





# **Sustainable Profitable Growth through Innovation**

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Roche Group

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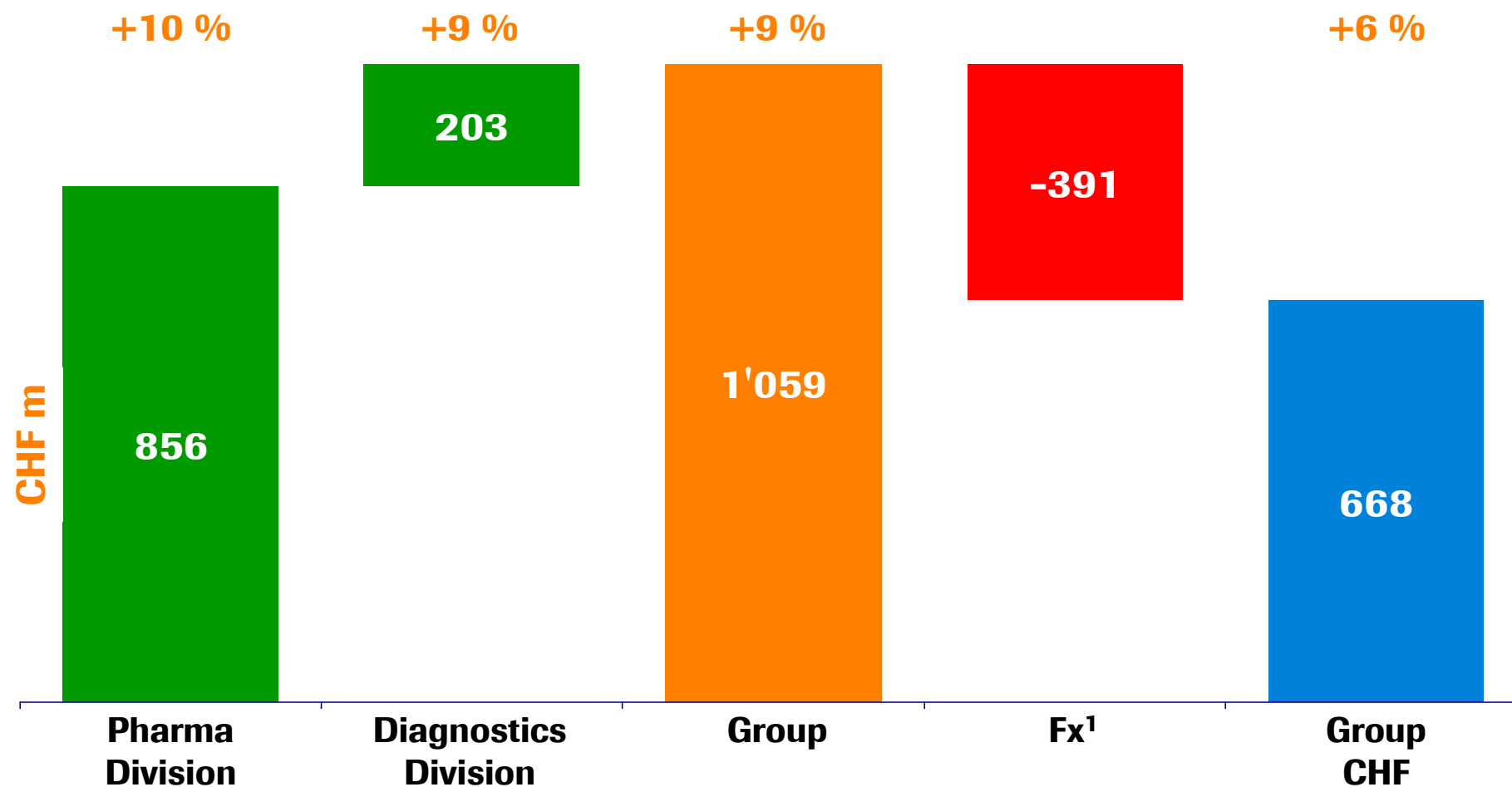
# Q1 2010: High growth for both divisions

*Well above world markets*

CHF bn	CHF bn		% change in	
	Q1'09	Q1'10	CHF	local
<b>Pharmaceuticals</b>	<b>9.2</b>	<b>9.7</b>	<b>6</b>	<b>10</b>
<b>Diagnostics</b>	<b>2.4</b>	<b>2.5</b>	<b>7</b>	<b>9</b>
<b>Roche Group</b>	<b>11.6</b>	<b>12.2</b>	<b>6</b>	<b>9</b>

# Q1 2010: More than CHF 1 bn organic growth

*Negative currency impact mainly from the USD*



<sup>1</sup> avg full year 2009 to avg YTD Mar 10 fx

local absolute values at avg 2009 fx

# Impact of US healthcare reform

*Extending coverage to an additional 32 million\* Americans*

## Biosimilars

- 12 years data exclusivity
- 2 routes for biosimilar approval:
  - Proof of **similarity**
  - Proof of **inter-changeability**

Both requiring clinical trials  
(still to be specified by FDA)

## Financial impact

**2010:** ~CHF 200 m (Medicaid and hospitals rebates)

**2011+ :** 2010 + Excise tax

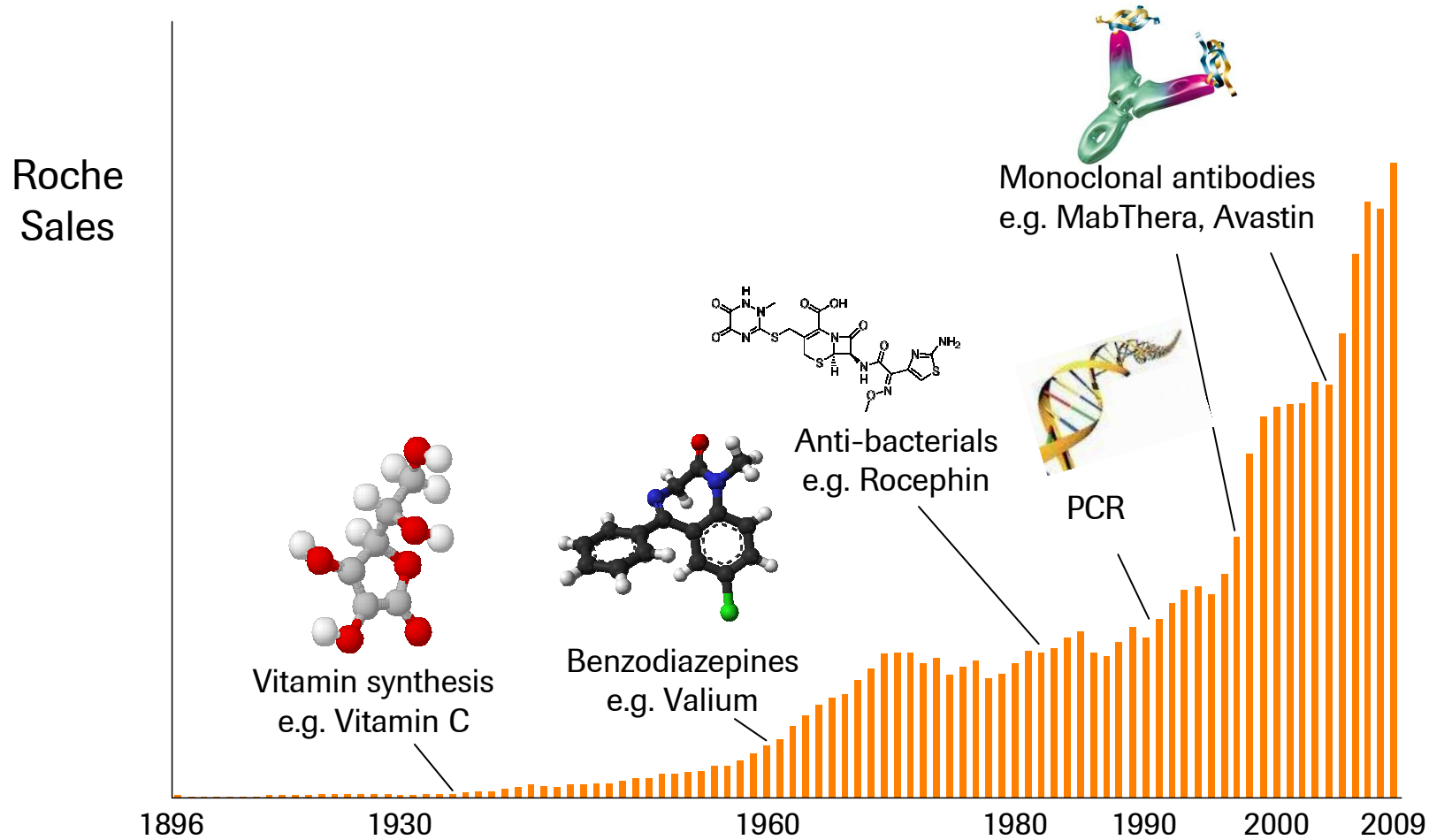
**2013+ :** offset impact by volume

**No change in guidance**

\* By 2019; Congressional Budget Office estimate

# Our long term view

# Medical breakthroughs have always driven our business



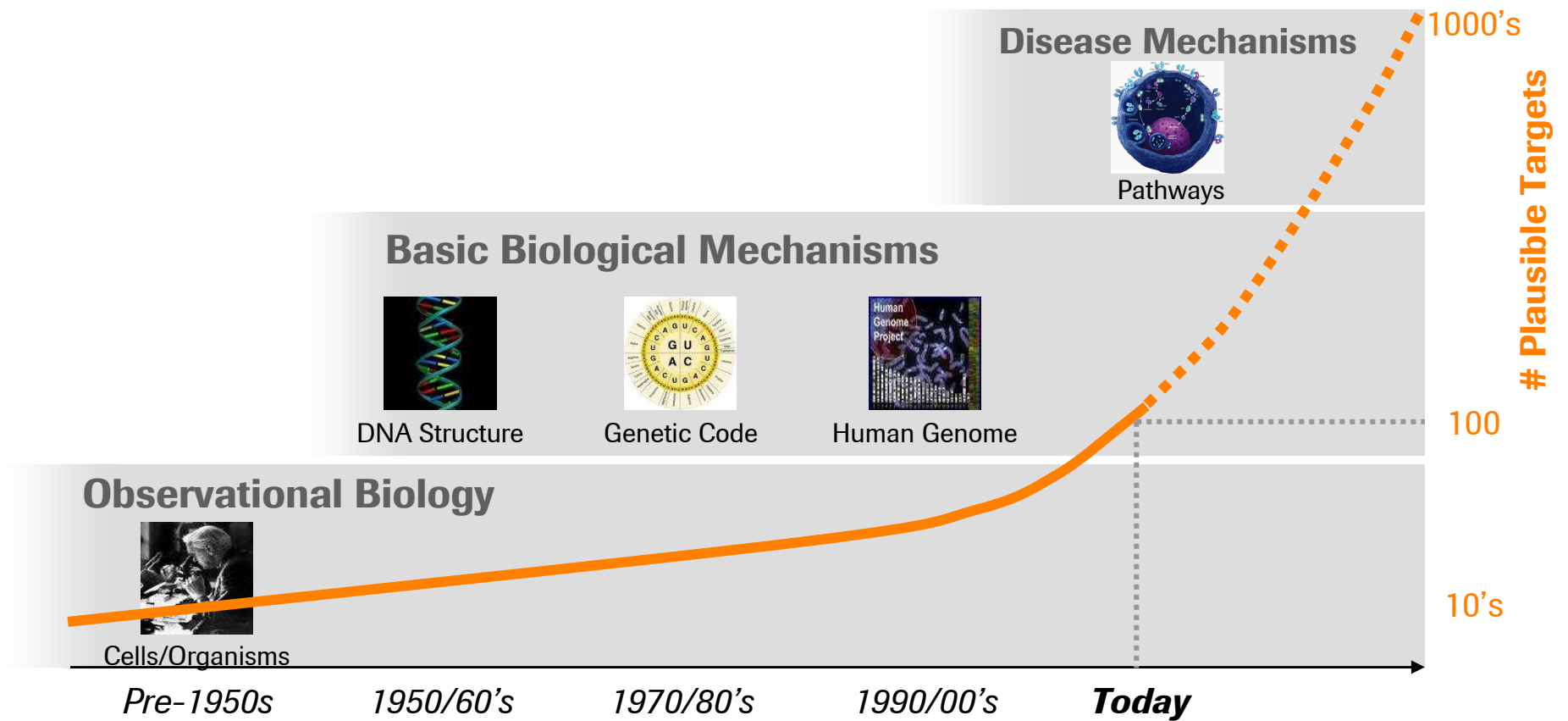


# Why the model still works

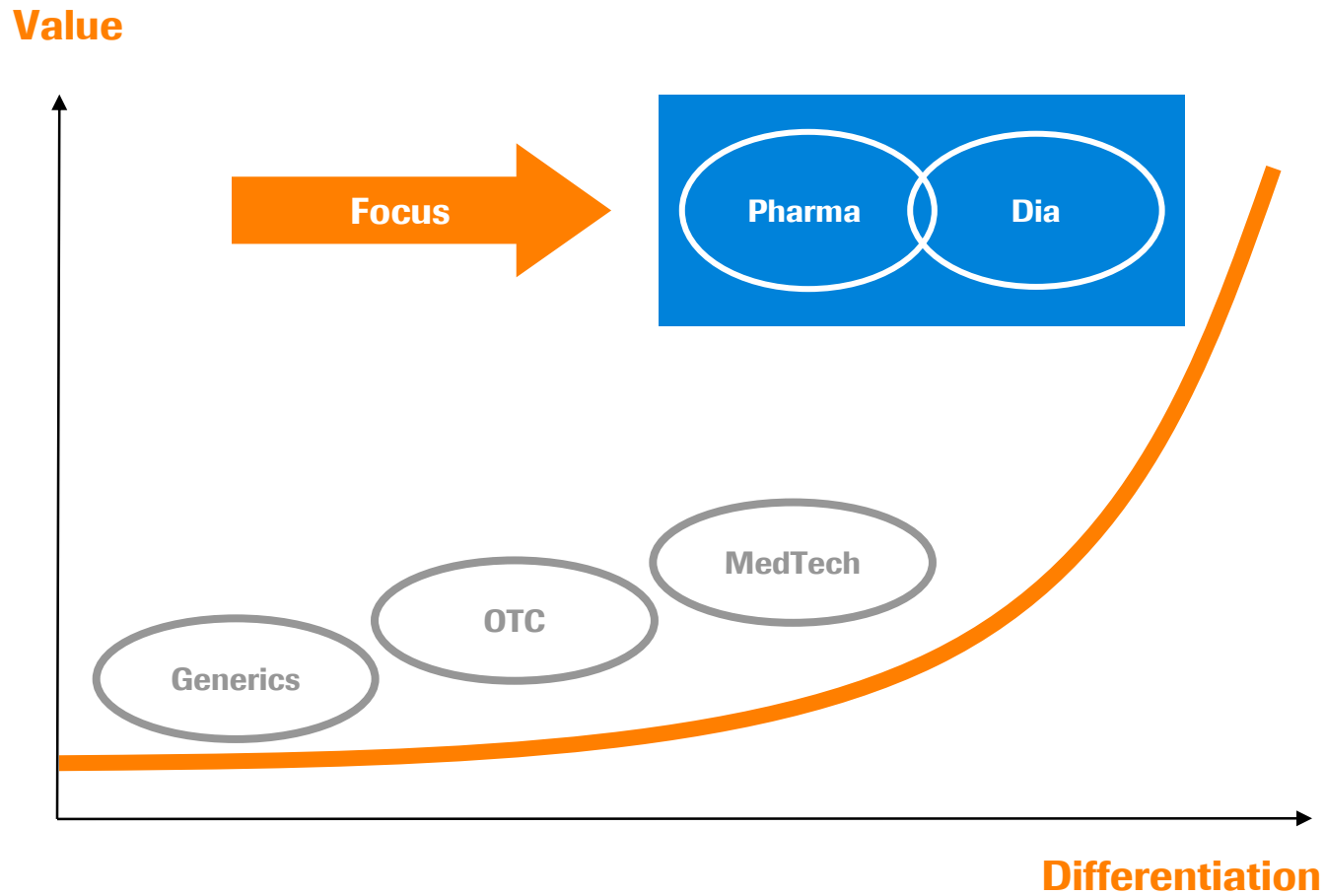
# Why we believe in innovation

*Only now we begin to understand causes of disease*

## Dramatic increase in novel plausible biological targets



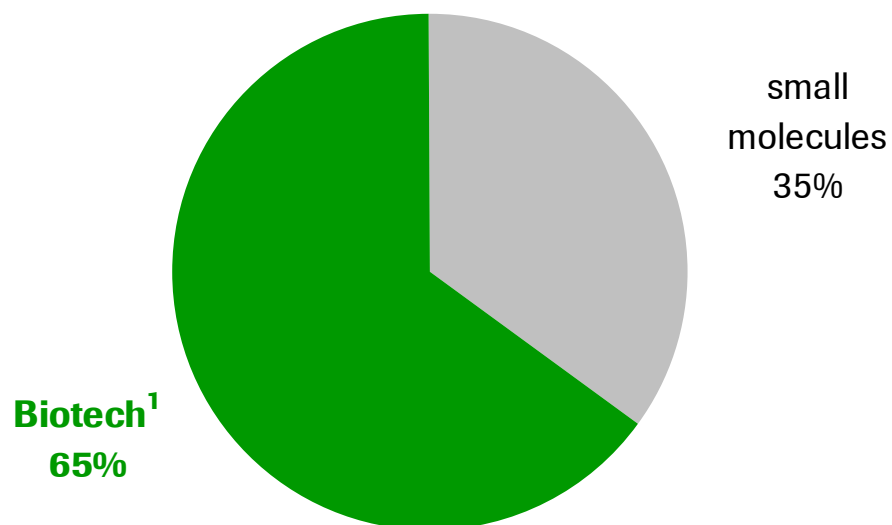
# Roche: Focused on medically differentiated therapies



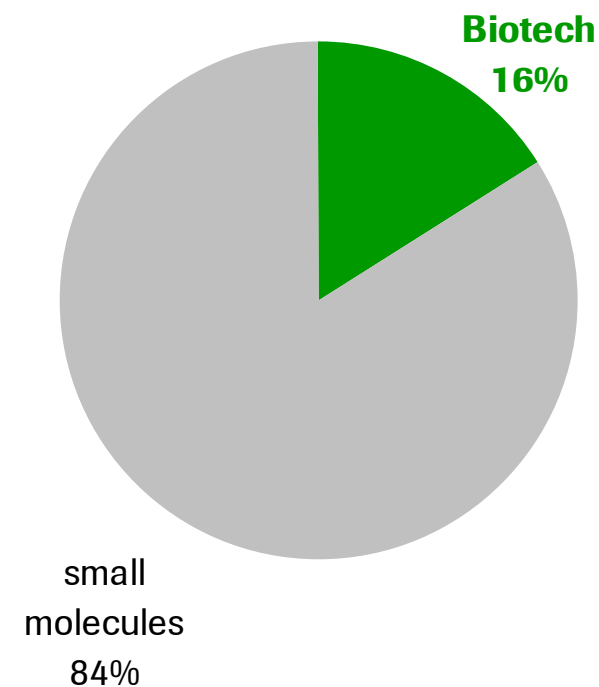
# What makes Roche unique

# Majority of strategic assets are biotech products with high barriers of entry

## Roche Pharmaceuticals

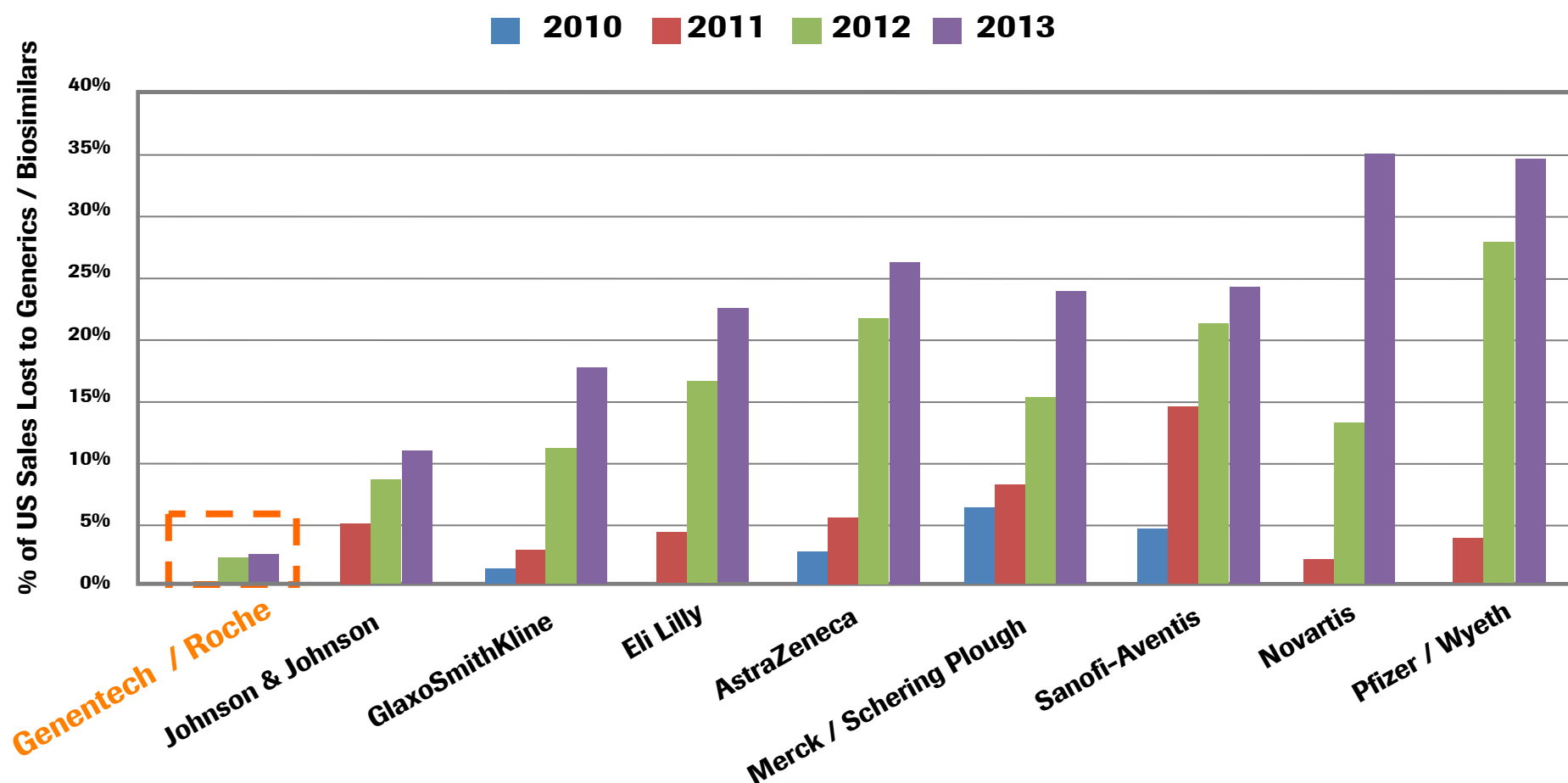


## Industry average <sup>2</sup>



<sup>1</sup> Biotech products: proteins and monoclonal antibodies; <sup>2</sup> Source: Decision Resources, 2009

# Limited patent exposure provides window of opportunity



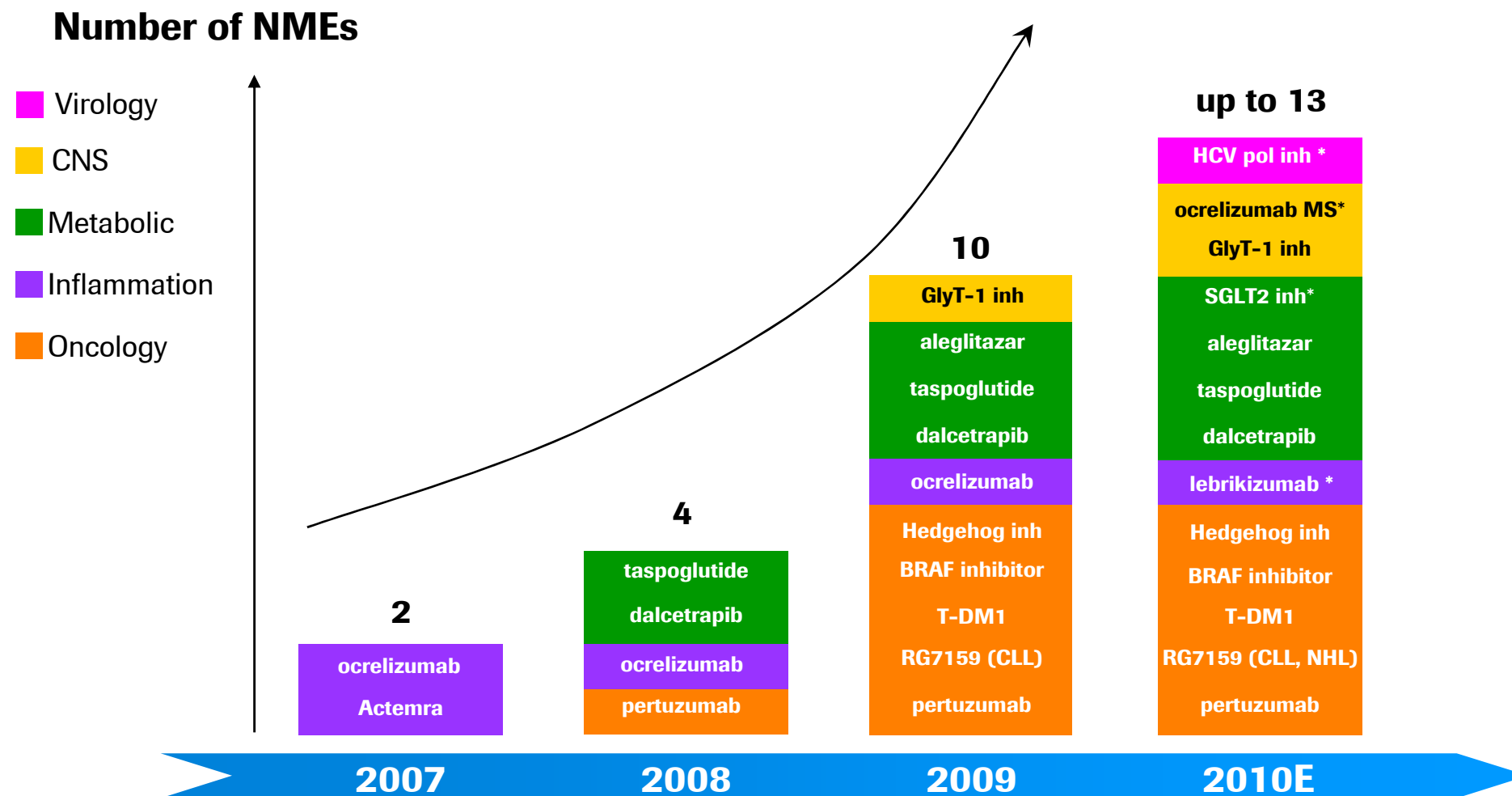
% Sales Lost calculated by subtracting given year sales ('10, '11, '12, '13) from full year sales from year prior to LOE.

Data excludes sales lost impact of products with LOE prior to 2010.

Source: Evaluate Pharma

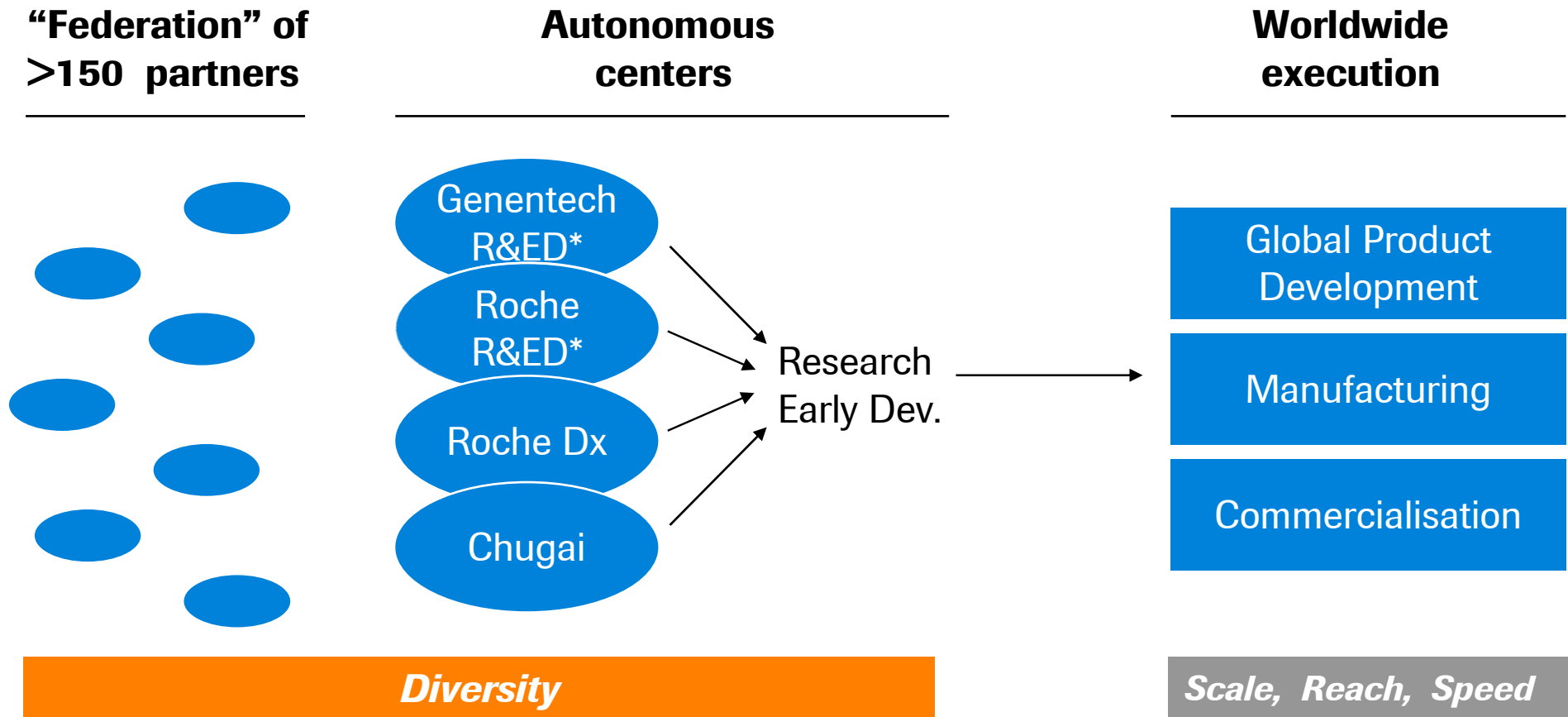
# Late-stage pipeline continues to build up

## *Expanding into new therapeutic areas*



\* LIP or phase III decision pending

# Unique diversity of approaches

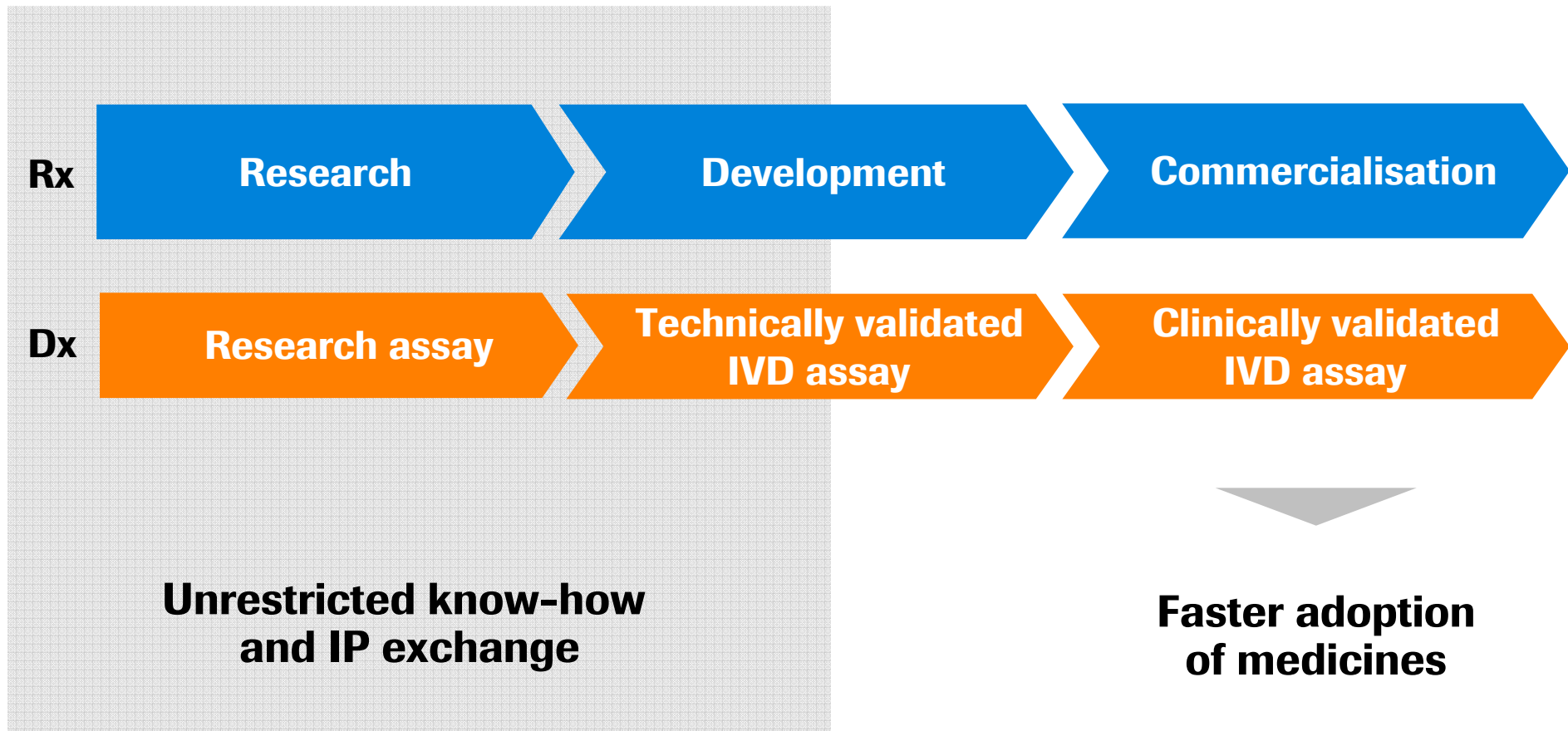


\* R&ED = Research & Early Development



# Personalised Healthcare at the center of our business

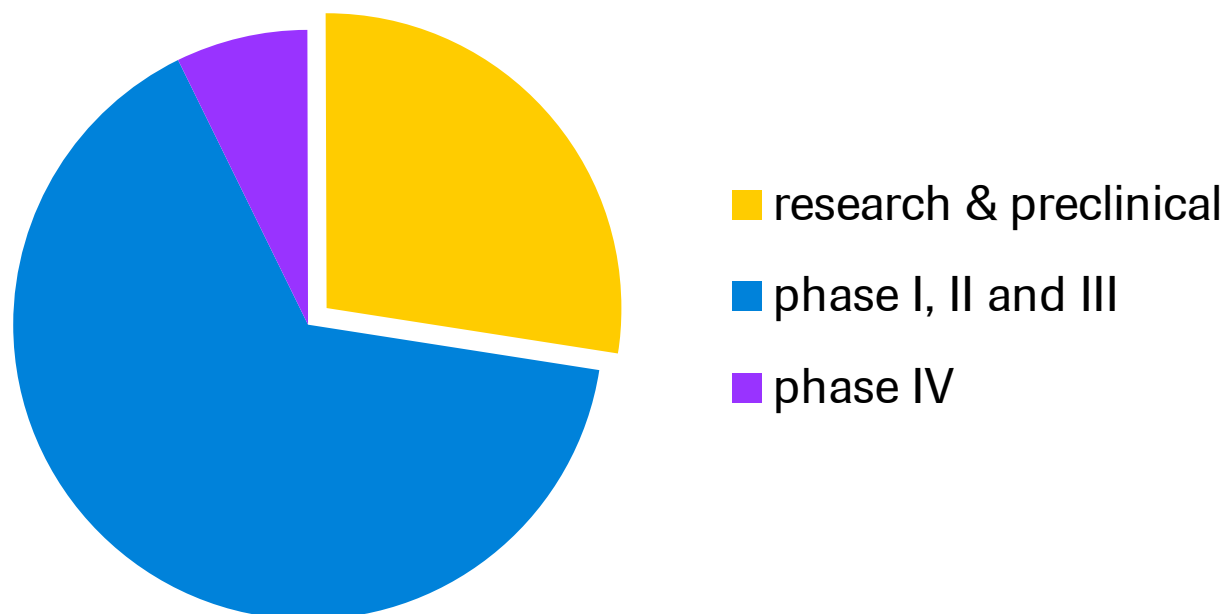
*Diagnostics input - from discovery to market*



# How much money to invest in R&D?

# Majority of R&D investment goes into product development

Split of R&D costs for Pharma (Roche and Genentech)  
CHF 8.0 billion in 2009\*



**More than 70 % of our R&D investments go into product development**

\* Excluding Chugai and one-off impairments of intangible assets

## R&D allocation

*Mix of qualitative and quantitative factors*

### Research & Early Development

#### Top down

- Annual budget allocation
- Number of phase III transitions expected

### Late Stage Development

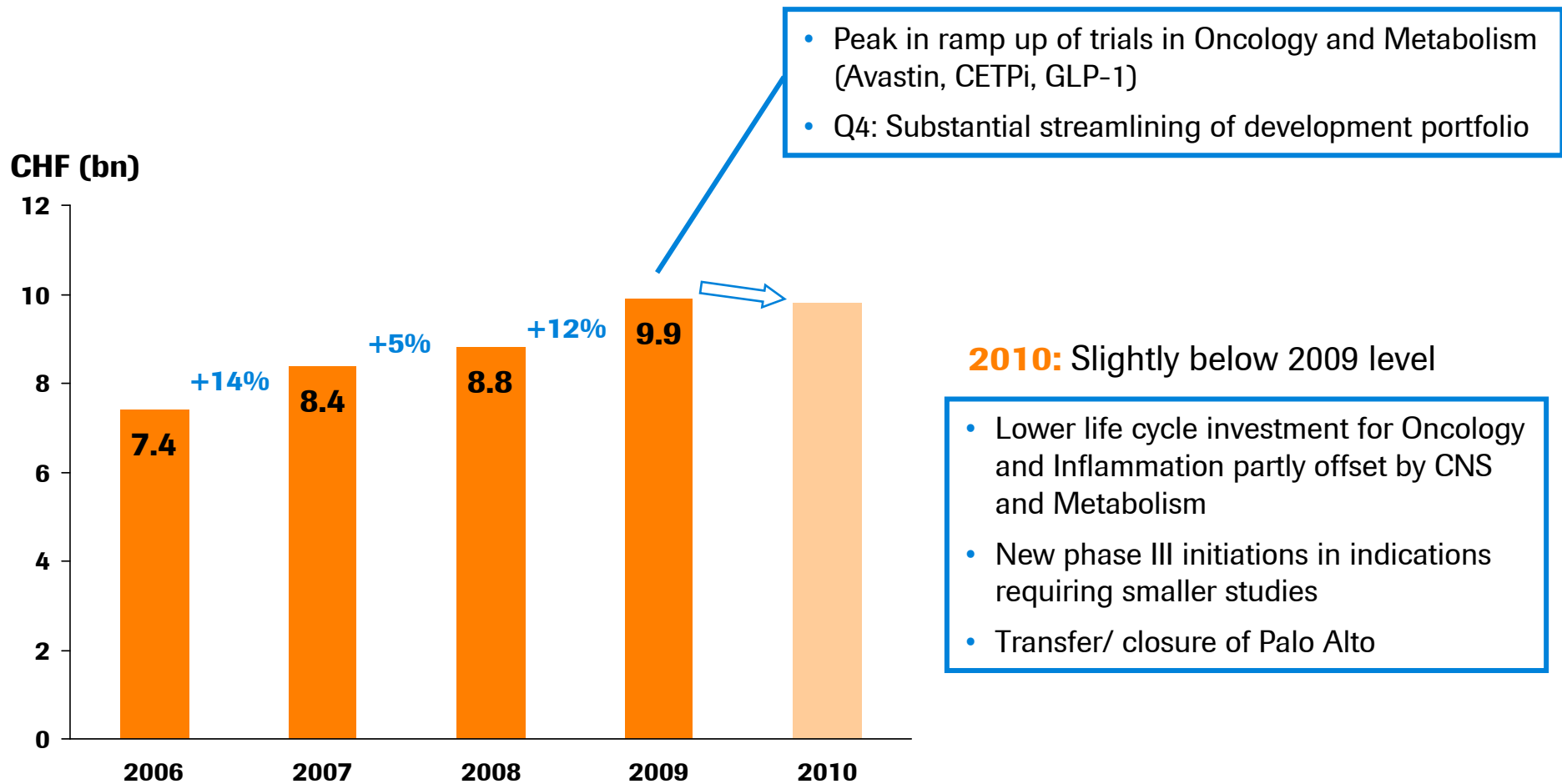
#### Project driven

- Unmet medical need and market potential
- Probability of technical success

**Best people / Quality of basic and clinical science**

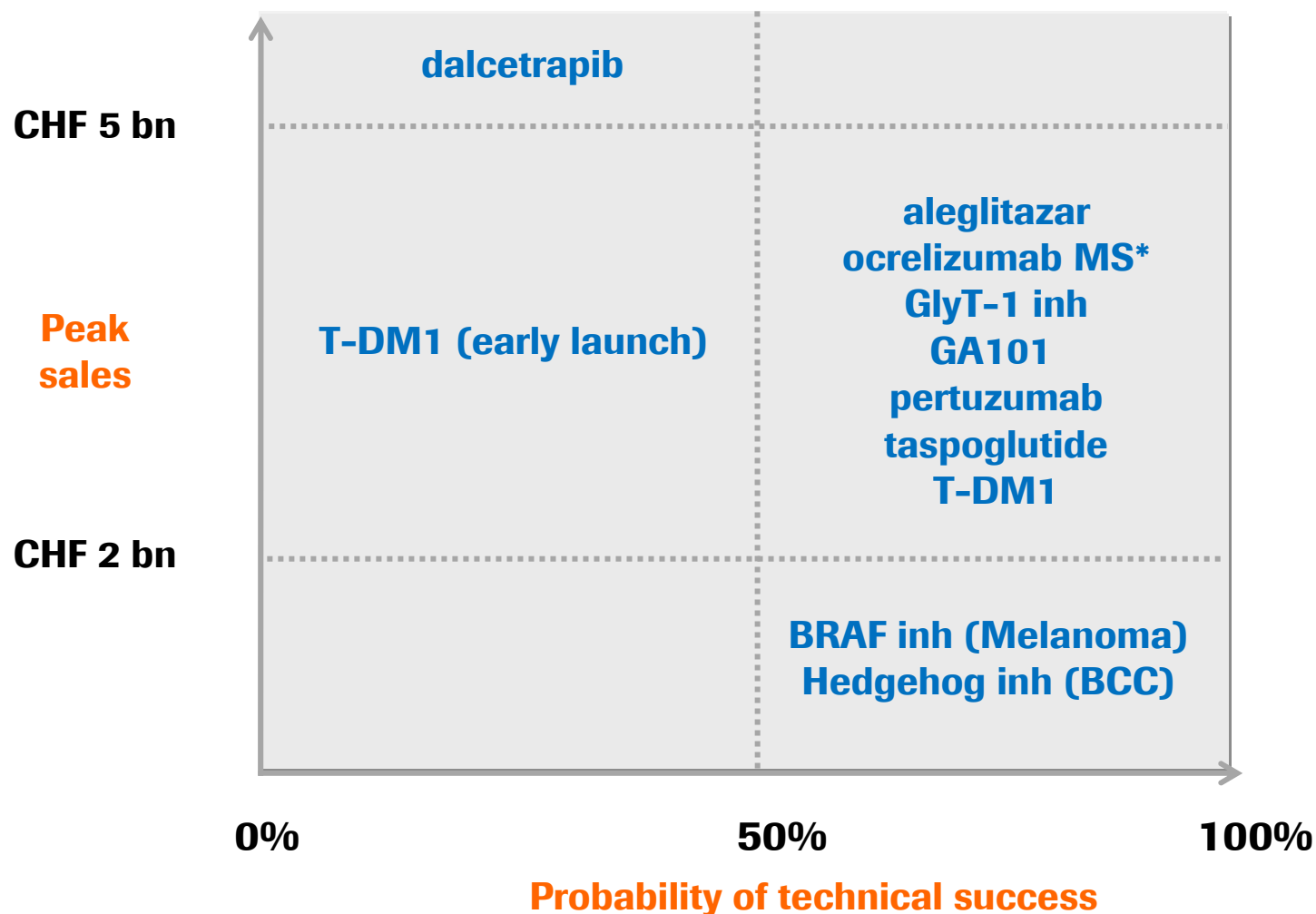
# R&D investment in a rich pipeline

*Securing long-term growth while prioritising resources*



# Strong late-stage portfolio of NMEs

*Limited risk due to rigorous proof of concept studies*



\* Phase III “go/no go” decision pending

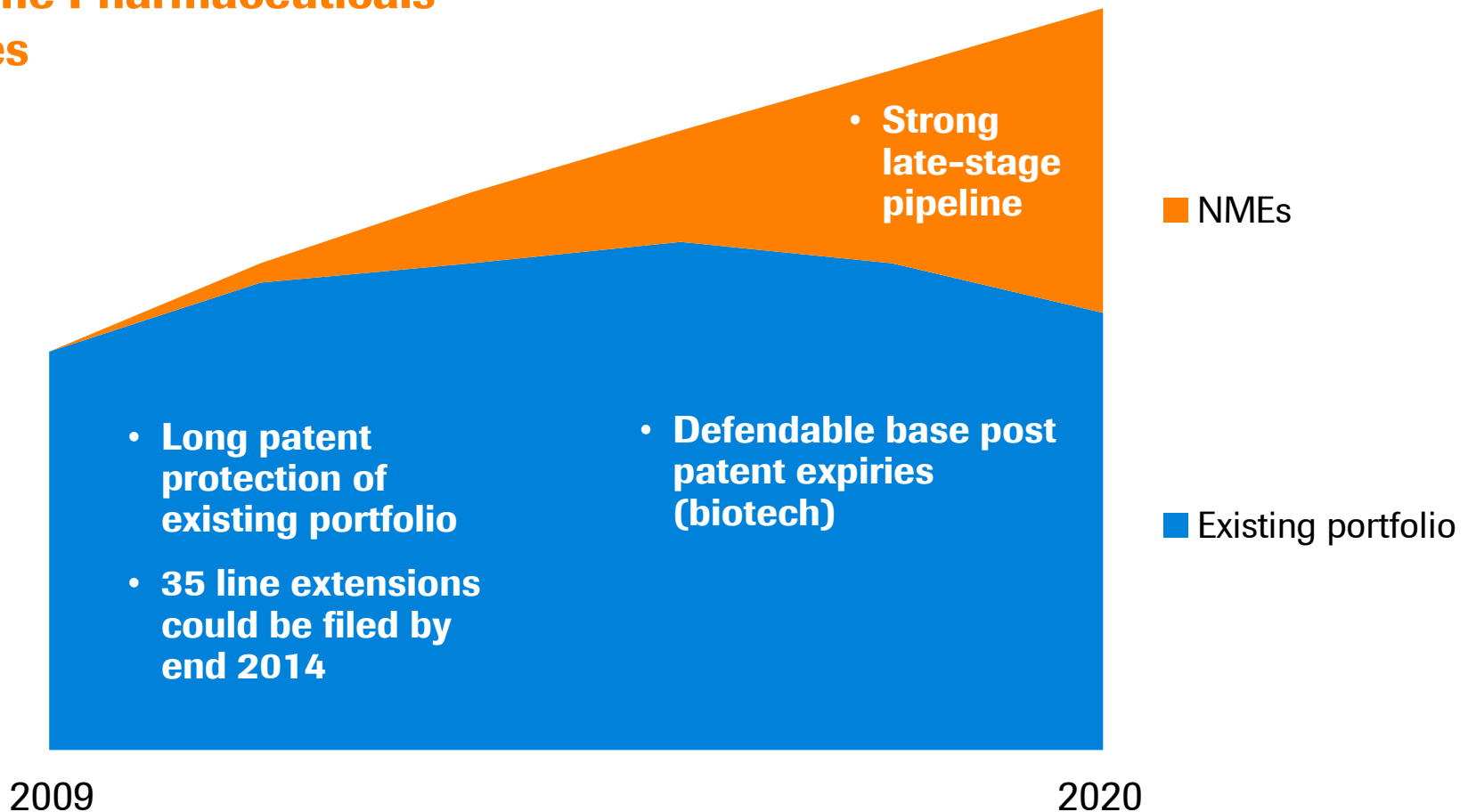


# Roche: Uniquely positioned to deliver long-term growth

*Combination of biotech portfolio and strong pipeline*

## Roche Pharmaceuticals sales

Illustrative



# Our 5 years ambitions (by the end of 2014)

## Business results

- Pharma: deliver top quartile sales growth within peer group
- Diagnostics: deliver sales growth above market
- Achieve a leading market rank in China

## Pharmaceuticals Pipeline

- Achieve at least 20 LIP\* transitions
- Launch at least 6 new products (NMEs)

\* LIP=Lifecycle Investment Point, i.e. transition to late-stage development



# Outlook for 2010

<b>Sales growth (in LC)</b>	Group & Pharma (excl. Tamiflu): mid single-digit Diagnostics: significantly above market
<b>Synergies</b>	2010: CHF 800 m 2011: CHF 1,000 m
<b>R&amp;D investment</b>	Slightly below 2009 level
<b>Core EPS growth (in LC)</b>	Double-digit
<b>Debt</b>	2010: 25% reduction of debt initially raised 2015: Aim to return to net cash position
<b>3 yr Dividend outlook</b>	Maintained (as announced in 2008)*

Barring unforeseen events;

**Total Tamiflu sales of CHF 1.2 bn assumed for 2010;** LC=Local Currency

\* Continuous increase in dividend pay-out ratio over the period 2008-2010

