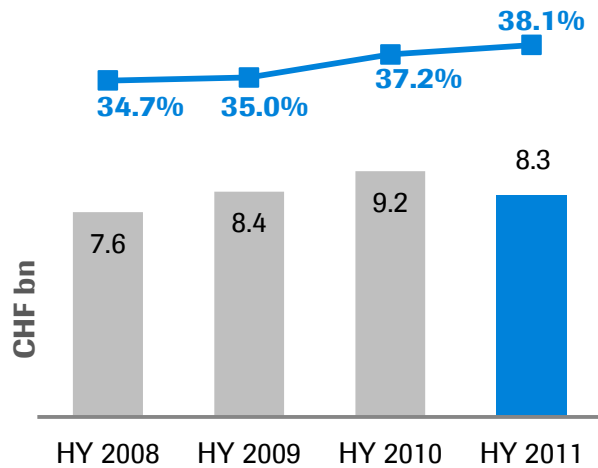


# Efficiency improvements and long-term growth

## Track-record

## Outlook

Core operating profit and margin

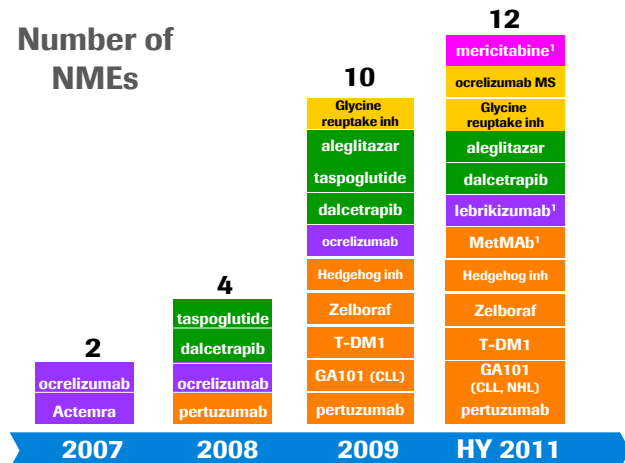


## Profitability

### FY 2011

Target increased to around 10%  
Core EPS growth\*

Number of NMEs



## Growth

### Potential NMEs filings in 2011

Zelboraf (metastatic melanoma)  
pertuzumab (1<sup>st</sup> I. HER2+ mBC)  
vismodegib (advanced BCC)

<sup>1</sup> LIP decision made, phase III start pending

\*in local currency

# Confirming outlook for 2011

## *Continued strong business performance*

<b>Sales growth (in LC)</b>	Group & Pharma (excl. Tamiflu): low single-digit Diagnostics: significantly above market
<b>Genentech synergies</b>	2011+ : CHF 1.0 bn*
<b>Operational Excellence savings</b>	2011 : CHF 1.8 bn 2012+ : CHF 2.4 bn
<b>Core EPS growth target (in LC)</b>	Around 10%
<b>Dividend outlook</b>	Grow in-line with Core EPS; maintain at least last year's dividend in CHF

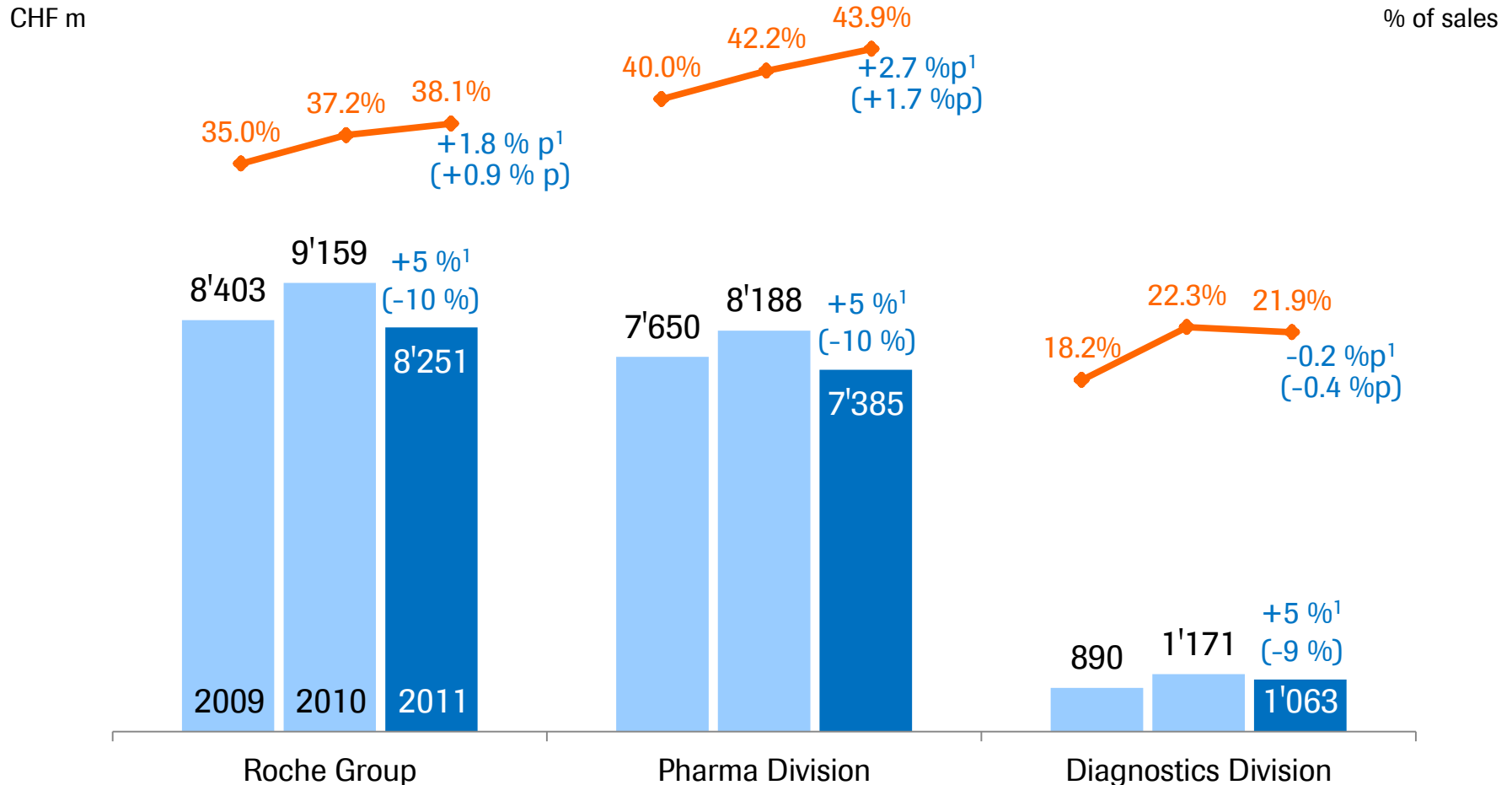




*We Innovate Healthcare*

# HY 2011: Group core operating profit and margin

## *Strong margin increase over years*



<sup>1</sup> local currency