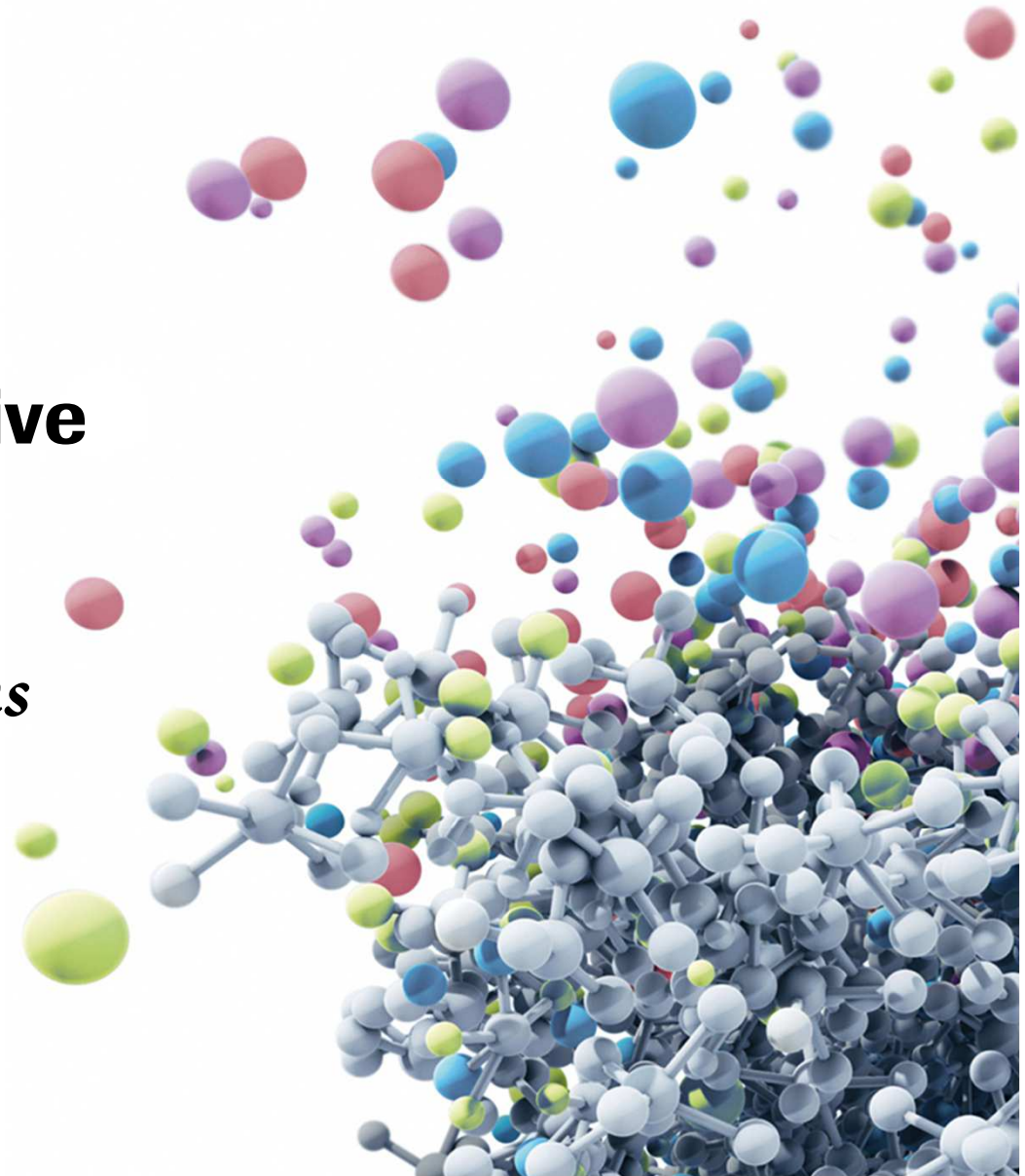


Innovation and Sustainability: An industry perspective

*Karl Mahler
Head of Investor Relations*

*Fair Impact into Responsible
Investment Corporate Access*

Zurich, 5 July 2013



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.

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Challenges and our strategy

Innovation + Sustainability

Access to healthcare

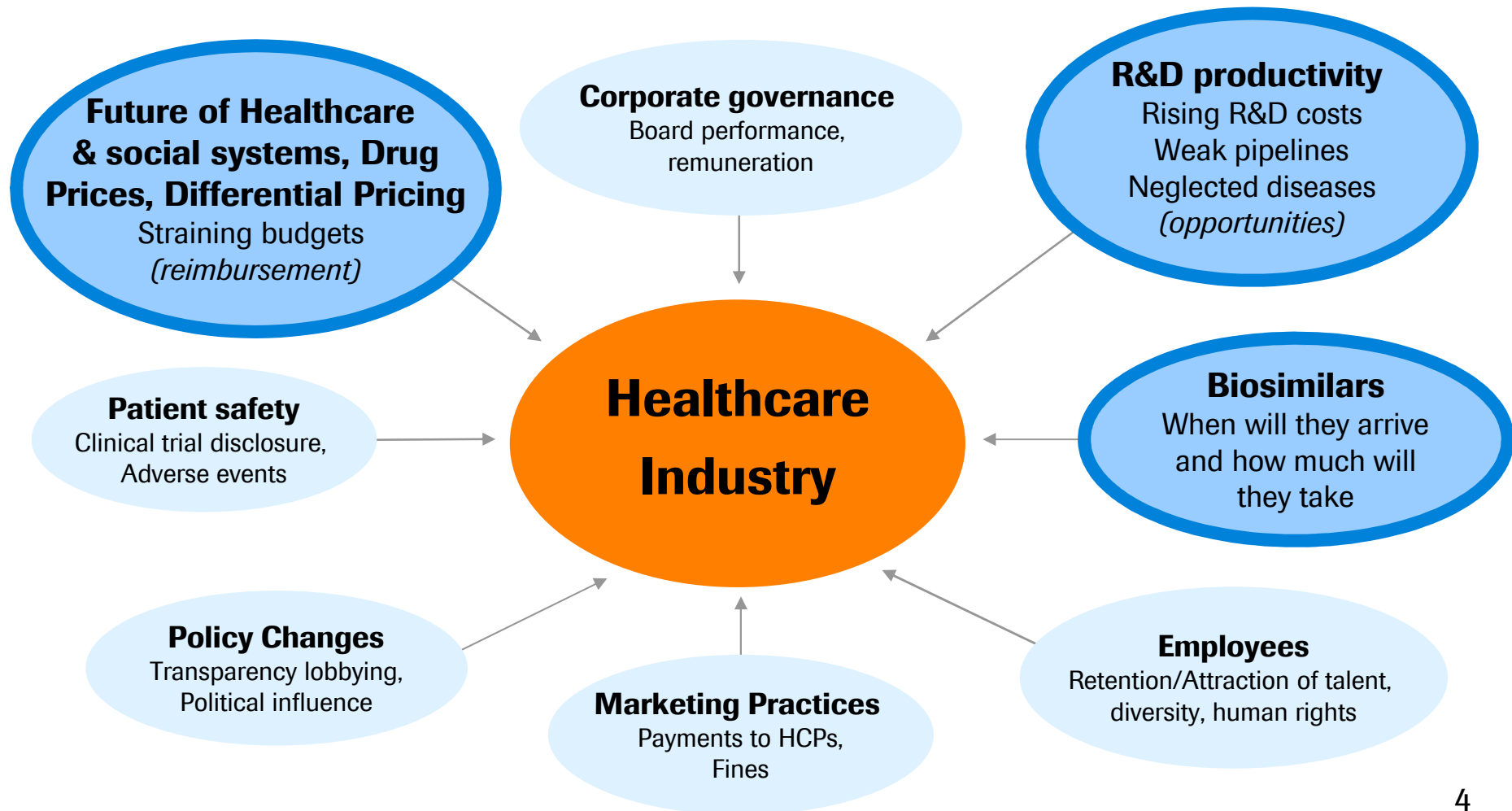
Growth platforms

Summary

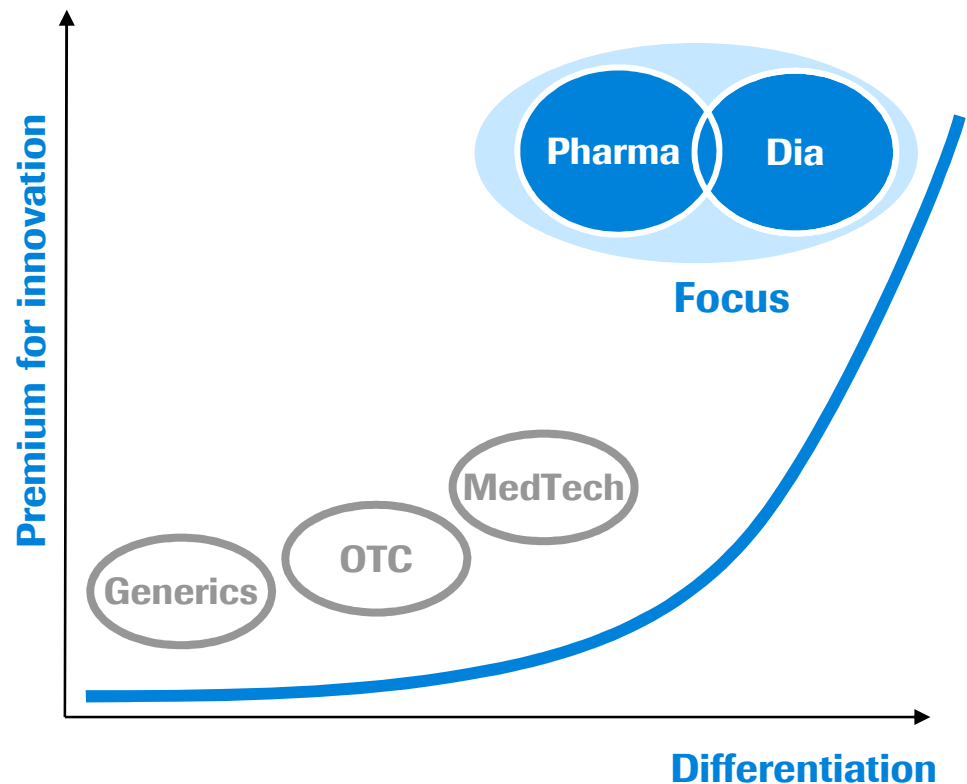


Industry challenges

Sustainable pricing, R&D productivity and Biosimilars - key business issues



Roche strategy: Focused on medically differentiated therapies



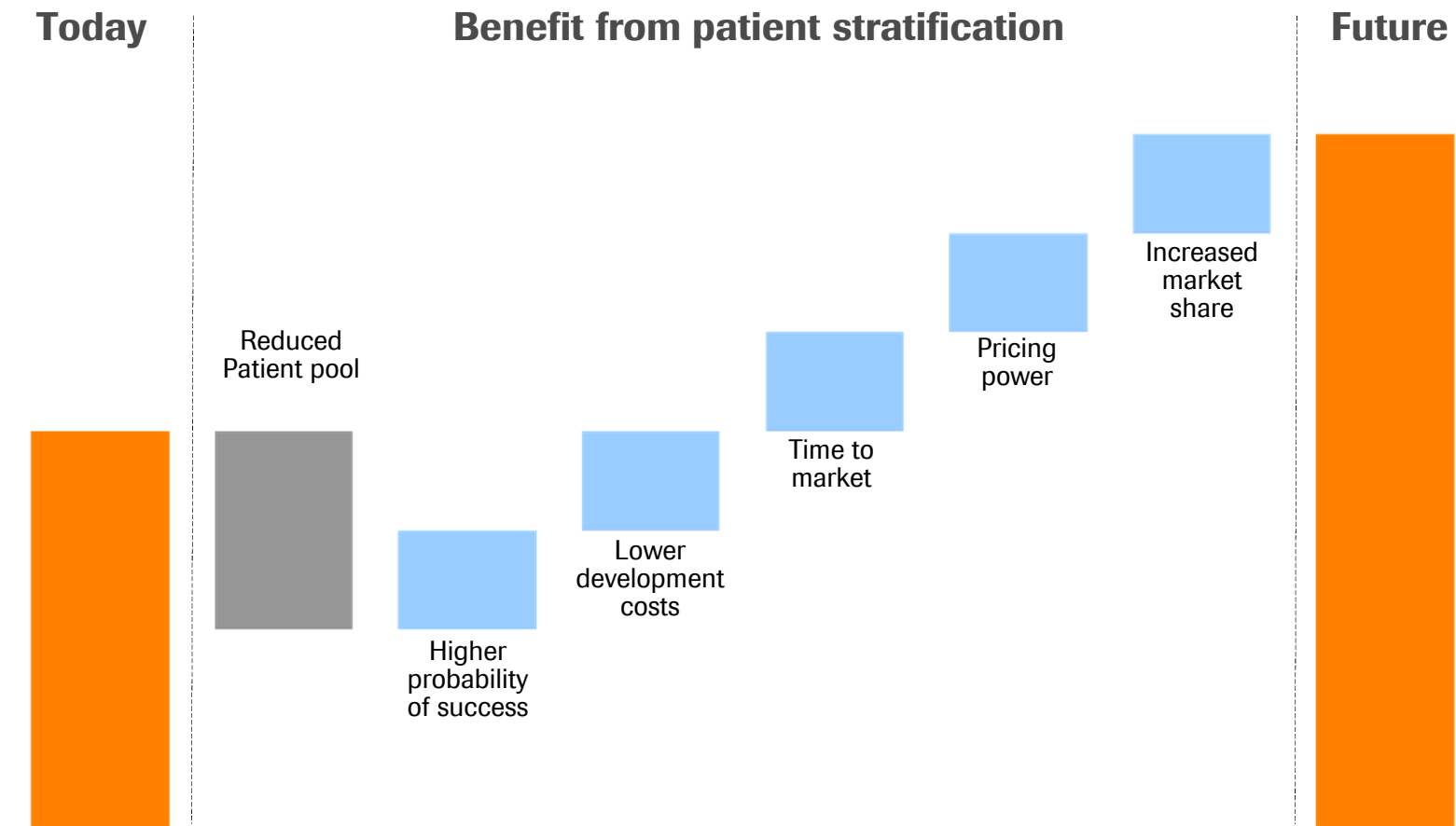
Regulators:

Optimised benefit / risk ratio

Payors:

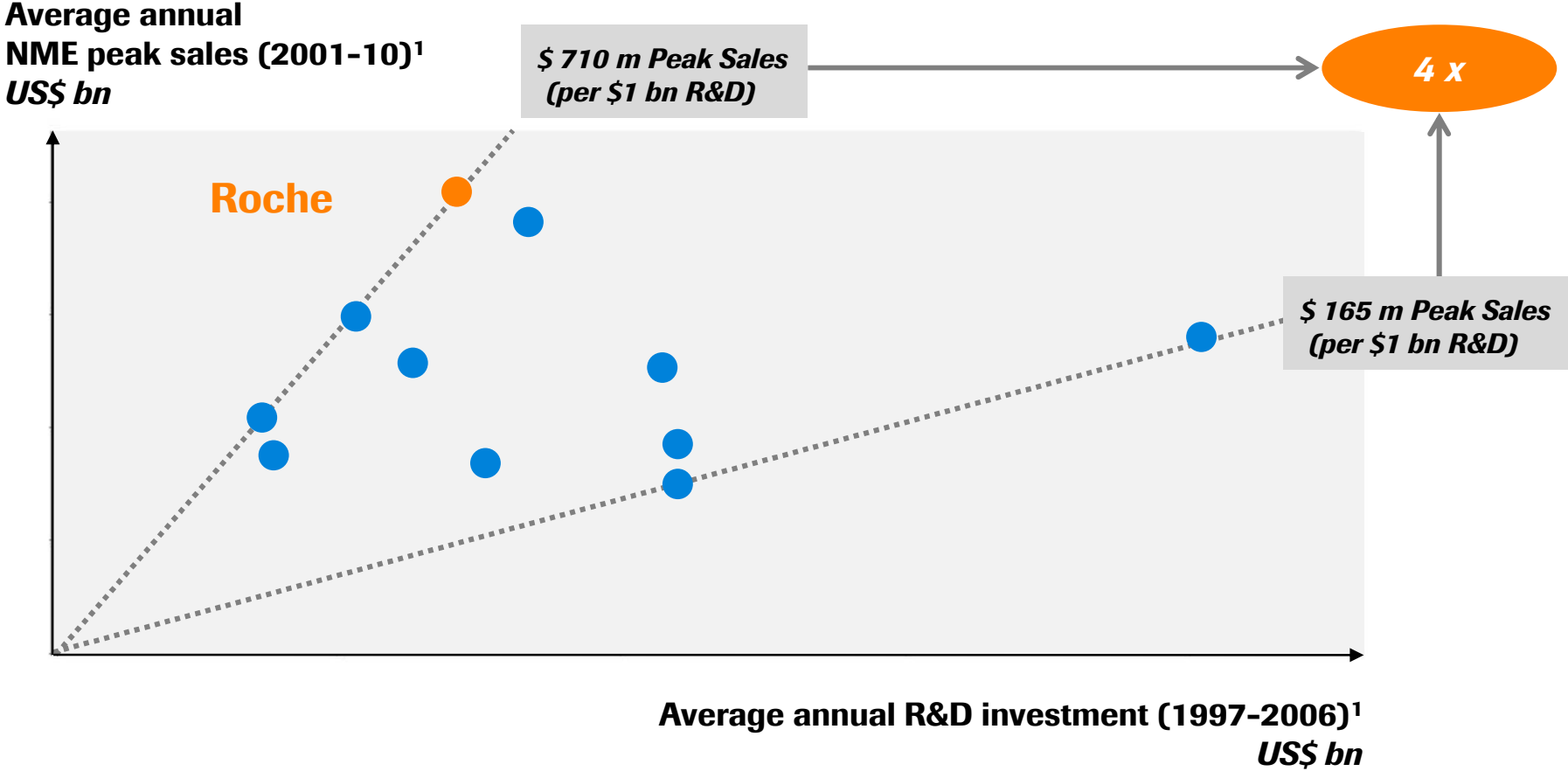
Optimised benefit / cost ratio

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





R&D productivity differs substantially among players

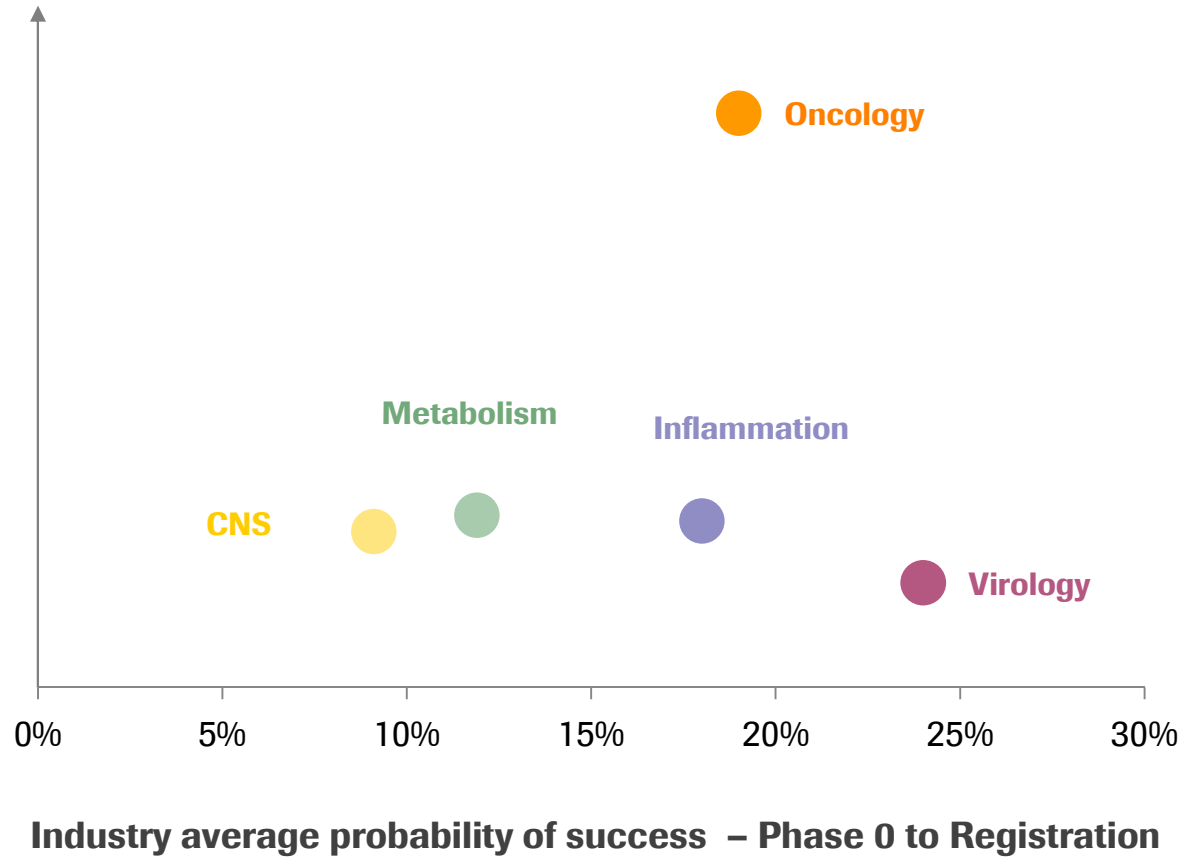


¹ Peak sales and R&D calculated pro forma to account for major M&A
Source: EvaluatePharma; BCG analysis; Roche analysis

Roche: R&D well balanced from a risk & disease point of view



2012 Roche budget

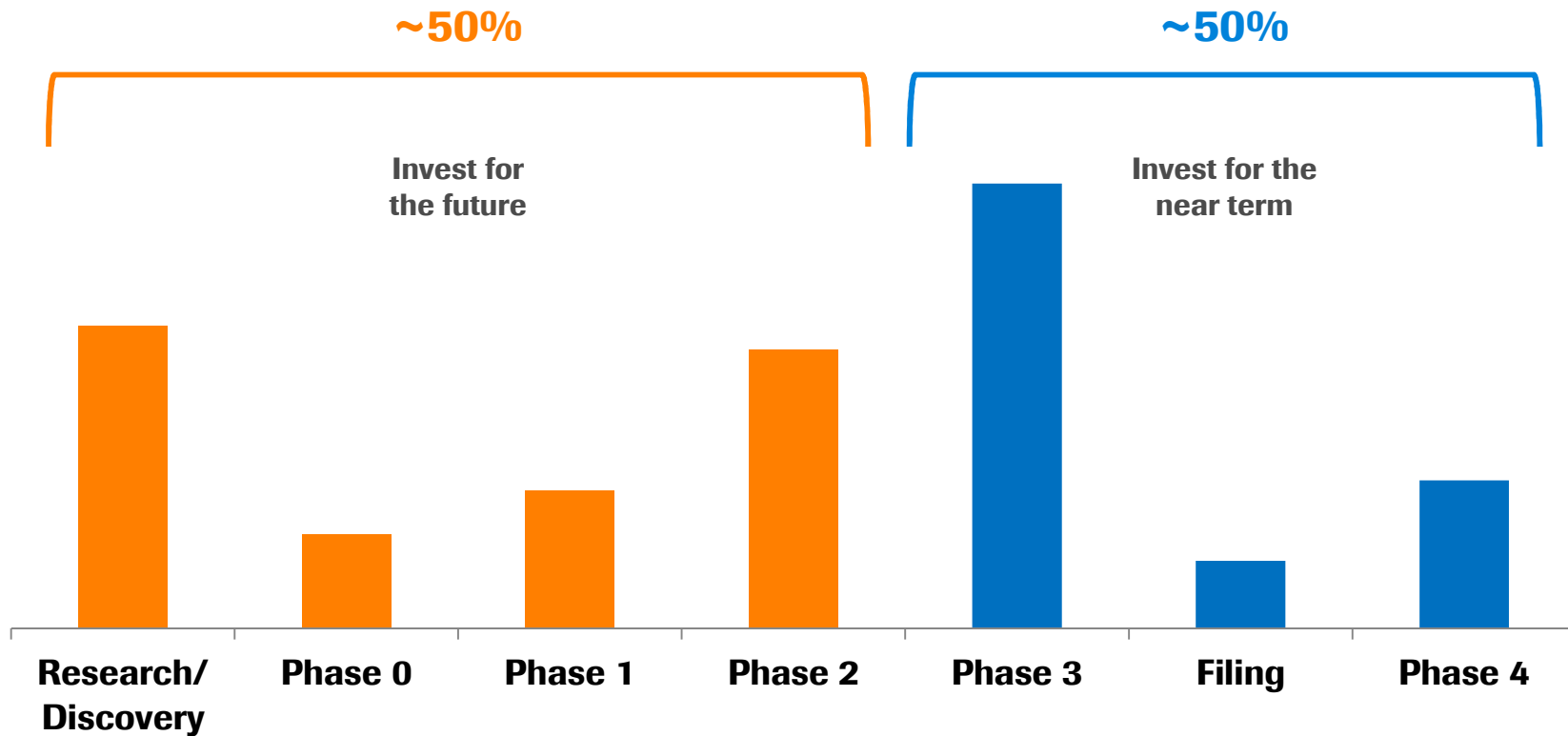


Source: Bernstein Equity Research, Tufts University and Roche analysis

R&D spend: Balance between short and long term



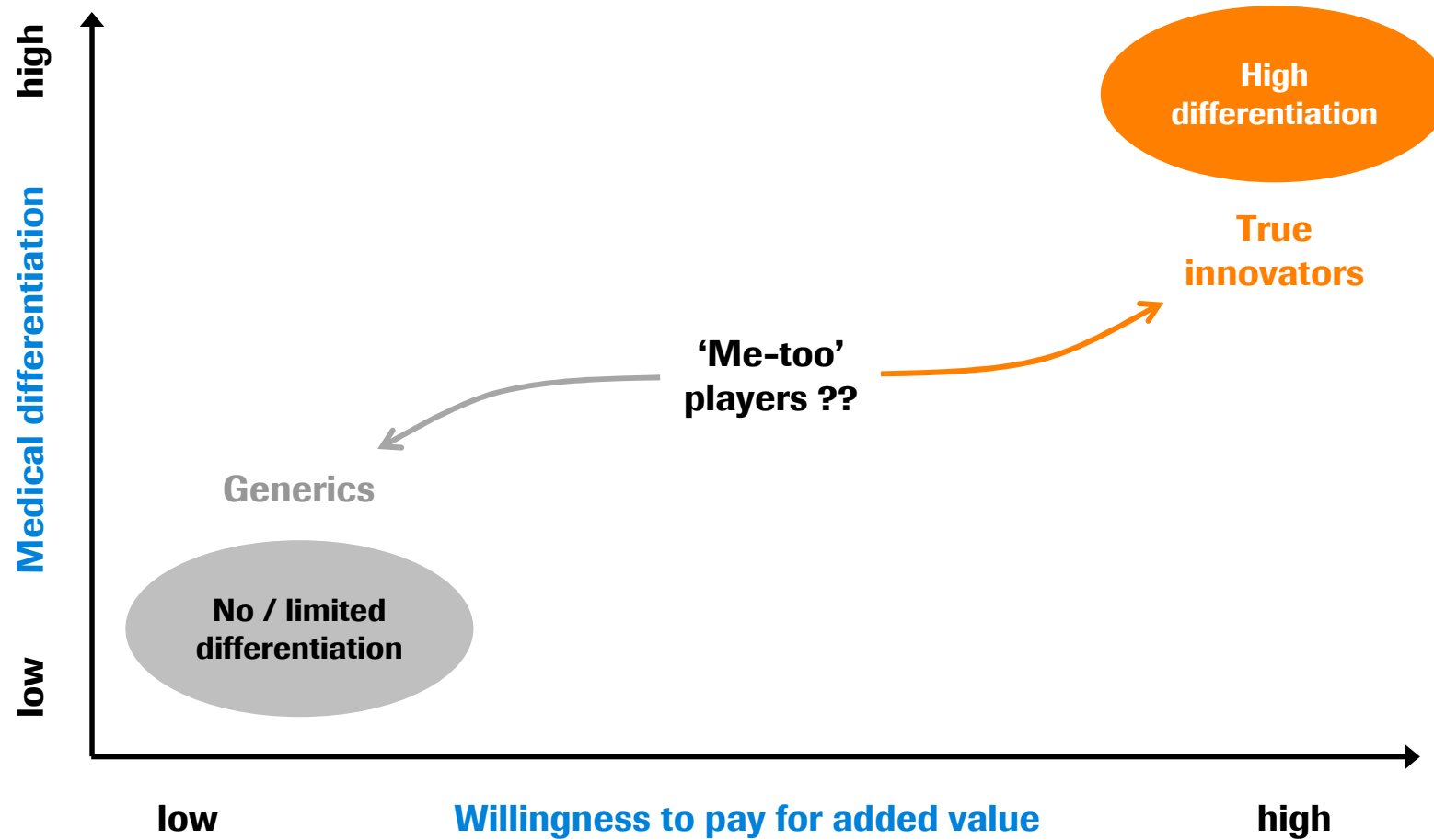
R&D spend by phase



Note: Based on 2012 budget

Implications of R&D productivity challenge

Segregation will continue as only true innovation will be rewarded



Challenges and our strategy

Innovation + Sustainability

Access to healthcare

Growth platforms

Summary



Innovation + Sustainability

Managing the business to create long-term value

Core Business

- R&D (innovation capacities)
- Product quality & Patient safety
- Access (reimbursement, value)



Social Responsibility

- Donations and philanthropy
- Community involvement



Employee Responsibility

- Responsible and attractive employer

Responsible Practices

- Corporate Governance
- Customer relationship management












Environmental Responsibility

- Environmental management

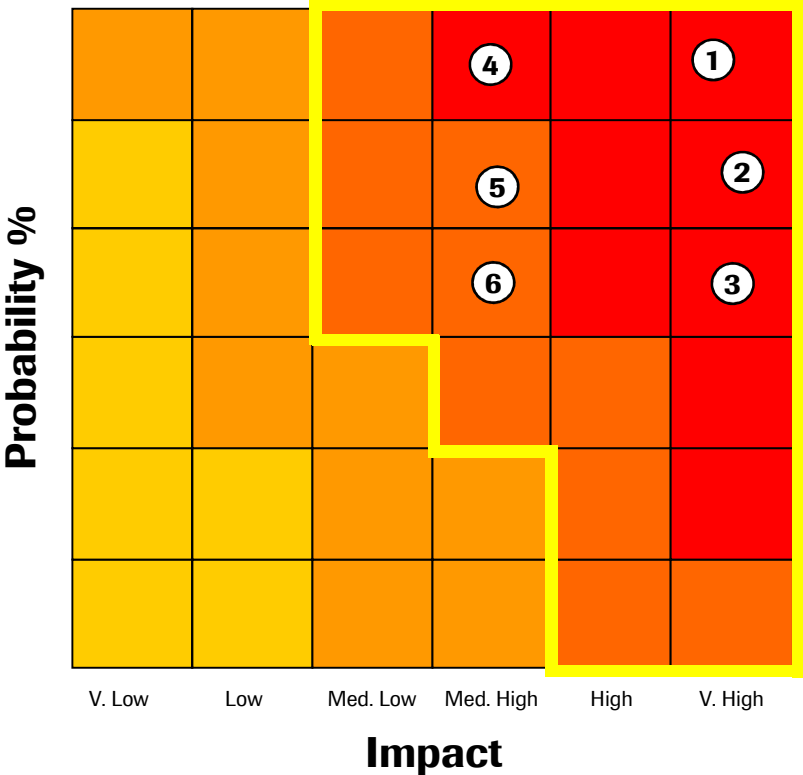
Innovation + Sustainability = Remuneration

Integrated into 5-yr Corporate Goals

Business Results		Helping patients through excellent science		Great Place to Work	
Goal End 2014	Status	Goal End 2014	Status	Goal End 2014	Status
Group		Late stage assets / Transitions		Employees	
Pharma		Personalized Healthcare		▪ GEOS	
Diagnostics				▪ % female leaders	
				Sustainability	
				External ratings / Indexes	

Group risk map: continuous review

BUT: what you don't know, you don't know



Material Risk

Impact

- ① ...
- ② ...
- ③ ...
- ④ ...
- ⑤ ...
- ⑥ ...

Very High

Very High
Time/Compliance

Very High
Time/Reputation

Medium High

Medium High

Medium High
Reputation

Material risks	
■ Very High Risk	■ High Risk
■ Medium Risk	■ Low Risk

Challenges and our strategy

Innovation + Sustainability

Access to healthcare

Growth platforms

Summary



Access to healthcare is a global challenge

Requires new solutions to help increase access to quality healthcare

Regulators

Higher hurdles for approval

- *Efficacy (clinical endpoints)*
- *Safety ('zero' tolerance)*



Payors

Clear evidence of value

- *Funding capacity (innovation)*
- *Real world effectiveness ('health outcomes')*

Healthcare professionals

Health management complexity

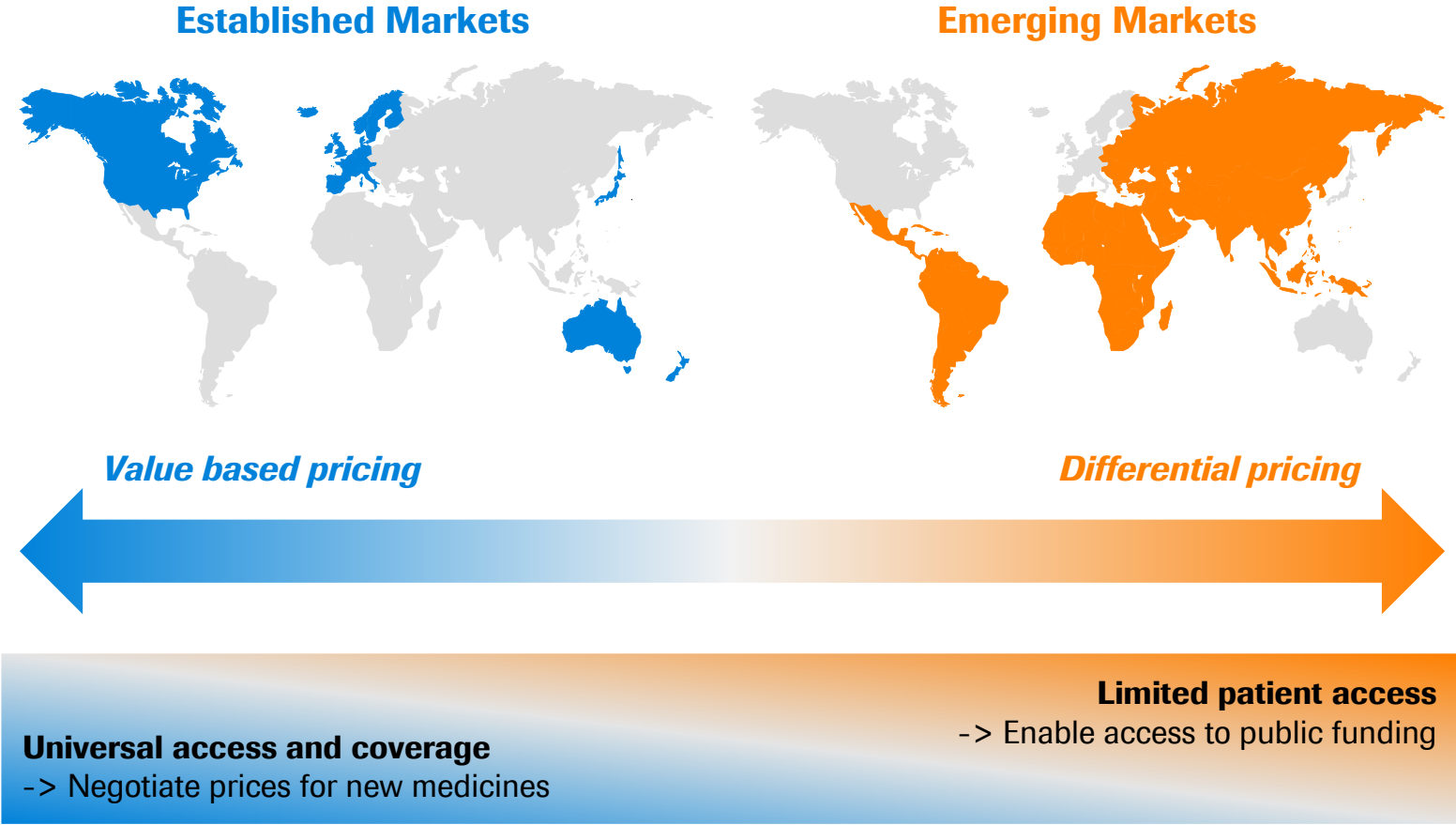
- *Personalised healthcare (diagnostics)*
- *Combination therapies (treatment algorithms)*

Patients

Increasing role in their health

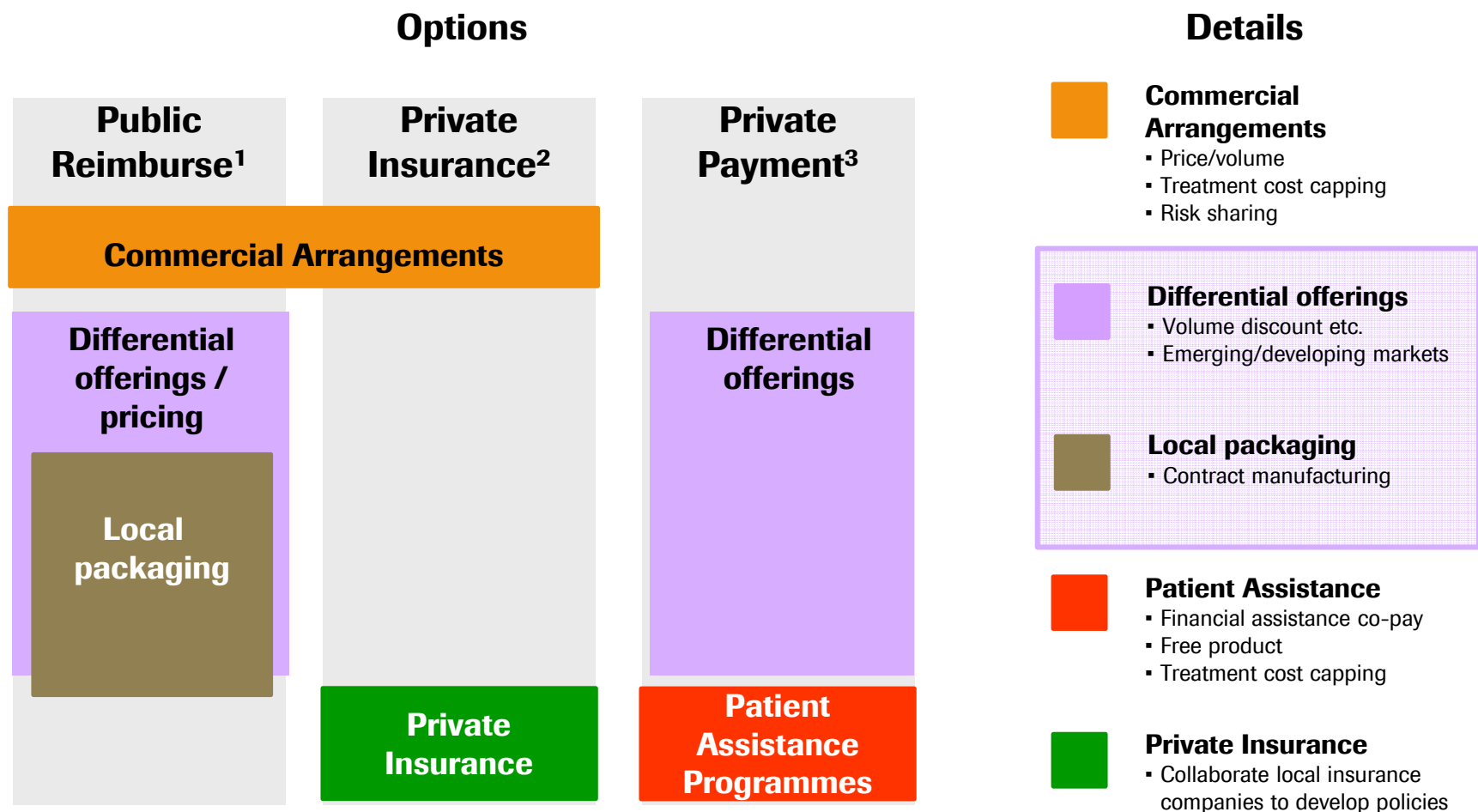
- *Technology (social media, patient forums)*
- *Behavioural change (prevention, adherence)*

Roche strategy: Tailor made access options for high value products



Helping improve healthcare coverage

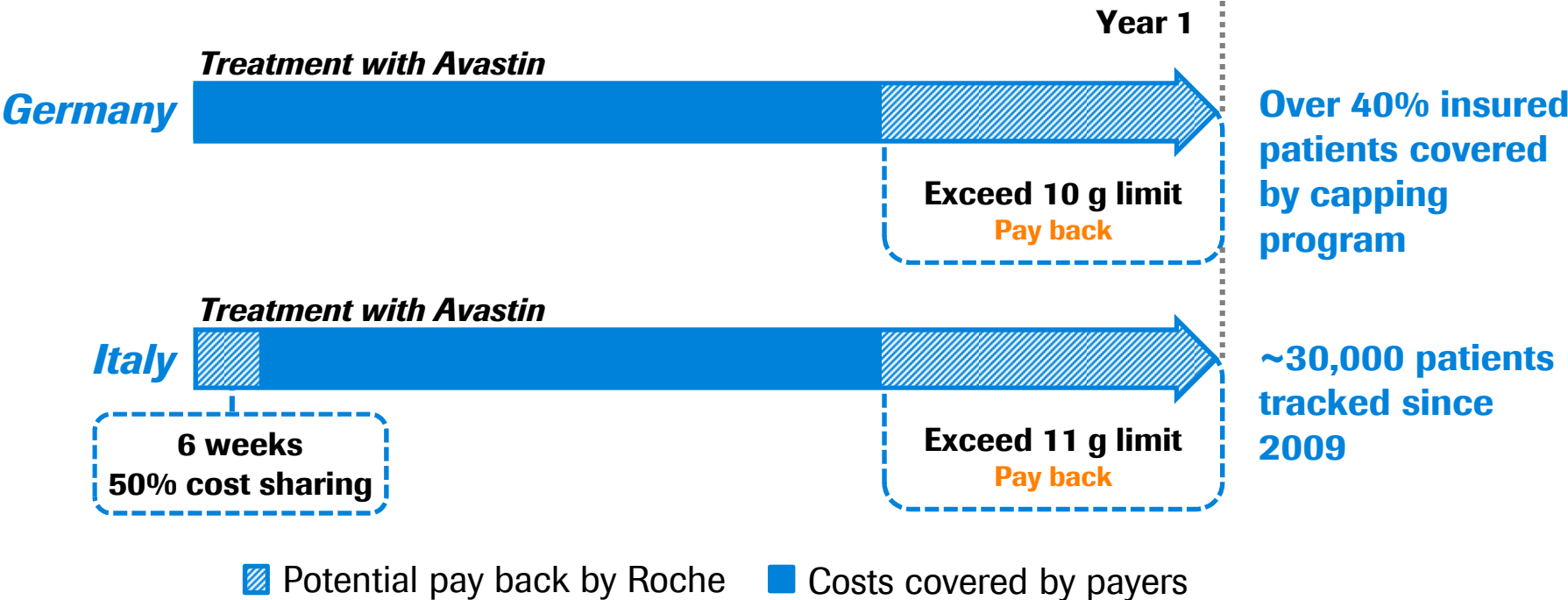
Toolkit of options to address affordability



1. Public Reimbursement: Statutory Health Insurance, Sick Funds, Primary Care Trust, Ministry of Health, Military institutions, etc ..
 2. Private Insurance: Voluntary health insurance, Employer insurance
 3. Private Payment: Out-of-Pocket , Co-Payments

Europe: Capping programs for Avastin treatment

Colorectal, breast and ovarian cancer



Addresses challenges with dosages across indications, weight and duration of treatment

China: Patient assistance program for Herceptin

Improving awareness, testing, treatment & access

Challenges:

- Limited access to Herceptin in public sector
- Low affordability in out-of-pocket market

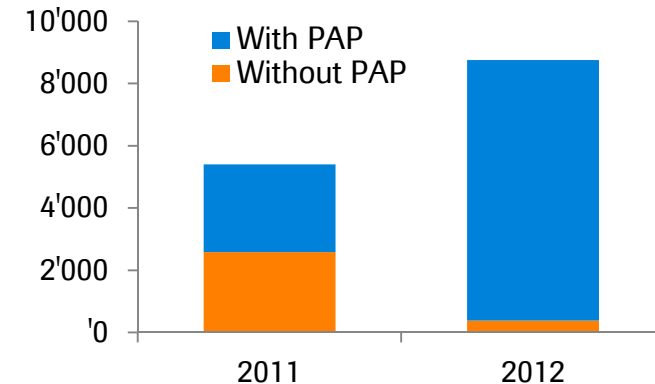
Roche's approach:

- Address affordability: Patient assistance program (PAP) with the Cancer Foundation of China (CFC)
- Patient pays for first 6 treatment cycles, Roche provides next 8 cycles through CFC

Results:

Before program <15% of women received Herceptin

Patients on Herceptin



Since PAP (Aug 2011) the number of women receiving Herceptin doubled

Challenges and our strategy

Innovation + Sustainability

Access to healthcare

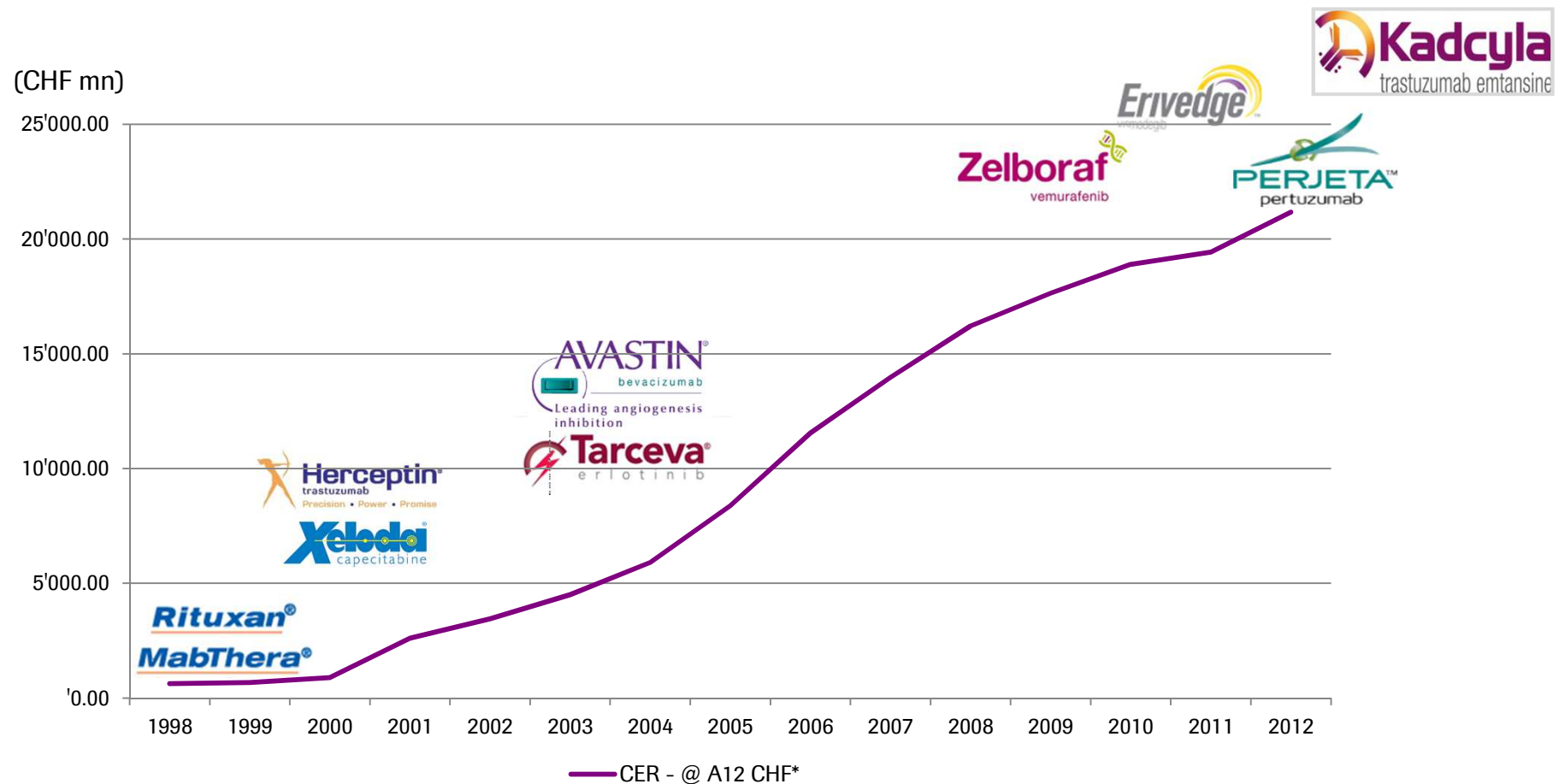
Growth platforms

Summary



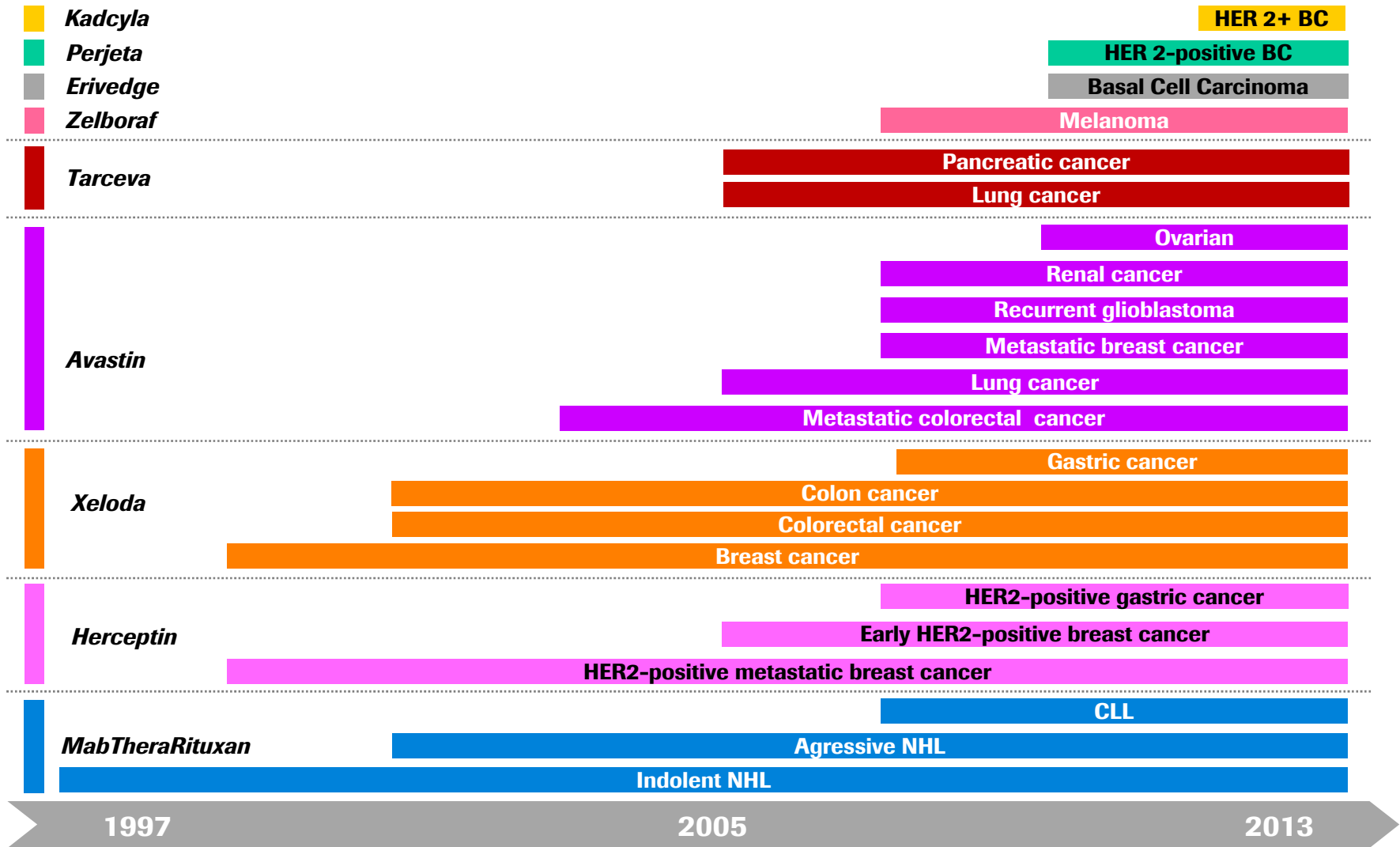
Roche oncology

A portfolio of distinctive drugs

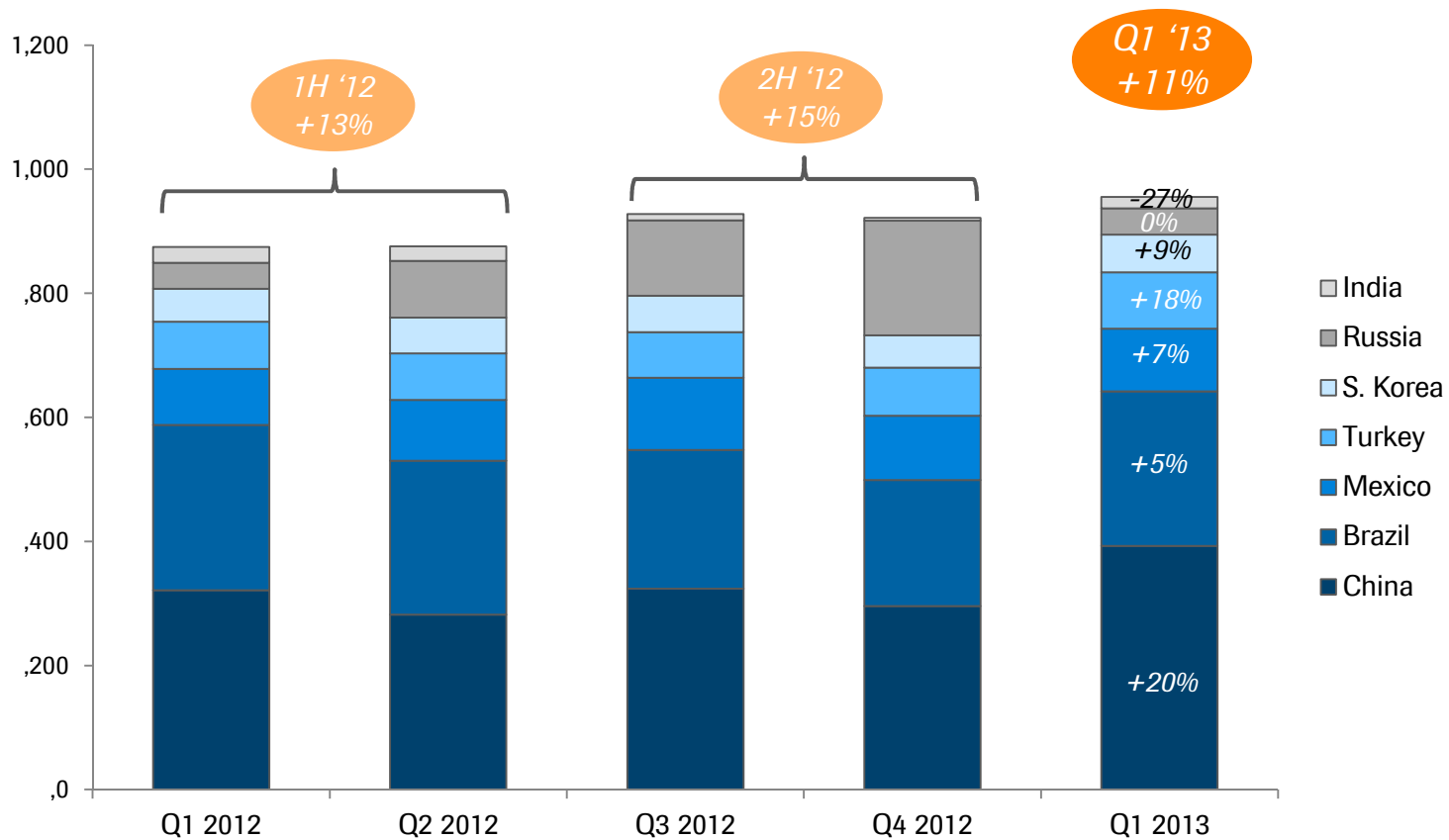


Note: Sales at 2011 FX rates

Roche oncology: one approval in 1 tumor type to 9 medicines in 14 tumor types



Emerging markets remain strong

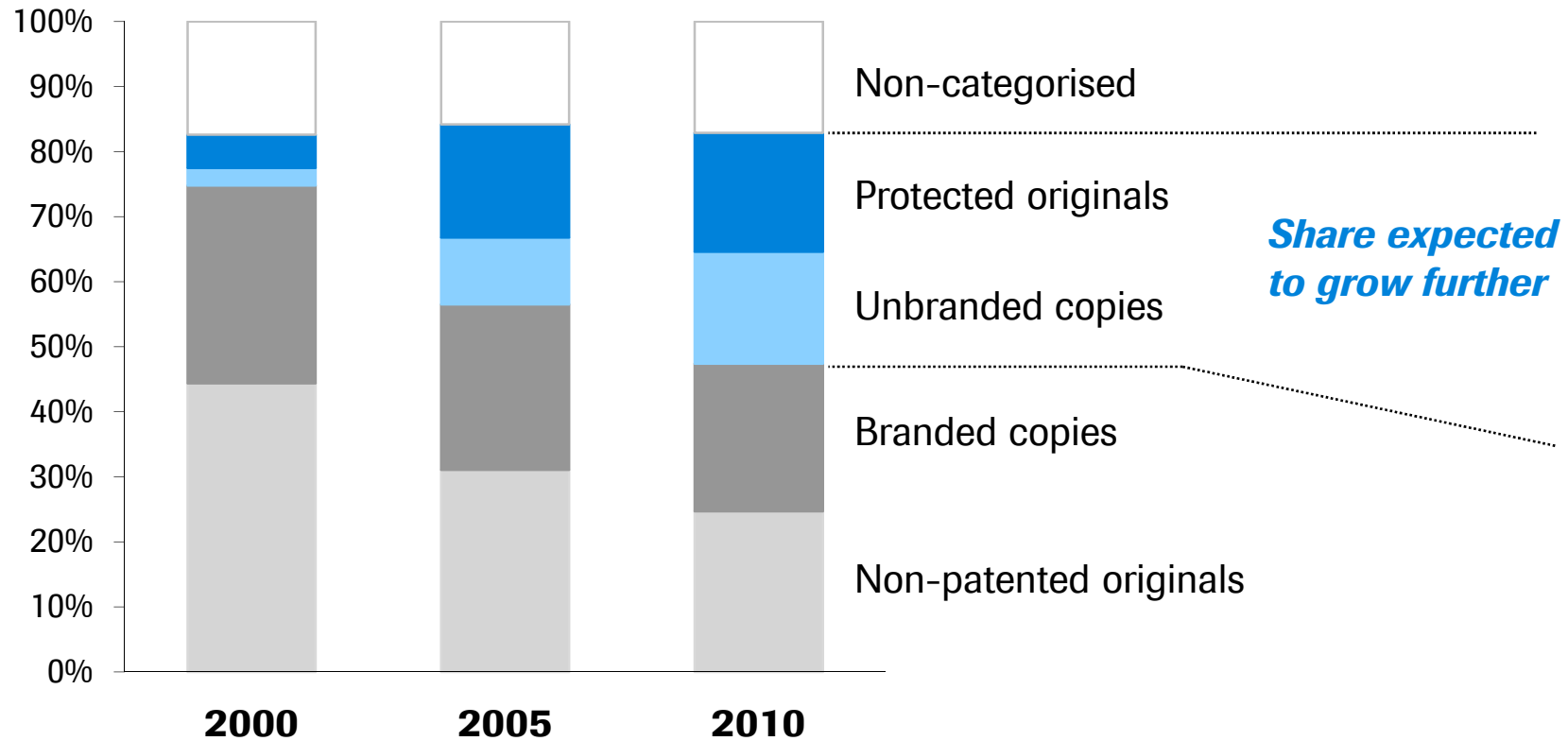


All growth YoY at CER=Constant Exchange Rates

Increasing polarisation in emerging markets

Growth in patented medicines and unbranded generics

Example: Brazil market showing evidence of polarisation



Challenges and our strategy

Innovation + Sustainability

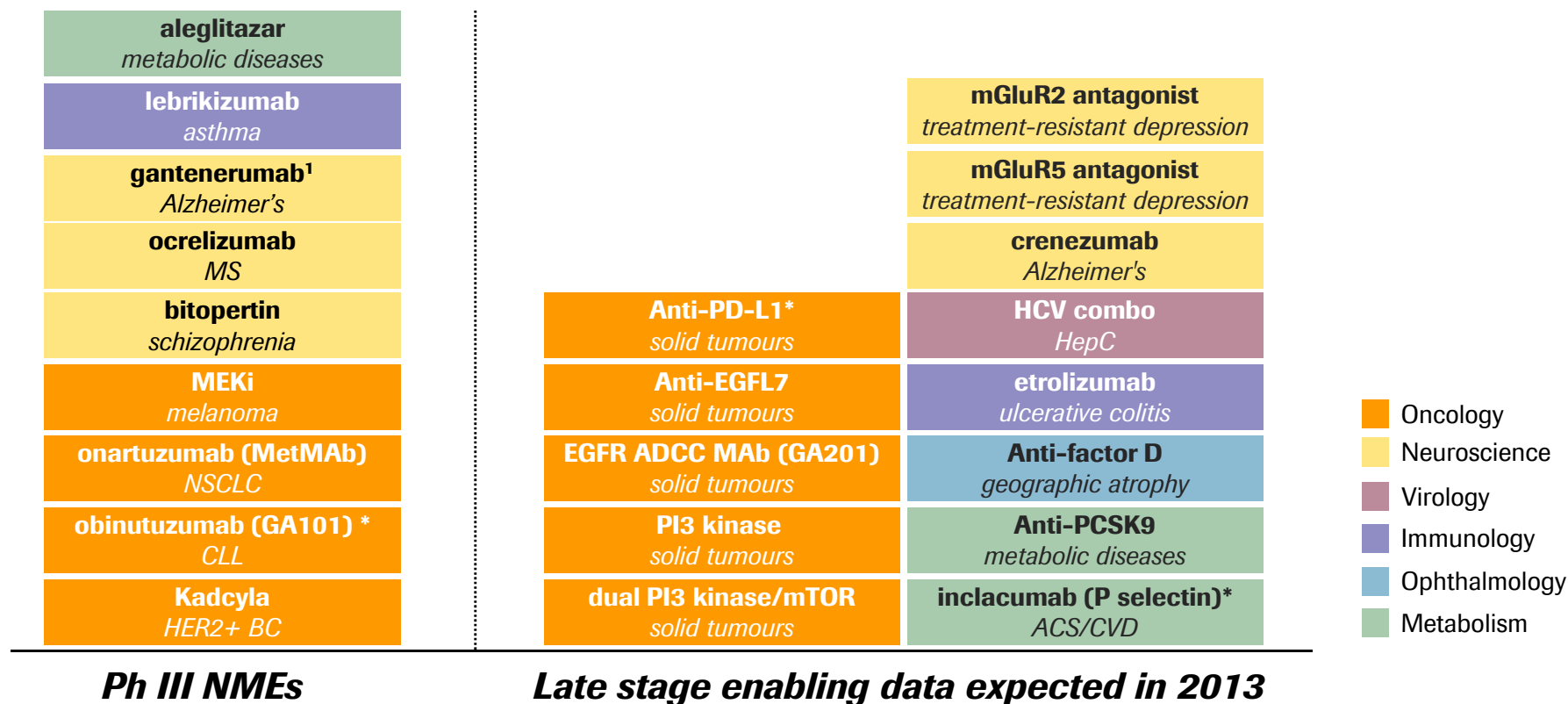
Access to healthcare

Growth platforms

Summary



Q1 2013: Pipeline milestones



- Oncology
- Neuroscience
- Immunology
- Ophthalmology
- Metabolism
- Virology

2013 R&D to remain stable

*Data presentation planned/presented

¹Phase II/III label enabling

Summary: Focus on sustainable strategy through innovation and growth

1

Strategic focus on innovation and driving Personalised Healthcare

2

Strong growth in US and Emerging Markets; innovative access models

3

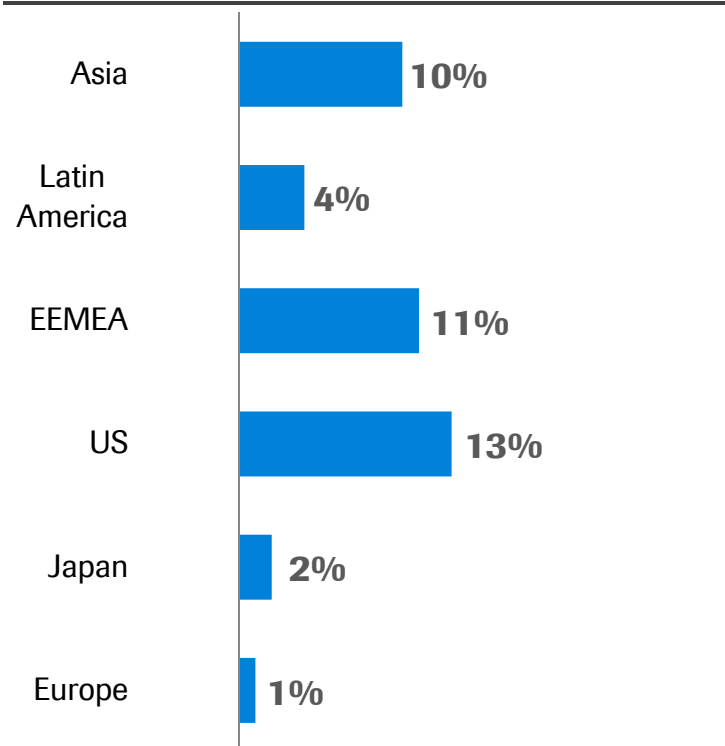
Leading product pipeline providing value for the future



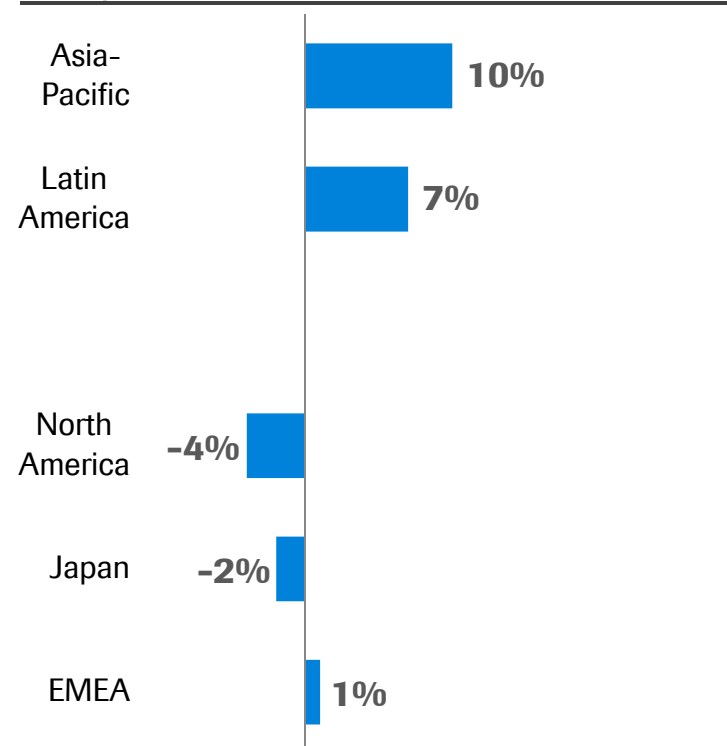
Doing now what patients need next

Q1' 13: US and Emerging markets driving sales growth

Pharma



Diagnostics



All growth rates at CER=Constant Exchange Rates; EEMEA=Eastern Europe, Middle East, Africa; EMEA=Europe, Middle East and Africa