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# **Roche Annual Media Conference**

**2013 results**

*Basel, 30 January 2014*

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## **Group**

*Severin Schwan*

*Chief Executive Officer*





# 2013: Targets fully achieved

<i>Targets for 2013</i>		<i>FY 2013</i>	
<b>Group sales</b>	In line with sales growth recorded in 2012 <sup>1</sup>	<b>+6%</b>	✓
<b>Core EPS</b>	Ahead of sales growth <sup>1</sup>	<b>+10%</b>	✓
<b>Dividend</b>	Further increase dividend	<b>CHF 7.80</b> <b>+6%</b>	✓

<sup>1</sup> At constant exchange rates

2013 dividend as proposed by the Board of Directors

# 2013 Highlights

## *Innovation*

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- HER2 franchise secured through Kadcylla, Perjeta and Herceptin SC
- Haematology franchise strengthened through Gazyva in CLL
- 15 compounds in late-stage development, strong emerging portfolio in immunology/ophthalmology
- Cobas 8100 next generation automation system launched

## *Growth*

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- 3 major new medicine launches: Perjeta in EU, Kadcylla in US and EU, Gazyva in US
- Strong growth for oncology franchise, Actemra and Lucentis
- Further financial deleverage contributing to EPS momentum



# 2013: Strong sales growth

	<b>2013 CHFbn</b>	<b>2012 CHFbn</b>	<b>Change in %</b>	
			<b>CHF</b>	<b>CER</b>
<b>Pharmaceuticals Division</b>	<b>36.3</b>	35.2	<b>3</b>	<b>7</b>
<b>Diagnostics Division</b>	<b>10.5</b>	10.3	<b>2</b>	<b>4</b>
<b>Roche Group</b>	<b>46.8</b>	45.5	<b>3</b>	<b>6</b>

CER=Constant Exchange Rates

# 2013: 15 new compounds in late stage development

## Oncology

<b>anti-CD79b ADC<sup>1</sup></b>
<b>pictilisib (PI3K)<sup>1</sup></b>
<b>beta-sparing PI3K<sup>1</sup> (mutant selective)</b>
<b>alectinib (ALKi)<sup>1</sup> <i>NSCLC</i></b>
<b>Bcl-2i (GDC 0199) <i>hem. cancers</i></b>
<b>anti-PDL1 <i>solid tumours</i></b>
<b>cobimetinib (MEKi) <i>melanoma</i></b>
<b>onartuzumab (MetMAb) <i>NSCLC</i></b>

## Immunology / Ophthalmology

<b>lampalizumab <i>geographic atrophy</i></b>
<b>etrolizumab <i>UC and CD</i></b>
<b>oral octreotide <i>acromegaly</i></b>
<b>lebrikizumab <i>asthma</i></b>

## Neuroscience

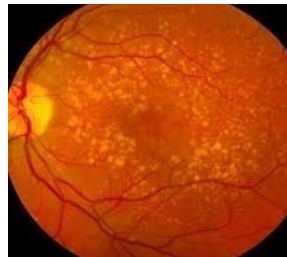
<b>gantenerumab <i>Alzheimer's</i></b>
<b>ocrelizumab <i>MS</i></b>
<b>bitopertin <i>Subopt. c. schizophrenia</i></b>

<sup>1</sup> Phase III decision pending

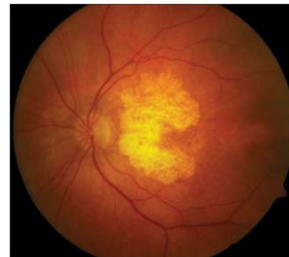


# Lampalizumab

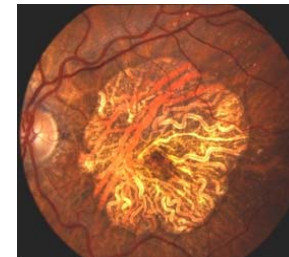
## *High medical need - Geographic Atrophy (GA)*



**AMD  
(Drusen)**



**Extrafoveal GA**



**Advanced GA**

# Lampalizumab: Anti-factor D

## High efficacy in subpopulation with exploratory biomarker

- GA progression rate decreased by 44% at 18 months
- In the subset of patients with better vision (20/50 to 20/100), progression was reduced by 54%
- All comers: 20.4 % reduction rate at 18 months

## Safety

- No unexpected or unmanageable SAEs
- Intraocular inflammation AE rates and intraocular pressure elevation AE rates were consistent with Lucentis rates in wAMD

# 2014 Outlook

**Group sales growth<sup>1</sup>**

Low- to mid-single digit

**Core EPS growth<sup>1</sup>**

Ahead of sales growth

**Dividend outlook**

Further increase dividend

<sup>1</sup> At constant exchange rates

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**Diagnostics Division**  
*Roland Diggelmann*  
*COO Roche Diagnostics*



## 2013: Diagnostics sales

*Sustained growth above the market\**

	2013 CHFm	2012 CHFm	change in % CHF	CER
<b>Diagnostics Division</b>	<b>10,476</b>	<b>10,267</b>	<b>+2</b>	<b>+4</b>
Professional Diagnostics <sup>1</sup>	5,740	5,443	+5	+8
Diabetes Care	2,459	2,556	-4	-3
Molecular Diagnostics <sup>1</sup>	1,612	1,627	-1	+2
Tissue Diagnostics	665	631	+5	+7

\* Estimates from independent IVD consultancy as of end Q3 2013

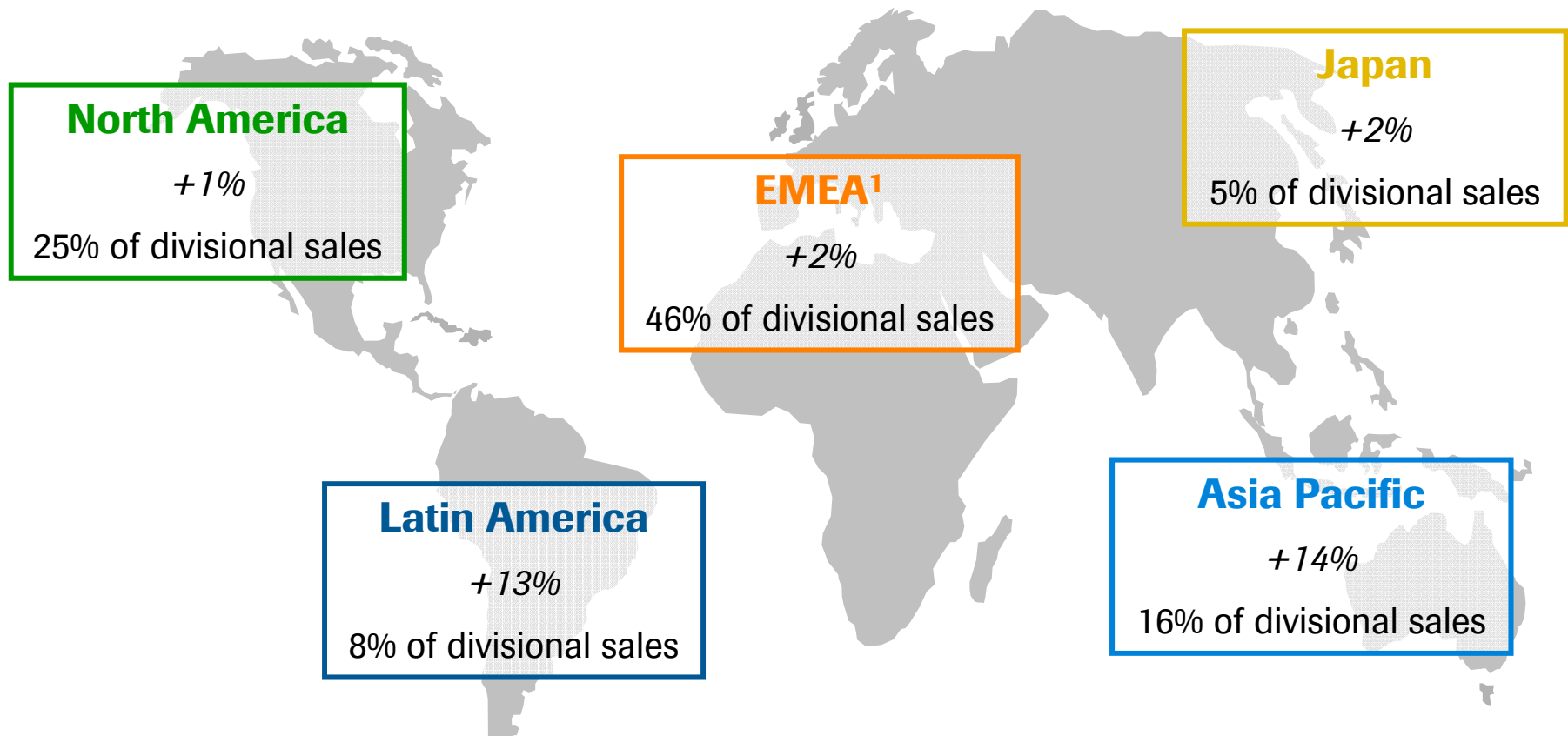
<sup>1</sup> 2012 sales restated for Applied Science integration into Professional Diagnostics and Molecular Diagnostics.

Underlying growth of Molecular Diagnostics excluding Sequencing Solutions: +6%

CER=Constant Exchange Rates

# 2013: Diagnostics regional sales

## *Growth driven by emerging markets*



**+15% growth in E7 countries<sup>2</sup>**

<sup>1</sup> Europe, Middle East and Africa; <sup>2</sup>Brazil, China, India, Mexico, Russia, South Korea, Turkey  
All growth rates at constant exchange rates

# Key launches 2013

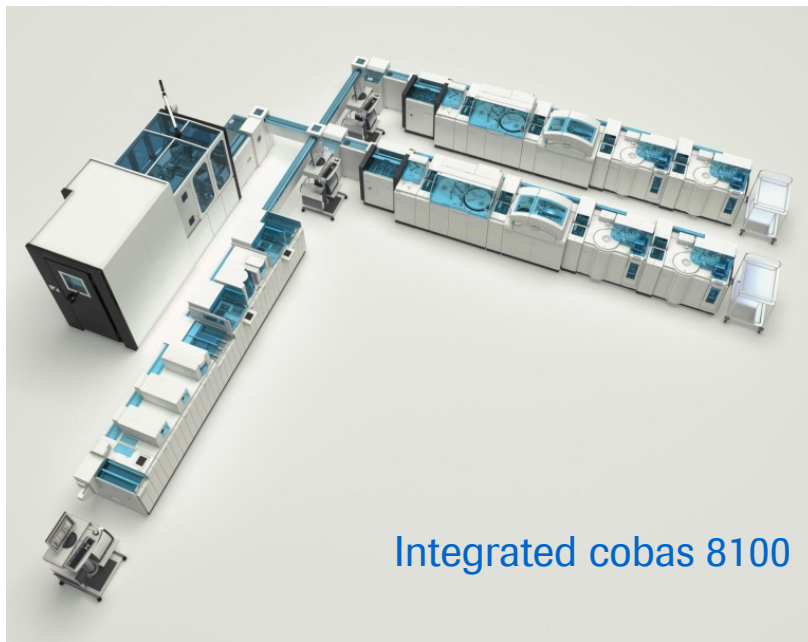
	<i>Area</i>	<i>Product</i>	<i>Market</i>	<i>BA<sup>1</sup></i>
<i>Instruments / Devices</i>	<b>Labs</b>	cobas 8100 – Next generation modular pre-analytics	EU	✓ RPD
	<b>Life Sciences</b>	GS FLX+ long amplicons- Software for long read targeted sequencing	WW	✓ RMD
	<b>Diabetes Care</b>	Accu-Chek Insight- Next generation insulin pump & bGM <sup>2</sup> system	EU	RDC
		Accu-Chek Active LCM- Next-generation bGM <sup>2</sup> meter with maltose independent test strips	EU	✓ RDC
<i>Tests/ Assays</i>	<b>Oncology</b>	Calcitonin – Medullary thyroid cancer	EU	✓ RPD
		proGRP- Small cell lung cancer	EU	✓ RPD
		CINtec PLUS Cytology- Cervical pre-cancer	EU	✓ RTD
		ER- Breast cancer	US	✓ RTD
		EGFR- Lung cancer	US	✓ RMD
	<b>Infectious Diseases</b>	MPX 2.0 – Next generation blood screening multiplex test for HIV, HCV & HBV	US	RMD
		CAP/CTM HCV 2.0 – Next generation HCV viral load test	US	✓ RMD
	<b>Transplant</b>	Cyclosporin, Tacrolimus – immunosuppressive drug monitoring	EU	✓ RPD
	<b>Sequencing</b>	SeqCap EZ Reagent Kits – Targeted next gen. sequencing	WW	✓ RMD

<sup>1</sup> Business Areas. RPD: Roche Professional Diagnostics; RDC: Roche Diabetes Care; RMD: Roche Molecular Diagnostics, RTD: Roche Tissue Diagnostics;

<sup>2</sup> blood glucose monitoring

# Professional Diagnostics

## *Launch of cobas 8100*



### Automated workflow series for labs

- Integrated pre and post analytics
- Connectivity and flexible workflow
- High throughput
- Increasing testing efficiency

### CE mark in Q3 2013

- Launched in all major EU countries, Singapore, Australia and Canada.



# RMD\*: CE Mark<sup>1</sup> for MRSA/SA and HSV

## *Expansion of test menu on cobas 4800 platform*

**cobas 4800 System**  
*Fully automated PCR platform  
for low to mid volumes*



### **Microbiology**

MRSA/SA, C-difficile<sup>2</sup>

### **MRSA<sup>3</sup> (cobas MRSA/SA)**

- Leading cause of hospital acquired infections
- 9m tests per year (39% market growth)

### **Sexually transmitted diseases**

HPV, CT/NG, HSV-1&2

### **HSV<sup>4</sup> (cobas HSV-1&2 test)**

- Diagnosis of genital herpes
- Superior and faster detection

### **Oncology**

BRAF, EGFR, KRAS, PIK3CA<sup>5</sup>

<sup>1</sup> January 2014; <sup>2</sup> To be launched in Q1 2014; <sup>3</sup> Methicillin Resistant Staphylococcus Aureus; <sup>4</sup> Herpes Simplex Virus; <sup>5</sup> Research use only

# Outlook

## *Sustain sales growth and profitability*

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### *Drivers*

- Further expand installed base and test menu
  - Launch next generation platforms and drive lab efficiency
  - Continue to strengthen leading presence in emerging markets
  - Ongoing adjustments in Diabetes Care to adapt to market environment
  - Grow PHC\* and companion diagnostics collaborations
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## **Pharmaceuticals Division**

*Daniel O'Day*

*COO Roche Pharmaceuticals*



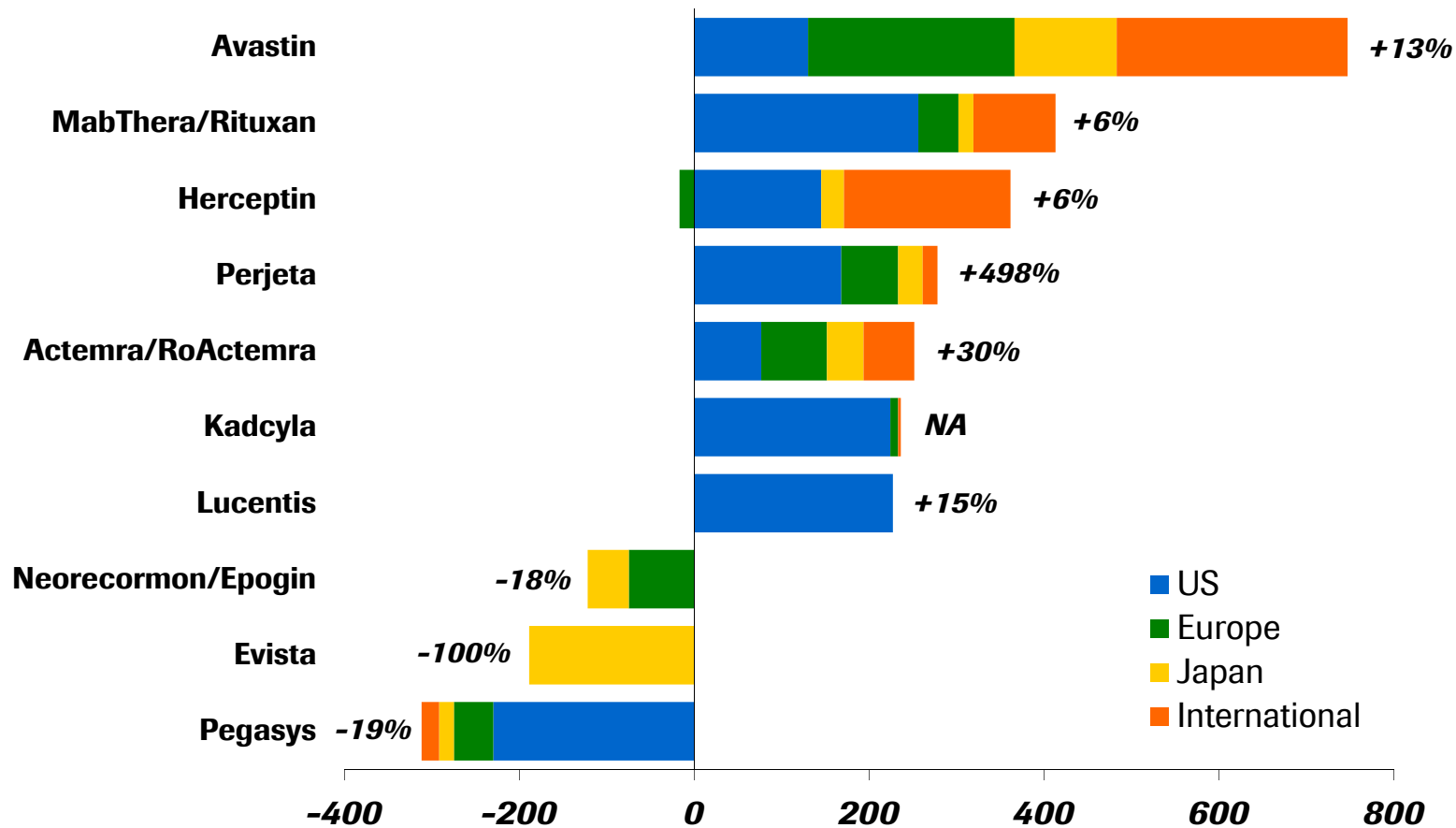
## 2013: Pharma sales

*Strong growth in US and International*

	2013 CHFm	2012 CHFm	Change in % CHF	CER
<b>Pharmaceuticals Division</b>	<b>36,304</b>	<b>35,232</b>	<b>+3</b>	<b>+7</b>
United States	15,097	13,856	+9	+10
Europe	9,254	8,952	+3	+2
Japan	3,405	4,108	-17	+2
International	8,548	8,316	+3	+8

# 2013: Pharma sales

## *Oncology, Actemra and Lucentis main growth drivers*



Absolute amounts and growth rates at constant exchange rates (2012)

# HER2 franchise: Innovative therapies define new standard of care



- Sales growth driven by metastatic BC
- Continued increase in 1L HER2+ mBC
- US approval of neo-adjuvant HER2+ BC
- Encouraging rollout in Europe



- Strong US uptake in HER2+ mBC 2<sup>nd</sup> line and beyond
- Continued increase in patient share
- Launched in some European countries



- Approval in Europe; positive feedback in centers where available

**HER2 franchise: +14% growth<sup>1</sup> in 2013**

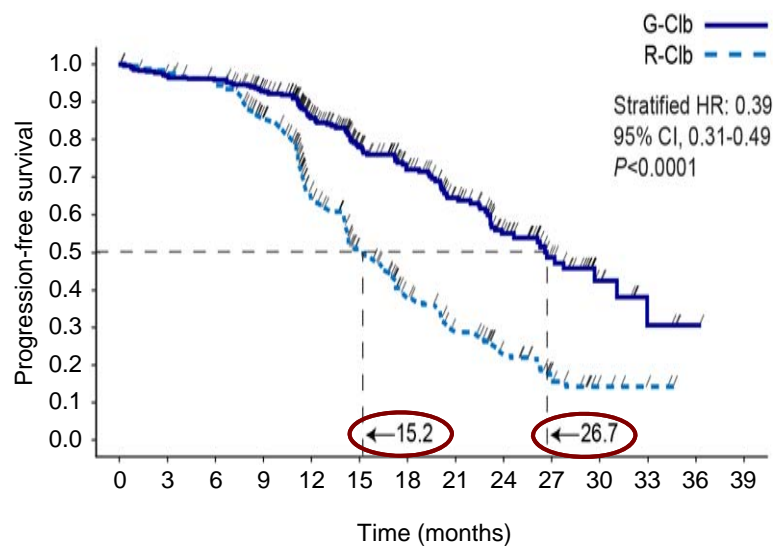
<sup>1</sup> At constant exchange rates

# Haematology franchise

## *Establishing a new standard of care*

### Gazyva vs. MabThera/Rituxan in CLL

(combo with chlorambucil)



**US approval Nov 2013**  
**Included in NCCN guidelines**

### Bcl-2 inhibitor (ABT/GDC-199)

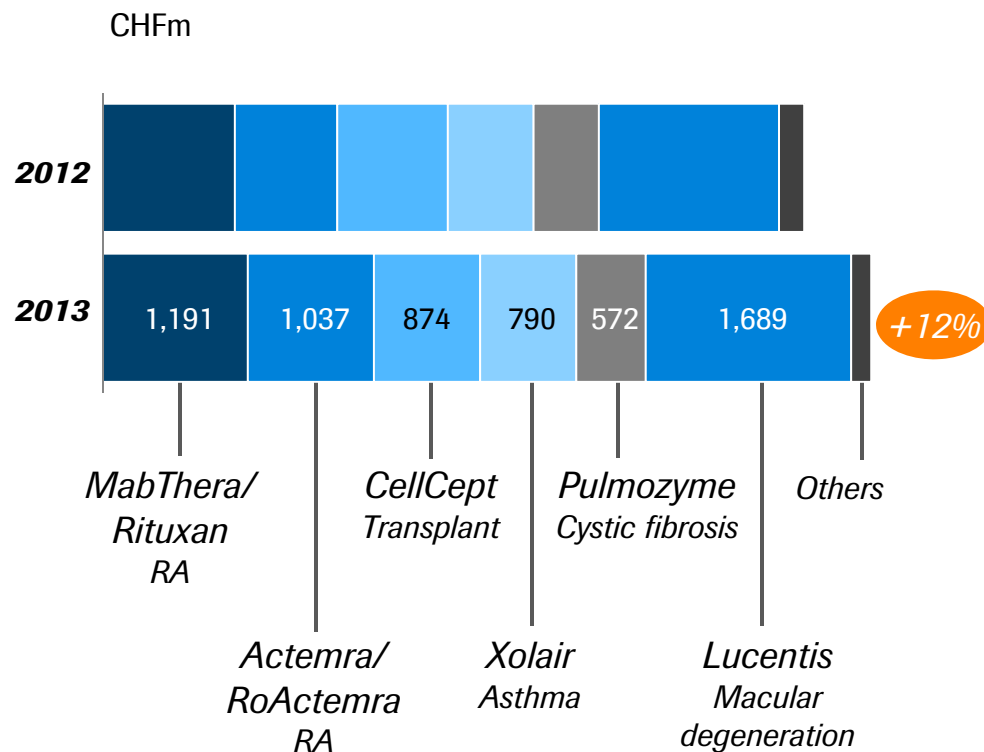
- Ph II in CLL patients with 17p deletion: expect data 2014/15
- TLS mitigation program on track: final measures to be decided mid-2014
- Ph III in combination with Gazyva in front-line CLL expected to start Q4 2014

- Gazyva: Several combination studies with new promising agents in preparation (Investigator sponsored studies and studies sponsored by other companies)

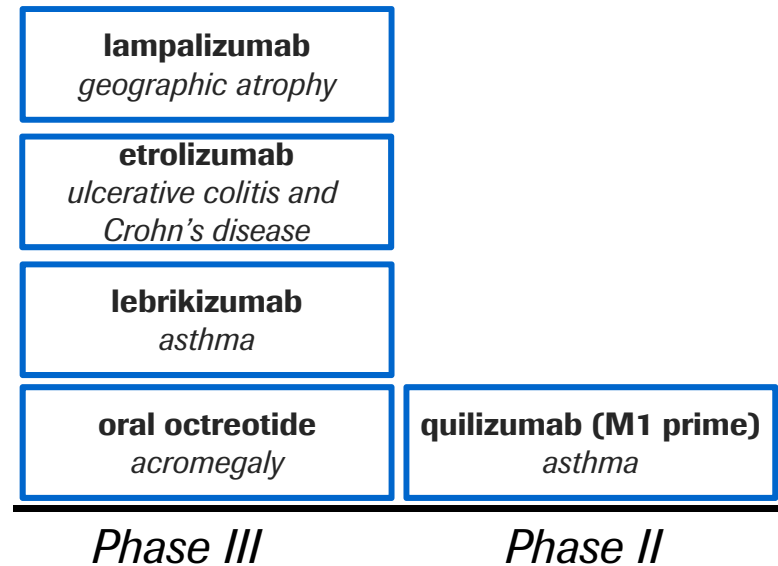
# Immunology and Ophthalmology

## *New late-stage compounds in a well-established franchise*

### Growing existing franchise (CHF 6.3bn)



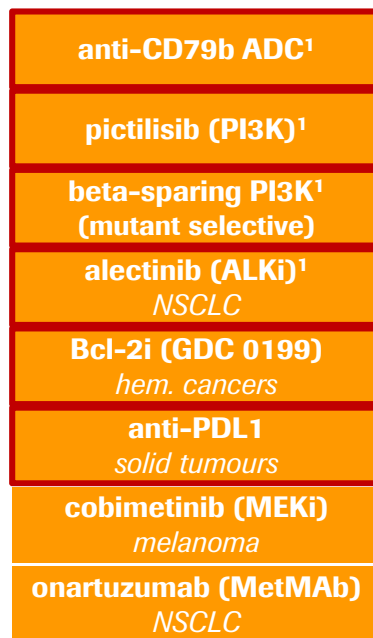
### Developing pipeline






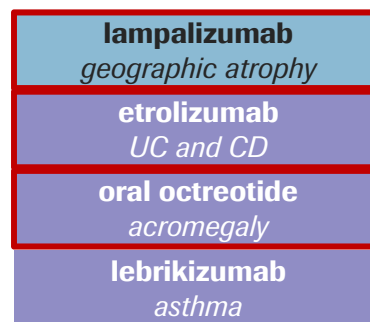
# 2013: 15 new compounds in late stage development

## Oncology

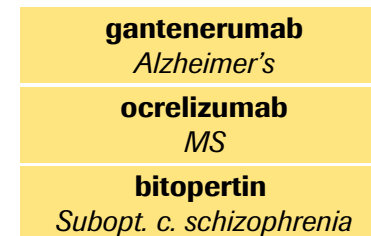


 Moved to late stage development in 2013

## Immunology / Ophthalmology



## Neuroscience



 Oncology   
  Ophthalmology  
 Neuroscience   
  Immunology

<sup>1</sup> Phase III decision pending

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## **Finance**

*Alan Hippe*

*Chief Financial Officer*



# 2013: Finance highlights

## ***Business***

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- Strong Core EPS growth: +10%<sup>1</sup>
- Solid operating free cash flow +5%<sup>1</sup> and free cash flow +6%<sup>1</sup>

## ***Improved financial result***

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- Positive development of Core net financial result: +11%<sup>1</sup> lower expense
- Early bond recall of USD 1.0bn with CHF 168m costs

## ***Net debt down by CHF 3.9bn***

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- Net debt / total assets now 11% (down from 16% in 2012)

<sup>1</sup> At constant exchange rates

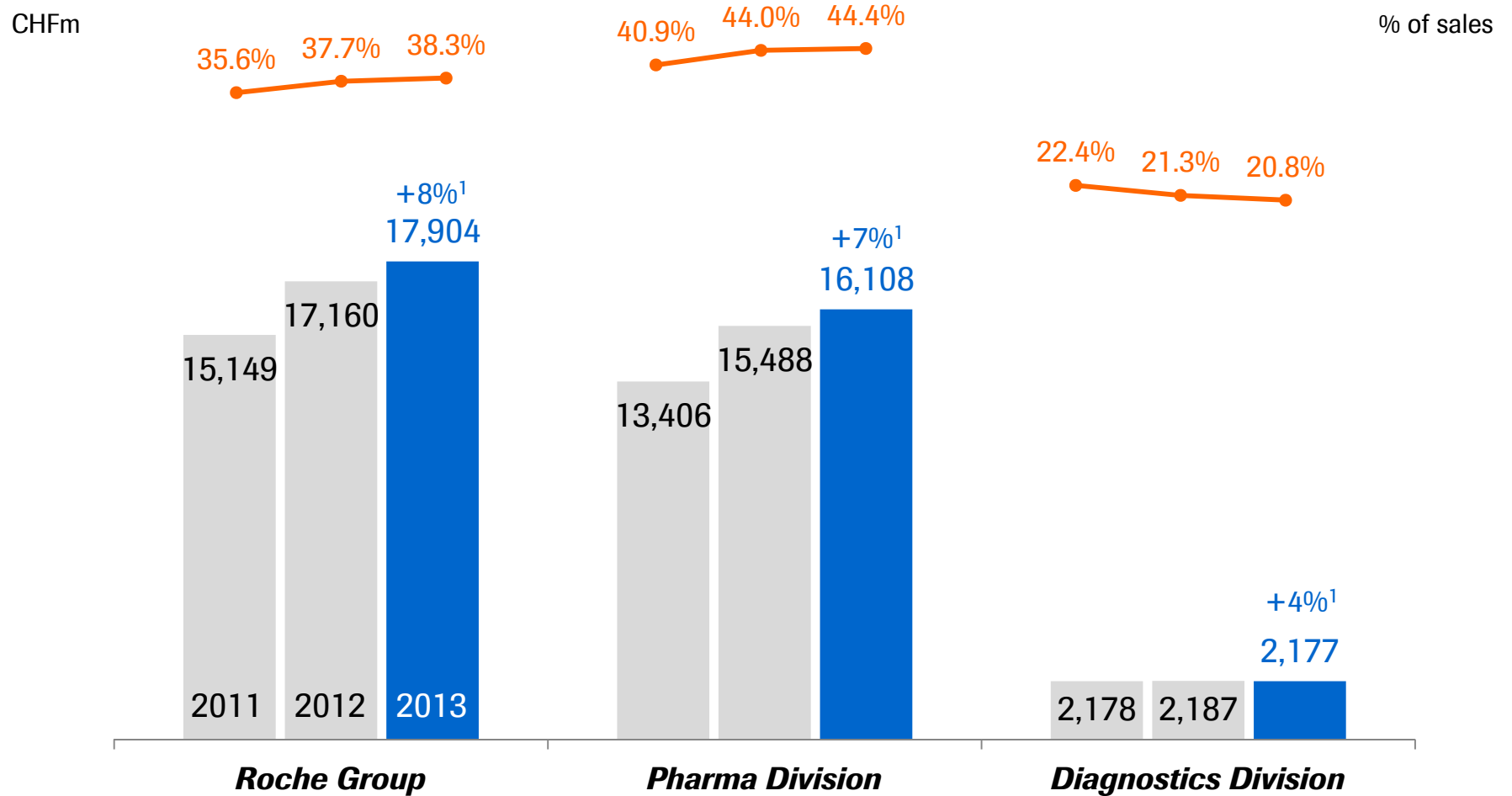
# 2013: Group performance

## *Core EPS growth +10%<sup>1</sup>*

CHFm			% Change	
	2013	2012	CHF	CER
<b>Sales</b>	<b>46,780</b>	<b>45,499</b>	<b>+3</b>	<b>+6</b>
<b>Core operating profit</b> <i>as % of sales</i>	<b>17,904</b> 38.3	<b>17,160</b> 37.7	<b>+4</b>	<b>+8</b>
<b>Core net income</b> <i>as % of sales</i>	<b>12,526</b> 26.8	<b>11,765</b> 25.9	<b>+6</b>	<b>+10</b>
Attributable to Roche shareholders	12,316	11,531	+7	+10
<b>Core EPS (CHF)</b>	<b>14.27</b>	<b>13.49</b>	<b>+6</b>	<b>+10</b>
<b>Operating free cash flow</b> <i>% of sales</i>	<b>16,381</b> 35.0	<b>16,135</b> 35.5	<b>+2</b>	<b>+5</b>
<b>Free cash flow</b> <i>% of sales</i>	<b>5,403</b> 11.5	<b>5,376</b> 11.8	<b>+1</b>	<b>+6</b>
<b>IFRS net income</b>	<b>11,373</b>	<b>9,660</b>	<b>+18</b>	<b>+22</b>

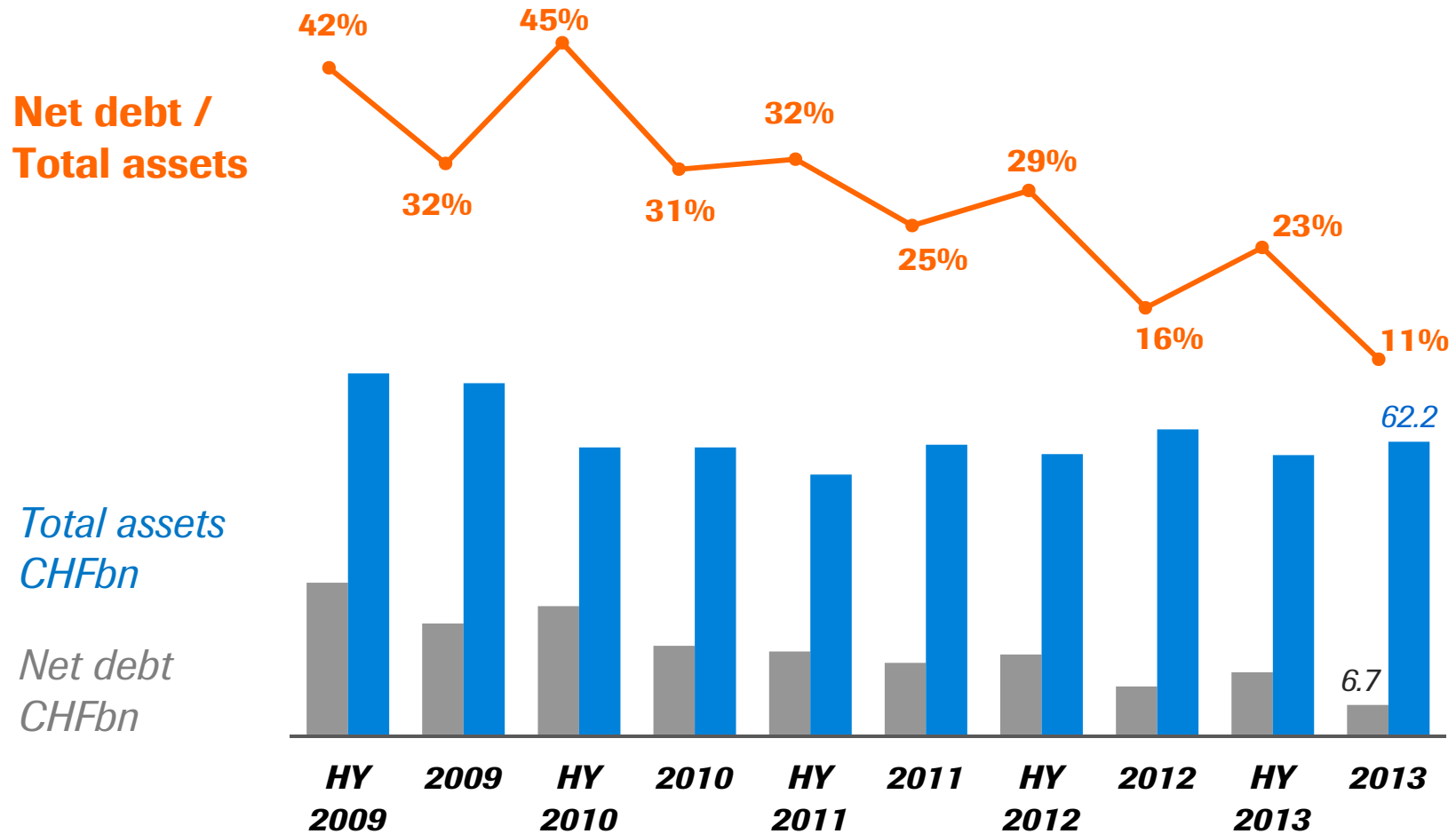
<sup>1</sup> CER=Constant Exchange Rates

# 2013: Core operating profit and margin



<sup>1</sup> At constant exchange rates

# Strong earnings capacity reflected in sustained net debt reduction



# 2014 Outlook

**Group sales growth<sup>1</sup>**

Low- to mid-single digit

**Core EPS growth<sup>1</sup>**

Ahead of sales growth

**Dividend outlook**

Further increase dividend

<sup>1</sup>At constant exchange rates

*Doing now what patients need next*