

Innovation and Sustainability: An integrated approach

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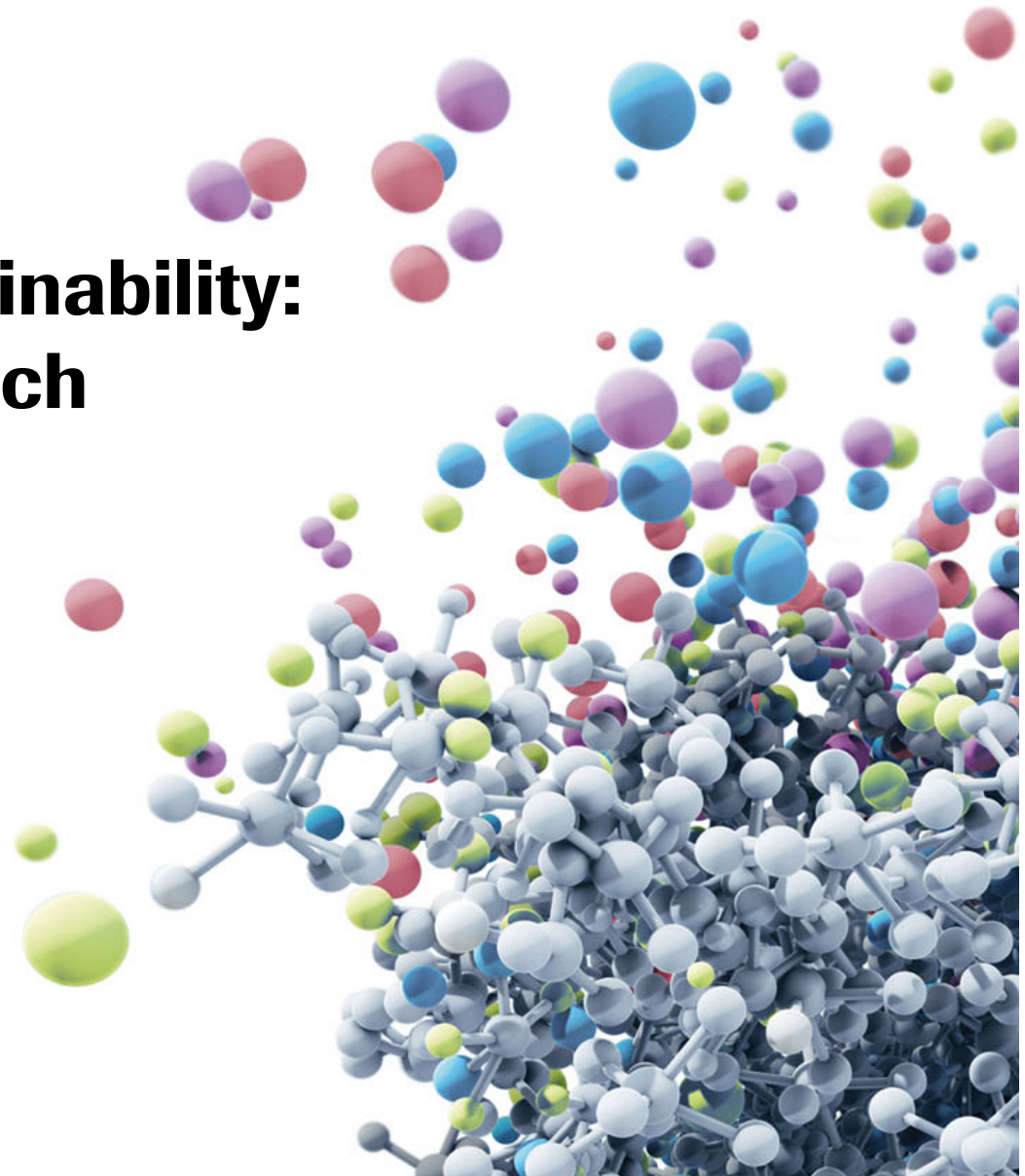
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SRI Conference

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- 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;
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- 9 litigation;
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Roche... *in a nutshell*



Highlights

- Founded **1896** in Basel, Switzerland
- Employing **82,000 people** in **150 countries**
- Sales 2012: **45.5bn Swiss Francs**

Leader in research-focused healthcare

- World's **largest biotech** company (position #1)*
 - **World leader** in **cancer** & transplantation
 - **World Leader** in *in vitro* **diagnostics**
- Unique **innovation** model
- Combined strengths in **Pharmaceuticals & Diagnostics**

* Source: Decision Resources, Q4/2012

Challenges and our strategy

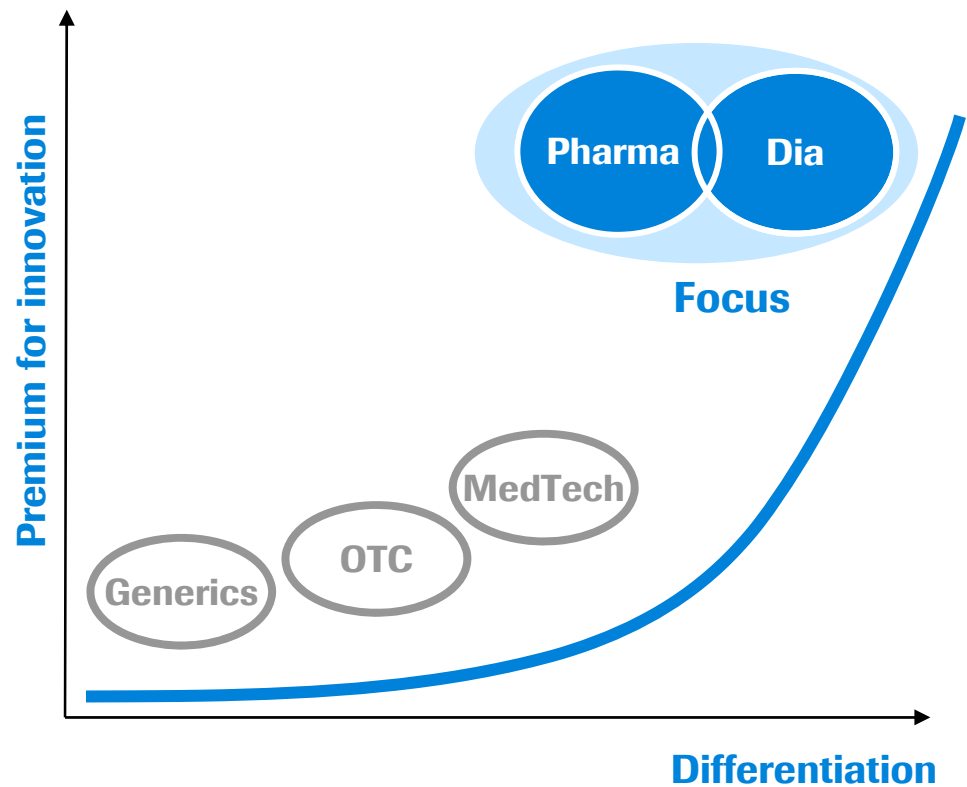
Innovation + Sustainability

Access to healthcare

Summary



Roche strategy: Focused on medically differentiated therapies



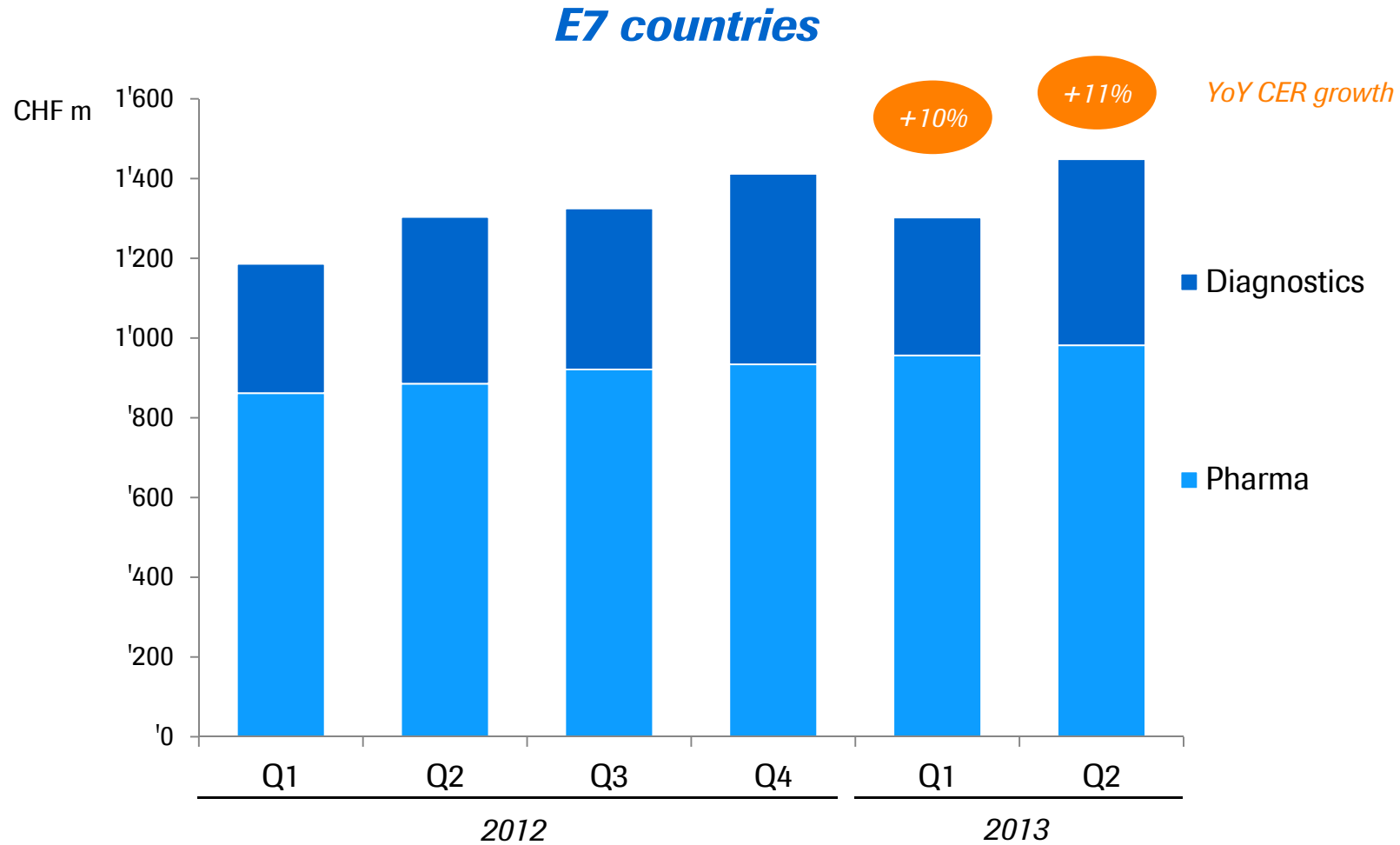
Regulators:

Optimised benefit / risk ratio

Payors:

Optimised benefit / cost ratio

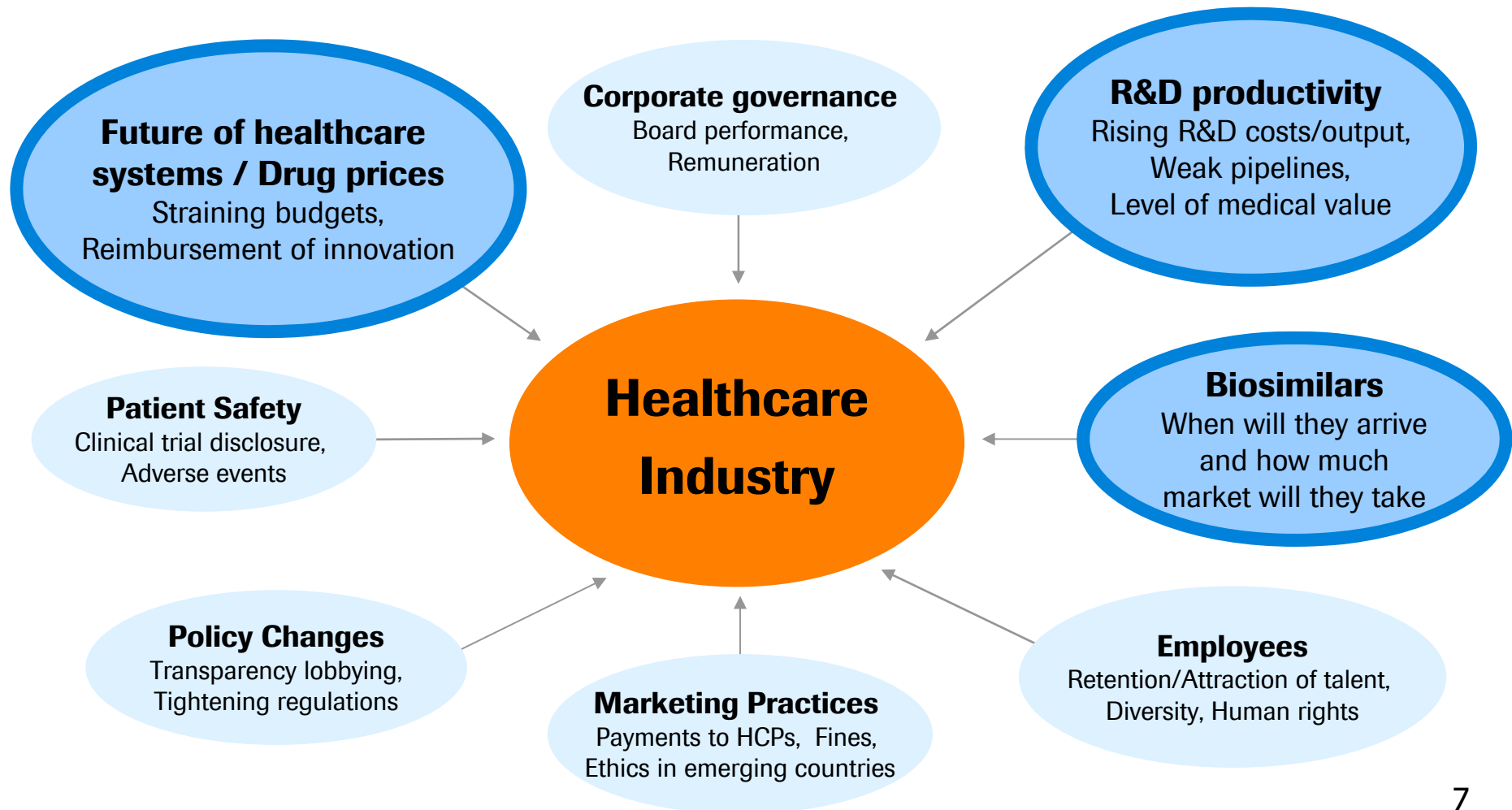
Sustainable growth in major emerging markets



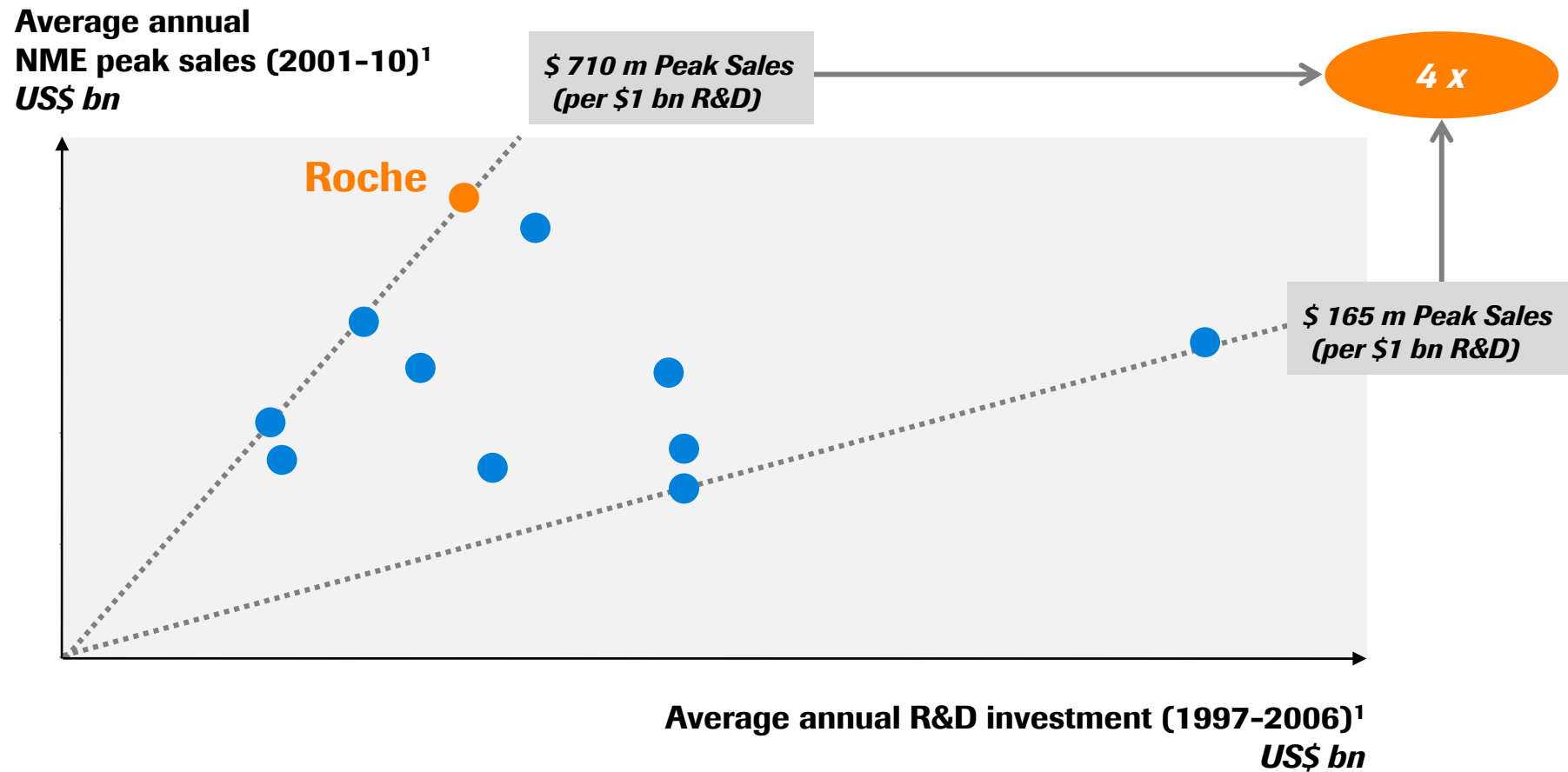
Absolute amounts at 2012 exchange rates, growth at CER=Constant Exchange Rates
E7: Brazil, China, Mexico, India, South Korea, Russia, Turkey

Key business issues

Sustainable pricing, R&D productivity, Biosimilars

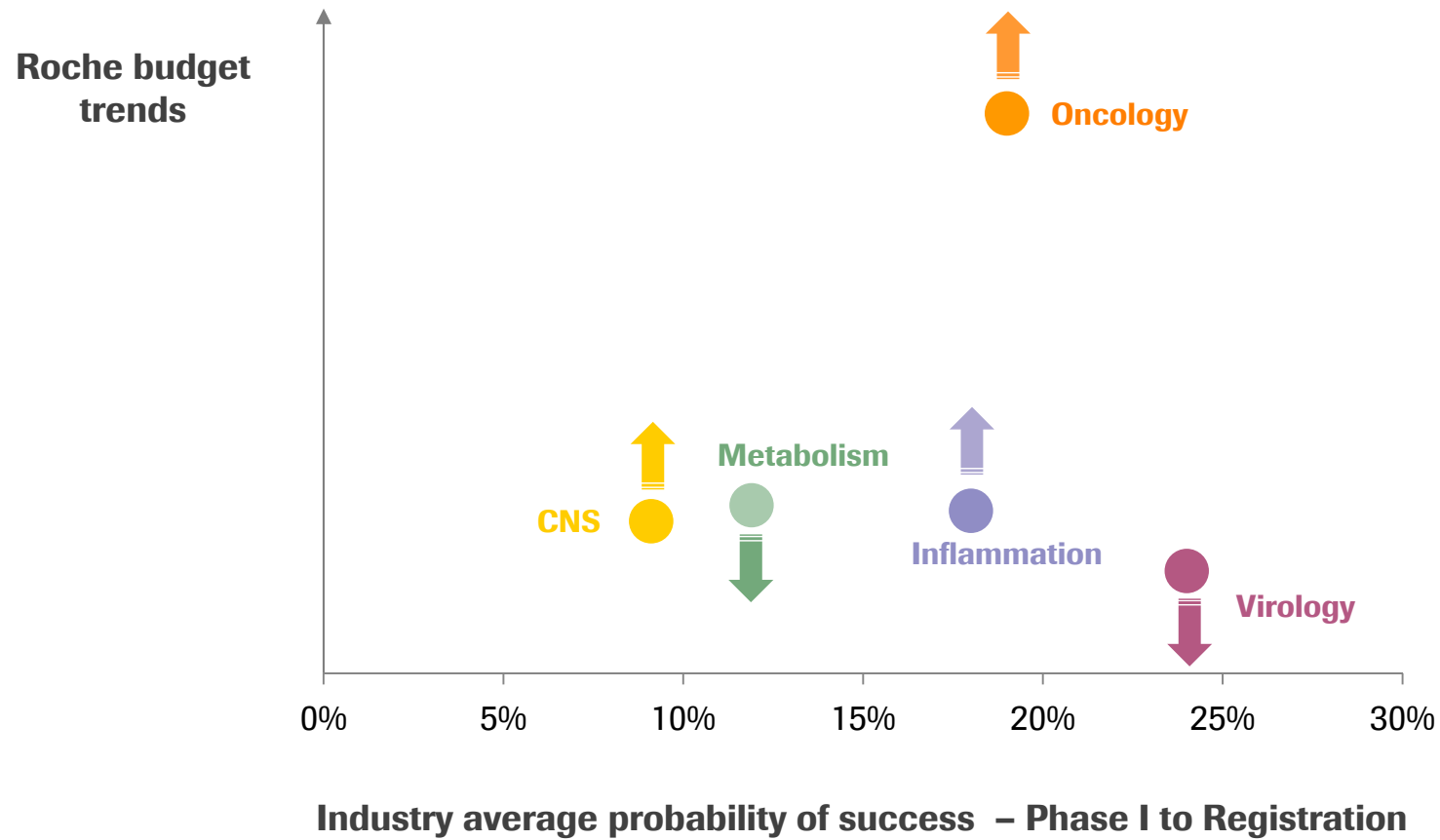


R&D productivity differs substantially among players

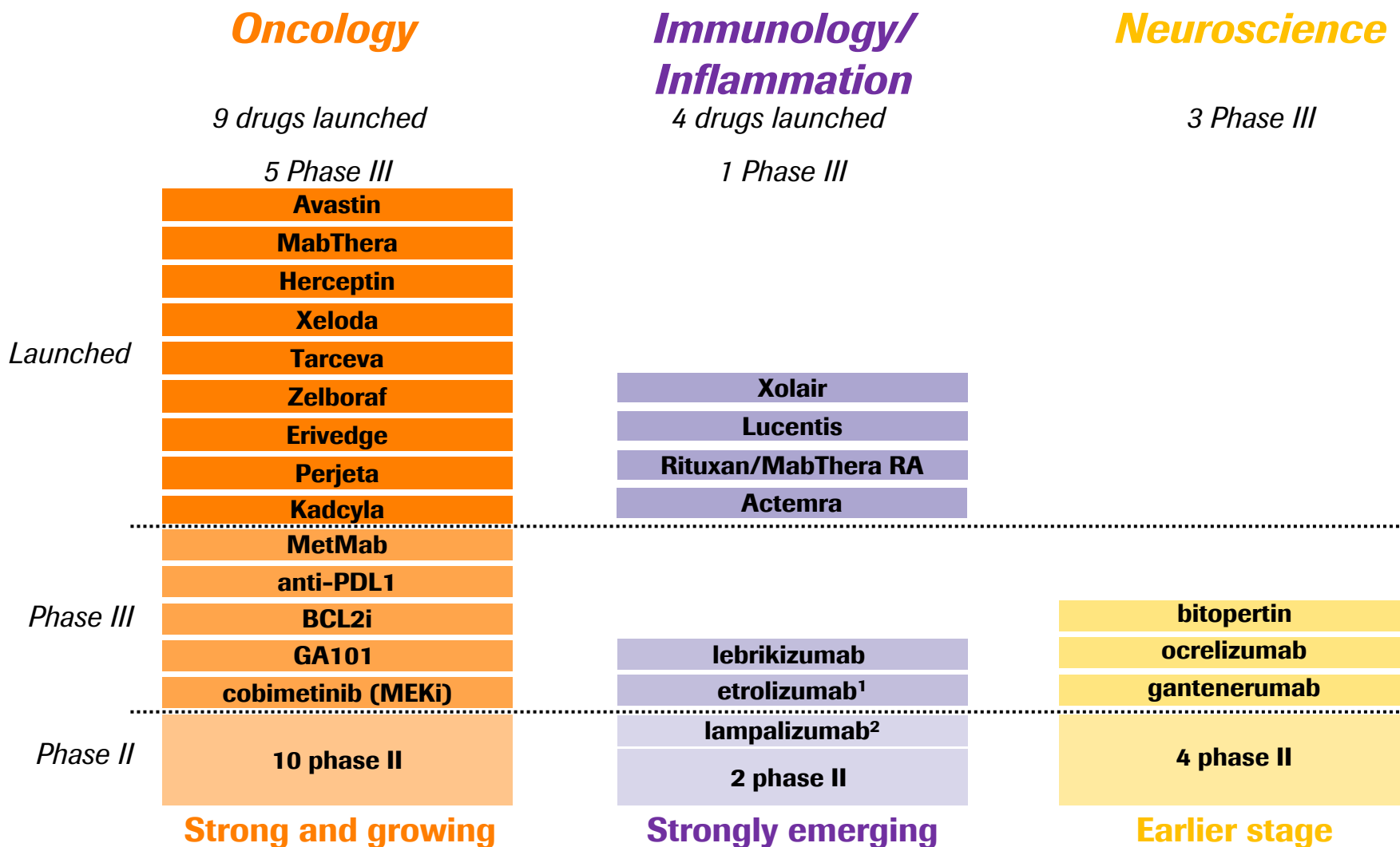


¹ Peak sales and R&D calculated pro forma to account for major M&A
 Source: EvaluatePharma; BCG analysis; Roche analysis

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



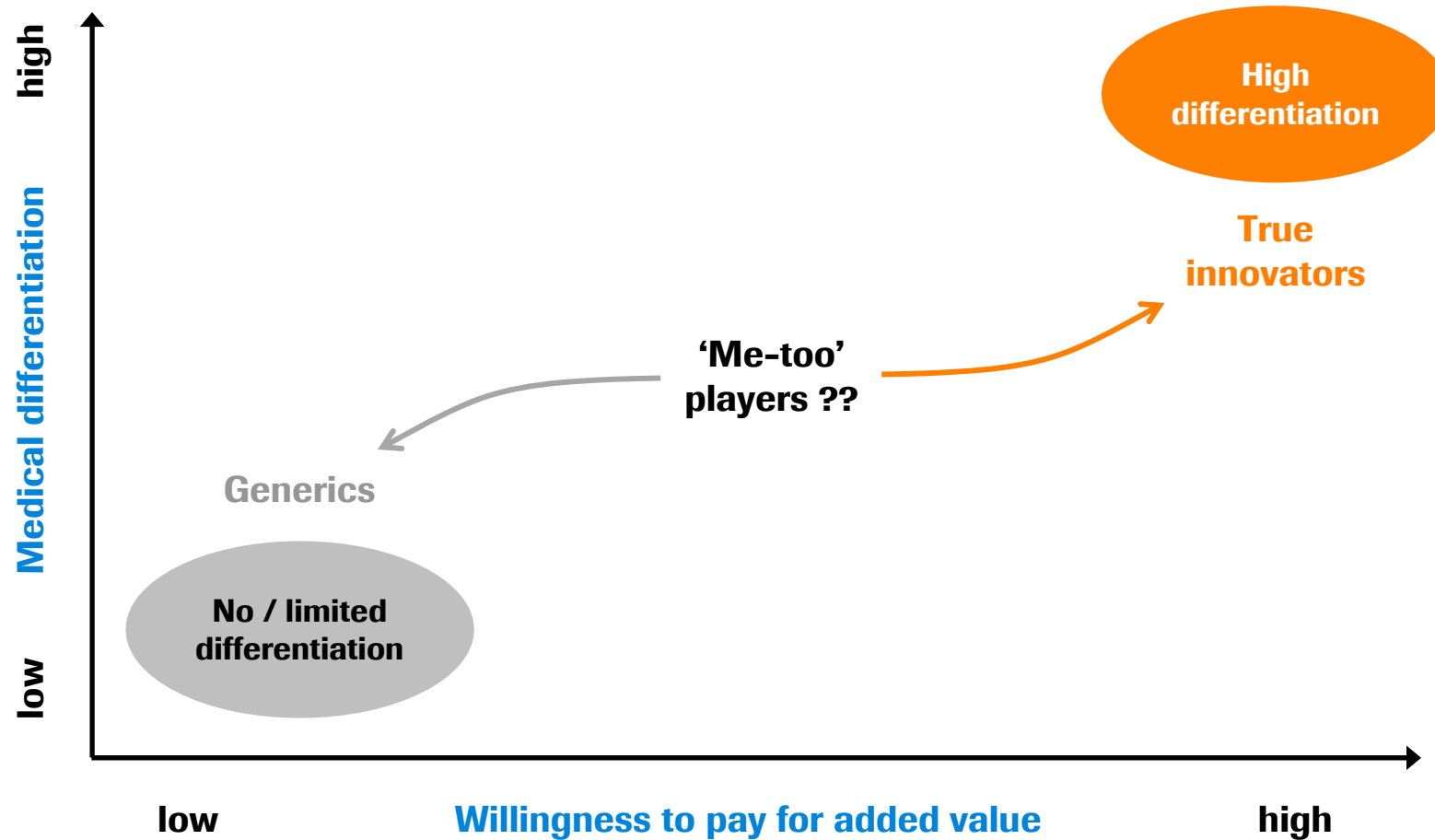
Following where science leads



¹ FPI expected 1H 2014; ² Phase III decision pending

Implications of R&D productivity challenge

Segregation will continue as only true innovation will be rewarded



Challenges and our strategy

Innovation + Sustainability

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Integrated in our strategy

- Long-term focus
- Add value
- Minimal impact



“We believe that good business means a better world. We do this today to build a better tomorrow.”



“win-win”

Employees
(job satisfaction)

Customers
(improved health)

Investors
(return)

Future generations
(resources)

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

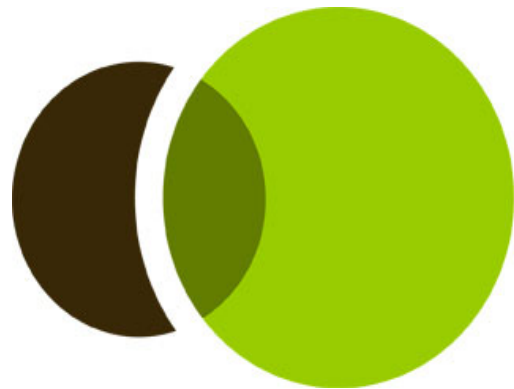
- Environmental management

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 (TSR)		Late stage assets Transitioned / Launched		Employees	
Pharma				Employee engagement	
Diagnostics		Assets with Personalised Healthcare		Females in key positions	
				Sustainability	
				External ratings / Indexes	
				Energy reduction	

**Roche: Group leader in the pharmaceutical,
biotech, life science industry**
Fifth consecutive year



ROBECOSAM
Sustainability Award
Sector Leader 2013

**Reinforces commitment to creating long-term value
for all stakeholders**

Challenges and our strategy

Innovation + Sustainability

Access to healthcare

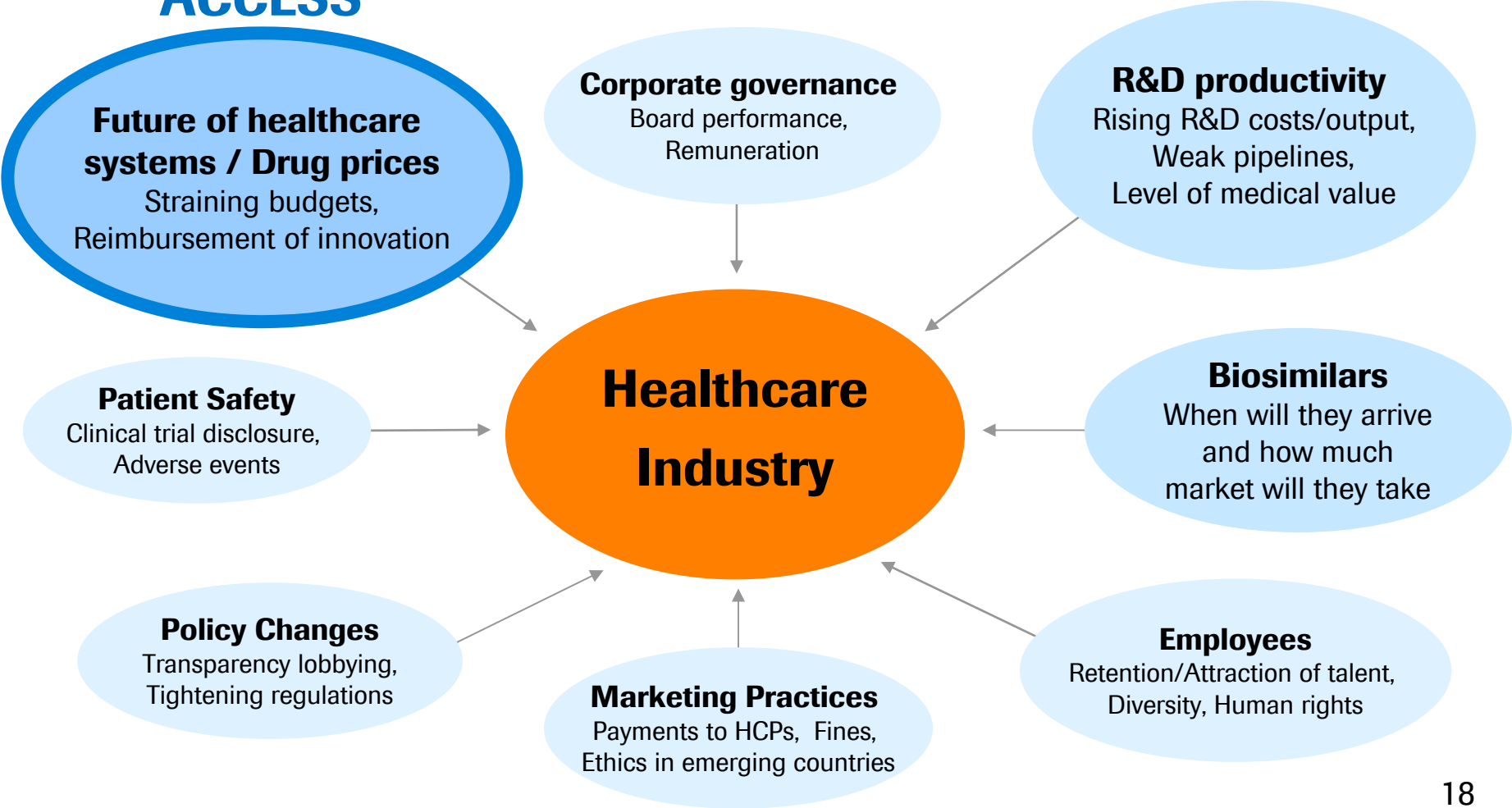
Summary



Key business issues

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ACCESS



Access to 'quality' healthcare is a global challenge

Increasing engagement by stakeholders



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

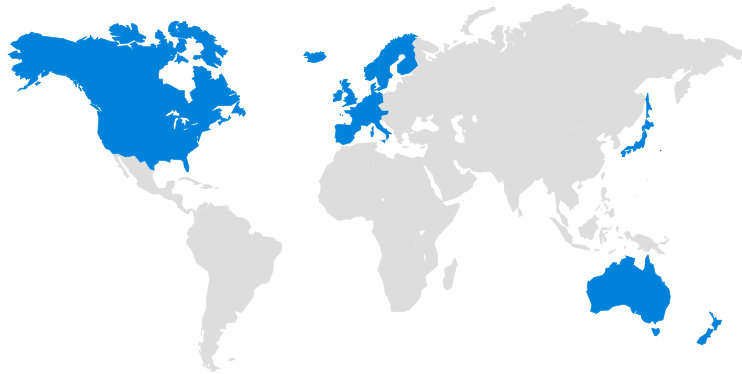
Increasing role in their health

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

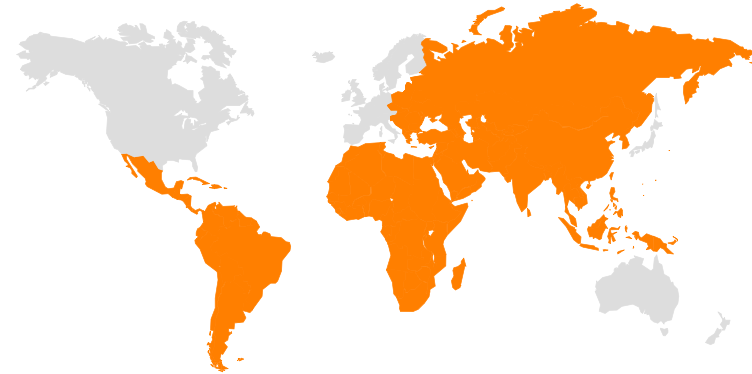
Roche and Access to Healthcare

Tailored solutions for each individual market

Established Markets



Emerging Markets



Value based pricing

Differential pricing

General access and healthcare coverage

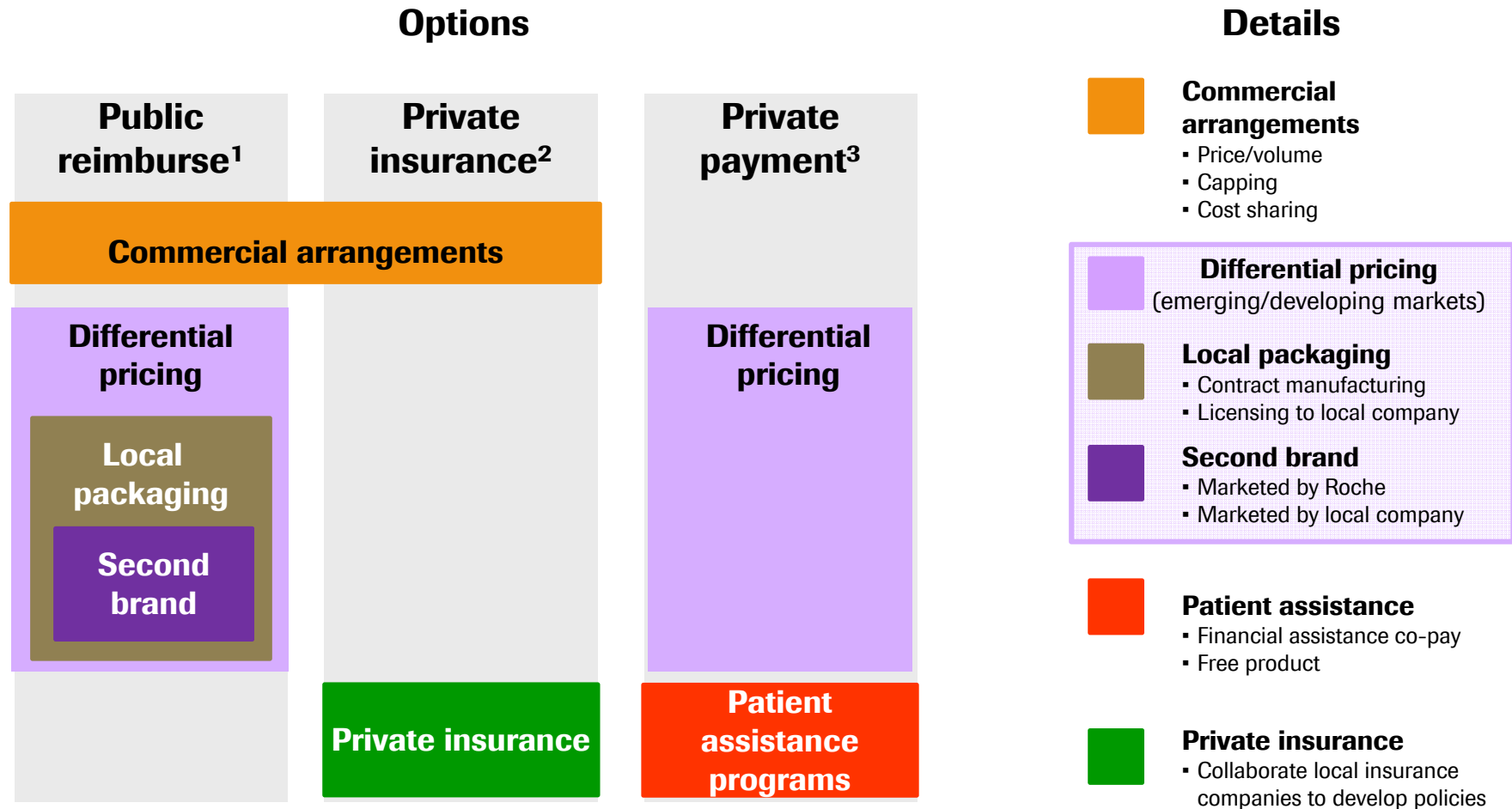
- Negotiate prices for new medicines

Limited healthcare coverage and/or infrastructure

- Enable access to public funding
- Healthcare systems support

Helping improve healthcare coverage

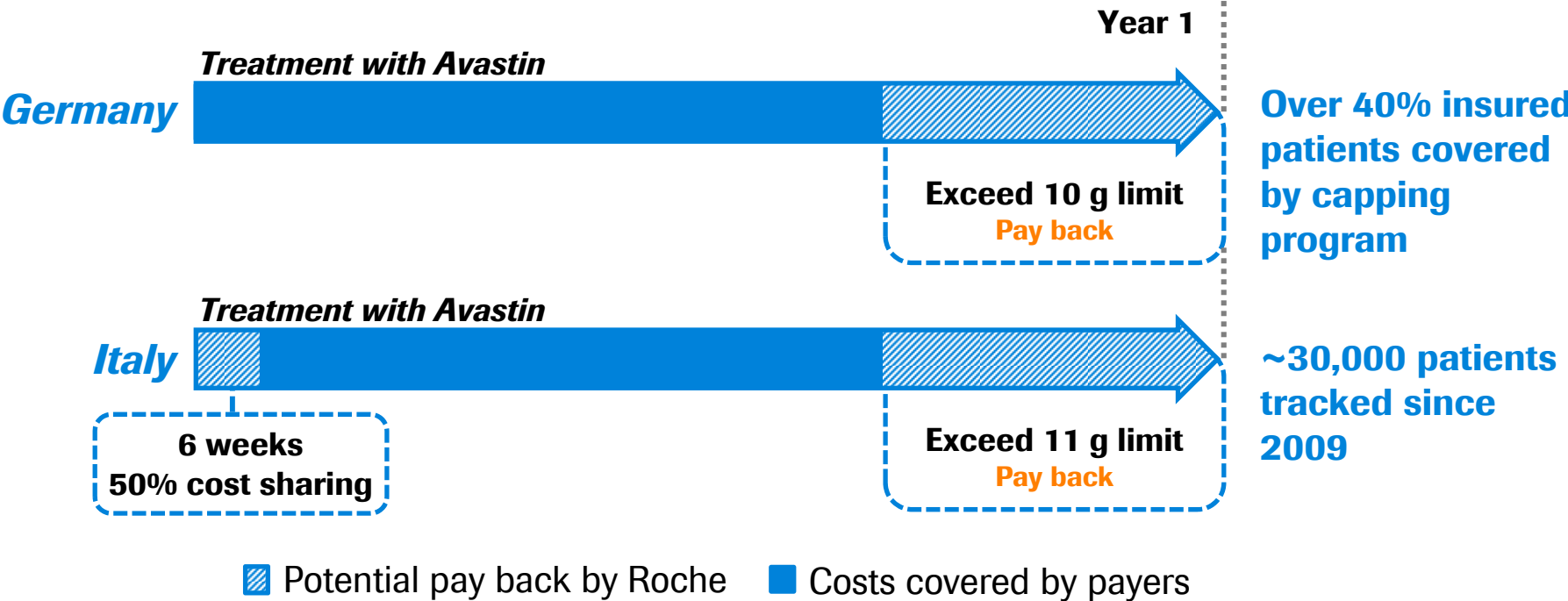
Toolkit of options to address affordability



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 reimbursement of Herceptin so patients have to pay out-of-pocket

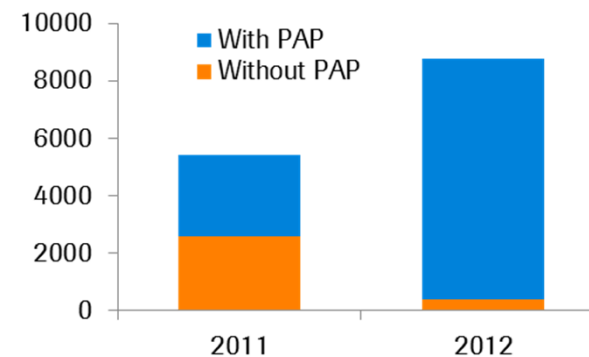
Our approach:

- Patient assistance program (PAP) with Cancer Foundation of China to address affordability
- Programs to increase disease awareness and improve HER2 testing

Results:

- Before program < 15% of people received Herceptin
- PAP has doubled number of people receiving Herceptin
- Herceptin reimbursed in first city (Mar '13)

Patients on Herceptin



Delivery of quality healthcare is complex

Requires a joint, holistic, SUSTAINABLE approach



Challenges and our strategy

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Summary: Focus on sustainable strategy through innovation and growth

1

Strategic focus on innovation and driving Personalised Healthcare

2

Growth facilitated by tailored access models

3

Leading product pipeline providing value for the future



Doing now what patients need next