Emerging market opportunities for Roche

Luke Miels, Head of Asia-Pacific
Roche Pharmaceuticals

The future of medicine is personalised
Roche Investor Day 2012
International region overview

**Market drivers**
- Increasing investment in healthcare
- Life style changes and the emergence of “western” diseases
- Emergence of alternative funding models in some markets

**Market barriers**
- Pricing pressure and controls
- High out of pocket costs
- Delays in registration and reimbursement
International region
Increasing importance for Roche

International region as proportion of total Pharma sales
**E7 countries**

*Strong growth in key emerging markets*

1 CER=Constant Exchange Rates; absolute values in CHF m at average 2011 exchange rates
Roche is significantly outperforming the market in China

Source: IMS Hospital Audits, MAT growth, June 2012 (Q2, 2012)
Integrated HER2 testing and Patient Access Program has doubled access to Herceptin

Herceptin patient initiations

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q</td>
<td>849</td>
<td></td>
</tr>
<tr>
<td>2Q</td>
<td>1'096</td>
<td></td>
</tr>
<tr>
<td>3Q</td>
<td>1'723</td>
<td></td>
</tr>
<tr>
<td>4Q</td>
<td>1'733</td>
<td></td>
</tr>
<tr>
<td>1Q</td>
<td>2'008</td>
<td></td>
</tr>
</tbody>
</table>
EGFR testing project driving Tarceva leadership in Philippines

Approval of 1st line EGFR+ NCSLC and launch of EGFR testing project

Source: Philippines IMS sales data April 2012, MAT
Introduction of a second brand in India

35% of Indian population have access to healthcare

Key components
- 2 brands
- 1st phase: Herceptin, MabThera and Pegasys
- 2nd phase: potentially Mircera and Avastin

Planned execution

Private Market
- Field focus on key products to increase patient capture
- Co-marketing with local partner to increase reach and mitigate risk of compulsory licensing

Government
- Initiated packaging & technology transfer, demonstrating long term commitment
Brazil public sector 2011-2017: eBC patients treated with Herceptin doubles

Increased HER2 testing

<table>
<thead>
<tr>
<th>Year</th>
<th>% public patients tested for HER2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>92%</td>
</tr>
<tr>
<td>2017</td>
<td>95%</td>
</tr>
</tbody>
</table>

Increased share

<table>
<thead>
<tr>
<th>Year</th>
<th>% share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>38%</td>
</tr>
<tr>
<td>2017</td>
<td>63%</td>
</tr>
</tbody>
</table>

Doubled number of Herceptin patients

<table>
<thead>
<tr>
<th>Year</th>
<th>Herceptin patients</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1,845</td>
</tr>
<tr>
<td>2017</td>
<td>3,735</td>
</tr>
</tbody>
</table>
Strategies in the Emerging Markets

Strategic options

Price adjustment
- List/Net price adjustment

Localisation
- Second brand
- Local manufacturing

Combinations are possible
Greatest long term value in Emerging markets is created by reducing time to market

Examples in China

Clinical trial application submissions

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2</td>
<td>7</td>
<td>17</td>
</tr>
</tbody>
</table>

Programs in late stage development

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4</td>
<td>16</td>
</tr>
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</table>

*Expected
Summary: Workshop Pharma
Further continuous growth expected in emerging markets

1. Opportunity for innovation does exist in emerging markets
2. Execution of the Roche EM strategy is delivering results
3. Acceleration of new products is the largest mid to long term driver of value
Roche Diagnostics and Emerging Markets

Michael Heuer,
Regional Head EMEA-LATAM

The future of medicine is personalised
Roche Investor Day 2012
Emerging Markets
An increasingly attractive environment

Prospering economies

Changing demographics

Growing markets
• Increased healthcare spending
• Higher testing demand
• Expanding lab networks
Emerging Markets account for majority of IVD market growth

Worldwide IVD market\(^1\), 2011 - 2016E ($ bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Emerging Markets</th>
<th>Established Markets</th>
<th>2016E</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>48</td>
<td>74%</td>
<td>62</td>
</tr>
<tr>
<td>Growth from</td>
<td>9.5</td>
<td>26%</td>
<td>32%</td>
</tr>
<tr>
<td>Emerging</td>
<td>26%</td>
<td>74%</td>
<td>68%</td>
</tr>
<tr>
<td>Markets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth from</td>
<td>3.5</td>
<td></td>
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<tr>
<td>Established</td>
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<tr>
<td>Markets</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

\(^1\) Incl. Diabetes Monitoring; excl. Applied Science and Insulin Delivery Systems

Note: Emerging Markets=Eastern Europe, Asia Pacific, South America, Canada; Established markets=US, W Europe, Japan

Source: Roche internal analysis, validated by an external IVD consultancy
Roche Diagnostics

Emerging Markets (EM) in numbers

Presence in 100 countries in EM

19% sales growth* in E7 countries

> 30% of total Diagnostics Sales *

* 2011 in CER
Emerging Markets

Strong growth trajectory expected to continue

IVD MARKET SALES

SALES GROWTH

USD mn

2005 2010 2015E

Russia
Brazil
Middle East
China

Roche Sales Growth in 2011

Russia 10% 37%
Middle East 8% 27%
Brazil 10% 8%
China 21% 27%

1 Roche internal analysis, validated by external IVD consultancies; 2 in constant exchange rate
Roche Diagnostics EM strategy
Leveraging on leadership strengths

Tailor strategy to adapt to local market conditions

Expand commercial reach
Retain and recruit local talent
Grow installed base
Roche Diagnostics in China
IVD market leader in a fast growing country

### Market characteristics

**Drivers**
- Government investing in healthcare
- Diagnostics early in investment cycle
- Population more affluent

**Challenges**
- Geographically large country
- Competitive environment
- Highly complex market and regulatory requirements

### Roche strategy focus areas

**Expanding commercial reach**

**Retaining and recruiting local talent**
- Best employer award two years in a row
Roche Diagnostics in Russia

Healthcare in focus of state support programs

Market characteristics

Centralised decision making

‘Healthcare National Project’
• Allocation of USD 28 bn of state funds

Government hospitals updating infrastructure
• 70% of IVD market

Private Healthcare continues to grow

Roche strategy focus areas

Grow installed base
Focus on Lab organization issues (e.g. IT, pre-analytic)

Blood banks / women’s health programs
Virology Governmental Program (HIV, HCV, HBV) with Roche technology
Roche Diagnostics in Brazil
Growth driven by innovation

Market characteristics

Expected to become 7th largest IVD market by 2015
• ~7.000 laboratories
• Laboratory consolidation in private sector
• Growing recognition of value of IVD in medical care

Increasing acceptance of and access to new technologies
• Tissue diagnostics, sequencing etc.

Roche strategy focus areas

Grow installed base
Focus on automation and IT as differentiators

Focus on medical value
Build on medical evidence eg. HPV with Athena data
Roche Diagnostics in Middle East
Differentiation through superior support

Market characteristics

Government tenders
• Major source of supply for state controlled labs and hospitals

Involvement of local agents

Increasing demand and access to healthcare
• Underserved regions with large market potential

Roche strategy focus areas

Expanding commercial reach
Establishment of new commercial hub in Dubai for 20 countries in the region

Retaining and recruiting local talent
Incorporation of 300 + agent employees
Roche Diagnostics in Emerging Markets
Committed to continue our leadership

1. Expand commercial reach
   Meet regional demand with focus on medical value

2. Grow installed base
   Differentiation through complete solutions offering

3. Retain and recruit local talent
   Support, develop and exploit skills of local organisations