
Roche: Committed to innovation and profitable growth

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Merrill Lynch, London September 2011

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.

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Financial performance

Challenges and answers

Strong position

Strategy

HY 2011: Group performance

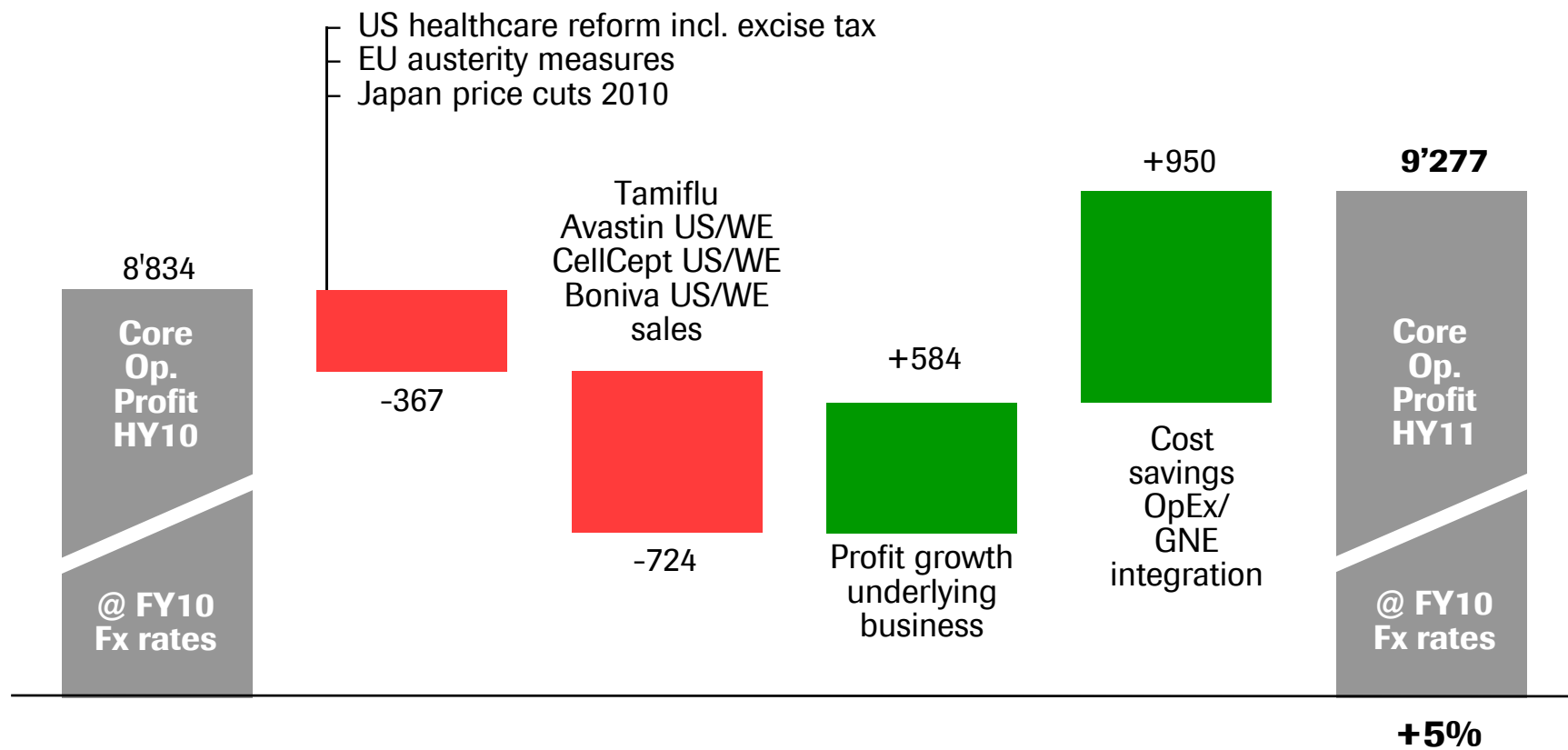
Core EPS growth +10%¹

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

¹ local currency

HY 2011: Core operating profit development

Profit growth driven by productivity improvements



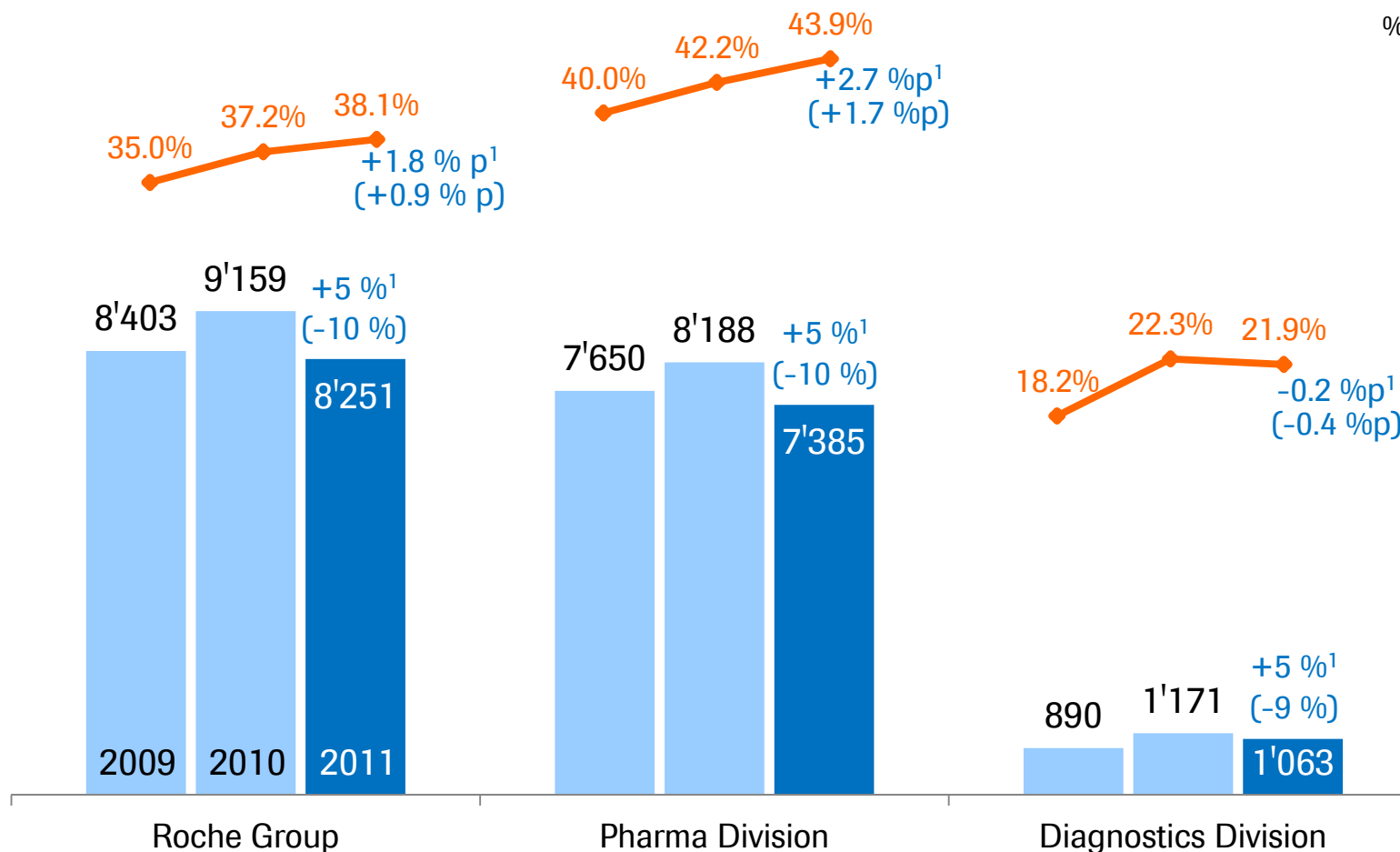


HY 2011: Group core operating profit and margin

Strong margin increase over years

CHF m

% of sales

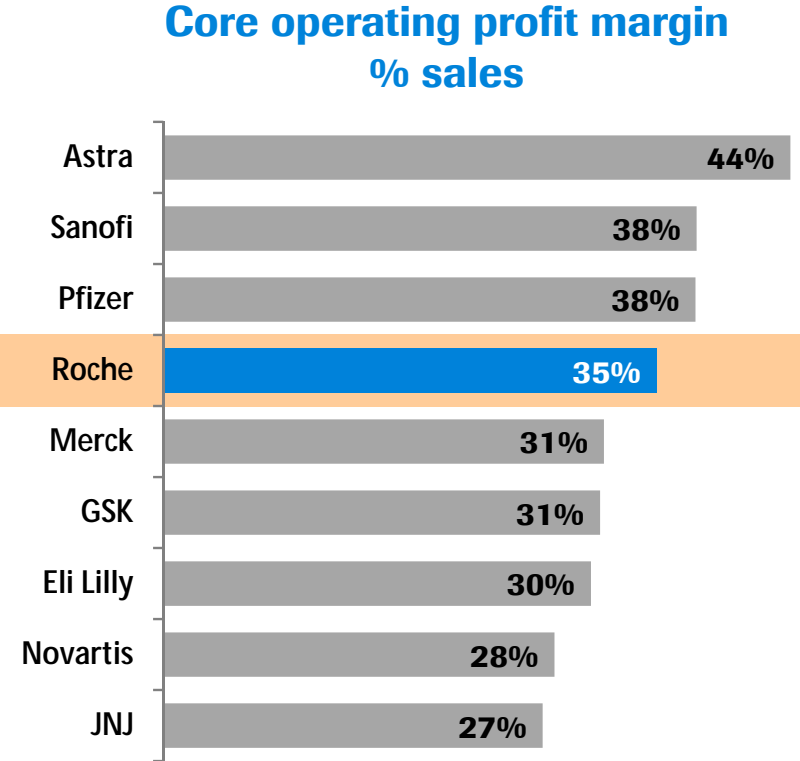
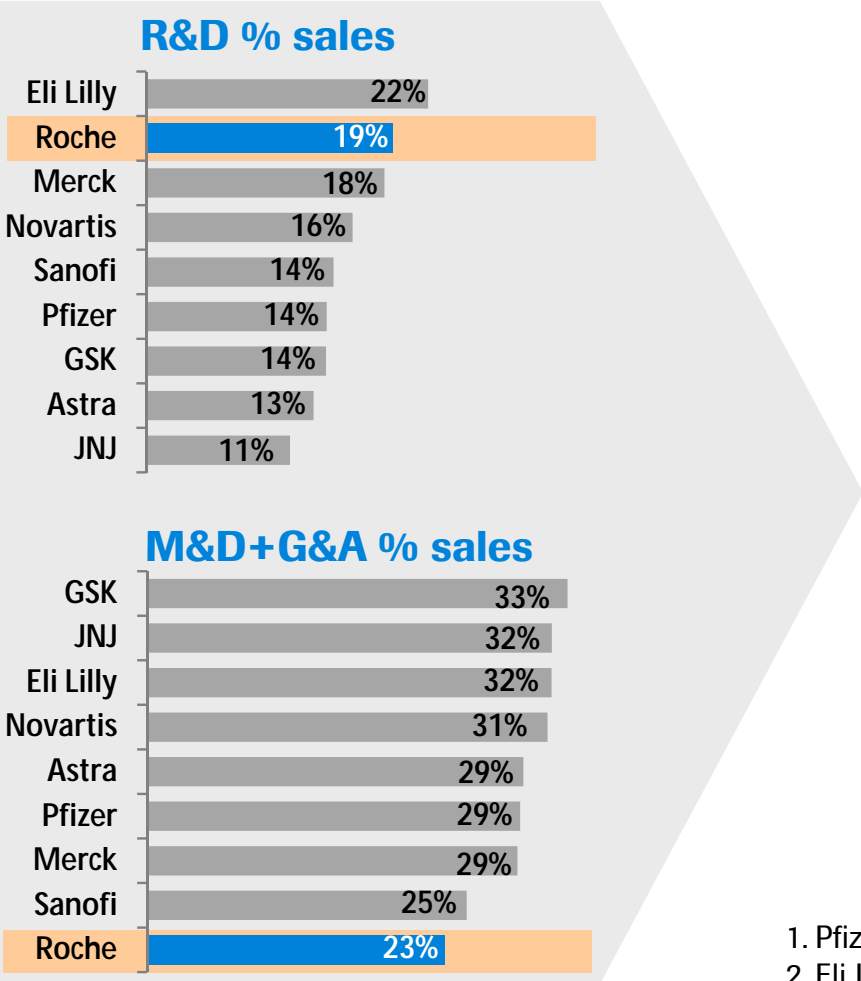


¹ local currency



P&L structure reflecting innovation based strategy

Peer group core operating profit margin 2010



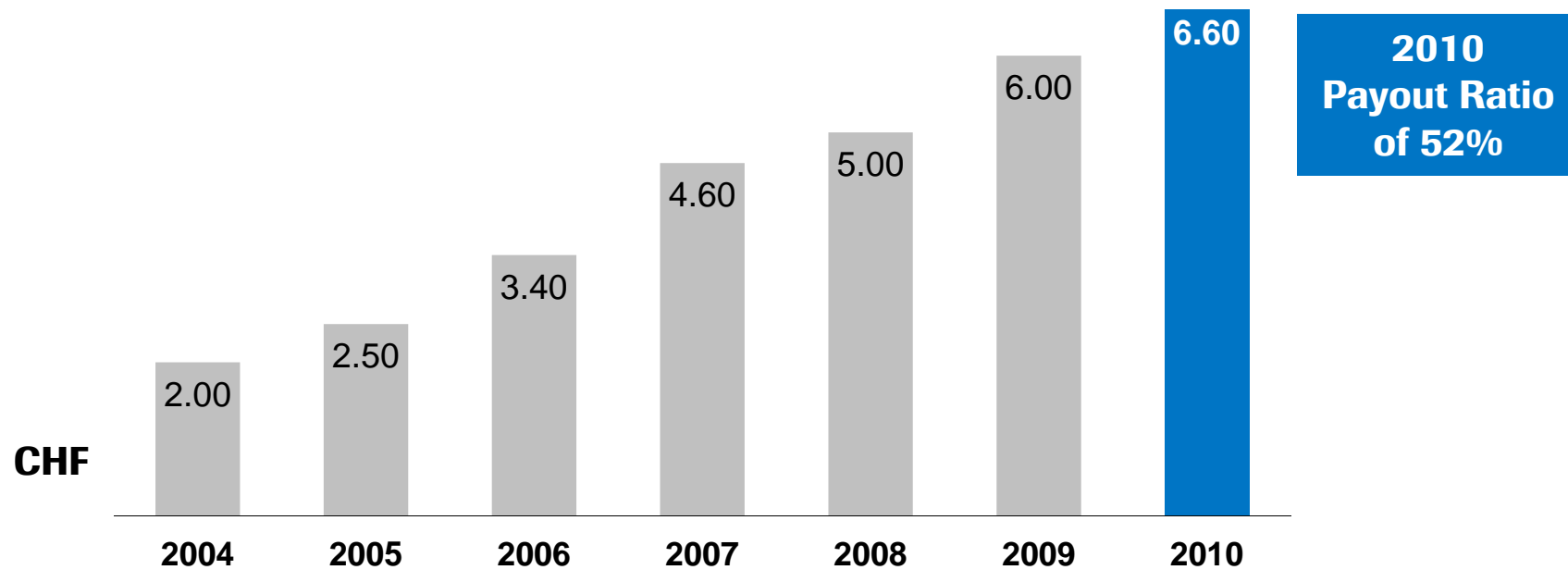
FY 2010 figures; restated to a core basis based on publicly available information

- 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.

Attractive payout ratio



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



Pay-out ratio calculated as dividend per share divided by core earnings per share (diluted)

Financial performance

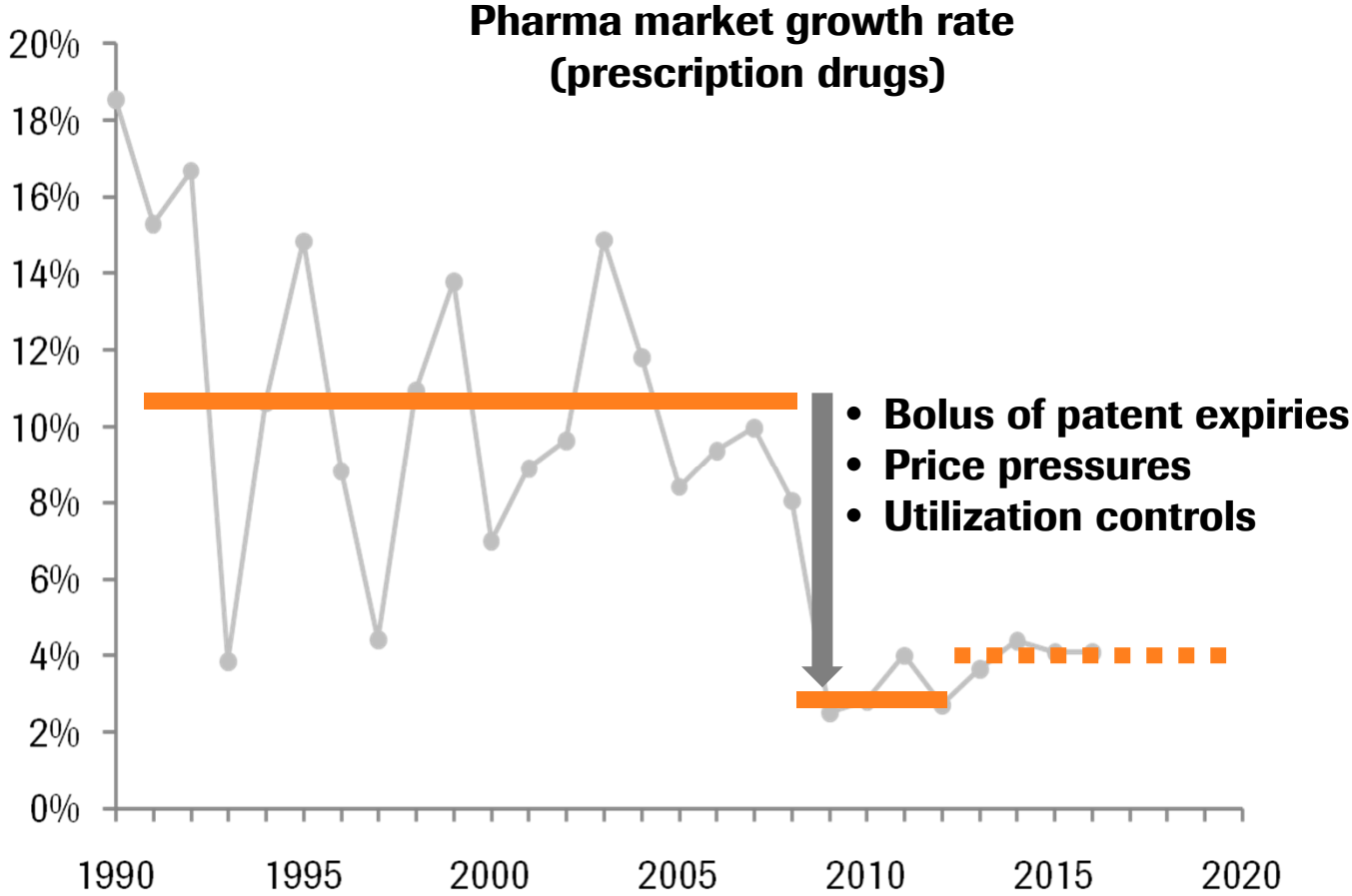
Challenges and answers

Strong position

Strategy

Pharma growth rates have declined in last decade

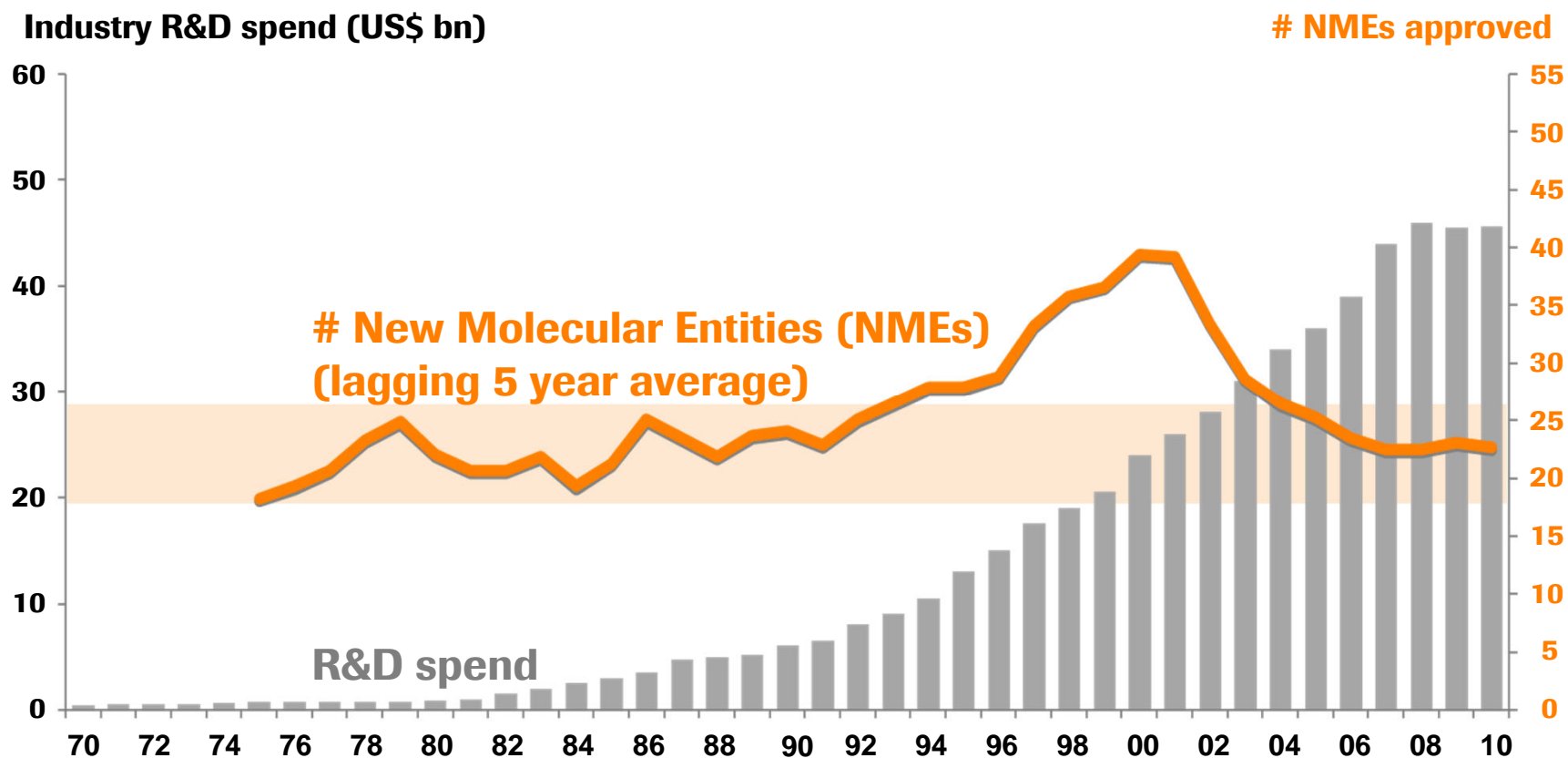
From double digit to single digit



Source: EvaluatePharma

R&D productivity of Pharma industry

Output relatively flat, while R&D costs have increased

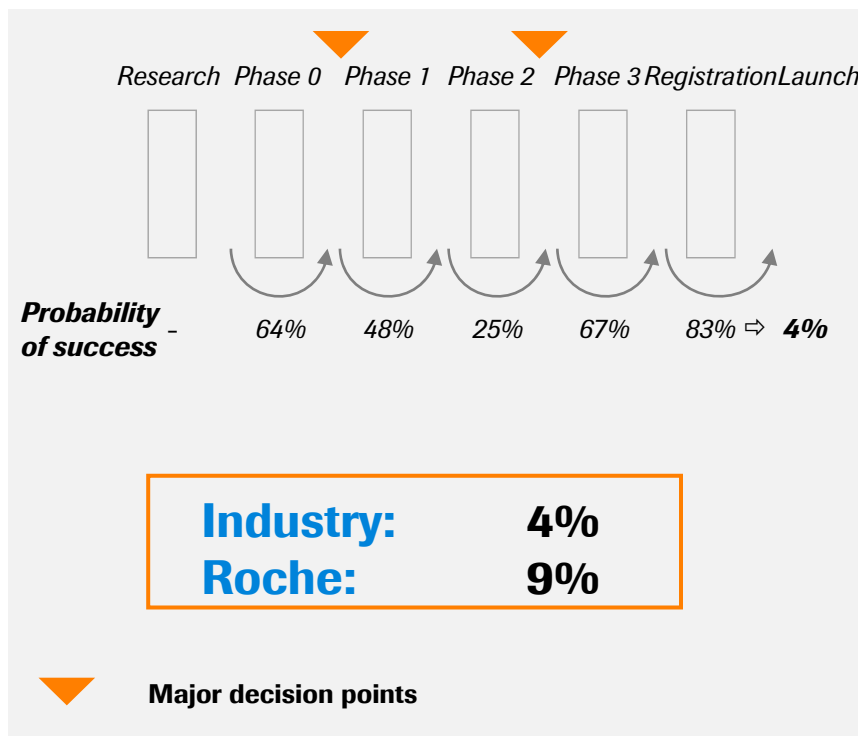


Notes: R&D spend figures may not include overhead components as reported in company annual reports
 Source: NME data for 1966-1971 from Peltzman, S. (1973) J. of Political Economy 81, no. 5: 1049-91. NME data for 1972-1979 as reported in Hutt, P.B. (1982) Health Affairs 1(2) 6-24. NME Data for 1980-2007 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

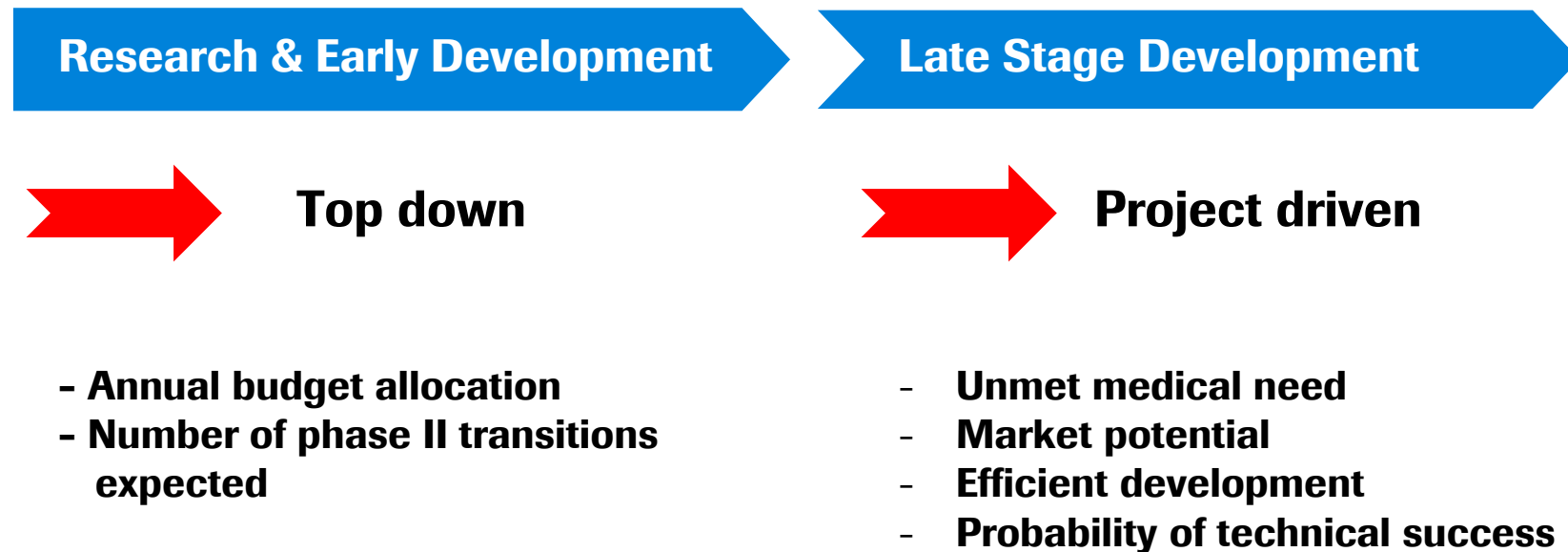
Industry success rate 2005-2009



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

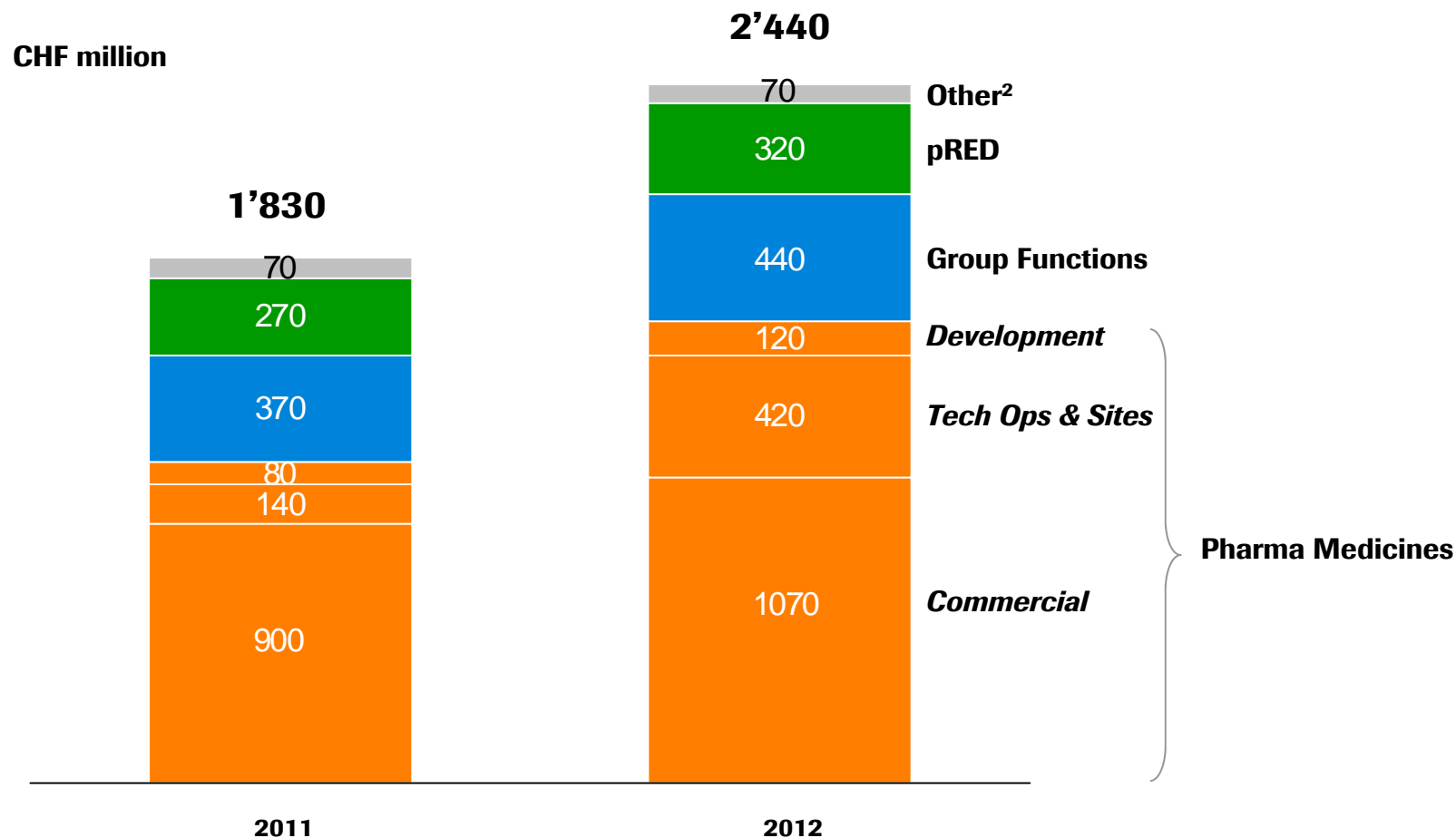
R&D allocation

Mix of qualitative and quantitative factors



Operational Excellence: Financial impact

Expected savings of CHF 2.4 billion by 2012¹



¹ In addition to synergies of CHF 1 billion from the Genentech integration

² Pharma Partnering, gRED, Diagnostics sites

Financial performance

Challenges and answers

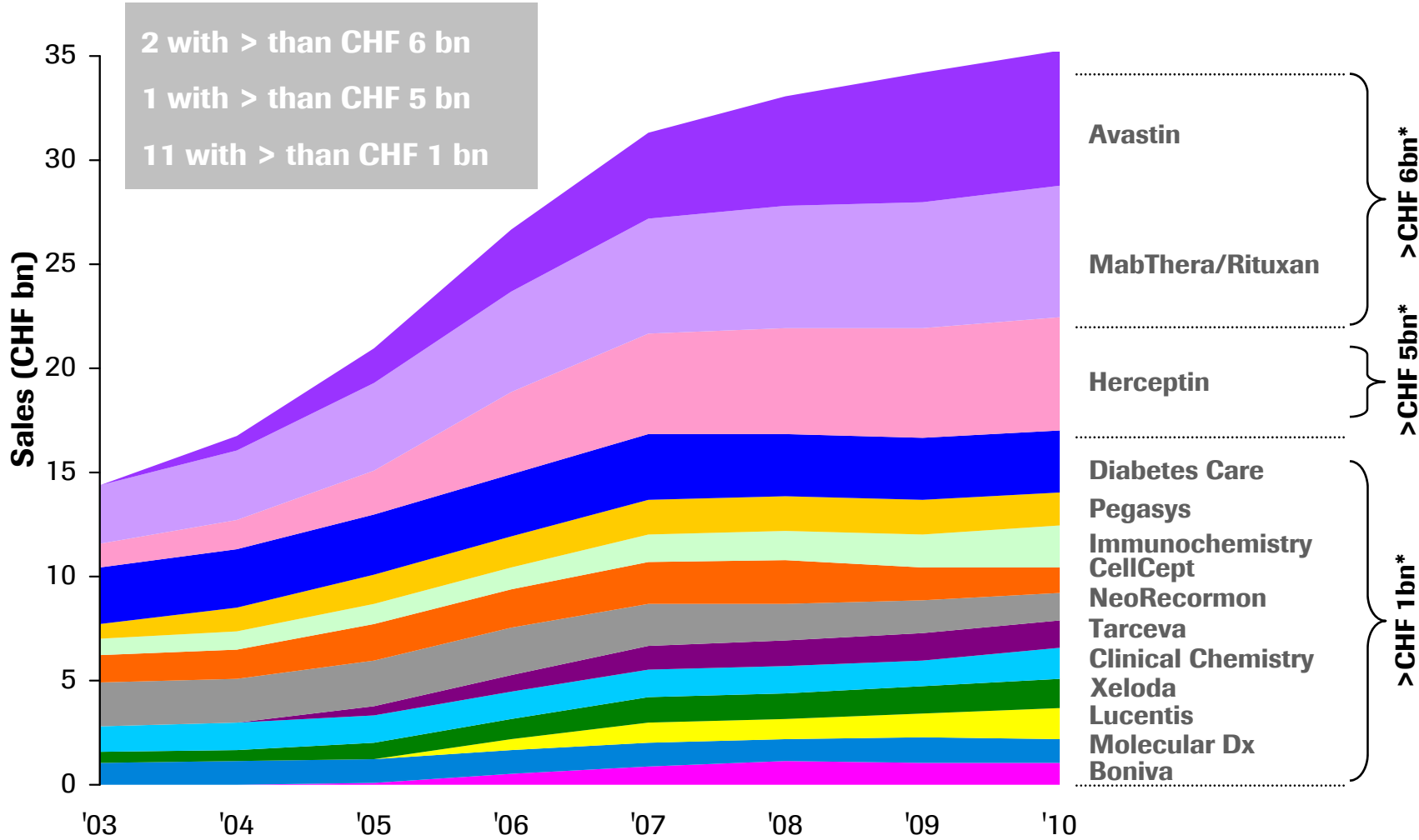
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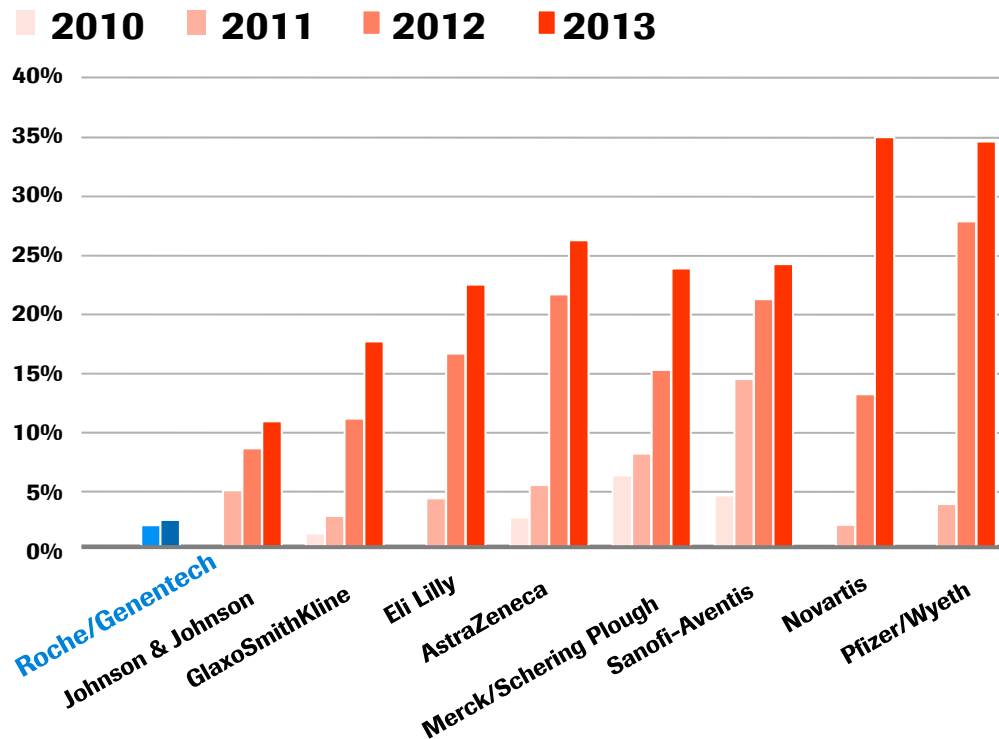
Key Pharmaceuticals & Diagnostics products

A risk-diversified portfolio of drugs and BUs



* 2010 sales

Roche: Limited exposure to patent expiries in the short and medium term



Business impact from biosimilars 2014/15 and beyond?

% 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



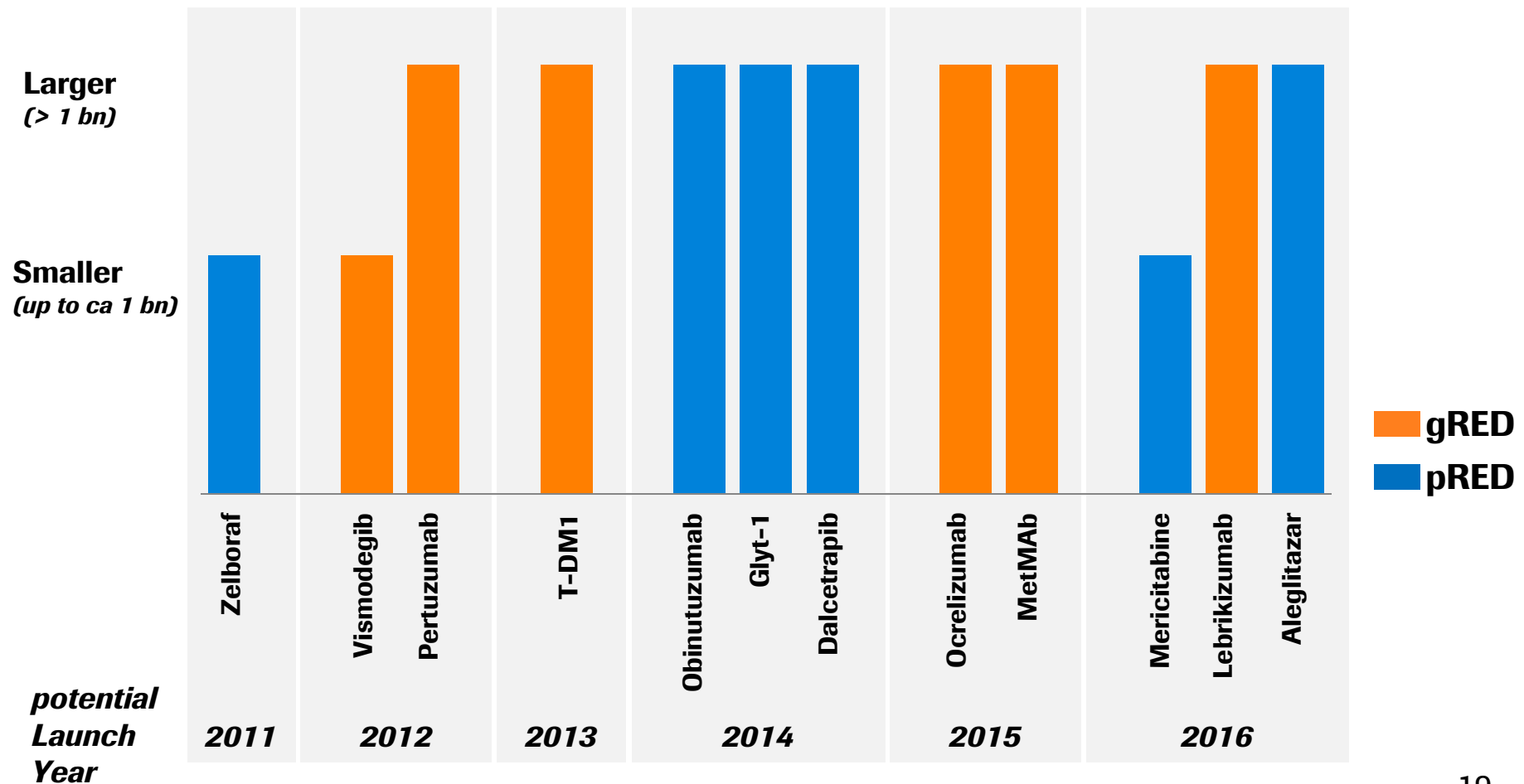
Roche strategy for post-patent biologics marketplace

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

Portfolio outlook

Market expectations regarding peak sales



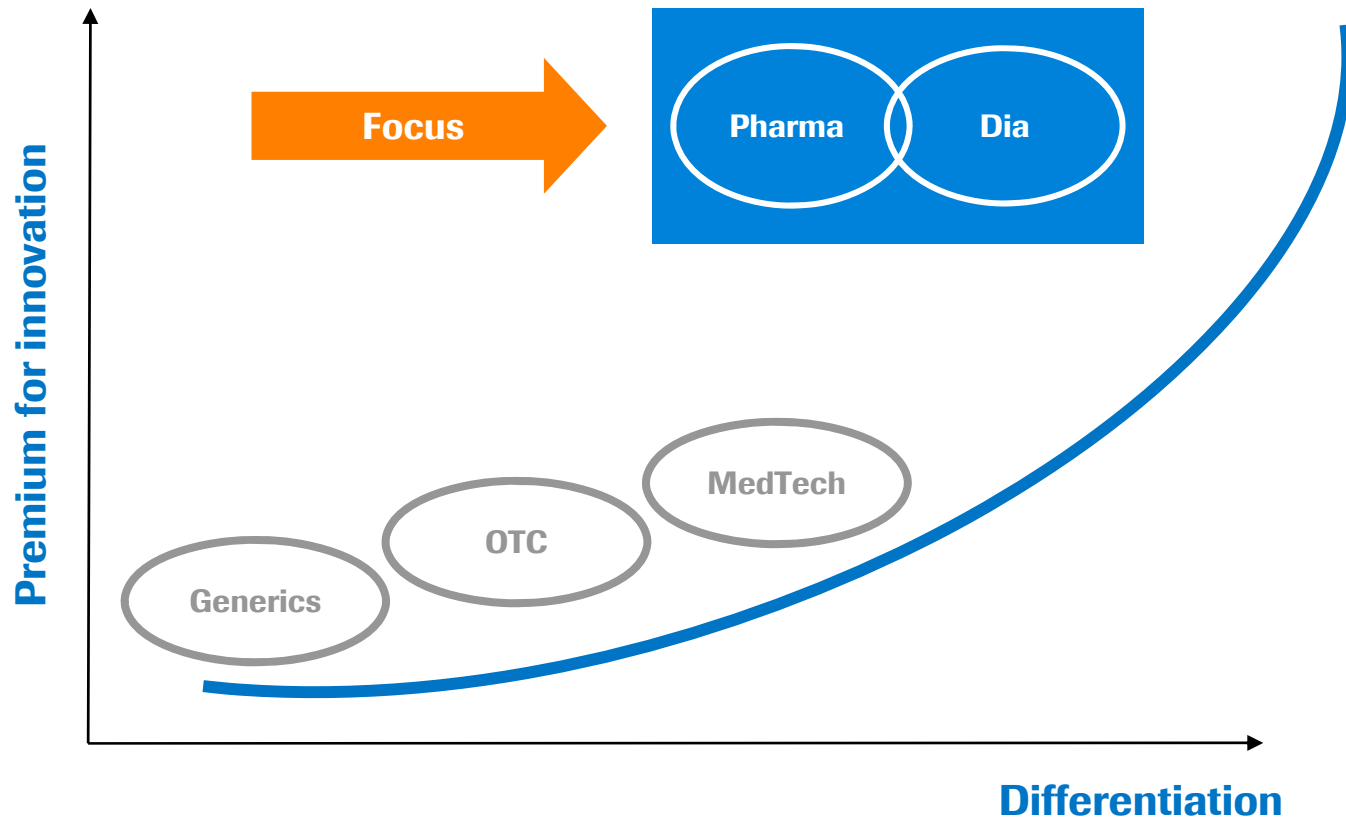
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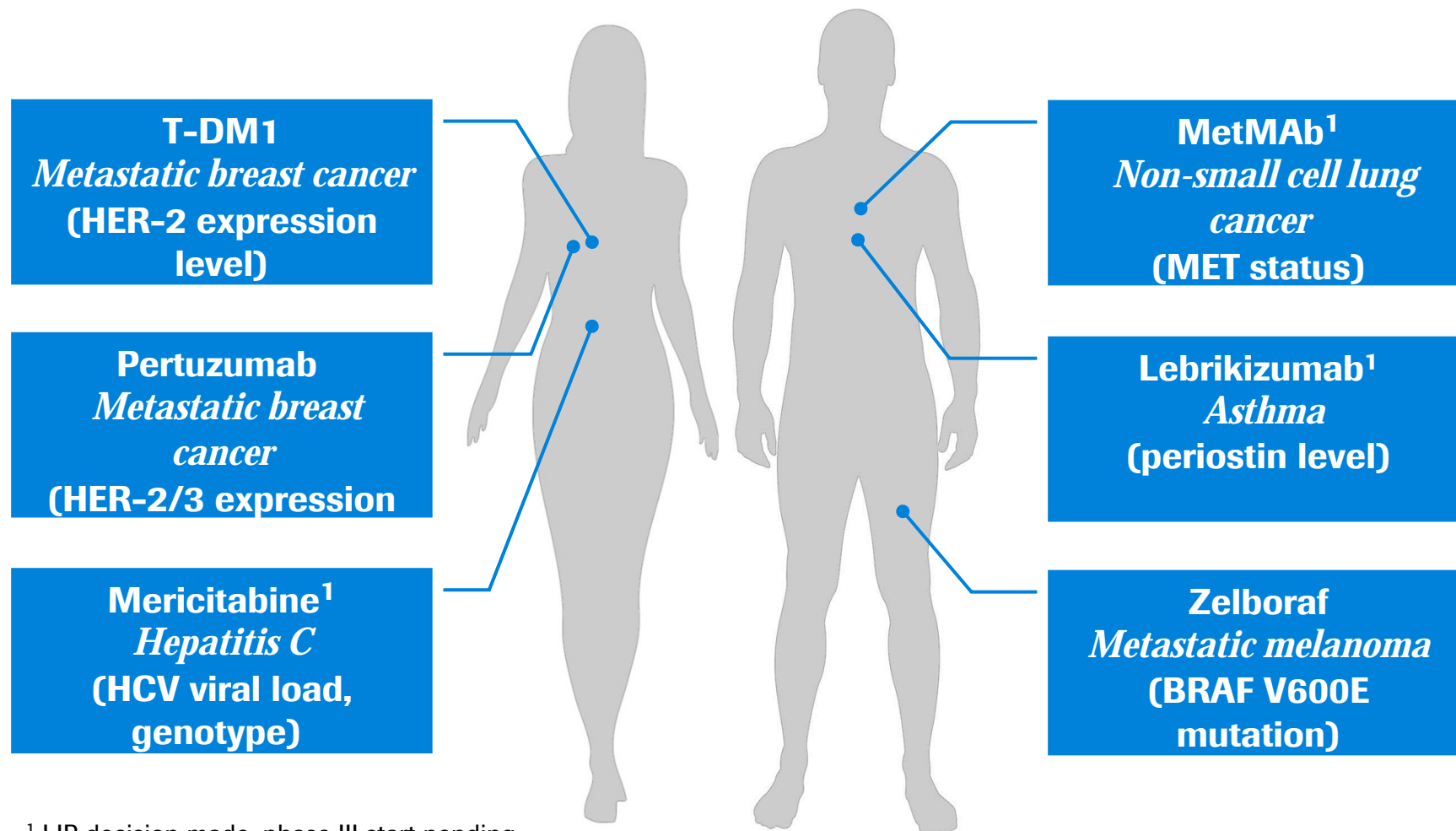
Strategy

Roche: Focused on medically differentiated therapies



Our delivery

Personalized Healthcare becoming reality

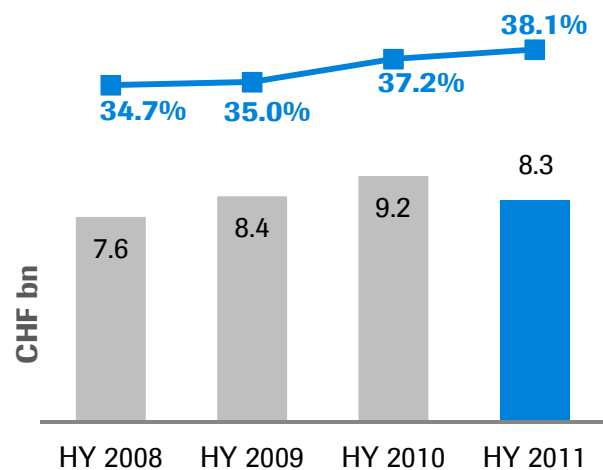


¹ LIP decision made, phase III start pending

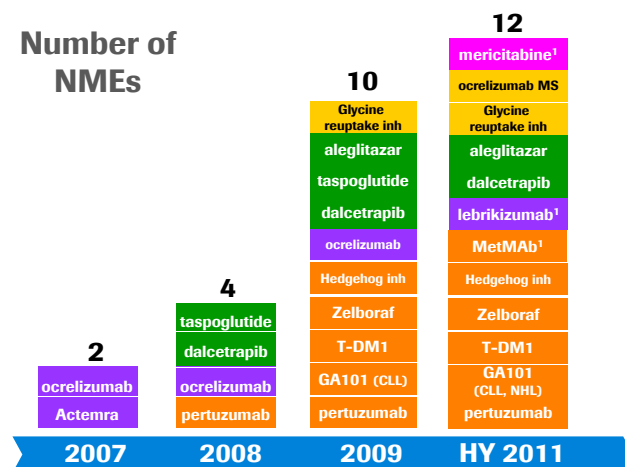
Efficiency improvements and long-term growth

Track-record

Core operating profit and margin



Number of NMEs



Outlook

Profitability

FY 2011

Target increased to around 10%
Core EPS growth*

Growth

Potential NMEs filings in 2011

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

¹ LIP decision made, phase III start pending

*in local currency



We Innovate Healthcare

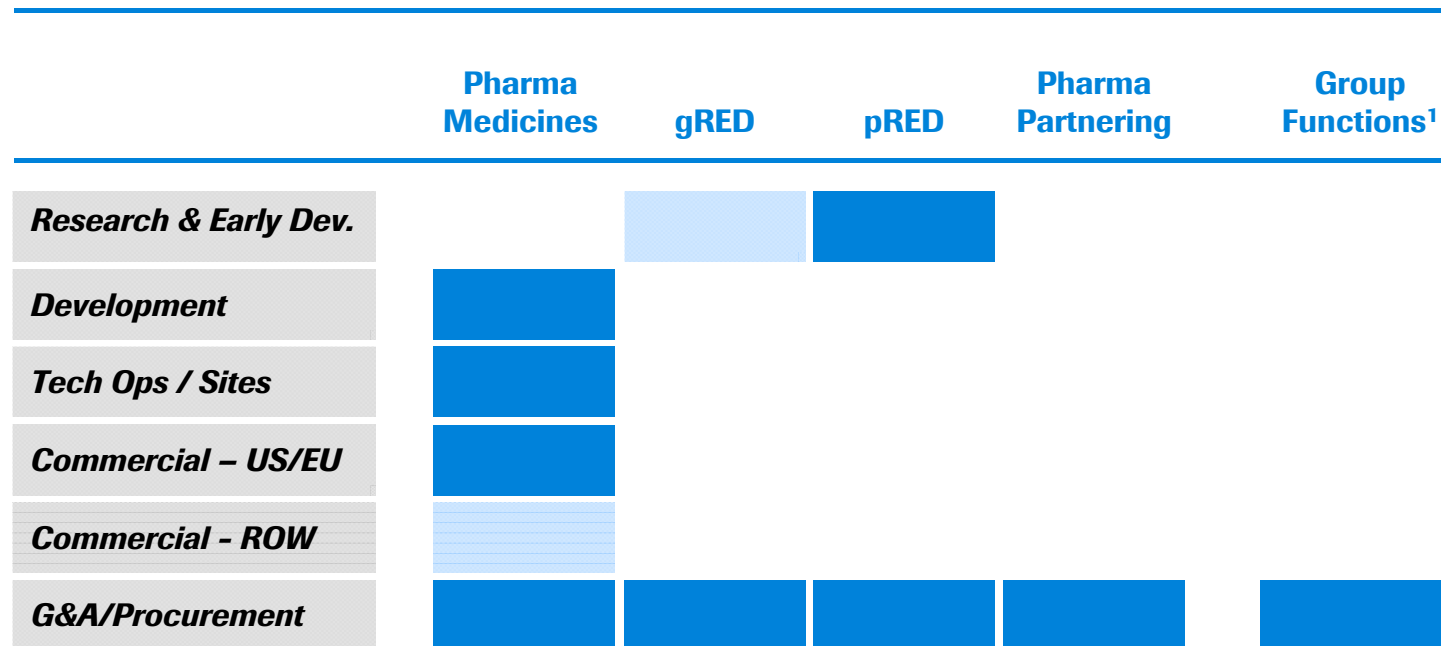
Conclusions

Roche well positioned for the future

- Unchanged innovation-driven strategy
- Optimized operational setup driving current business and increasing profitability
- Continued significant investments in industry-leading product pipeline

Operational Excellence

Comprehensive scope, differentiated measures

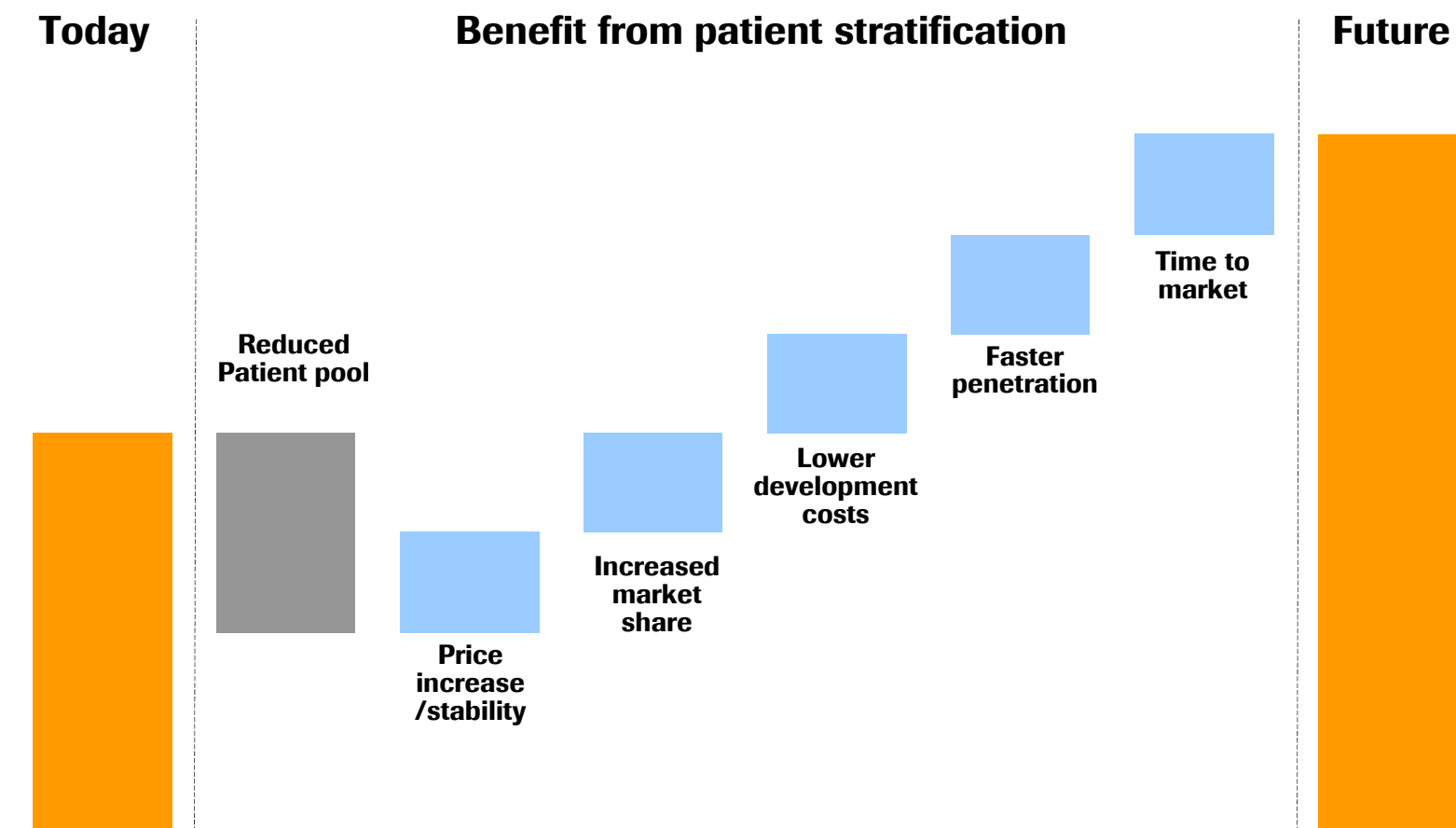


¹ Finance, IT, HR, Communication, Legal

Strong impact

Moderate impact

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



2011: Major clinical news for late-stage NMEs

6 Phase III and 10 Phase II studies

	Compound	Indication	Study
Phase III	Zelboraf (BRAFi)	1st line met melanoma	BRIM3 ✓
	Lucentis	Diabetic macular edema	RIDE ✓ RISE ✓
	Avastin	Relapsed ovarian cancer	OCEANS ✓
	pertuzumab + Herceptin	1st line HER2+ mBC	CLEOPATRA ✓
	Herceptin	Early HER2+BC sc	HANNAH
Phase II	vismodegib (Hedgehog i)	Advanced BCC	Pivotal study ✓
	T-DM1	1st line HER2+ mBC	PFS data ✓
	GA101	Relapsed indolent NHL	Head-to-Head against MabThera/Rituxan
	MetMAb	NSCLC 2nd / 3rd line	Final data ✓
	lebrikizumab	Asthma	MILLY; MOLLY
	mericitabine	Hepatitis C	PROPEL final data; JUMP-C
	dalcetrapib	CV risk reduction	dal-VESSEL ✓ dal-PLAQUE ✓