Roche: Navigating through a volatile environment

San Francisco, January 2010

Dr. Erich Hunziker, CFO
Deputy Head of the Corporate Executive Committee
2010 + Healthcare remains a very attractive field – even in difficult times

Roche: translating excellence in science into patients’ benefit
Even in today’s environment, demand for healthcare increases - but funding is and will remain challenging.
Investors focus on the fundamental challenges for “Pharma”

- US Healthcare reform
- Lack of innovation?
- Generics replace originals
- Lack of potential in BRIC countries?

Growth potential for Pharma?

Today 2020
A global pharmaceutical market perspective still looks very attractive

*Pharma 2020 report PriceWaterhouseCoopers*

**Actual 2008**
- **US $ 773 bn**

**Scenario 2020**
- **US $ 1’437 bn**

Sources: IMS Health Total Unaudited and Audited Global Pharmaceuticals Market by Region (2008); IMS Health Market Prognosis (March 2009) and PWC analysis. Note: IMS Health has produced lower and upper projections for the growth of the global pharmaceuticals market over the next five years. PWC has extrapolated from these projections to estimate the regional split in 2020, using the midpoint between the upper and lower ranges.
Roche remains committed to the US market — the most attractive single market for many years to come!

Source: Centers for Medicare and Medicaid, Office of the Actuary, National Health Statistics Group
US healthcare reform: Medicare/ Medicaid exposure
Roche’s specialty care portfolio is in favorable position

Impact for Roche expected to be minimal
In Europe we build on a very strong position we understand hurdles to market access in Europe

<table>
<thead>
<tr>
<th>Criteria</th>
<th>CH</th>
<th>DE</th>
<th>FR</th>
<th>AT</th>
<th>SE</th>
<th>NO</th>
<th>FI</th>
<th>BE</th>
<th>NL</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Therapeutic Benefit</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Patient Benefit</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Cost Effectiveness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget Impact</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharmaceutical / Innovative Characteristics</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of therapeutic alternatives</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity considerations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>●</td>
</tr>
<tr>
<td>Public Health Impact</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sorenson, Drummond, Kanavos 2008
Selected emerging markets show strong growth…
… and are a third Roche focus point

<table>
<thead>
<tr>
<th>IMS Health Pharma Market Ranking 2013 US $ Bio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>9</td>
</tr>
<tr>
<td>10</td>
</tr>
<tr>
<td>11</td>
</tr>
<tr>
<td>12</td>
</tr>
<tr>
<td>13</td>
</tr>
<tr>
<td>14</td>
</tr>
<tr>
<td>15</td>
</tr>
</tbody>
</table>

Source: IMS Health, Market Prognosis June 2009
For innovative products emerging markets offer attractive price levels

**Group Sales**

- **CHF bn**
  - 2004: 17 %
  - 2008: 21 %
  - Total emerging markets
  - North America, Western Europe, Japan

**Average Herceptin price (indexed)**

- US, France, Germany, UK, Japan: 100
- E7: 95

Emerging markets CAGR 2004-08: 17 %
**Patent expiry 2008-2012**

*Roche has the lowest patent expiration risk & highest share of biotech products of leading pharma companies*

---

**Top 10 Corporations Protected Sales Expiring to 2012 & Beyond (US$ Const)**

<table>
<thead>
<tr>
<th>Corporation</th>
<th>2008-2012</th>
<th>2013 &amp; beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market</td>
<td>42</td>
<td>14</td>
</tr>
<tr>
<td>GSK</td>
<td>69</td>
<td>24</td>
</tr>
<tr>
<td>Pfizer</td>
<td>62</td>
<td>36</td>
</tr>
<tr>
<td>AZ</td>
<td>54</td>
<td>41</td>
</tr>
<tr>
<td>S-A</td>
<td>51</td>
<td>48</td>
</tr>
<tr>
<td>J&amp;J</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>MSD</td>
<td>48</td>
<td>24</td>
</tr>
<tr>
<td>Lilly</td>
<td>41</td>
<td>36</td>
</tr>
<tr>
<td>Novartis</td>
<td>36</td>
<td>24</td>
</tr>
<tr>
<td>Abbott</td>
<td>24</td>
<td>14</td>
</tr>
<tr>
<td>Roche</td>
<td>14</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: IMS Health MIDAS Market Segmentation MAT June 2008, Ethical protected brand sales only.
Biosimilars outside US: much talked about…

…we have a clear strategy and time to protect our franchises

EPO franchise Europe/ROW

NeoRecormon

Mircera

Patent expiry in selected countries

1 at constant average 2008 fx rates
Biosimilars in the US: status healthcare reform

Our innovative product portfolio is still many years away from patent expiry

Long patent protection of our key biologics in US

Avastin: 2019  
Lucentis: 2019
Rituxan: 2016  
Xolair: 2018
Herceptin: 2019  
Pegasys: 2018

Currently no regulatory pathway for bio-similars / our view:

• Clinical trials required
• No inter-changeability
• Reasonable exclusivity period
Roche is not just “Pharma”: it is the leading biotechnology company in the world with global customer access!

Geographic risk diversification

| USA | (Greater) Europe | Japan | Asia / China | Latin America |

Unique “pillars of value” risk diversification

- **Avastin adjuvant**
  - Cancer (Colon, Breast, Lung)

- **Avastin**
  - Brain, ovarian, gastric, prostate

- **Aleglitazar**

- **GLP-1**

- **Pertuzumab**

- **T-DM1**

- **GLYT1 (CNS)**

- **Ocrelizumab (MS)**

- **Colorectal ca.**

- **Breast cancer**

- **Lung cancer**

- **Breast ca., HER2+**

- **Oncology and RA**

- **RA**

- **Osteoporosis**

- **Hepatitis C+B**

- **Anemia**

- **Transplantation**

- **Immuno-diagnostics**

- **Diabetes Care**

- **Molecular Diagnostics**
Our “wild card”: high Tamiflu demand due to pandemic H1N1

Major brands (CHF bn)

Tamiflu

Pegasys

Valcyte / Cymevene

YTD Sep ‘09 vs. YTD Sep ‘08 local growth

+362 %

+11 %

+7 %

Tamiflu quarterly sales (CHF m)

Oct ‘09: Expected total Tamiflu sales for 2009 around CHF 2.7 bn

1 Governmental & Corporate
The Roche advantages

• Young product portfolio (Material patent expiry risk in 5 to 8 years)

  • Medically differentiated products and services: each product / service has a strong competitive position

  • Strong customer support organisations in the mature and emerging markets

Roche has a strong position in a challenging environment
We have been preparing for rougher seas for many years

Medium-/Long-term efficiency programs instead of short-term trouble shooting
To learn faster than the competition is the only sustainable competitive advantage of a company!
Clear commitment to improve the bottom-line
Outstanding long-term value creation

Every element of the cost base is going through constant improvement programs

1 Prescription and Diagnostics
2 Continuing businesses, before exceptional items, years not always directly comparable
An industry leading global manufacturing network

**Hillsboro, Mannheim, Kaiseraugst:** Future Fill/Finish Centers

**Basel:** solids production to close by 2012

**Mannheim:** Chemical manufacturing to close in 2011

**Nutley:** solids production to close by 2010

**Vacaville:** CHO manufacturing at CCP2 to close at end of 2009;

**SSF:** E. Coli manufacturing to transition to Singapore in 2011/2012

---

= 5 Chemical  = 6 Biotech  = 14 Galenical
The Genentech transaction allows for a fundamental improvement of the US-cost basis

*We now have a competitive situation around the world*

**Synergies of the Genentech integration**

- **2009**: -1,400 CHF m
- **2010**: +380 CHF m
- **2011**: +610 CHF m

**CHF m**

- **Synergies**: 300, 800, 1,000
- **Taxes on synergies**: -1650, -300, -390
- **Integration costs (net of taxes)**: -120
All Finance functions under one leadership
A great place to work with industry leading ambitions
We actively manage our cash flows

Unique, state-of-the-art solution

~200 reporting entities

Regular monthly financial reporting
- Income statement
- Balance sheet
+ Flow information: identifying cash and non-cash movements

Work day 3

Monthly Free Cash Flow Statements
- Group
- Divisions / sub-divisions
- Local companies
- including reconciliation to net cash position

Work day 5

Fully automated, integrated and transparent view on cash generation and use of cash
Debt repayment progressing according to plan
> CHF 6.5 bn paid back in Sept 2009, over half by 2013

At market values as presented at HY 2009 conference, excluding repayment of Chameleon bond
Financial impact Genentech transaction
Accretive to net income from 2010

Taking Genentech private

<table>
<thead>
<tr>
<th>Year</th>
<th>CHF m</th>
<th>Taxes on interest expenses</th>
<th>Non-controlling interests¹ (Minorities)</th>
<th>Interest expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>+350</td>
<td>+650</td>
<td>-1'700</td>
<td>-1'400</td>
</tr>
<tr>
<td>2010</td>
<td>+770</td>
<td>+770</td>
<td>-2'000</td>
<td>-2'000</td>
</tr>
<tr>
<td>2011</td>
<td>+1,030</td>
<td>+750</td>
<td>-1'920</td>
<td>-2'200</td>
</tr>
</tbody>
</table>

A very attractive form of “share buy back” (with an additional synergy component)

1) assumes 10% annual net income growth of Genentech as a stand-alone entity, i.e. as if it had not been taken private
Compensation aligned with value creation

Corporate strategy and actions

Competitive Position

Financial results

Share price

KPI's

Progress in Pipeline
Market share

Sales growth
Cash flow/ OPAC

Share price
Relative TSR

Compens.

Bonus

Option/Share Programs
Continued commitment to great place to work

Austria

Genentech

Italy

Genentech and Roche

Spain

Peru

New Zealand

USA

Russia
Our commitment to performance
Attractive for shareholders and bondholders

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales growth (in LC)</td>
<td>at least high single-digit</td>
<td>well above market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Synergies</td>
<td>CHF 300 m</td>
<td></td>
<td>CHF 800 m</td>
<td>CHF 1,000 m</td>
</tr>
<tr>
<td>Core EPS growth (in LC)</td>
<td>Double-digit</td>
<td>Double-digit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt</td>
<td>25% debt reduction</td>
<td>Aim to return to net cash position</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 yr Dividend outlook</td>
<td>Maintained (as announced in 2008)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Barring unforeseen events;
Total Tamiflu sales of CHF 700 million assumed for 2010; LC=Local Currency
The Roche advantages

• Efficiency programs running for several years, benchmarking with other industries in tough environments

• Selected adjustment of organisation in mature markets / Strategic build up in emerging markets

• Genentech transaction a platform to realise attractive synergies in the USA

Roche is a learning organisation  - ready to deliver results in a challenging environment
At the end of the storm there is no future without investment in innovation now!

We are not sacrificing the long-term perspectives by short-sighted cost cuts
Competitors’ strategies to address the trends

Two distinctly different groups emerging

**Diversification**
Becoming more “Healthcare” than pure “Pharma”
(incl. OTC, vaccines, medical devices, generics, branded generics, bio-similars, eye care, etc.)

**Focus**
Pharma / Diagnostics
(no generics or bio-similars)

Roche
Strategy

Broadening the portfolio with high value franchises

Yesterday

14% Diagnostics

25% Vitamins

11% Flavours & Fragrances

50% Pharma

1990

CHF 9.7bn

Today

21% Diagnostics

79% Pharma

of which 56% Oncology

2008

CHF 45.6bn

Tomorrow

Diagnostics

Ophthalmology
1 NMEs

CNS
6 NMEs

Metabolic
11 NMEs

Inflammation
13 NMEs

Oncology
26 NMEs

Illustrative

Yesterday 1990

Tomorrow 2008
Our Distinctiveness

*Diversity of approaches fueling global scale and reach*

*DBA: Disease Biology Areas*
Genentech Integration: Company transforming
Roche Corporate Executive Committee
Effective January 1, 2010

CEO
S. Schwan

COO Pharma
P. Soriot

pRED
J.-J. Garaud*

COO Diagnostics
D. O’Day

CFO
E. Hunziker

gRED
R. Scheller*

Gen. Counsel
G. Keller

Partnering
D. Zabrowski*

HR
S. Ayyoubi

Communications
P. Attinger*

Chugai
O. Nagayama*

* Enlarged CEC

pRED: Pharma Research and Early Development
gRED: Genentech Research and Early Development
Key drivers for long term development in place
Develop the short term drivers while shaping the others
Roche pharma pipeline overview

Five Disease Biology Areas

**Oncology**
- Avastin
- MabThera/Rituxan
- Herceptin
- Xeloda
- Tarceva
- R1273(pertuzumab)
- R1507(IGF-1R mAb)
- R3502(trastuzumab-DM1)
- R3616(hedgehog inh.)
- R7159(3rd gen anti-CD20)
- Apomab
- Dacetuzumab
- Dulanermin
- 15 ph. I compounds

**Inflammation**
- MabThera/Rituxan
- Actemra
- Anti-IL 13
- 9 ph. I compounds

**Metabolism**
- R1439(aleglitazar)
- R1583(taspoglutide)
- R1658(dalcetrapib)
- R7201(SGLT-2 inh)
- 6 ph. I compounds

**Virology**
- Pegasys
- Tamiflu
- R3484(HPV16)
- R7128(HCV pol. inh.)
- R7227(HCV pro. inh.)

**CNS**
- R1594(ocrelizumab)
- R1678(schizophrenia)
- R3487(Alzheimer's)
- 4 ph. I compounds

**On hand**
- Late stage

**Promising**
- Mid-term

**Emerging**
- Early stage
New potentially company or industry-transforming projects

<table>
<thead>
<tr>
<th>Oncology</th>
<th>Immunology &amp; Ophthalmology</th>
<th>Metabolism</th>
<th>CNS</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-DM1</td>
<td>Ocrelizumab RA ✓</td>
<td>Dalcetrapib</td>
<td>GlyT1 inh ✓</td>
</tr>
<tr>
<td>Pertuzumab</td>
<td>Lucentis – DME &amp; RVO ✓</td>
<td>Taspoglutide ✓</td>
<td>Ocrelizumab MS ✓</td>
</tr>
<tr>
<td>GA101</td>
<td>Actemra ✓</td>
<td>Aleglitazar ✓</td>
<td></td>
</tr>
<tr>
<td>Hedgehog pathway inhibitor</td>
<td>Lebrikizumab (Anti-IL13) ✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BRAF inhibitor</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

✓ = Proof of concept

37
### World Top 10 Products (according to *Evaluate Pharma*)

6 are Biopharmaceuticals; 4 are Oncology; 3 are Roche

<table>
<thead>
<tr>
<th>Company</th>
<th>Sales CHF bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Humira</td>
<td>9.6</td>
</tr>
<tr>
<td>Gleevec/Glivec</td>
<td>9.0 - 9.5</td>
</tr>
<tr>
<td>Spiriva</td>
<td>8.0</td>
</tr>
<tr>
<td>Lantus</td>
<td>7.5</td>
</tr>
<tr>
<td>Seretide/Advair</td>
<td>7.2</td>
</tr>
<tr>
<td>Herceptin</td>
<td>7.0</td>
</tr>
<tr>
<td>Crestor</td>
<td>6.6</td>
</tr>
<tr>
<td>Gleevec/Glivec</td>
<td>6.5</td>
</tr>
<tr>
<td>Insulin Analogues</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Source: EvaluatePharma Sept 1st 2009; 2014 based on consensus estimates
Top 10 Pharma Businesses by 2014
(according to *Evaluate Pharma*)
Modest Big Pharma growth to 2014, even post mega-mergers

<table>
<thead>
<tr>
<th>2008 Rx Sales Rank (Actual)</th>
<th>2014 Rx Sales Rank (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company</strong></td>
<td><strong>Sales CHF bn</strong></td>
</tr>
<tr>
<td>Pfizer</td>
<td>45.3</td>
</tr>
<tr>
<td>Sanofi-Aventis</td>
<td>44.8</td>
</tr>
<tr>
<td>GSK</td>
<td>39.9</td>
</tr>
<tr>
<td>Novartis</td>
<td>37.2</td>
</tr>
<tr>
<td><strong>Roche</strong></td>
<td><strong>35.9</strong></td>
</tr>
<tr>
<td>AstraZeneca</td>
<td>32.8</td>
</tr>
<tr>
<td>Merck &amp; Co</td>
<td>27.5</td>
</tr>
<tr>
<td>J&amp;J</td>
<td>25.4</td>
</tr>
<tr>
<td>Eli Lilly</td>
<td>20.1</td>
</tr>
<tr>
<td>Abbott</td>
<td>18.1</td>
</tr>
<tr>
<td>Teva</td>
<td>20.3</td>
</tr>
<tr>
<td>Pfizer Wyeth</td>
<td>48.8</td>
</tr>
<tr>
<td>Novartis</td>
<td>47.7</td>
</tr>
<tr>
<td>Merck S-P</td>
<td>46.9</td>
</tr>
<tr>
<td>Sanofi-Aventis</td>
<td>42.5</td>
</tr>
<tr>
<td>GSK</td>
<td>40.5</td>
</tr>
<tr>
<td>J &amp; J</td>
<td>26.7</td>
</tr>
<tr>
<td>AstraZeneca</td>
<td>24.4</td>
</tr>
<tr>
<td>Abbott</td>
<td>21.9</td>
</tr>
</tbody>
</table>

Source: EvaluatePharma Sept 1st 2009; 2014 based on consensus Bank Analyst estimates
The Roche advantages

- We do not sacrifice our long-term future by short-term cost cutting: innovation remains key!

- We have established an entrepreneurial model for our R & D – set up

- We are preparing for fundamental changes in the healthcare environment

Roche delivering now – but still investing into the future!
We Innovate Healthcare