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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.

Operational Excellence

Core EPS

Appendix 1: Core EPS supplementary information

Appendix 2: Hedging and collateral arrangements

Operational Excellence
2010 Financial Statements

Operational Excellence: restructuring costs | in millions of CHF

	2010
Employee-related costs	
– Termination costs	788
– Pensions and other post-employment benefits	(72)
– Equity compensation plans: accelerated vesting expenses	–
– Other employee-related costs	13
Total employee-related costs	**729**
Site closure costs	
– Impairment of property, plant and equipment	67
– Accelerated depreciation of property, plant and equipment	–
– Environmental remediation costs	–
– Other site closure costs	51
Total site closure costs	**118**
Impairment of intangible assets	424
Other reorganisation expenses	72
Total	**1,343**

Operational Excellence

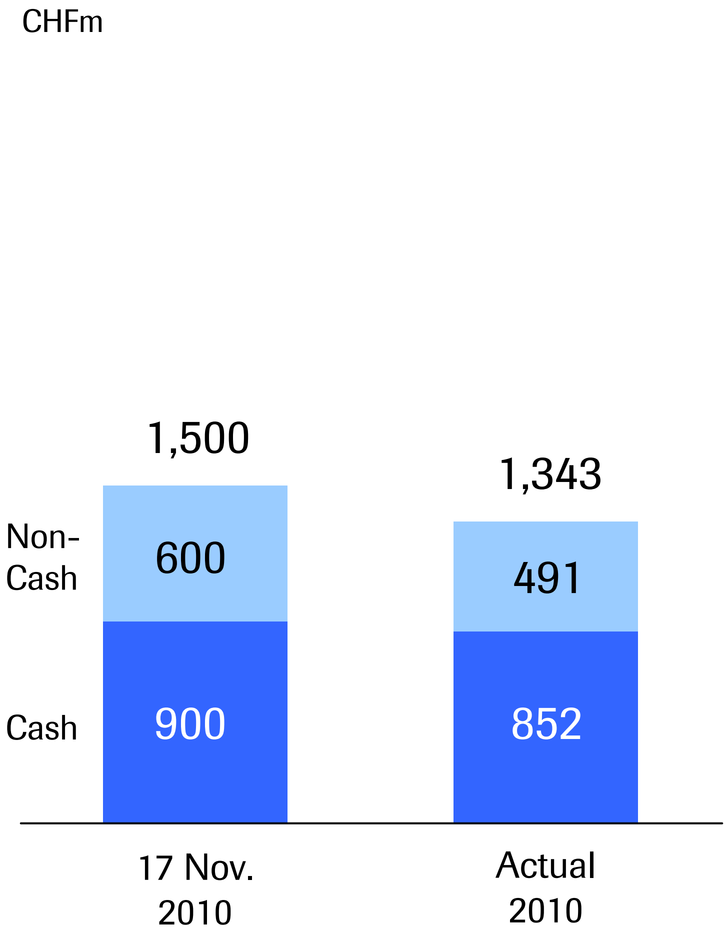
2010 Financial Statements

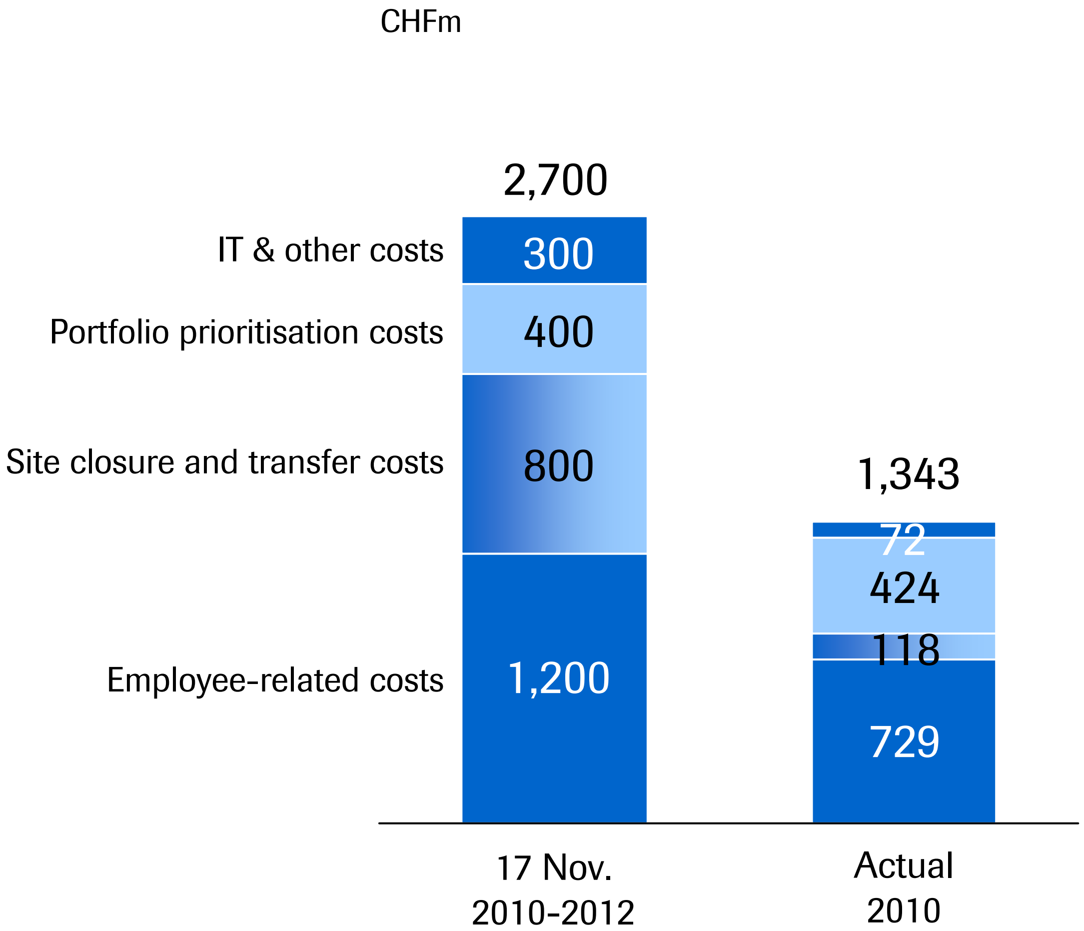
Classification of Operational Excellence restructuring costs | in millions of CHF

			2010
	Depreciation, amortisation and impairment	Other costs	Total
Cost of sales			
– Roche Pharmaceuticals	34	32	66
– Diagnostics	23	68	91
Marketing and distribution			
– Roche Pharmaceuticals	–	312	312
– Diagnostics	–	5	5
Research and development			
– Roche Pharmaceuticals	424	277	701
– Diagnostics	4	38	42
General and administration			
– Roche Pharmaceuticals	6	107	113
– Diagnostics	–	6	6
– Corporate	–	7	7
Total	**491**	**852**	**1,343**
Total by operating segment			
– Roche Pharmaceuticals	464	728	1,192
– Chugai	–	–	–
– Diagnostics	27	117	144
– Corporate	–	7	7
Total	**491**	**852**	**1,343**

Operational Excellence restructuring costs

Initial announcements versus Actual 2010 results





Operational Excellence

Core EPS

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Core Results reporting
Overview

Core EPS

- Core EPS was pioneered by Roche in the Healthcare sector in 2004.
- Consistently applied since then, with clear linkage to the audited IFRS financial statements.
- We are expanding the disclosures for 2010 in light of current international and industry practice and taking into account the latest regulatory guidance.

Presentational changes

- Income statement in audited financials simplified, removing “Exceptional Items”.
- Internal and external earnings metrics aligned. “Operating Profit before Exceptional Items” will be replaced by “Core Operating Profit”.
- No significant changes to the definition of Core EPS. Operational Excellence costs will be excluded from the Core Results.
- From 2010, Core Results will be given externally for full Divisional and Roche Group income statements, with a fully transparent reconciliation to the audited IFRS results.

Core Results reporting

New Income Statement Presentation

From

Sales
Operating Costs
Operating Profit before exceptional items

Exceptional operating items

Operating Profit

Financial Income/Financing Costs

Exceptional Financing Costs

Income Taxes

Income Taxes on Exceptional Items

Net Income

Net Income before exceptional items

IFRS

To

IFRS		Core Results
Sales Operating Costs Operating Profit Financial Income/Costs Income Taxes Net Income	Non-Core Items	Sales Operating Costs **Core** Operating Profit Financial Income/Costs Income Taxes **Core** Net Income

- Change from a one-column IFRS income statement to a two column presentation of IFRS and Core Results with clearly defined Non-Core items and a transparent reconciliation.
- Core Results will be presented by Group and Division.

IFRS income statement presentation
Align IFRS presentation to industry practice

Ever tighter technical requirements

- Increasingly focus from standard setters, regulators and auditors.
- Standard setters may at some point change income statement presentation rules.
- Peers do not present it this way.

Drop "Exceptional items" in audited financials

- Reclassify "Major Legal Cases" and "Changes in Group Organisation" to G&A.
- Reclassify "Exceptional Financing Costs" to Financial Income and Financing Costs.
- Reclassify "Income Taxes on Exceptional Items" to Income Taxes.
- Operational Excellence costs are part of regular function items (and not all booked to G&A). Will be considered as Non-Core for targets in 2010 and beyond.

IFRS Income statement presentation

2009 – bridge between published and restated

Restated consolidated income statement for the year ended 31 December 2009 | in millions of CHF

	As originally published	Reclassifications	Restated
Sales	49,051	-	49,051
Royalties and other operating income	2,100	-	2,100
Cost of sales	(14,615)	-	(14,615)
Marketing and distribution	(9,475)	-	(9,475)
Research and development	(9,874)	-	(9,874)
General and administration	(2,175)	(2,735)	(4,910)
Major legal cases	(320)	320	-
Changes in Group organisation	(2,415)	2,415	-
Operating profit	12,277	-	12,277
Associates	-	-	-
Financial income	792	(238)	554
Financing costs	(2,460)	(139)	(2,599)
Exceptional financing costs	(377)	377	-
Profit before taxes	10,232	-	10,232
Income taxes	(2,870)	1,148	(1,722)
Income taxes on exceptional items	1,148	(1,148)	-
Net income	8,510	-	8,510

Core Results concept

External Innovation and Restructuring plans

External Innovation

- Accounting rules are not wholly consistent between internal R&D and externally acquired Innovation, whether through Alliance deals or Business Combinations.
- For Roche Core definitions all intangible asset amortisation and impairment will be treated as Non-Core. This continues existing practice and is in line with our Peers.
- All acquisition accounting effects will also be treated as Non-Core.

Global restructuring plans

- Large restructuring programmes are on-going in many Pharma companies.
- For Roche Core definitions this only includes Company Transforming Group-wide initiatives, such as “Call-To-Action”, “Genentech Integration” and “Operational Excellence”.
- Smaller restructurings remain part of the regular Core results (as they happen frequently and are part of the regular business cycle). Either reported in Cost Functions or G&A.
- The bar is set deliberately at a high-level to ensure accountability and credibility.

Core Results concept

Other matters treated as Non-Core

Legal and environmental

- Well accepted as an adjustment item, with most Peers adjusting out all such items.
- Such matters at Roche are mostly historic legacy matters not related to current products and operations.

Discontinued businesses

- Results prior to divestments and gain/loss on divestments.
- Past examples at Roche include Vitamins and Fine Chemicals and OTC.

Treasury and Tax

- Settlement of pension plans.
- Major debt restructuring.
- Normalisation of tax charge on stock options.

Global issues outside the Healthcare Sector beyond the Group's control

- Placeholder for issues such as natural disasters and government actions.
- Regulatory (e.g. FDA decisions) or business (e.g. Greece) issues are treated as Core.

Operational Excellence

Core EPS

Appendix 1: Core EPS supplementary information

Appendix 2: Hedging and collateral arrangements

Earnings per share
Which one to use?

Diluted EPS

- Best suited for reporting to shareholders on actual results.
  - Includes everything.

Core EPS

- Best suited for reporting to shareholders on actual results.
  - Focuses on the underlying business.
  - Excludes historic irregular items (discontinuing businesses, litigation and environmental settlements) and items that reduce comparability to peers (intangible asset amortisation and impairment).

Equity Compensation Plans

Income taxes: main principles

Operating expense is fixed

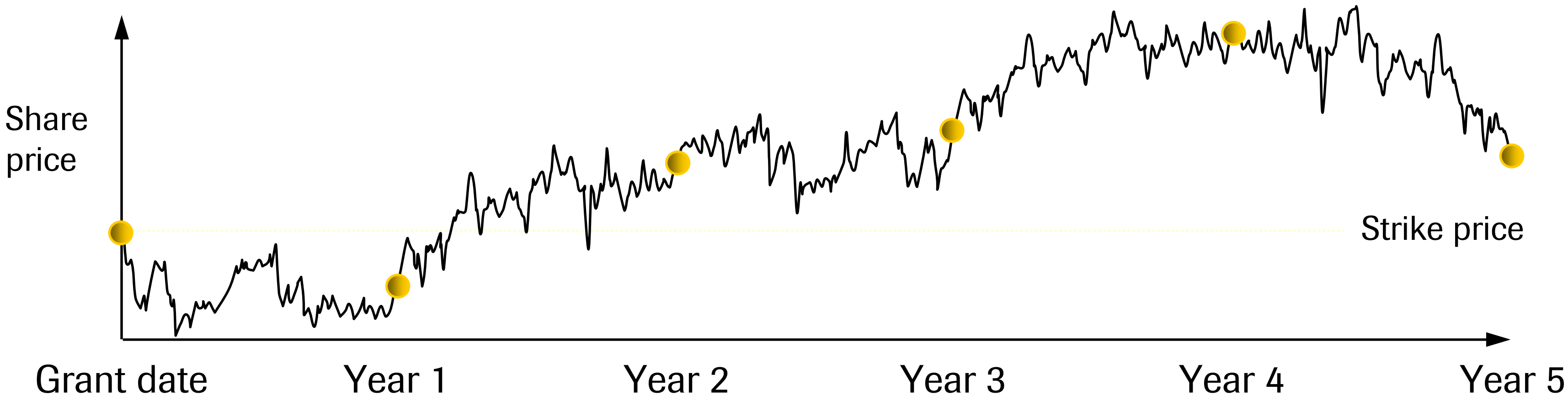
- Operating expense is fixed at grant date and spread over vesting period, but …

Tax benefit is variable

- Tax benefit variable (depending on market price) and booked until exercise
  - Tax benefit can be zero (if option out-of-money)
  - Tax benefit can include catch-up from prior periods
  - Overall cap on tax benefit (operating expense multiplied by tax rate)
  - Tax impacts last beyond vesting until exercise

Equity Compensation Plans

Income taxes: theoretical example



Operating expense	-100	-100	-100	-	-
Tax benefit	0	60	30	30	-40
Effective tax rate	0%	60%	30%	n/a	n/a

Assumptions: 3 year cliff vesting plan, 40 % local tax rate, no exercises

Equity Compensation Plans

Income taxes: current situation 2009-2010

Major Roche Group equity compensation plans: tax effects

	HY '09 CHF m	FY '09 CHF m	HY '10 CHF m	FY '10 CHF m
Operating profit	(174)	(308)	(157)	(302)
Reported tax benefit	49	77	6	6
Effective tax rate	28%	25%	4%	2%
Normalised tax benefit	54	90	47	89
Normalised tax rate	31%	30%	30%	29%

Intangible assets amortisation for 2011-2013
Estimates based on status at 31 December 2010

CHFm	2011	2012	2013
Amortisation	536	504	459
Income taxes	(188)	(176)	(161)
Non-controlling interests	-	-	-

Assumptions

- Does not include impairments.
- Does not include acquisitions or additions from 1 January 2011 onwards.
- Does not include transfers to 'in use' from 1 January 2011 onwards.
- Tax rate assumed at 35%.
- Foreign exchange rates assumed 2010 average: USD 1.04, EUR 1.38, JPY 1.19.

Operational Excellence

Core EPS

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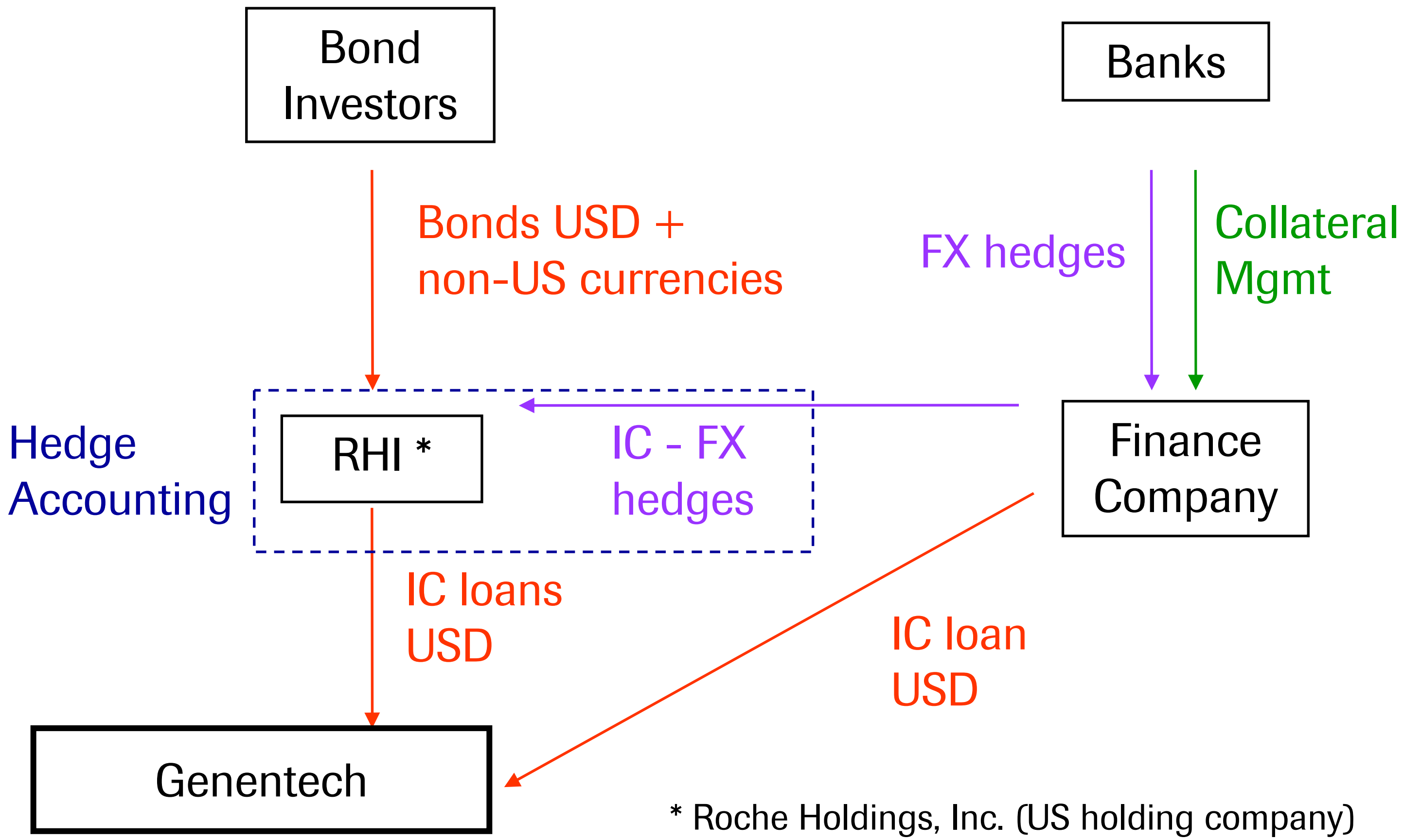
Overview Financing and Hedging

All foreign exchange exposures hedged with derivatives



* Roche Holdings, Inc. (US holding company)

Hedging and collateral arrangements

What are these, and why is Roche doing this?

Debt issued to finance Genentech transaction

- Roche issued 40 billion USD of debt in early 2009 from its US holding company.
- Debt was issued in USD to the US markets, but also in EUR, GBP and CHF to access European markets.

Hedging

- Proceeds of non-USD debt were swapped to give the debt economic characteristics of USD debt in the Roche financials.
- Repayment rate has been fixed to the forex rates prevailing at issue in 2009.
- Similarly interest costs have been economically hedged to US interest rates.

How is this done ?

- Shorter-term debt is hedged using Forward Contracts of 1-6 months, which are periodically settled and rolled over.
- Longer-term debt is hedged using Cross-Currency Swaps, which are only settled on maturity of the debt.
- Collateral payments are exchanged between Roche and the banks to mitigate counter-party risk on the Cross-Currency Swaps.

Hedging and collateral arrangements
Mechanics – Forward Contracts

Accounting treatment of derivative

- No recognition at inception.
- During course of contract fair value of derivative fluctuates due to forex rates.
- This movement is recorded to financial income "Gain/loss on foreign currency derivatives".
- On maturity of contract, cash settlement is made, a true-up is recorded to financial income, and a new contract is set-up.

Accounting treatment of hedged debt

- Carrying value of debt (which is EUR/GBP/CHF denominated in a USD reporting company) fluctuates due to forex rates.
- This movement is recorded to financial income "Foreign exchange gains/losses"

Hedge Accounting

- Although economic hedging is achieved, there is no hedge accounting.

Hedging and collateral arrangements
Forward Contracts

CHF billion	FY 2009	H1 2010	H2 2010	FY 2010
Forward contracts				
- Foreign exchange gains (loss) in income statement	1.0	(0.3)	0.4	0.1
- Cash inflow (outflow)	1.2	(0.6)	0.3	(0.3)
- Carrying value of asset (liability) in balance sheet of current contracts	(0.2)	0.0	0.1	0.1
Underlying debt				
- Foreign exchange gain (loss) in income statement	(1.0)	0.3	(0.4)	(0.1)

Hedging and collateral arrangements
Mechanics – Cross-Currency Swaps

Accounting treatment of derivative

- No recognition at inception.
- During course of contract fair value of derivative fluctuates due to forex rates, and also interest rates (due to longer duration compared to forward contracts).
- This movement is recorded to equity in the hedging reserve.

Accounting treatment of hedged debt

- Carrying value of debt (which is EUR/GBP/CHF denominated in a USD reporting company) fluctuates due to forex rates.
- This movement is recorded to equity in the hedging reserve.

Hedge Accounting

- No impact on income statement, due to hedge accounting.
- Residual amount remains in equity, due to interest-rate differentials. This will unwind on maturity.
- In addition to the forex entries, there is an interest element recorded to income.

Hedging and collateral arrangements

Cross-Currency Swaps

CHF billion	FY 2009	H1 2010	H2 2010	FY 2010
Cross-currency swaps				
- Foreign exchange gain (loss) recorded in equity for the period	2.1	(2.5)	1.3	(1.2)
- Carrying value of derivative asset (liability) in closing balance sheet for swaps	1.7	(0.8)	0.4	0.4
Underlying debt				
- Foreign exchange gain (loss) recorded in equity for the period	(2.0)	2.3	(1.2)	1.1

Hedging and collateral arrangements

Mechanics – Collateral arrangements

Why is this done ?

- The Cross-Currency Swaps involve counter-party credit risk for both parties.
- The carrying value can be quite high (for example at 31 December 2009, 1.7 billion Swiss francs in Roche's favour). Book value.
- The collateral arrangements cover both parties for the risk (for example at 31 December 2009, 1.5 billion Swiss francs in Roche's favour). Cash.

Process

- Once a week a cash transfer is made between Roche and its counterparties.
- This is recorded as a balance sheet movement. There is no impact on income.
- As the underlying debt is repaid, the volume of the collateral will reduce, until it becomes zero when all debt is repaid.

Future volatility

- Currently the collateral balance moves by 180m USD if the EUR/GBP/CHF all move by 1% against the USD.
- As the debt is repaid this will reduce to less than 80m USD by mid-2013.

Hedging and collateral arrangements

Collateral arrangements

CHF billion	FY 2009	H1 2010	H2 2010	FY 2010
Opening balance	0	1.5	(0.5)	1.5
Cash inflow (outflow)	1.5	(2.0)	0.6	(1.4)
Closing balance	1.5	(0.5)	0.1	0.1
Reported as				
- current assets	-	0.5	-	-
- accrued liabilities	(1.5)	-	(0.1)	(0.1)
Total	(1.5)	0.5	(0.1)	(0.1)

We Innovate Healthcare