Innovation and Sustainability: An integrated approach

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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

E7 countries

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

- **Future of healthcare systems / Drug prices**
  - Straining budgets,
  - Reimbursement of innovation

- **Patient Safety**
  - Clinical trial disclosure,
  - Adverse events

- **Corporate governance**
  - Board performance,
  - Remuneration

- **R&D productivity**
  - Rising R&D costs/output,
  - Weak pipelines,
  - Level of medical value

- **Biosimilars**
  - When will they arrive and how much market will they take

- **Policy Changes**
  - Transparency lobbying,
  - Tightening regulations

- **Marketing Practices**
  - Payments to HCPs, Fines,
  - Ethics in emerging countries

- **Employees**
  - Retention/Attraction of talent,
  - Diversity, Human rights

Healthcare Industry
R&D productivity differs substantially among players

Average annual NME peak sales (2001-10)¹

$710 m Peak Sales (per $1 bn R&D)

Average annual R&D investment (1997-2006)¹

$165 m Peak Sales (per $1 bn R&D)

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

Source: Bernstein Equity Research, Tufts University and Roche analysis
Following where science leads

**Oncology**
- 9 drugs launched
- 5 Phase III
  - Avastin
  - MabThera
  - Herceptin
  - Xeloda
  - Tarceva
  - Zelboraf
  - Erivedge
  - Perjeta
  - Kadryla
  - MetMab
- 10 phase II
- Strong and growing

**Immunology/Inflammation**
- 4 drugs launched
- 1 Phase III
  - Xolair
  - Lucentis
  - Rituxan/MabThera RA
  - Actemra

**Neuroscience**
- 3 Phase III
- 4 phase II
- Earlier stage

- 5 Phase III decision pending
- 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

- High differentiation
- True innovators
- Generics
- No / limited differentiation

Willingness to pay for added value
Challenges and our strategy

Innovation + Sustainability

Access to healthcare

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

Sustainability

Integrated in our strategy

• Long-term focus
• Add value
• Minimal impact

“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*

<table>
<thead>
<tr>
<th>Business Results</th>
<th>Status</th>
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</thead>
<tbody>
<tr>
<td><strong>Goal End 2014</strong></td>
<td><strong>Status</strong></td>
</tr>
<tr>
<td>Group (TSR)</td>
<td><img src="status1" alt="Status" /></td>
</tr>
<tr>
<td>Pharma</td>
<td><img src="status2" alt="Status" /></td>
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<tr>
<td>Diagnostics</td>
<td><img src="status3" alt="Status" /></td>
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<table>
<thead>
<tr>
<th>Helping patients through excellent science</th>
<th>Status</th>
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<tbody>
<tr>
<td><strong>Goal End 2014</strong></td>
<td><strong>Status</strong></td>
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<tr>
<td>Late stage assets Transitioned / Launched</td>
<td><img src="status4" alt="Status" /></td>
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<tr>
<td>Assets with Personalised Healthcare</td>
<td><img src="status5" alt="Status" /></td>
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<table>
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<tr>
<th>Great Place to Work</th>
<th>Status</th>
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<tr>
<td><strong>Goal End 2014</strong></td>
<td><strong>Status</strong></td>
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<tr>
<td><strong>Employees</strong></td>
<td><img src="status6" alt="Status" /></td>
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<tr>
<td>Employee engagement</td>
<td><img src="status7" alt="Status" /></td>
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<td>Females in key positions</td>
<td><img src="status8" alt="Status" /></td>
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<tr>
<td><strong>Sustainability</strong></td>
<td><img src="status9" alt="Status" /></td>
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<tr>
<td>External ratings / Indexes</td>
<td><img src="status10" alt="Status" /></td>
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<td>Energy reduction</td>
<td><img src="status11" alt="Status" /></td>
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Roche: Group leader in the pharmaceutical, biotech, life science industry
Fifth consecutive year

Reinforces commitment to creating long-term value for all stakeholders
Challenges and our strategy

Innovation + Sustainability

Access to healthcare

Summary
Future of healthcare systems / Drug prices
Straining budgets, Reimbursement of innovation

Patient Safety
Clinical trial disclosure, Adverse events

Policy Changes
Transparency lobbying, Tightening regulations

Corporate governance
Board performance, Remuneration

R&D productivity
Rising R&D costs/output, Weak pipelines, Level of medical value

Biosimilars
When will they arrive and how much market will they take

Marketing Practices
Payments to HCPs, Fines, Ethics in emerging countries

Employees
Retention/Attraction of talent, Diversity, Human rights

Access

Healthcare Industry
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

<table>
<thead>
<tr>
<th>Options</th>
<th>Details</th>
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<tbody>
<tr>
<td>Public Reimburse¹</td>
<td><strong>Commercial arrangements</strong></td>
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<tr>
<td></td>
<td>- Price/volume</td>
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<tr>
<td></td>
<td>- Capping</td>
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<td></td>
<td>- Cost sharing</td>
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<tr>
<td>Private insurance²</td>
<td><strong>Differential pricing</strong></td>
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<tr>
<td></td>
<td>(emerging/developing markets)</td>
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<td><strong>Local packaging</strong></td>
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<td></td>
<td>- Contract manufacturing</td>
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<td>- Licensing to local company</td>
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<tr>
<td>Private payment³</td>
<td><strong>Second brand</strong></td>
</tr>
<tr>
<td></td>
<td>- Marketed by Roche</td>
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<tr>
<td></td>
<td>- Marketed by local company</td>
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<td></td>
<td><strong>Patient assistance</strong></td>
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<td></td>
<td>- Financial assistance co-pay</td>
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<td>- Free product</td>
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<td></td>
<td><strong>Private insurance</strong></td>
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<td></td>
<td>- Collaborate local insurance companies to develop policies</td>
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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

- Germany
  - Treatment with Avastin
  - Over 40% insured patients covered by capping program
  - Exceed 10 g limit
    - Pay back

- Italy
  - Treatment with Avastin
  - ~30,000 patients tracked since 2009
  - 6 weeks
    - 50% cost sharing
  - Exceed 11 g limit
    - Pay back

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

Potential pay back by Roche  Costs covered by payers
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

<table>
<thead>
<tr>
<th>Year</th>
<th>With PAP</th>
<th>Without PAP</th>
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<tbody>
<tr>
<td>2011</td>
<td>4000</td>
<td>2000</td>
</tr>
<tr>
<td>2012</td>
<td>8000</td>
<td>4000</td>
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Delivery of quality healthcare is complex
Requires a joint, holistic, SUSTAINABLE approach

Improved health outcomes

- Health & Disease Awareness
- Patient Support Programmes
- Screening Programmes
- Treatment Guidelines/Policy Frameworks
- Diagnostic Services
- Healthcare Coverage
- Hospitals and Clinics
- Supply Chain
- Healthcare Professionals
- Medicines

Improved health outcomes
Challenges and our strategy

Innovation + Sustainability

Access to healthcare

Summary
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