
Roche: Committed to innovation and profitable growth

Dr. Alan Hippe, CFO Roche

London, December 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.

For marketed products discussed in this presentation, please see full prescribing information on our website – www.roche.com

All mentioned trademarks are legally protected

Financial performance

Challenges and answers

Sustainable strategy

HY 2011: Group performance

Core EPS growth +10%¹

CHF m	2010	2011	%Change	
			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

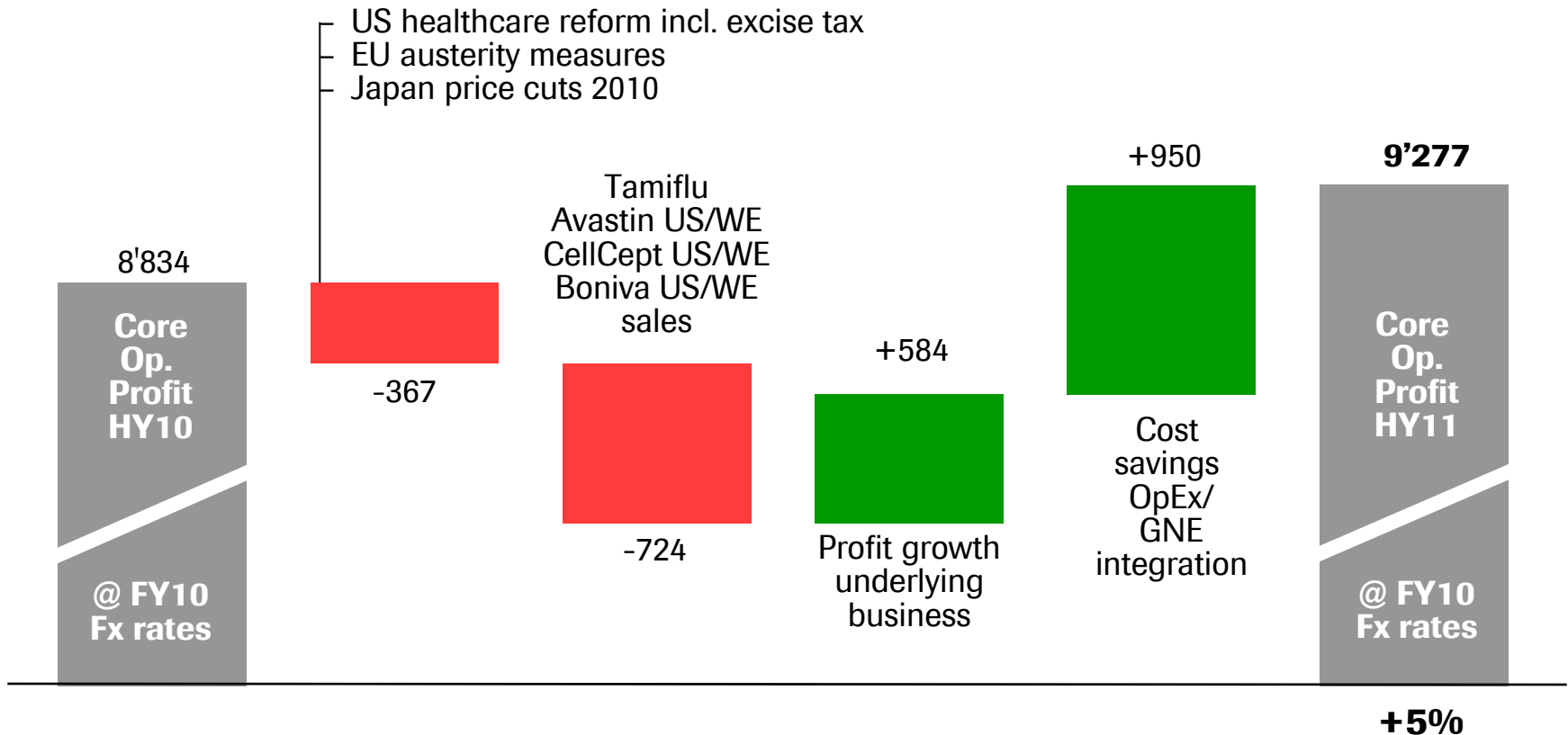
Supporting full-year guidance, strong currency impact

CHF bn	2010	2011	change in % CHF	change in % CER	Excluding Tamiflu¹
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

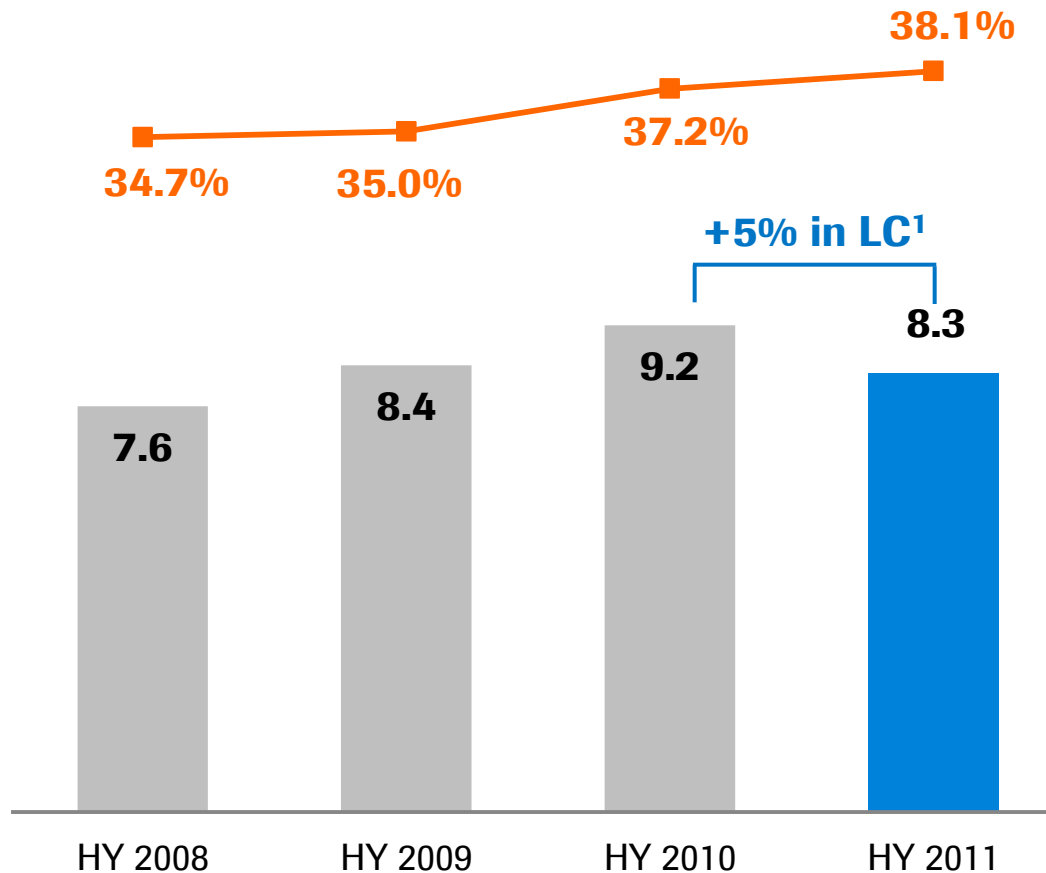
Profit growth driven by productivity improvements



Continuous growth in operating profit and margin



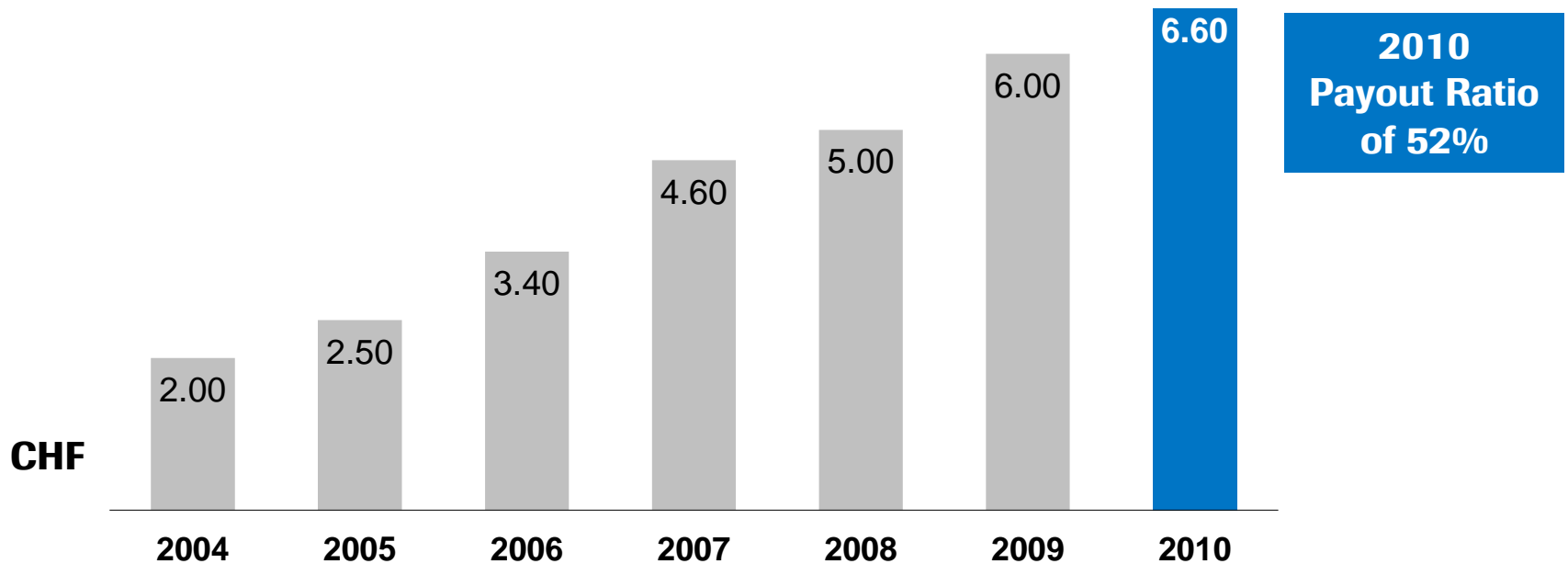
Group core operating profit (CHF bn) and margin



¹ local currency

Attractive dividend payout ratio

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



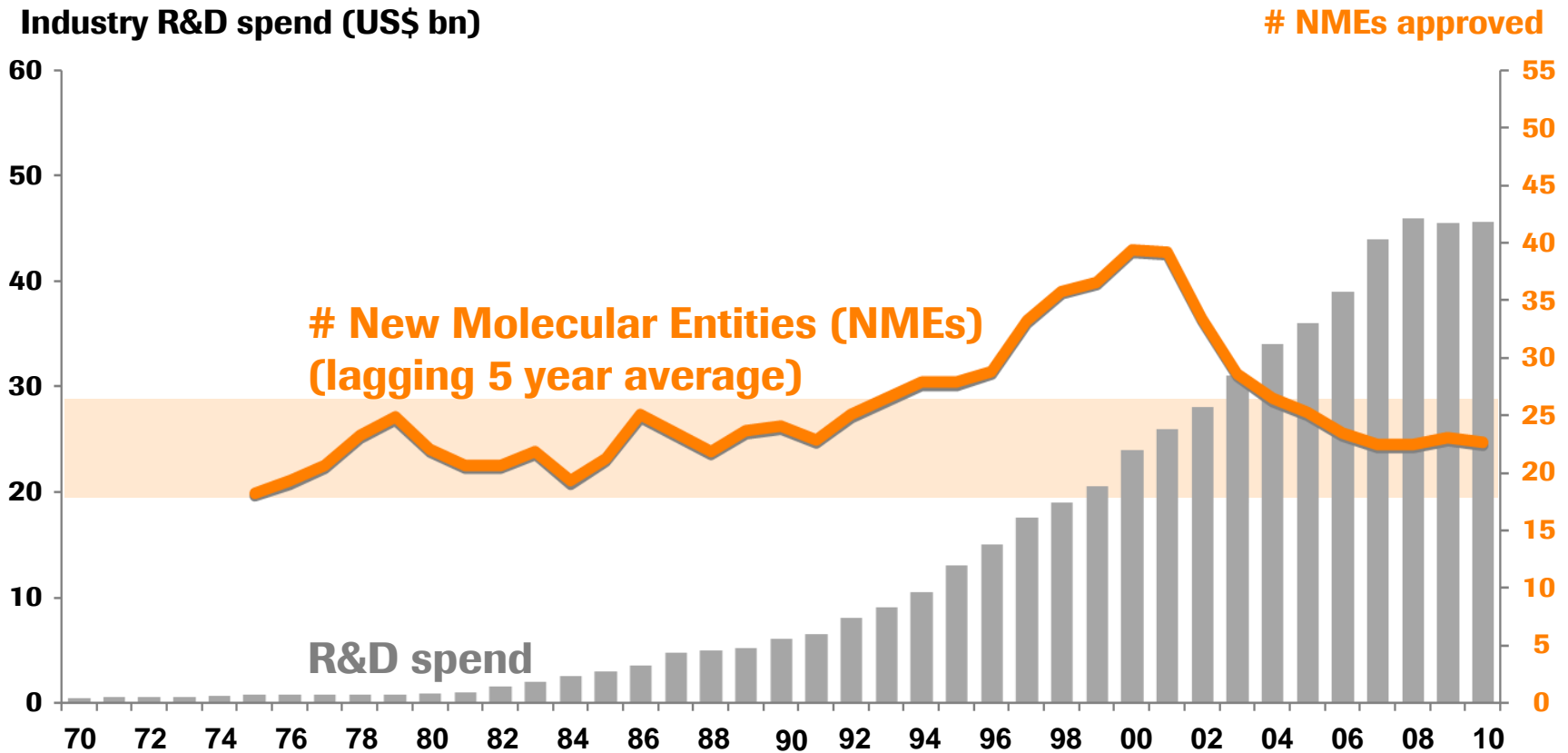
Financial performance

Challenges and answers

Sustainable strategy

R&D productivity of Pharma industry

Output relatively flat, while R&D costs have increased

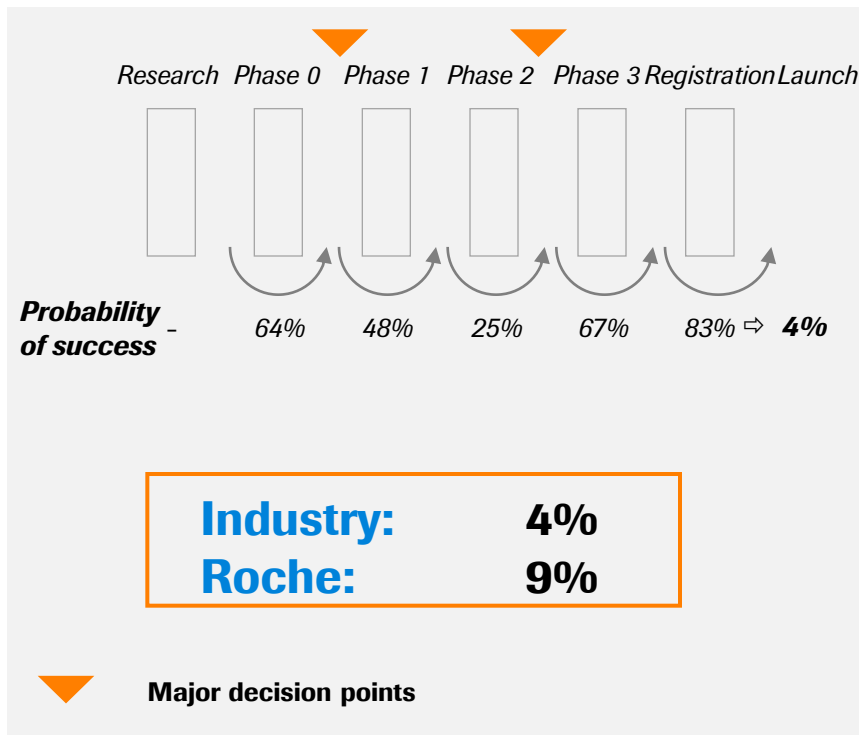


Notes: R&D spend figures may not include overhead components as reported in company annual reports
 Source: NME data for 1966-1971 from Peltzman, S. (1973) J. of Political Economy 81, no. 5: 1049-91. NME data for 1972-1979 as reported in Hutt, P.B. (1982) Health Affairs 1(2) 6-24. NME Data for 1980-2007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

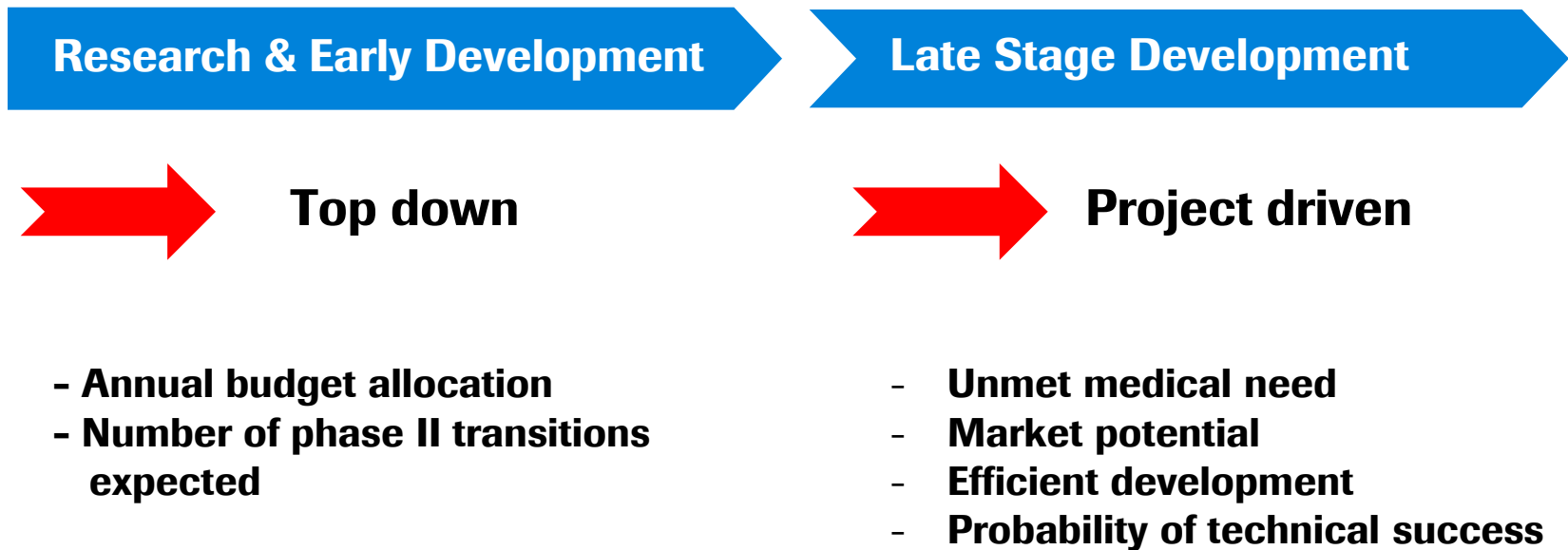
Industry success rate 2005-2009



- 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)

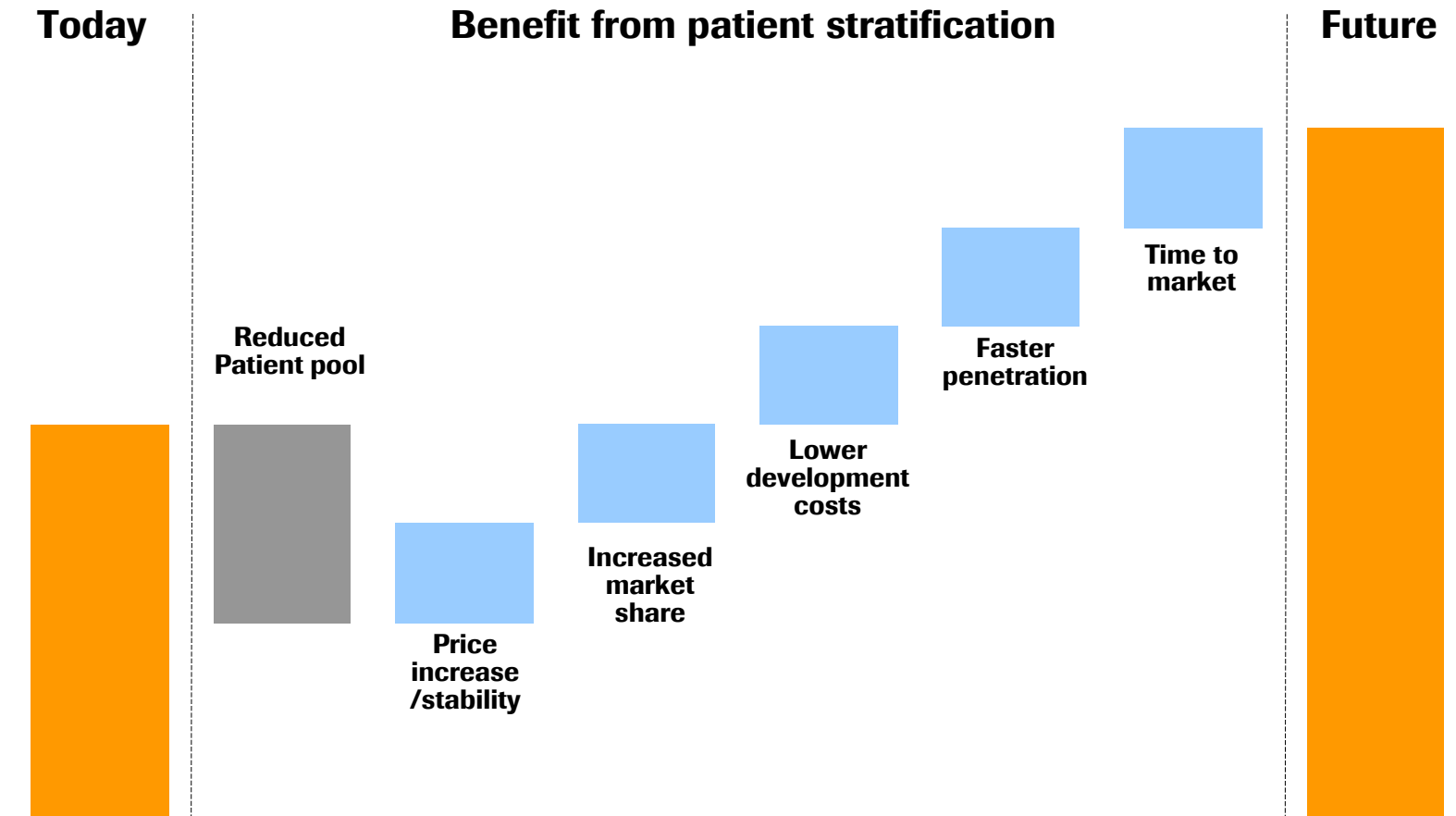
Do more with same level of R&D investment

- 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

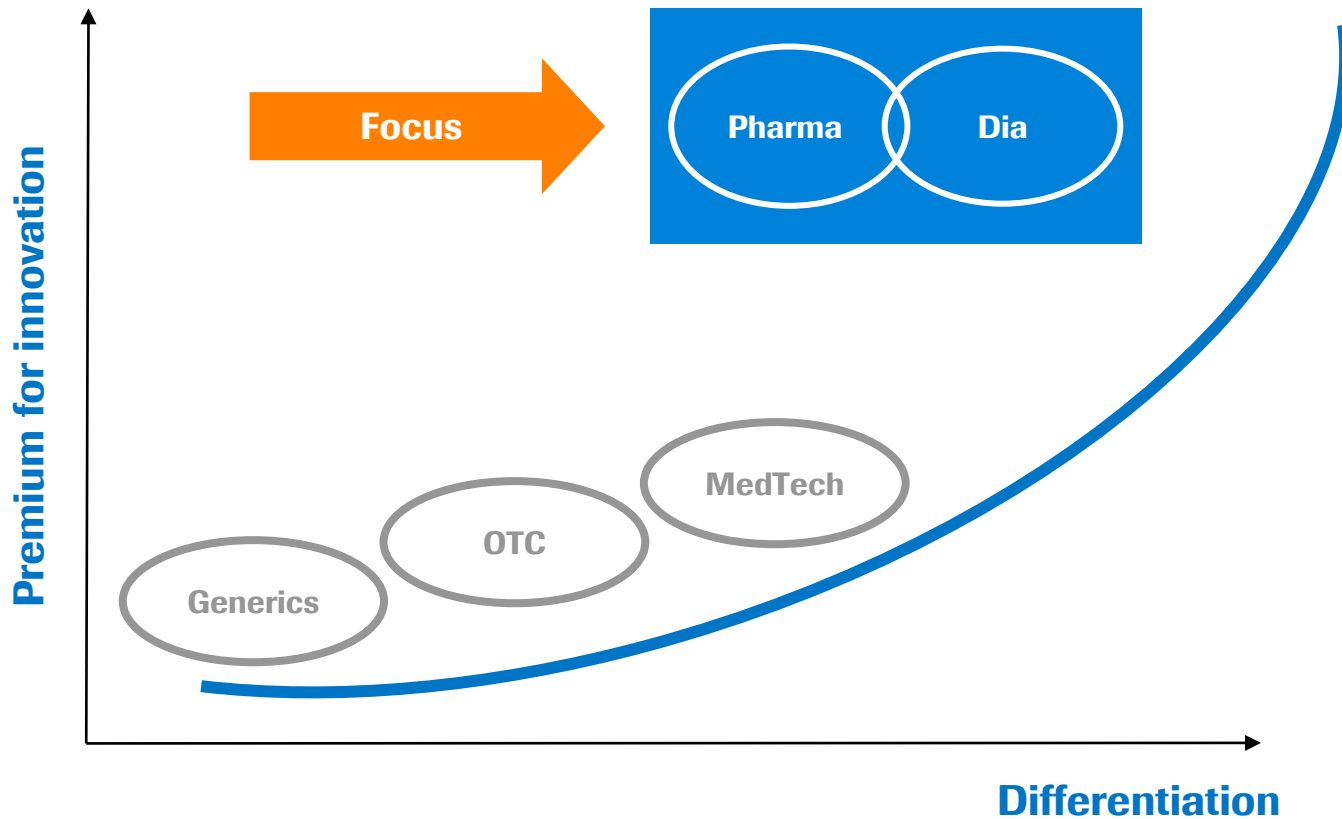
Change from global pricing to tiered pricing, including 2nd brand

Financial performance

Challenges and answers

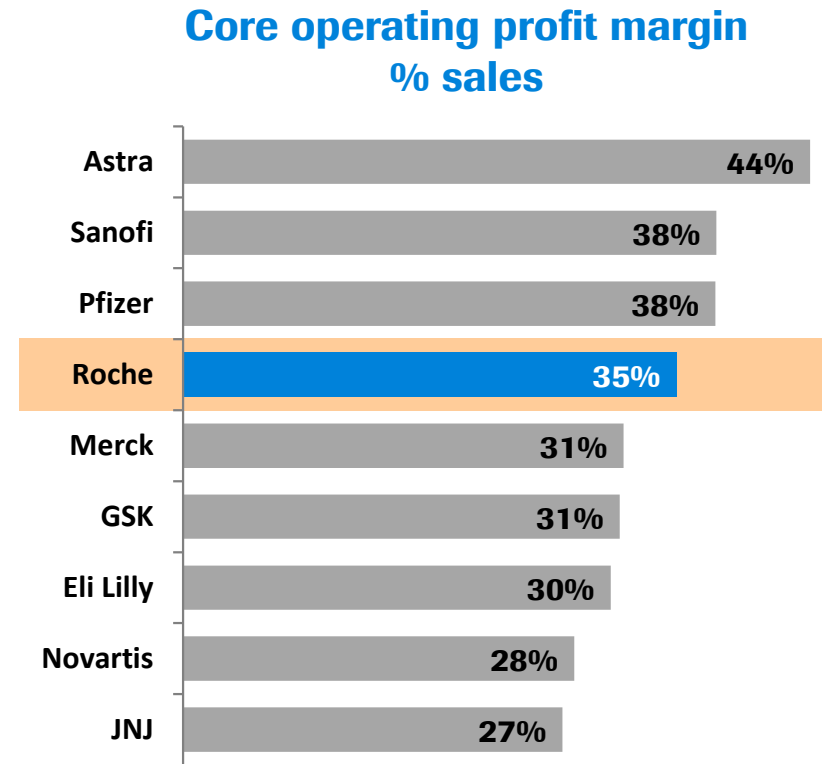
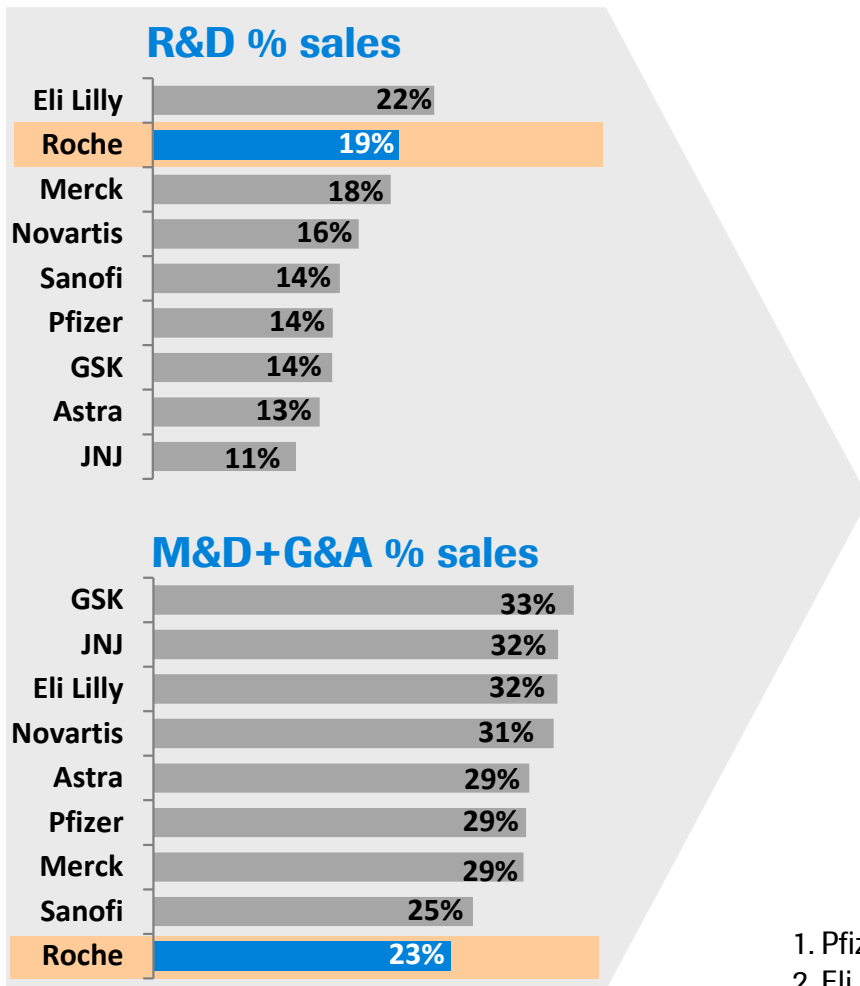
Sustainable strategy

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 ¹	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)

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

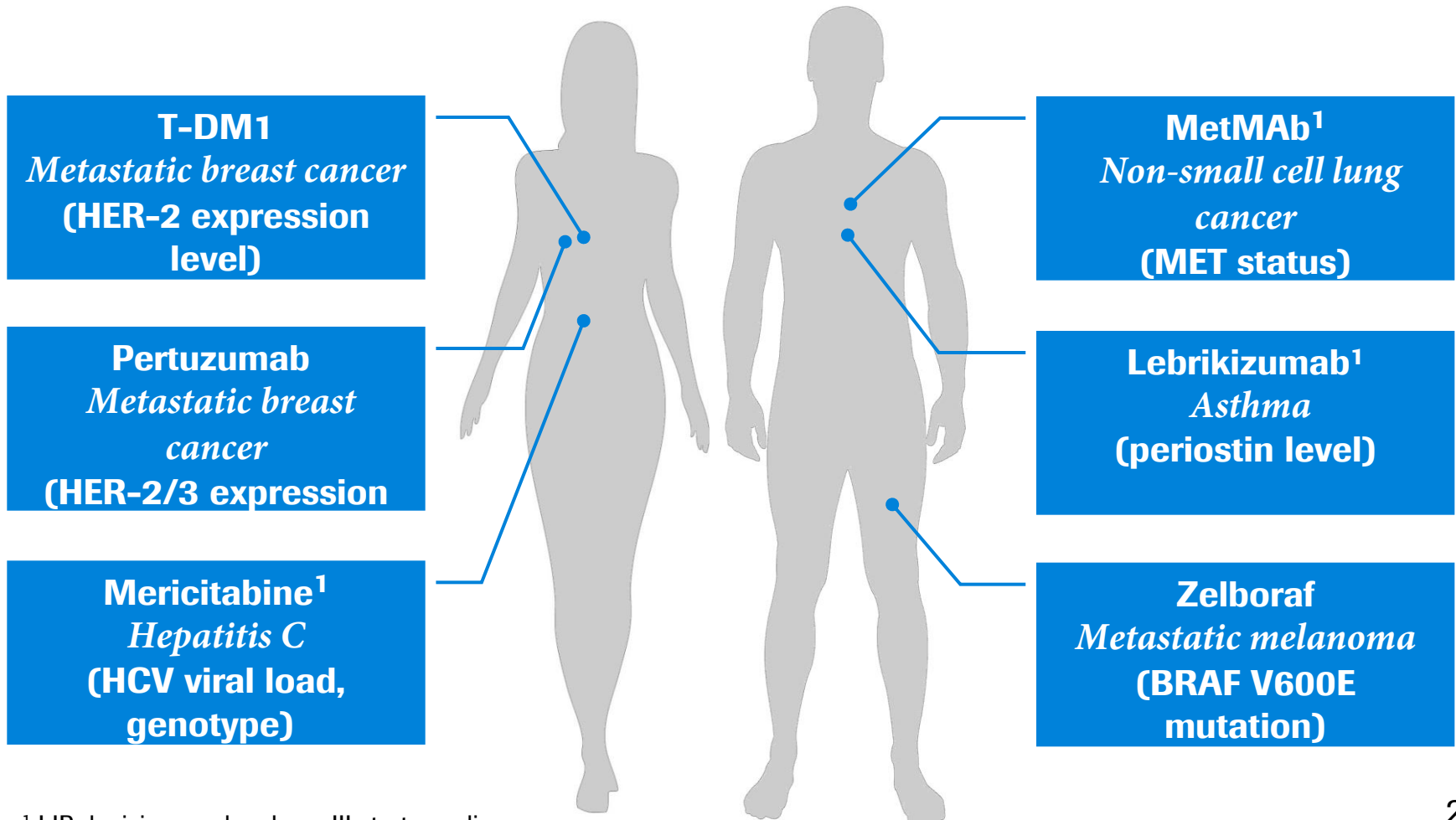
Roche: Focus on selected business/disease areas

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	

Our delivery

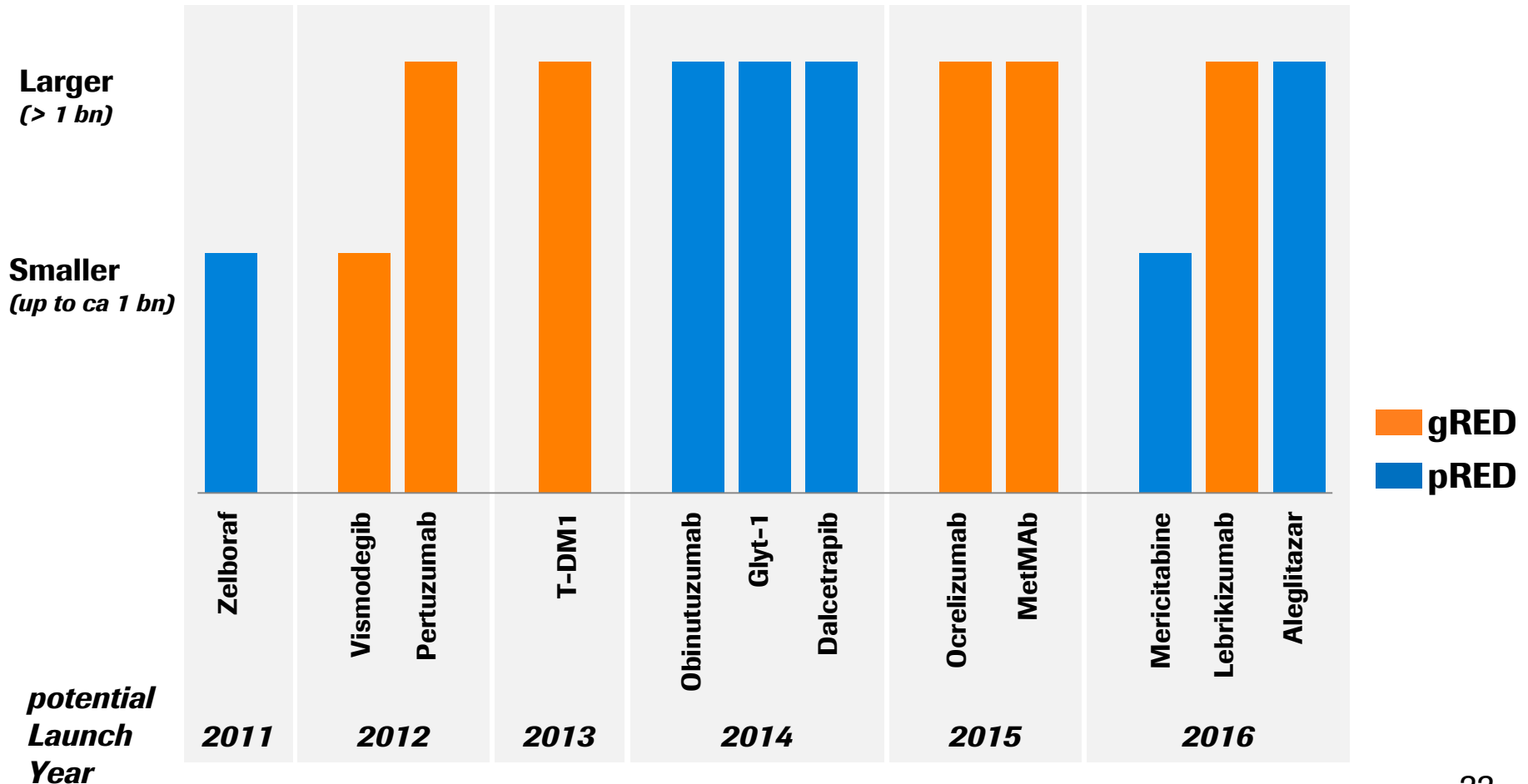
Personalized Healthcare becoming reality



¹ LIP decision made, phase III start pending

Portfolio outlook

Market expectations regarding peak sales

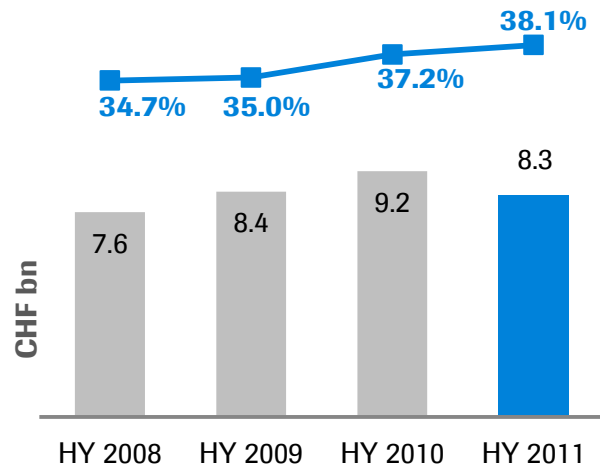


Efficiency improvements and long-term growth

Track-record

Outlook

Core operating profit and margin

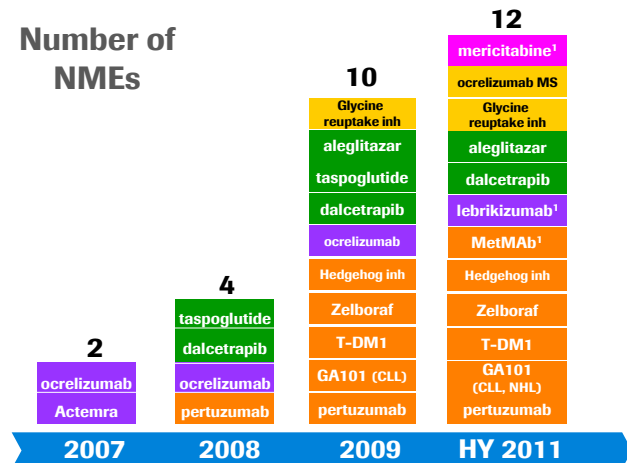


Profitability

FY 2011

Target increased to around 10%
Core EPS growth*

Number of NMEs



Growth

Potential NMEs filings in 2011

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

¹ LIP decision made, phase III start pending

*in local currency

Confirming outlook for 2011

Continued strong business performance

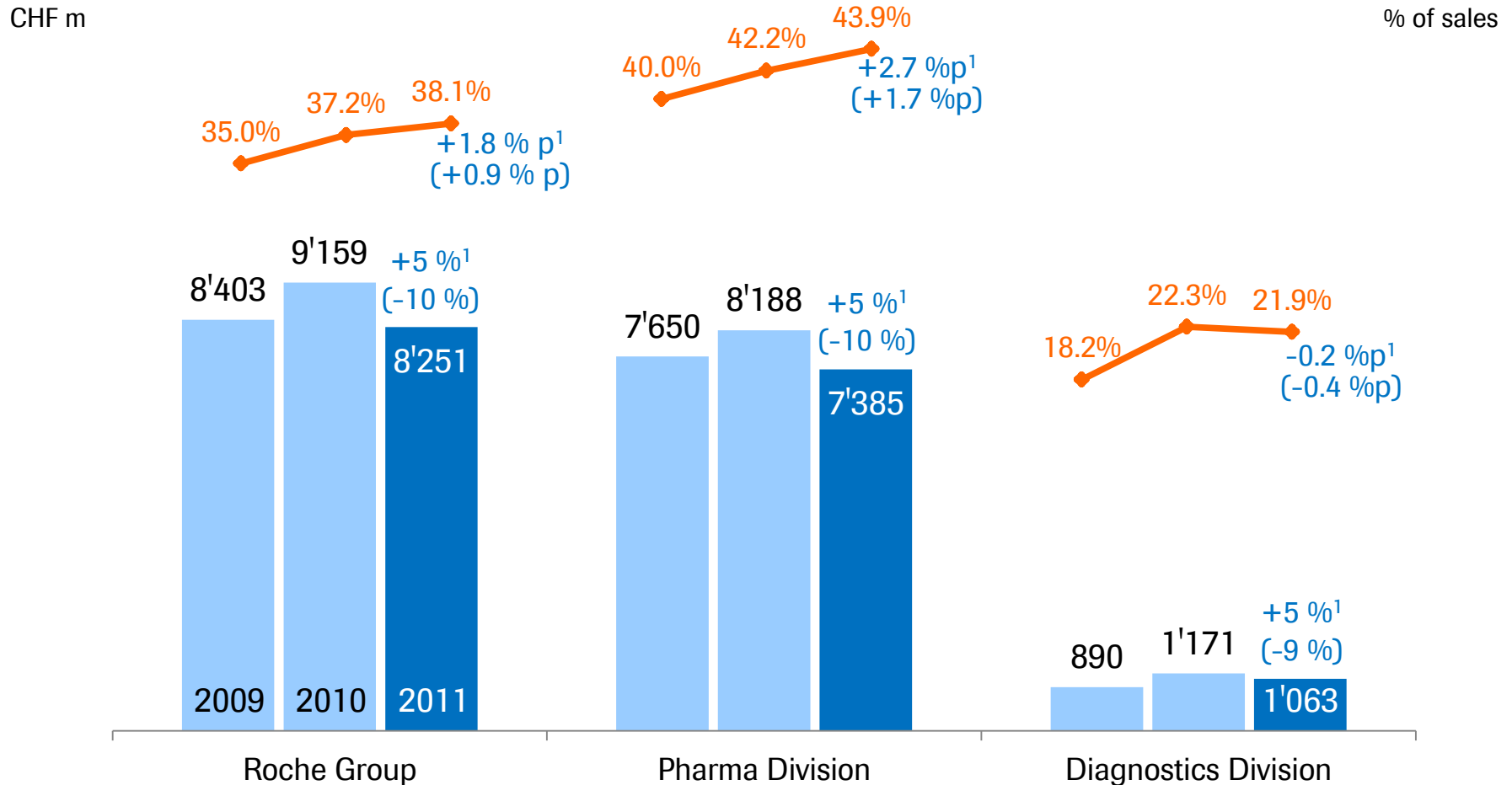
Sales growth (in LC)	Group & Pharma (excl. Tamiflu): low single-digit Diagnostics: significantly above market
Genentech synergies	2011+ : CHF 1.0 bn*
Operational Excellence savings	2011 : CHF 1.8 bn 2012+ : CHF 2.4 bn
Core EPS growth target (in LC)	Around 10%
Dividend outlook	Grow in-line with Core EPS;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



¹ local currency