
Roche: Committed to innovation and profitable growth

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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;
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- 3 delay or inability in obtaining regulatory approvals or bringing products to market;
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- 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

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



YTD Sept 2011: Group sales

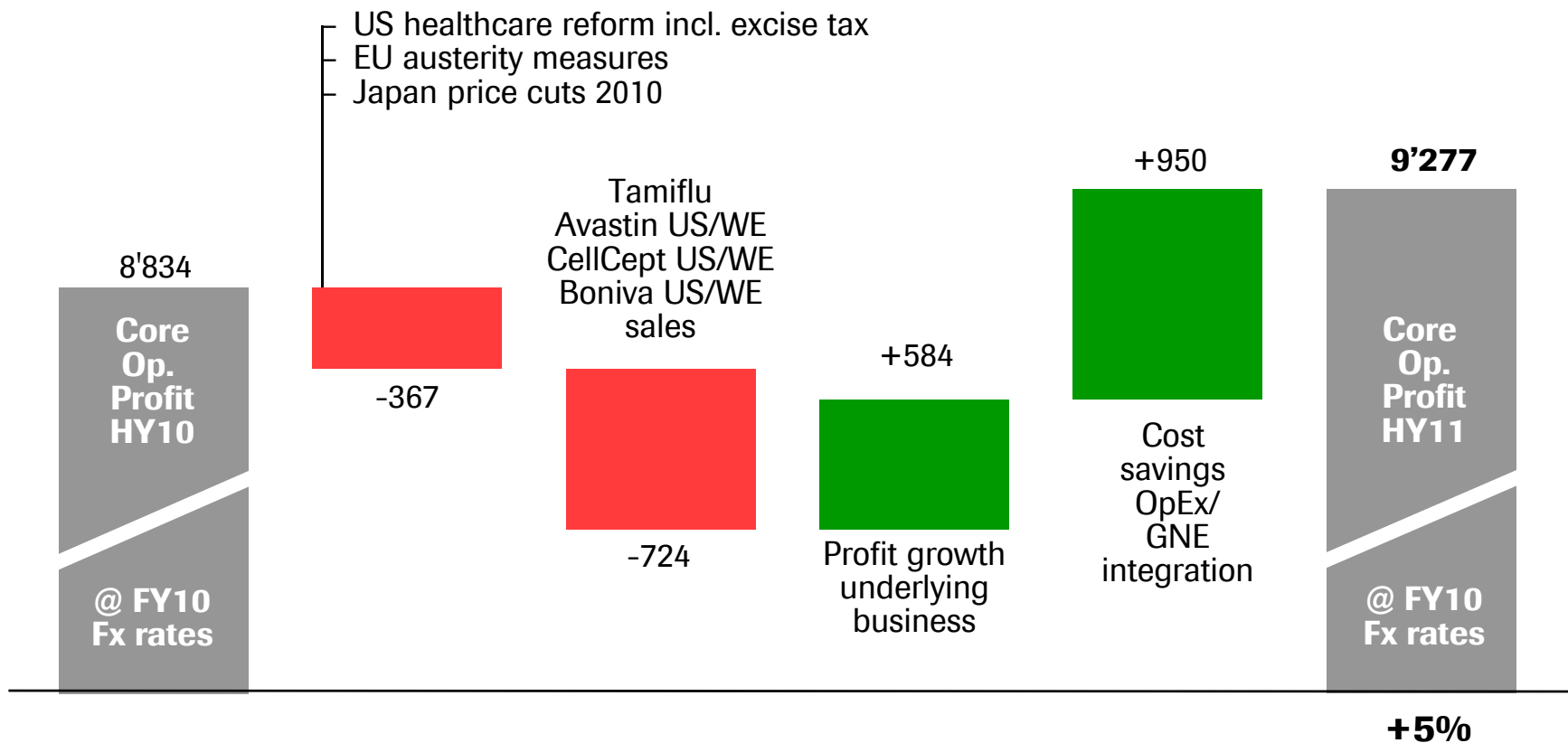
Supporting full-year guidance, strong currency impact

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

¹ at Constant Exchange Rates, CER (average full year 2010)

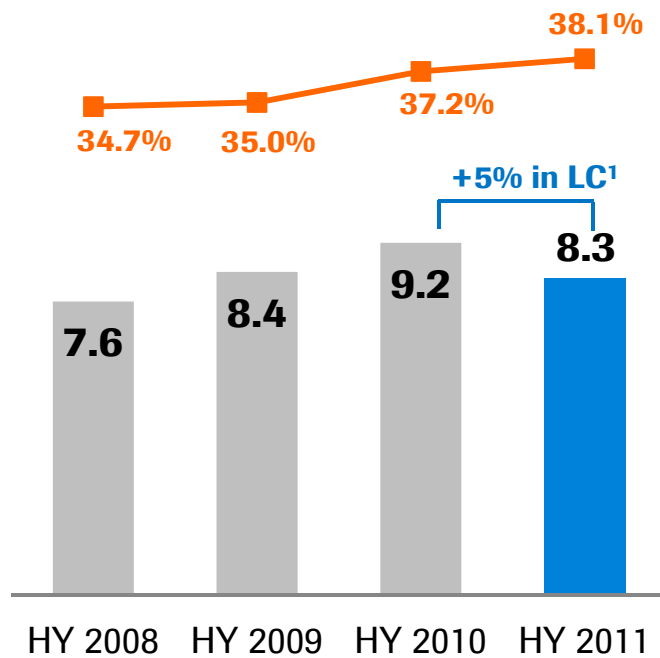
HY 2011: Core operating profit development

Profit growth driven by productivity improvements

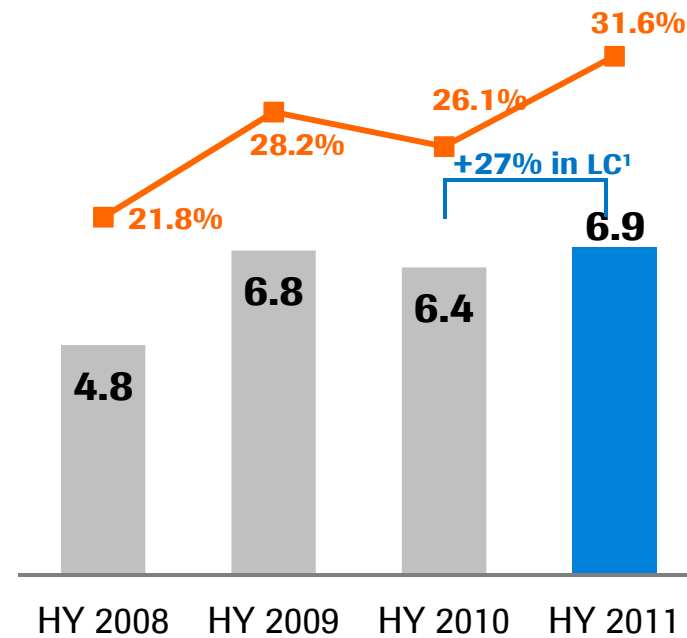


Continuous improvement on cash flow and profitability over the years

Group core operating profit (CHF bn) and margin

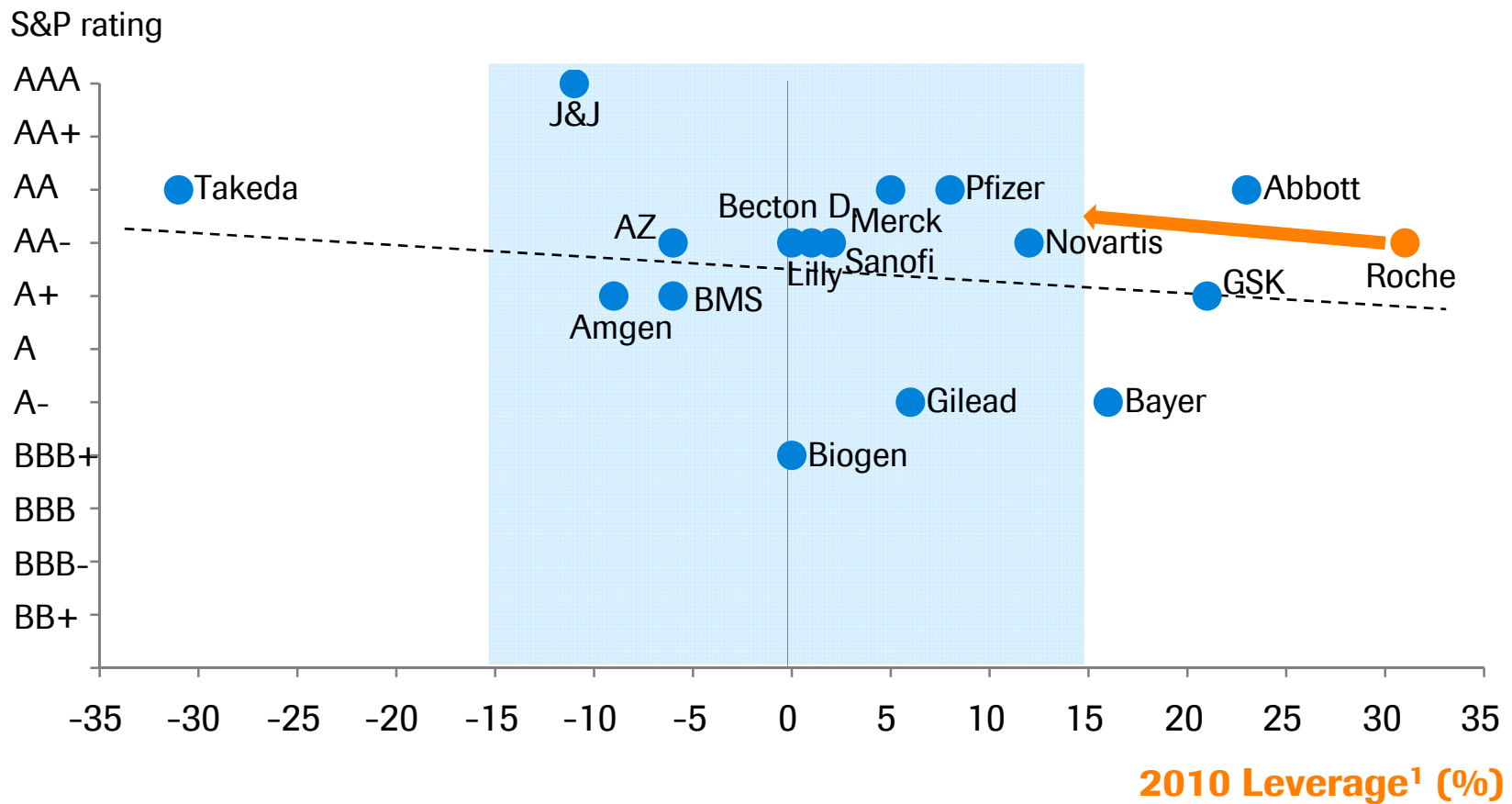


Group operating free cash flow (CHF bn) and margin



¹ local currency

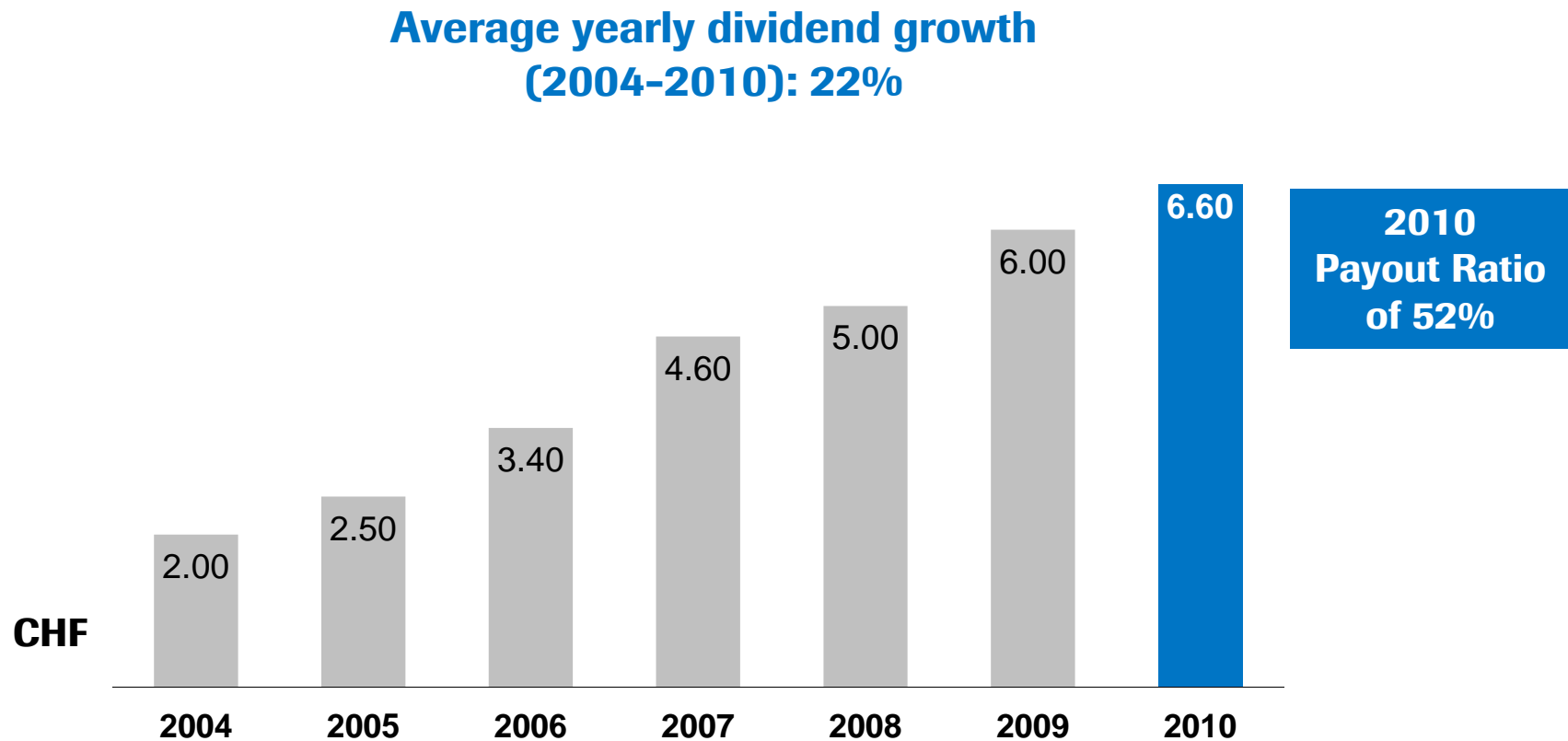
Roche: Aiming for a sustainable net debt leverage of 0-15%



¹ Net Debt / Total Assets (%)

Source: Thompson Datastream; Bloomberg (May 23; 2011); BCG analysis

Attractive dividend payout ratio



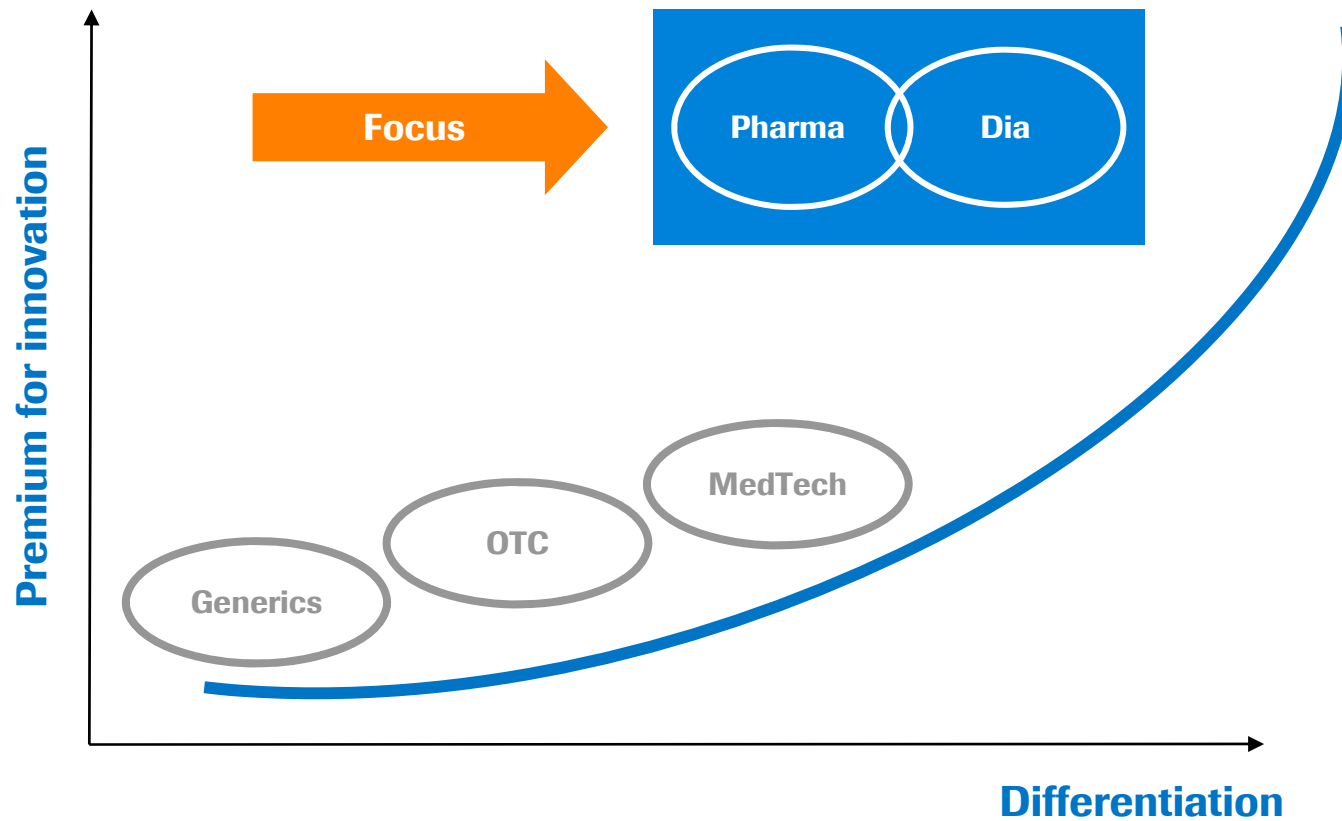
Pay-out ratio calculated as dividend per share divided by core earnings per share (diluted)

Financial performance

Challenges and answers

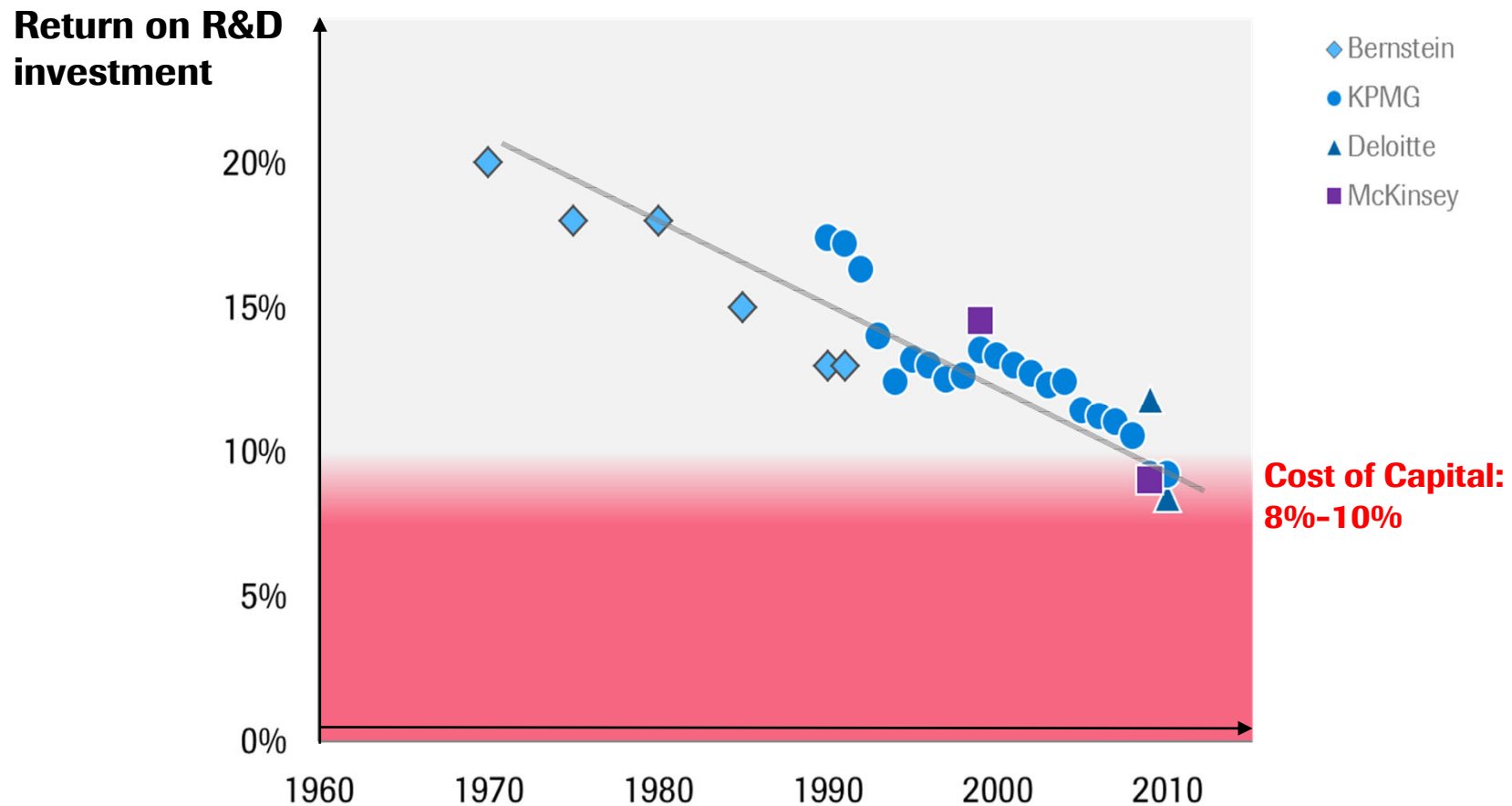
Strong position

Roche: Focused on medically differentiated therapies



R&D productivity of Pharma industry

Average financial returns¹ on R&D falling to critical level



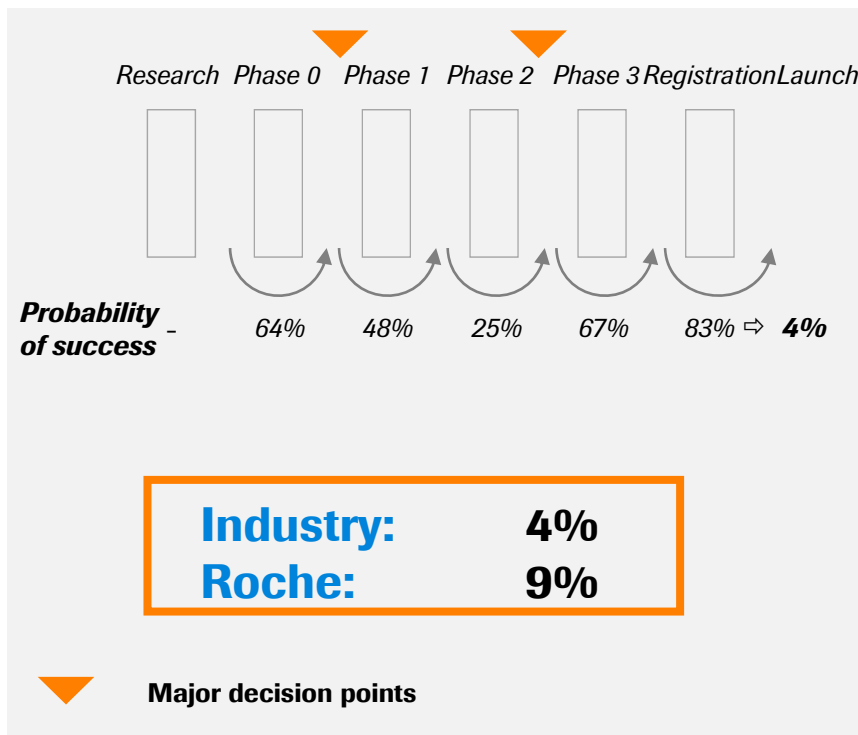
¹ Different methodologies (e.g. IRR, economic returns)

Sources: Bernstein Research 2011, McKinsey 2011, KPMG 2011, Deloitte 2011, Roche analysis; Different methodologies!

R&D productivity

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

Research & Early Development

Late Stage Development



Top down



Project driven

- Annual budget allocation
- Number of phase II transitions expected

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

Transform and improve how we develop medicines

Reduce costs of late-stage development programs

- **Increase success rate**

- Maintain a high bar for transition to late-stage development: first- or best-in-class
- Reduce attrition/increase probability of success with Personalised Healthcare

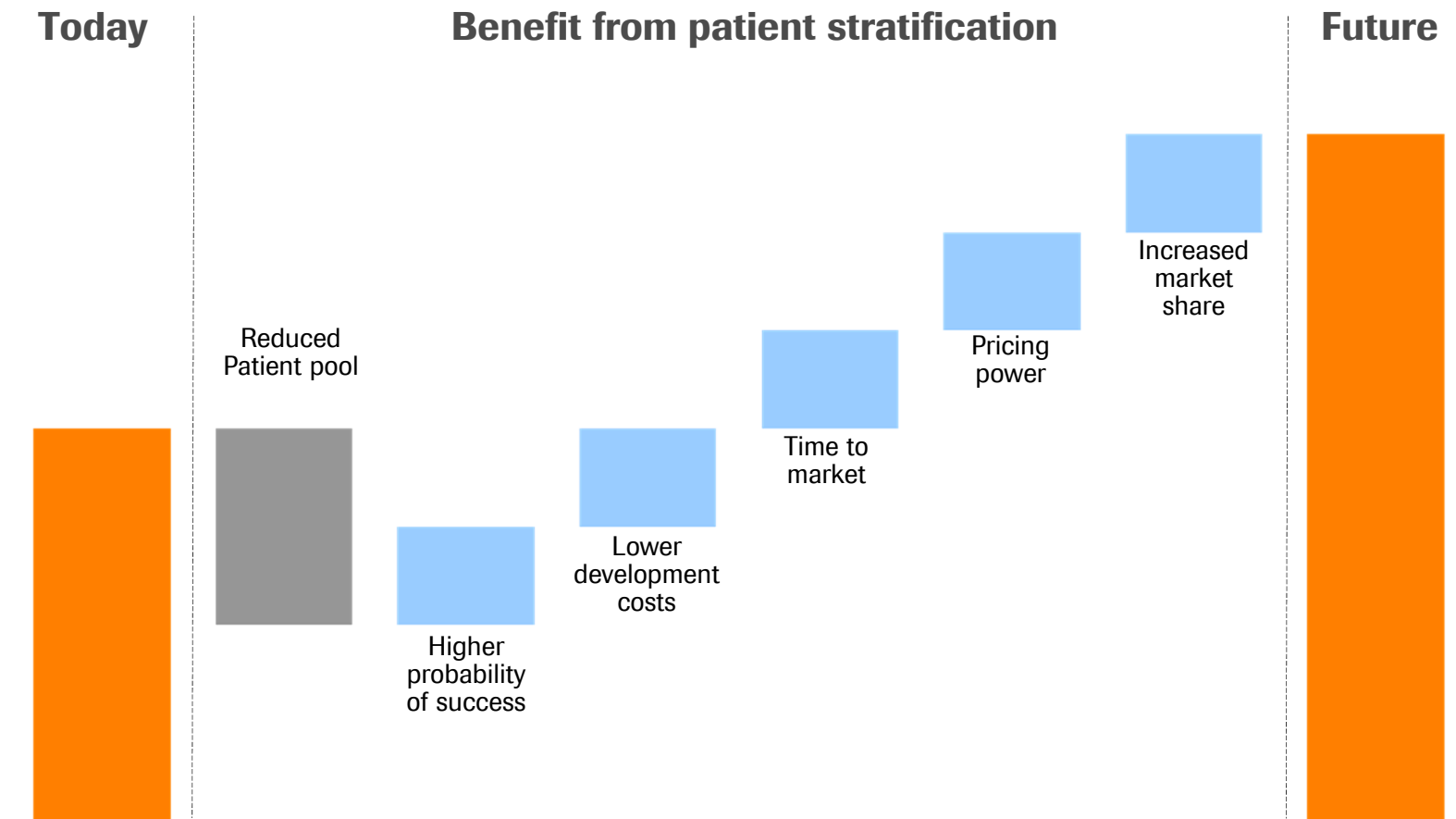
- **Improve efficiency**

- Less investigational sites per trial: focus on major active sites
- Reduce trial complexity: focus on relevant trial endpoints
- Enhance competition amongst CROs: reduce cost, but preserve quality
- Transfer some activities to lower cost sites (e.g. from Nutley to India or Canada)

- **Innovate our development model**

- Leverage new technologies (e.g. IT solutions)
- More efficient ways to manage and access data

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

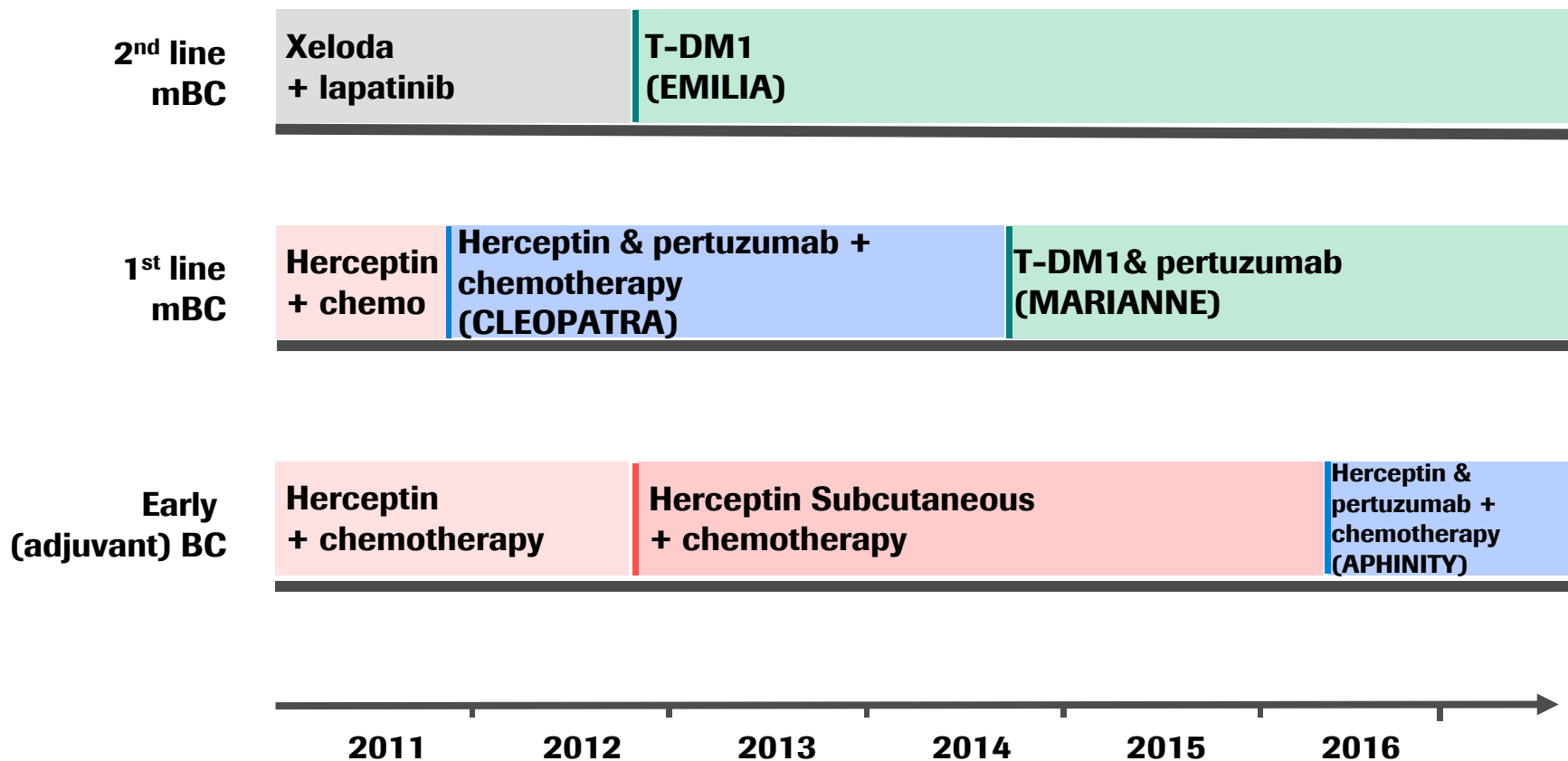
Expand

Act to expand patient access in emerging markets

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

Innovate and re-shape biologics market

HER2-positive breast cancer



mBC: metastatic breast cancer; BC breast cancer
 Timelines refer to the expected dates of first filing

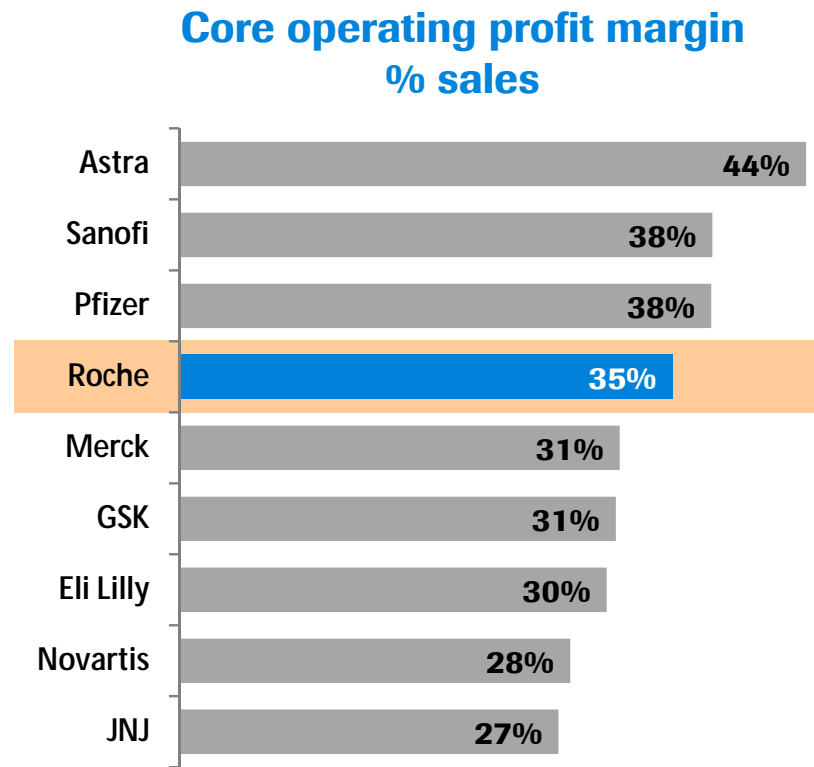
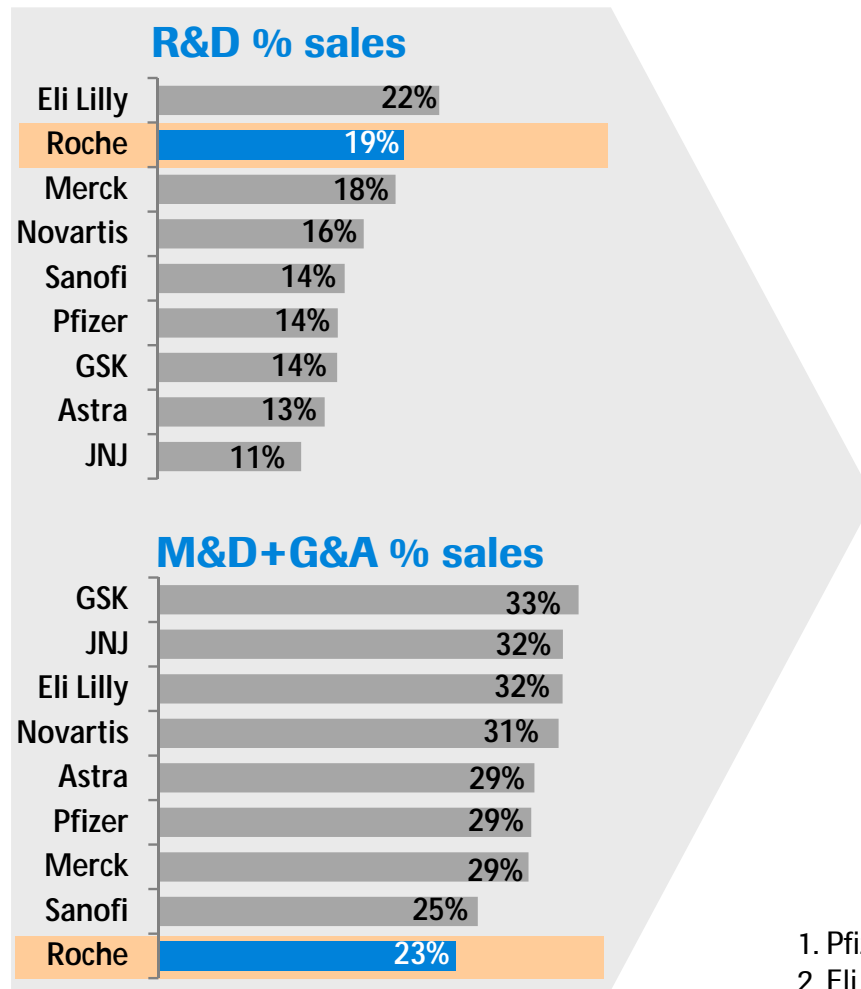
Financial performance

Challenges and answers

Strong position

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

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

¹ As of 2010 sales
Source: FCMG; Company Annual Reports



Roche: Focus on selected business/disease areas

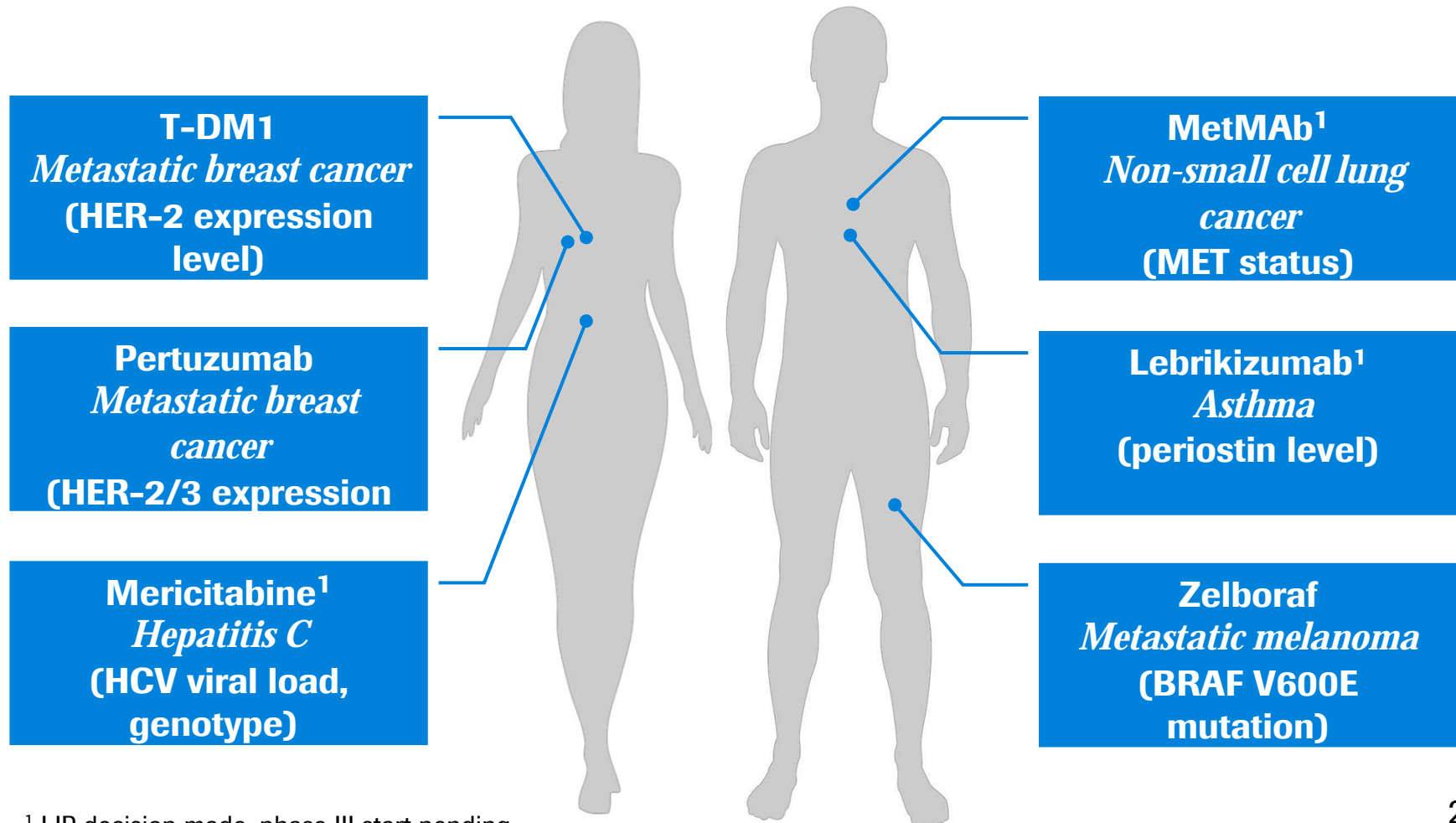
Aim to play in the lead

	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	

Sources: IMS MIDAS in PADDs; For Diagnostic: Industry Analyst Report; *Lucentis sold by Roche in US, by Novartis in RoW

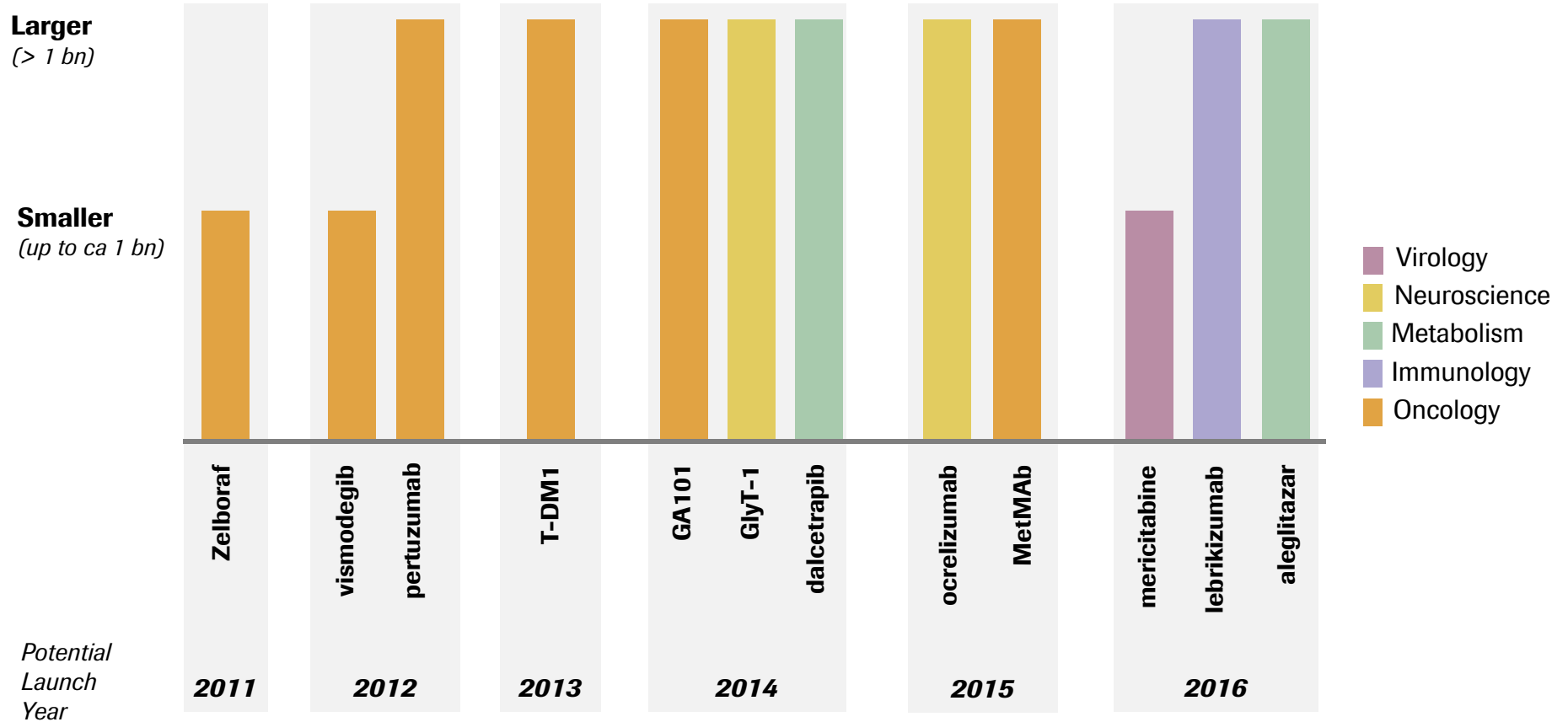
Our delivery

Personalized Healthcare becoming reality



¹ LIP decision made, phase III start pending

Portfolio outlook: expanding into selected therapeutic franchises

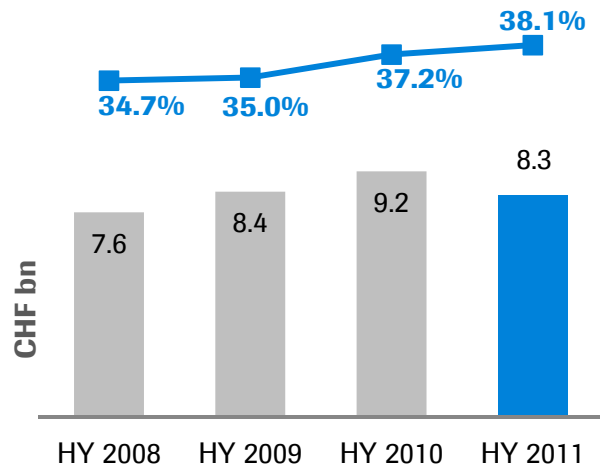


Non risk-adjusted

Efficiency improvements and long-term growth

Track-record

Core operating profit and margin



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)

Confirming outlook for 2011

Continued strong business performance

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



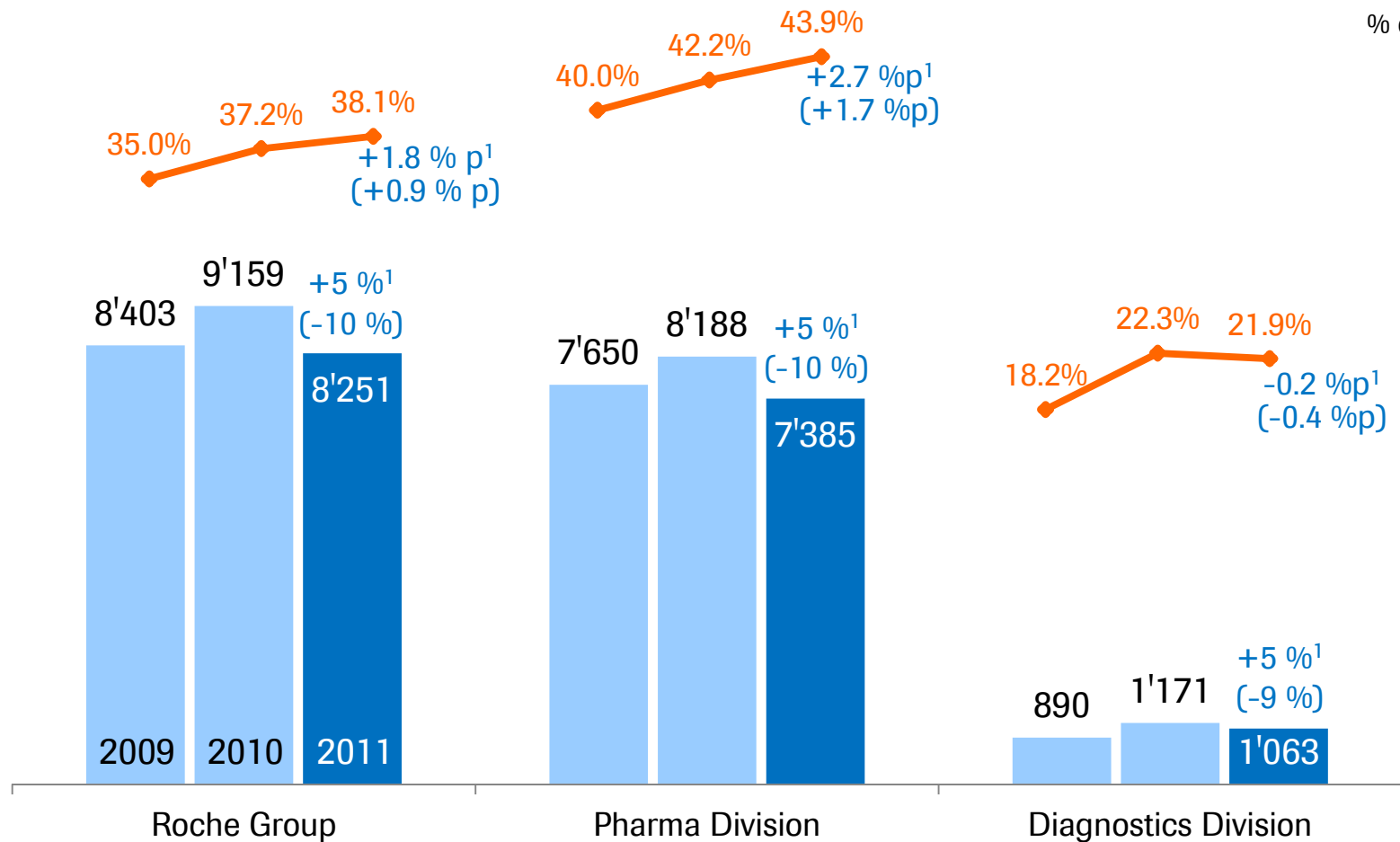
We Innovate Healthcare

HY 2011: Group core operating profit and margin

Strong margin increase over years

CHF m

% of sales



¹ local currency