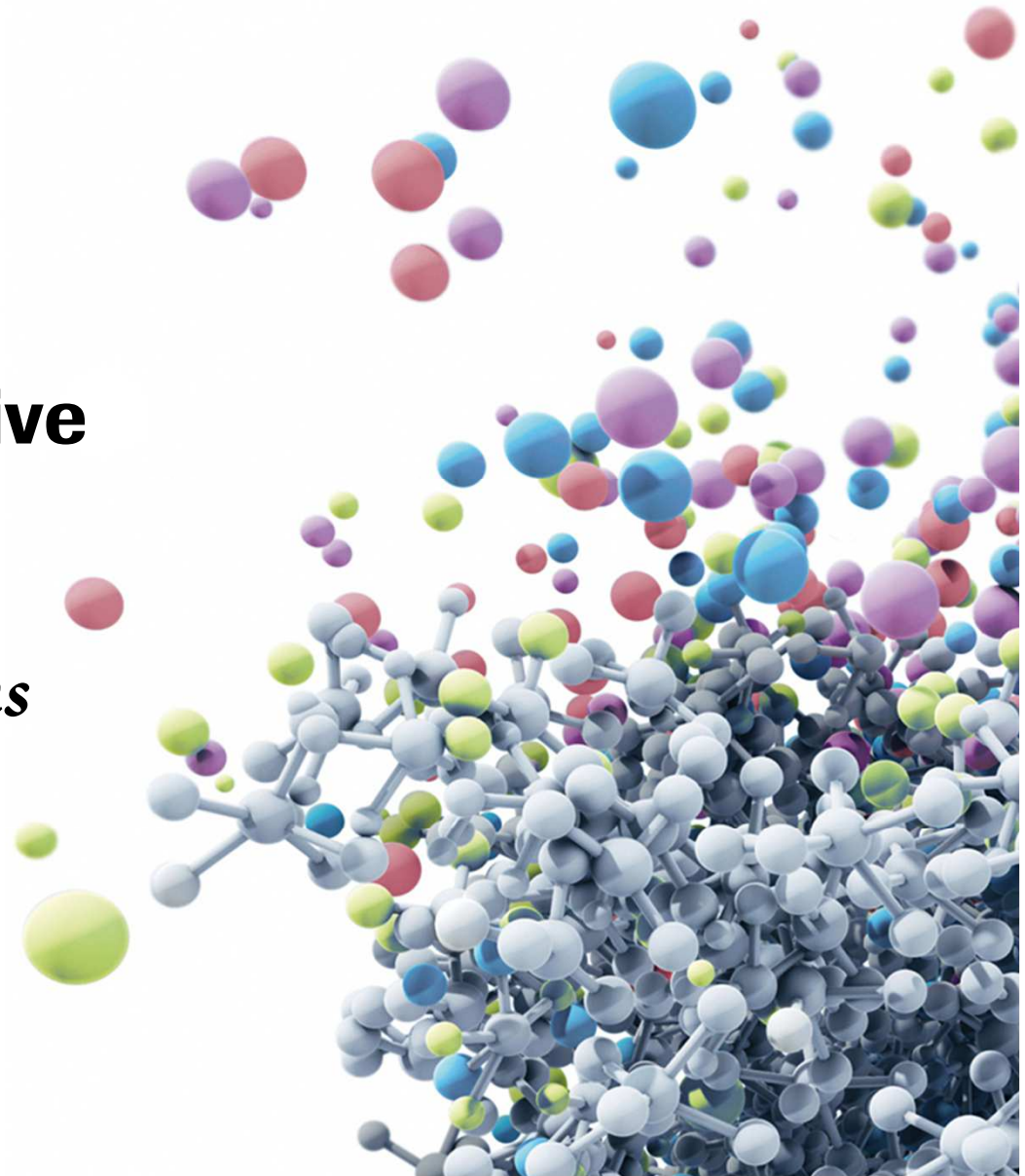


# **Innovation and Sustainability: An industry perspective**

*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**

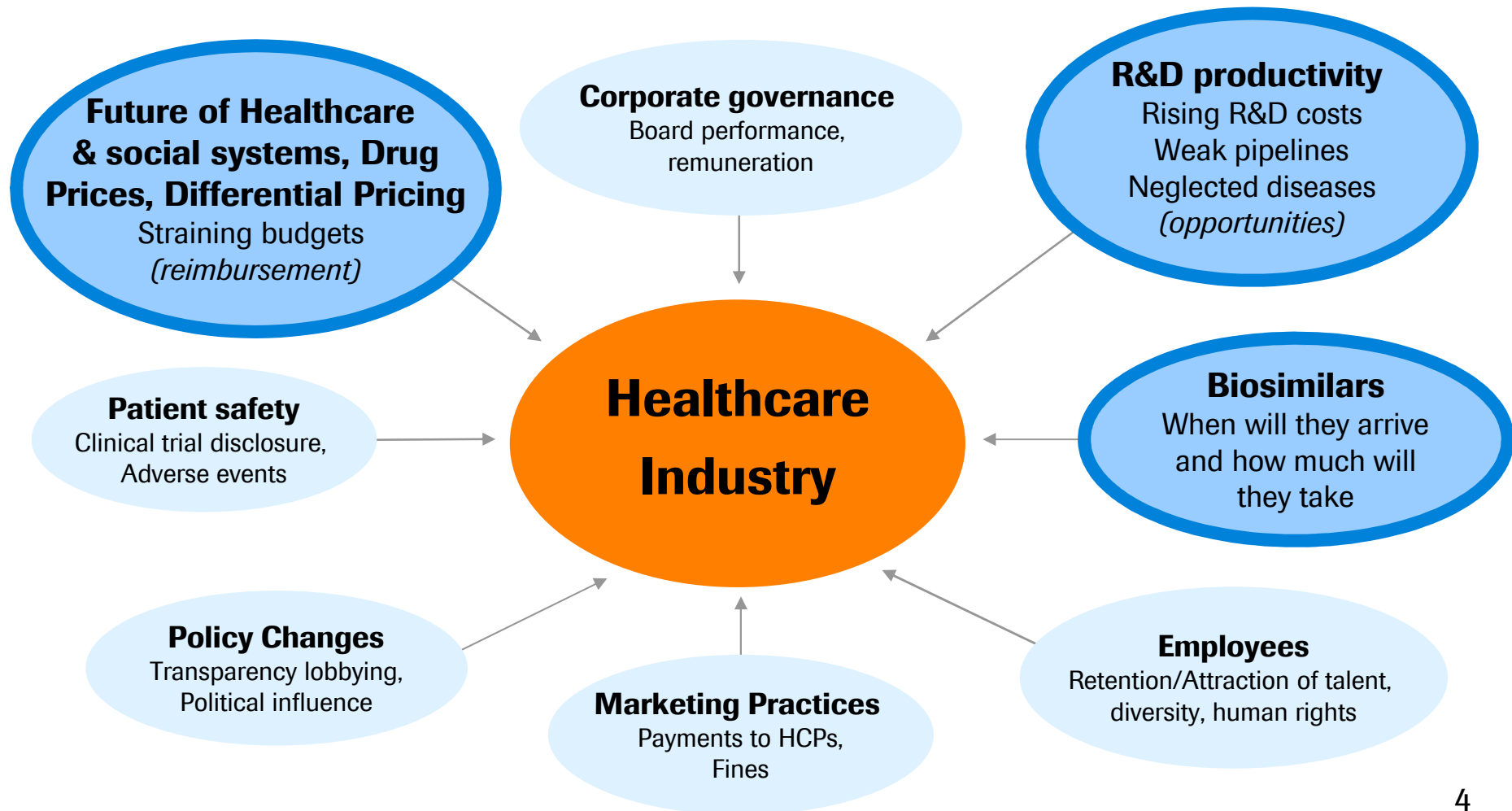
**Growth platforms**

**Summary**

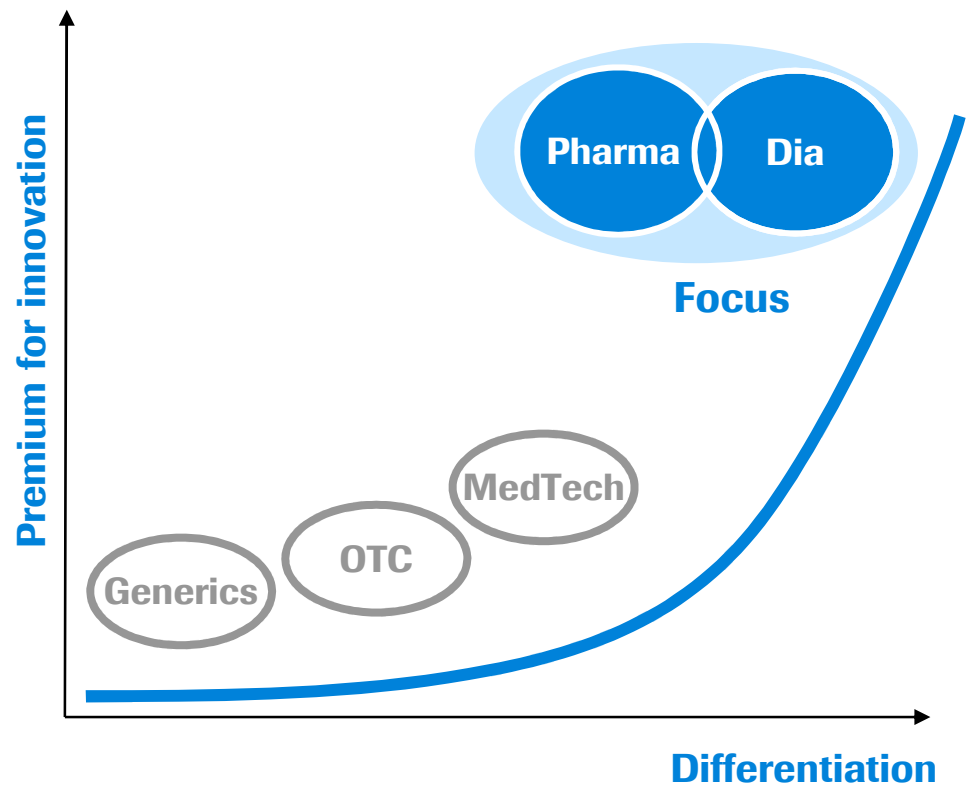


# Industry challenges

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



# Roche strategy: Focused on medically differentiated therapies



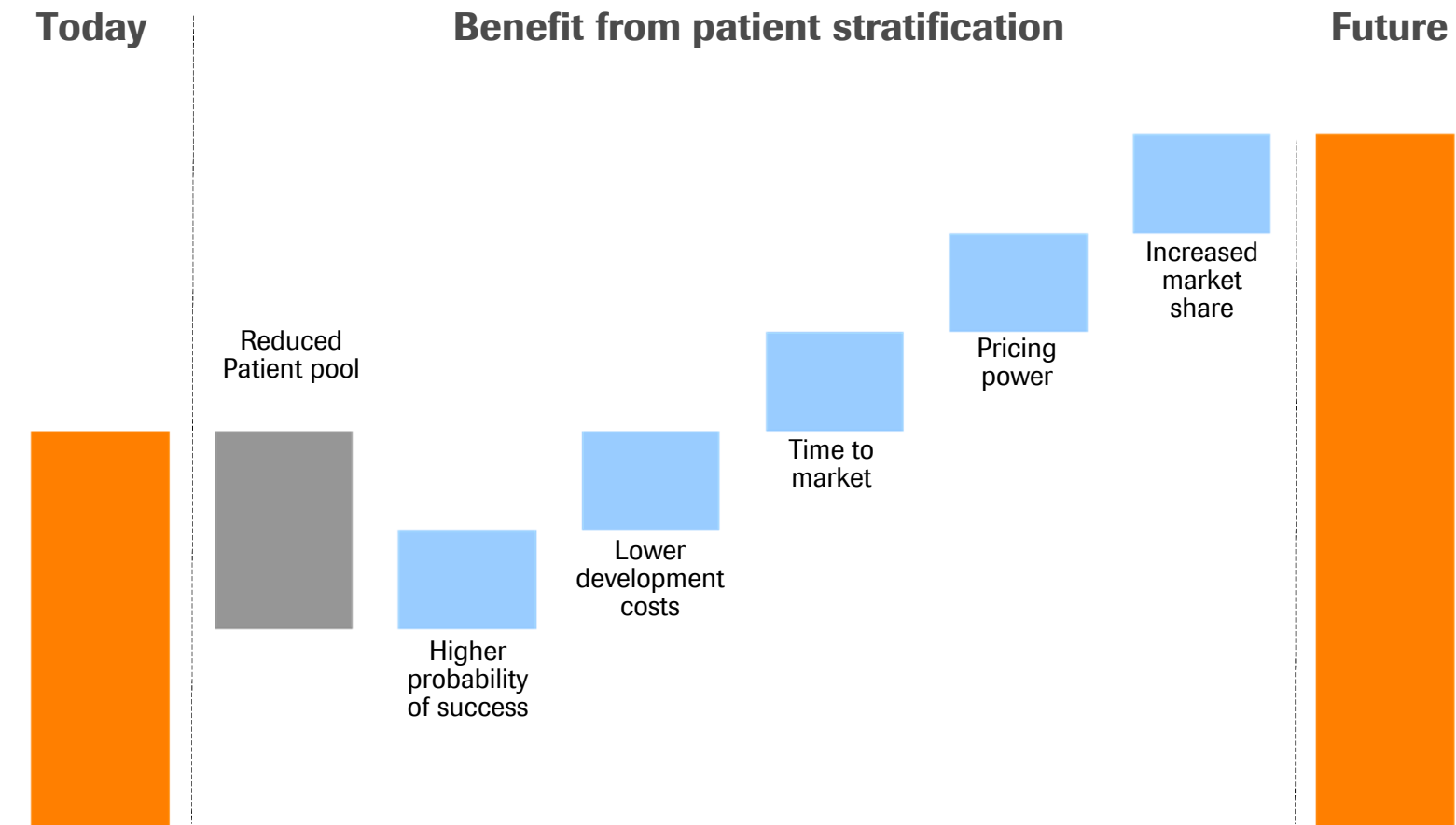
## Regulators:

Optimised benefit / risk ratio

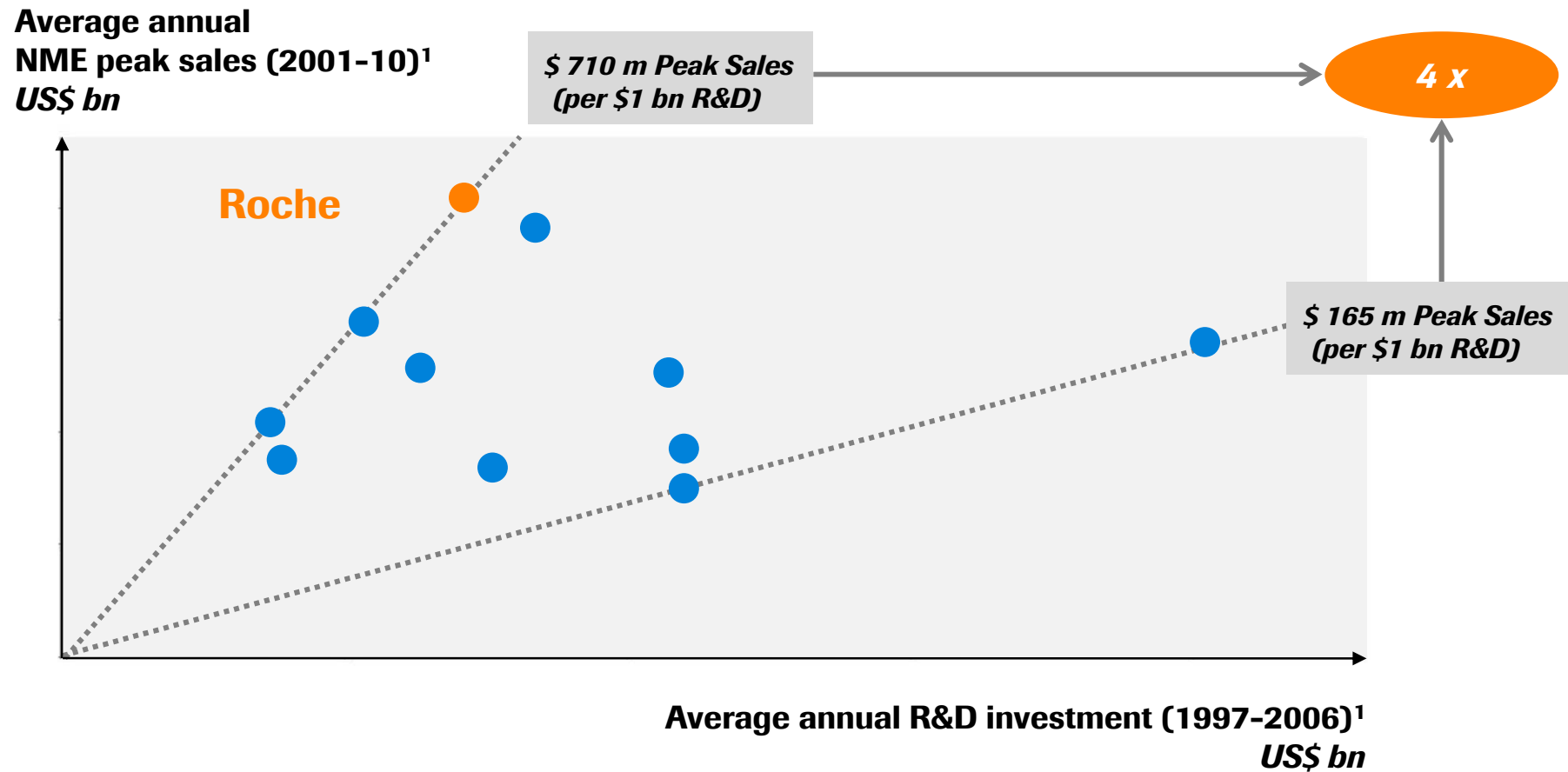
## Payors:

Optimised benefit / cost ratio

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



# R&D productivity differs substantially among players

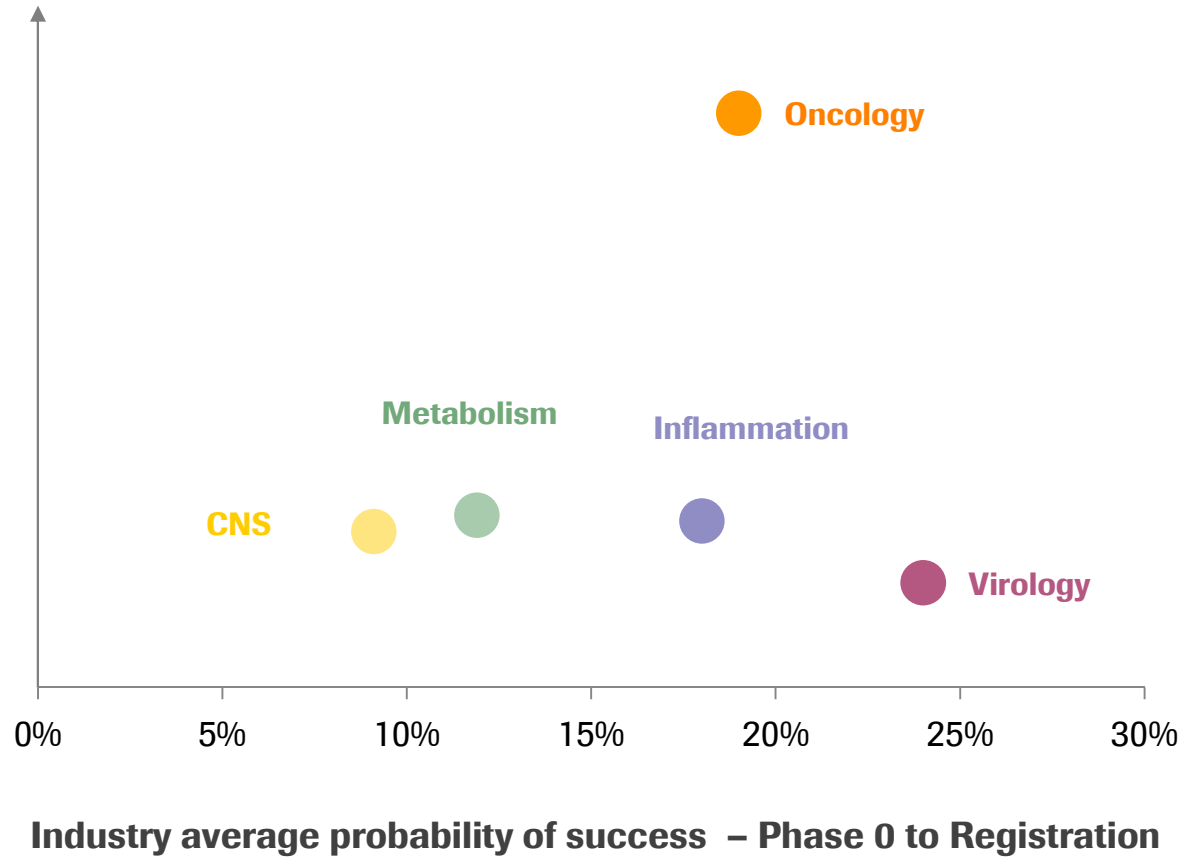


<sup>1</sup> Peak sales and R&D calculated pro forma to account for major M&A  
 Source: EvaluatePharma; BCG analysis; Roche analysis

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



2012 Roche budget



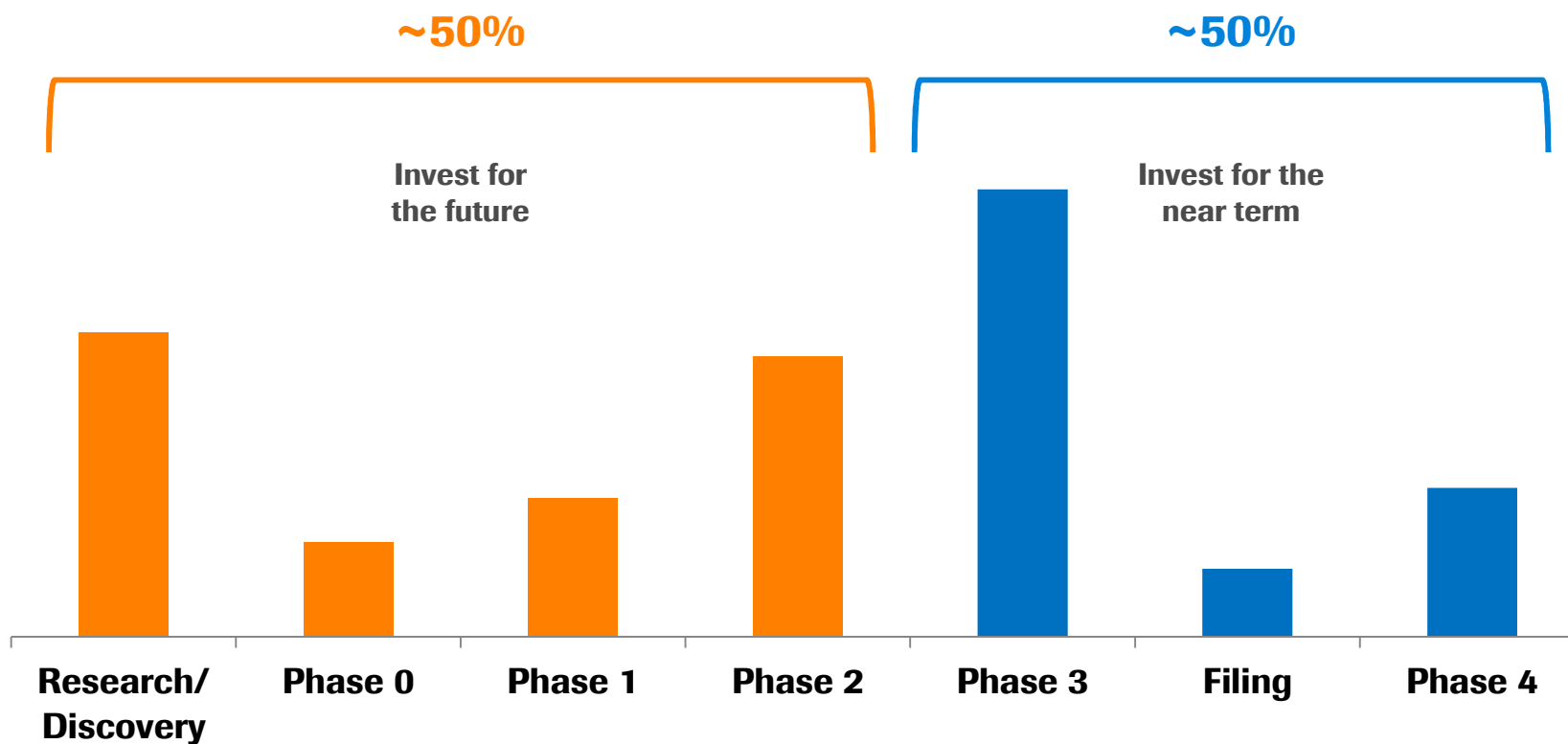
Source: Bernstein Equity Research, Tufts University and Roche analysis



# R&D spend: Balance between short and long term



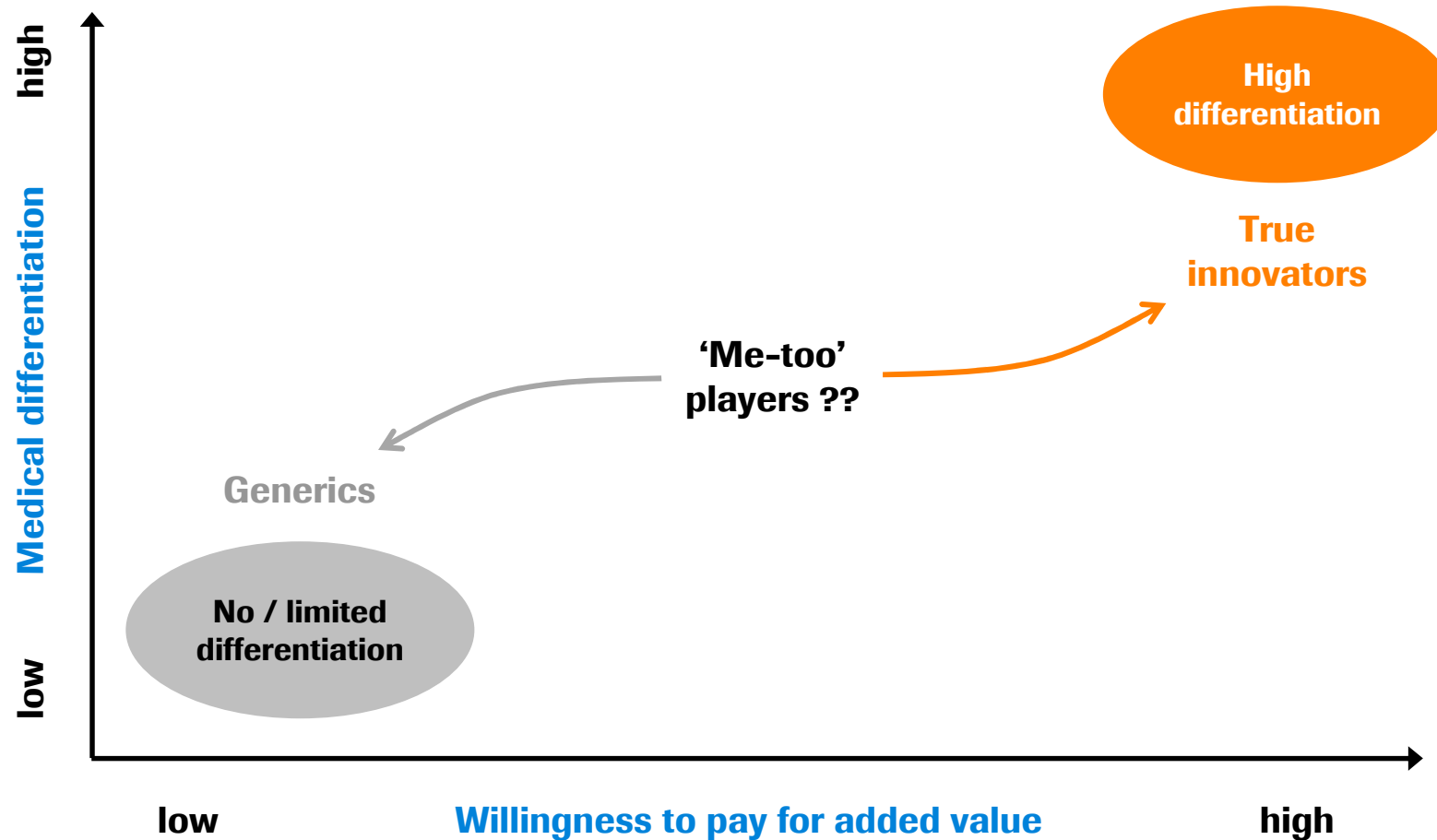
R&D spend by phase



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

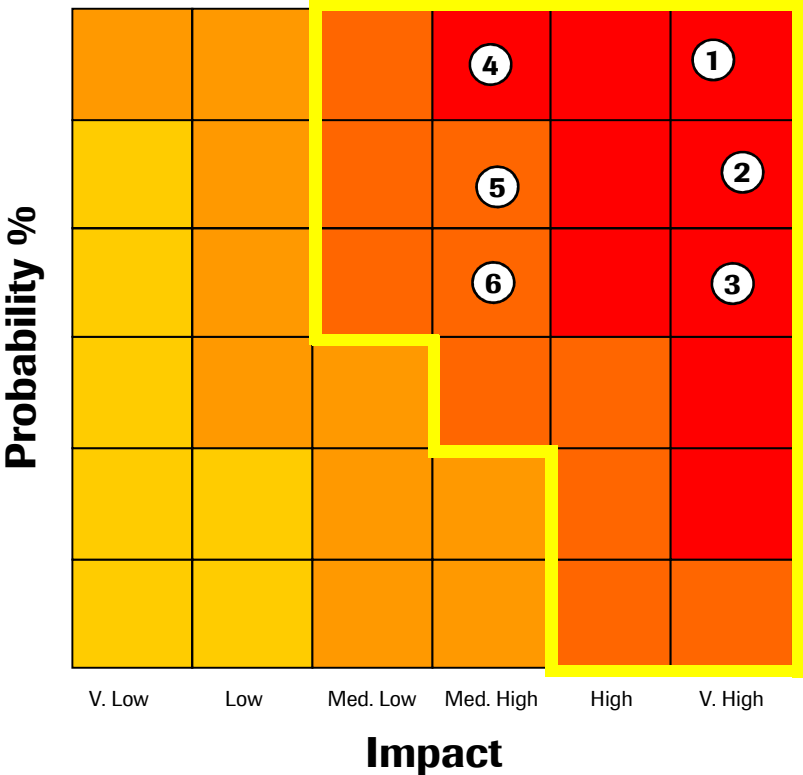
# Innovation + Sustainability = Remuneration

## *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
<b>Group</b>		<b>Late stage assets / Transitions</b>		<b>Employees</b>	
<b>Pharma</b>		<b>Personalized Healthcare</b>		▪ GEOS	
<b>Diagnostics</b>				▪ % female leaders	
				<b>Sustainability</b>	
				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**

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**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)*

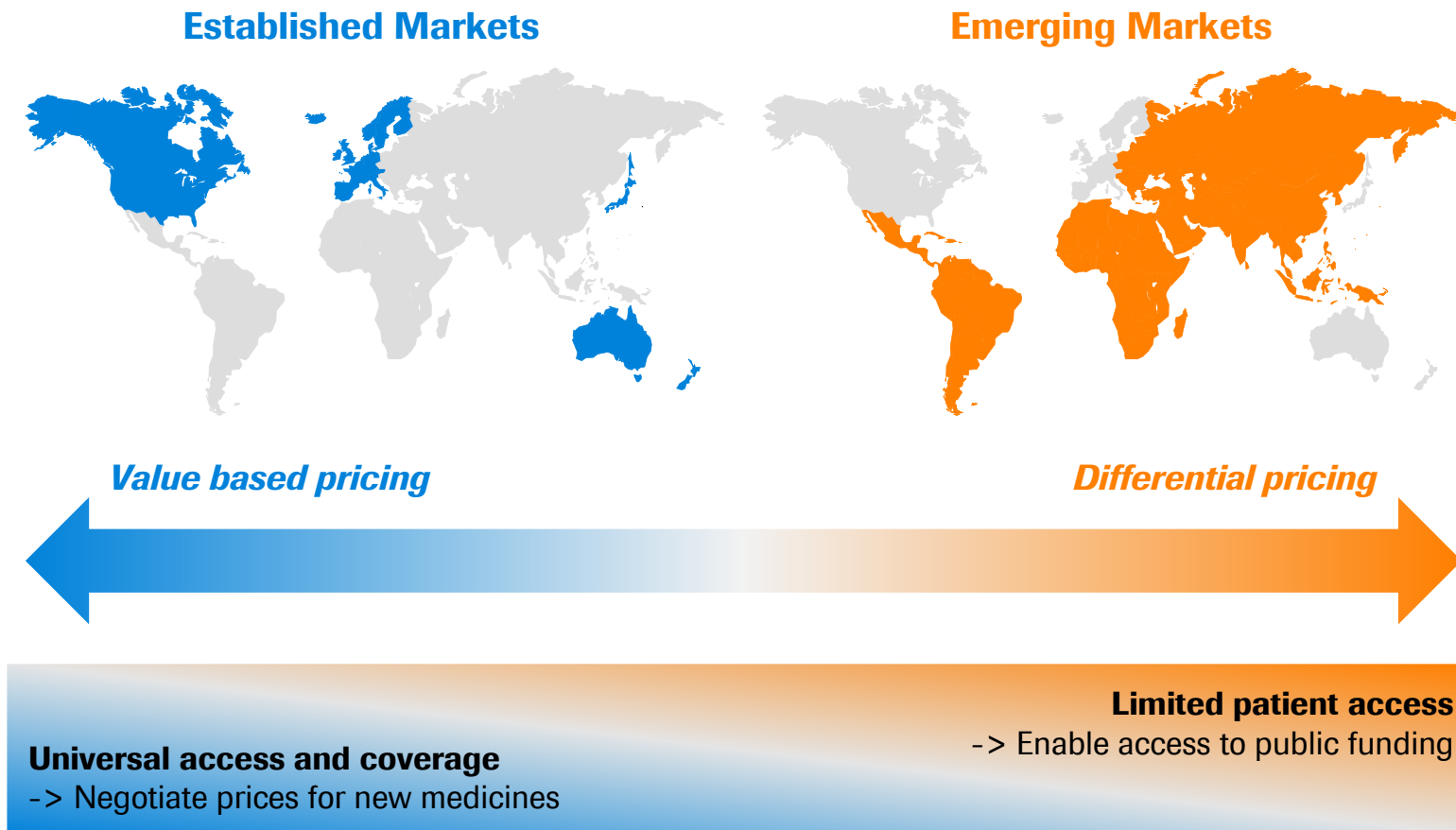
## Patients

### ***Increasing role in their health***

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

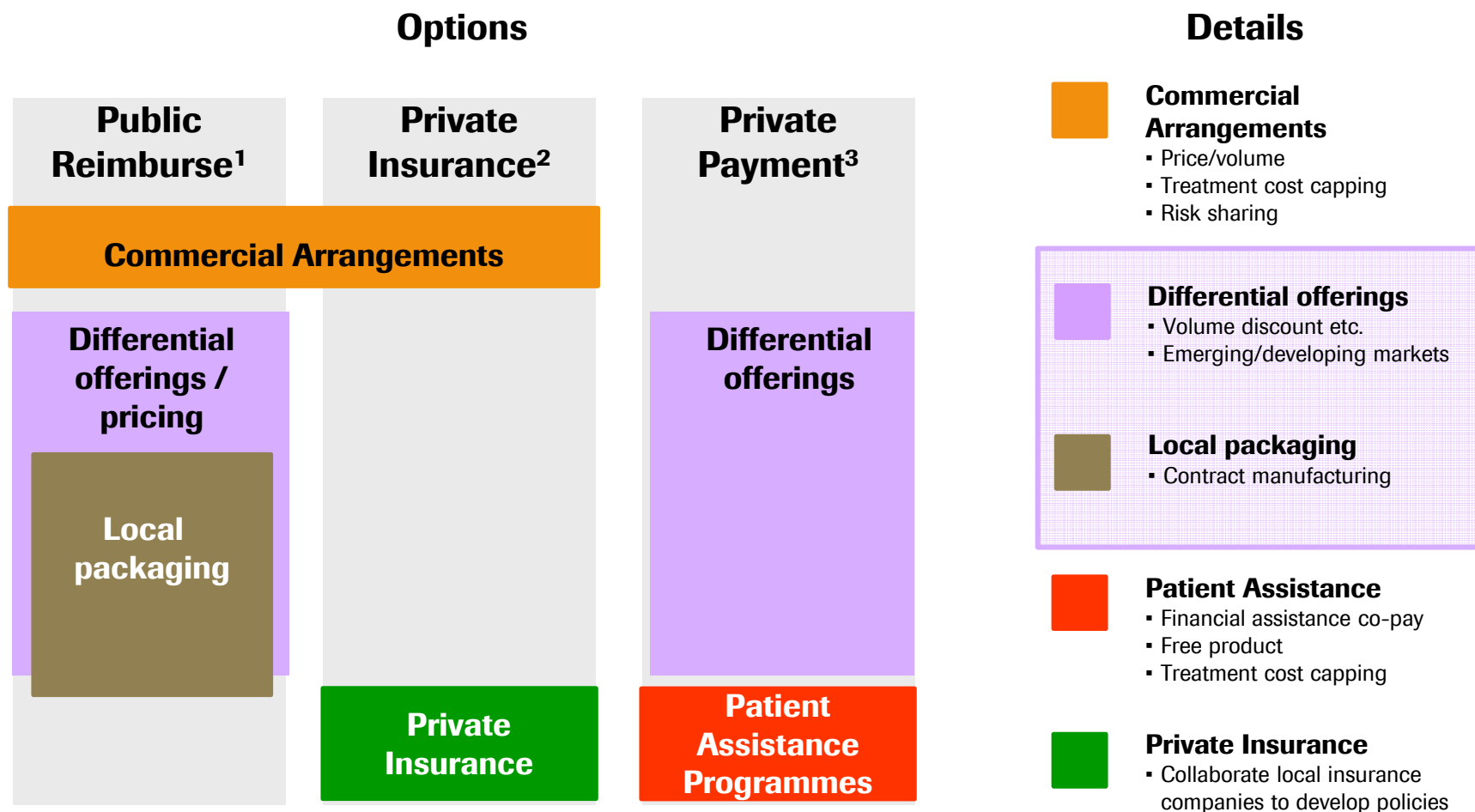


# Roche strategy: Tailor made access options for high value products



# Helping improve healthcare coverage

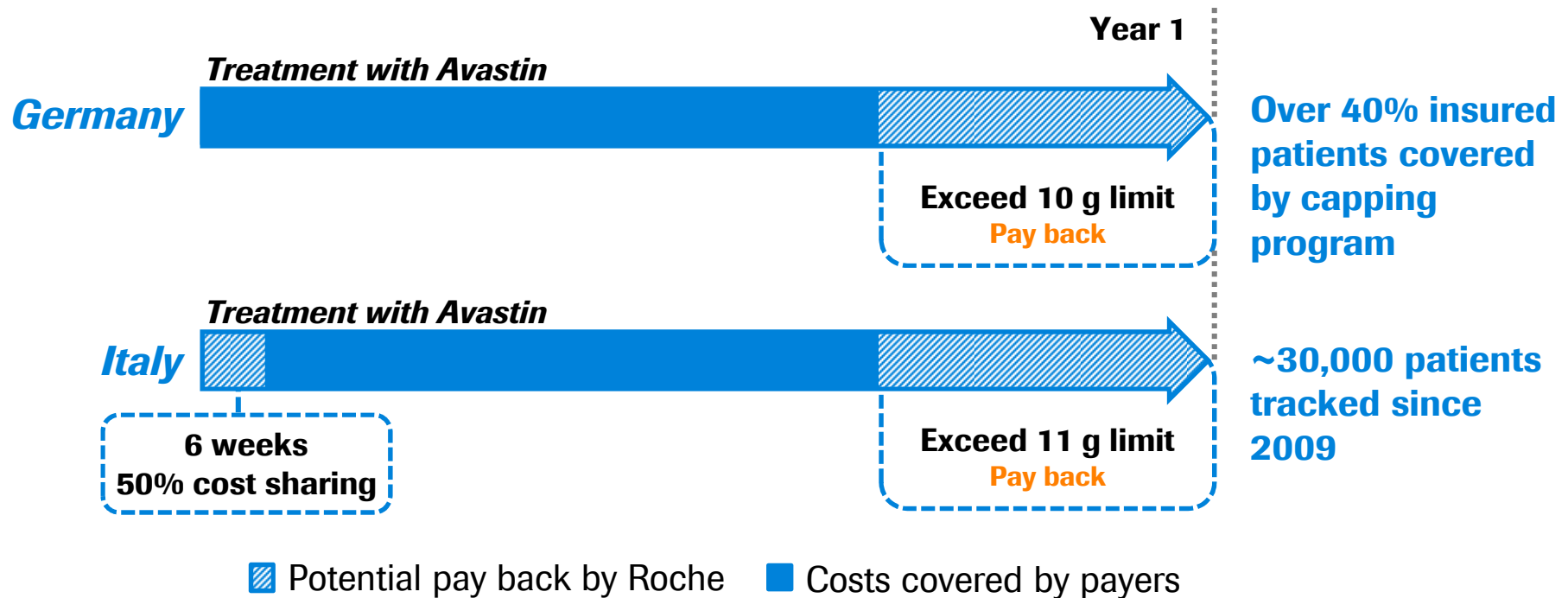
## *Toolkit of options to address affordability*



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

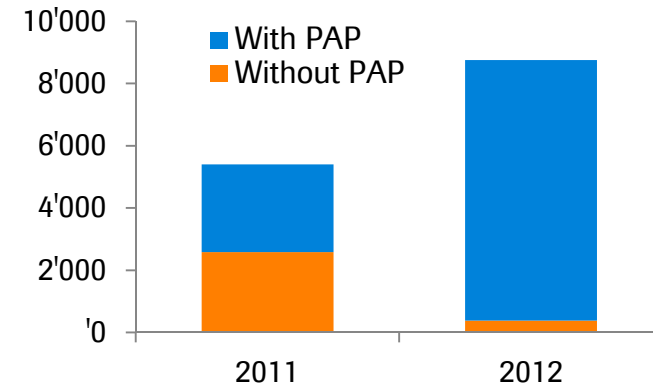
### Roche's approach:

- 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**

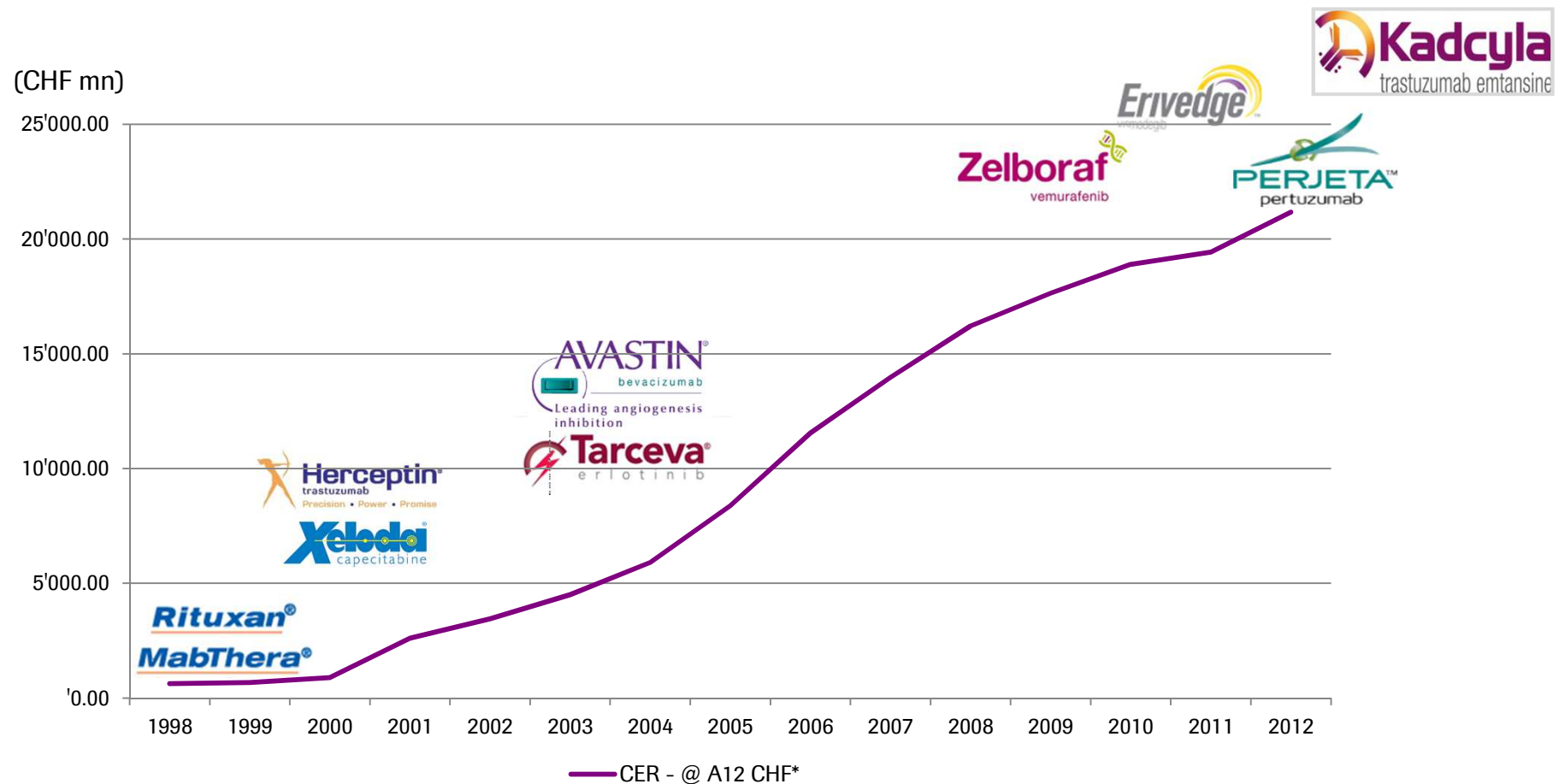
**Growth platforms**

**Summary**



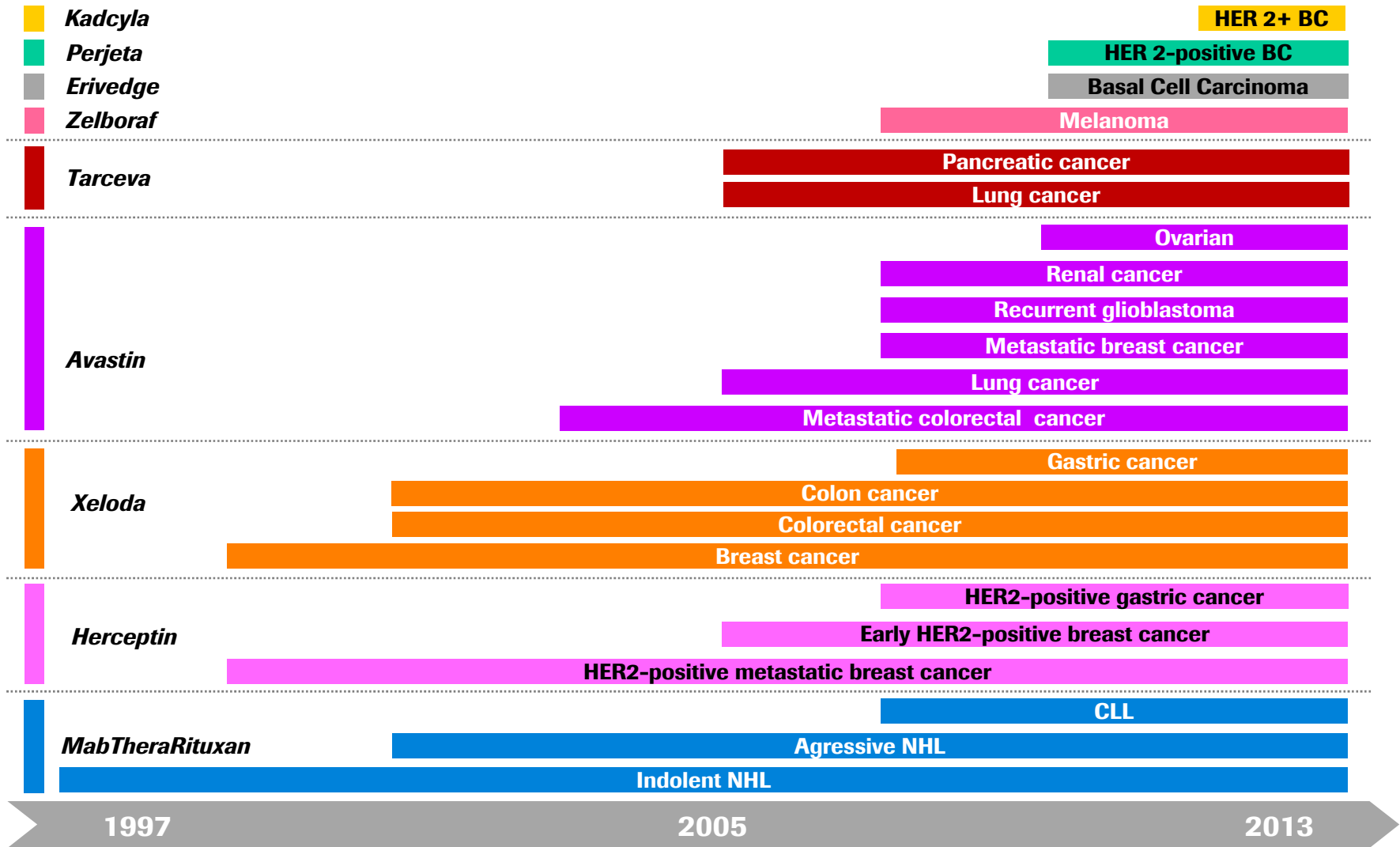
# Roche oncology

## *A portfolio of distinctive drugs*

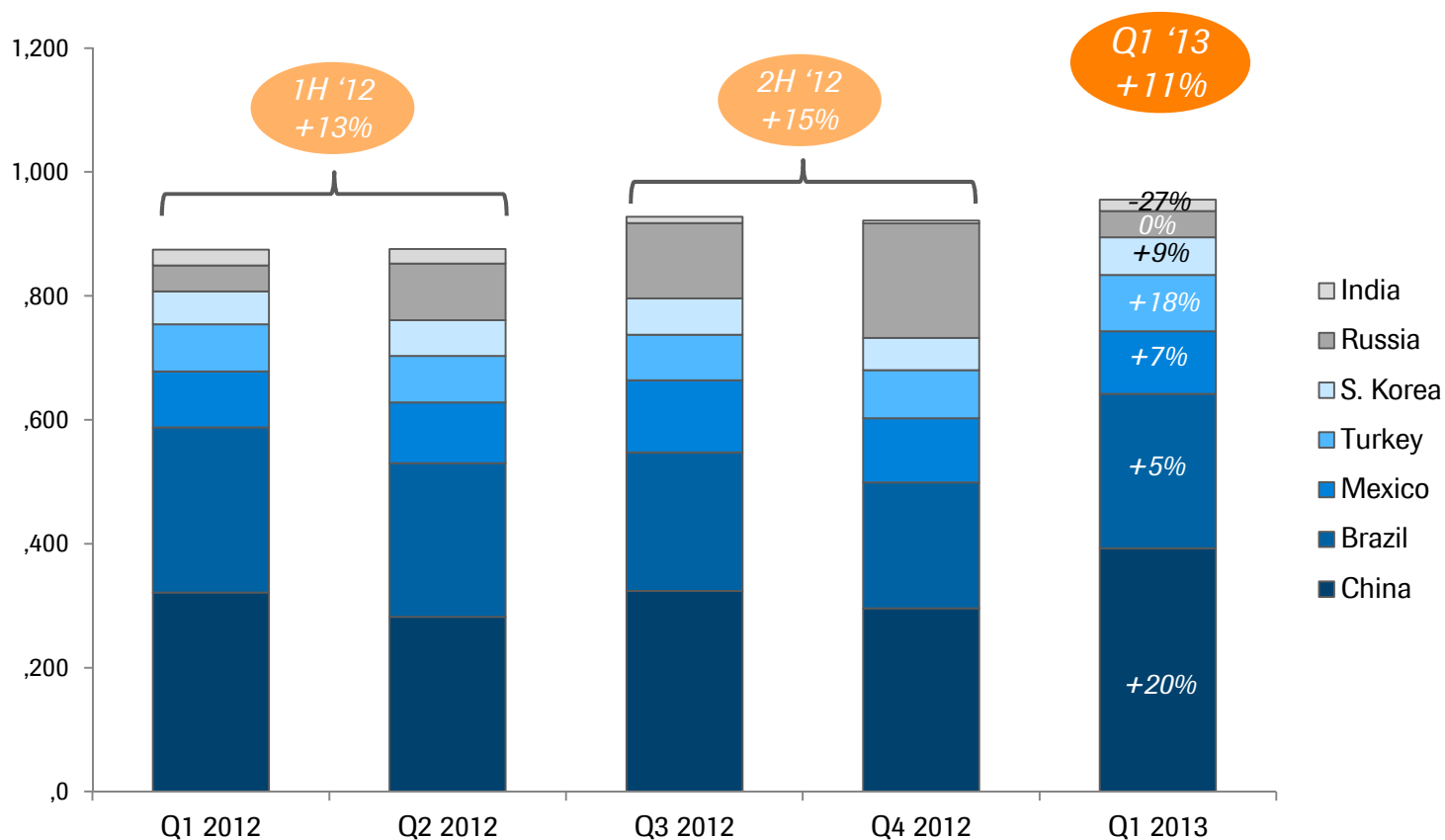


Note: Sales at 2011 FX rates

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



# Emerging markets remain strong



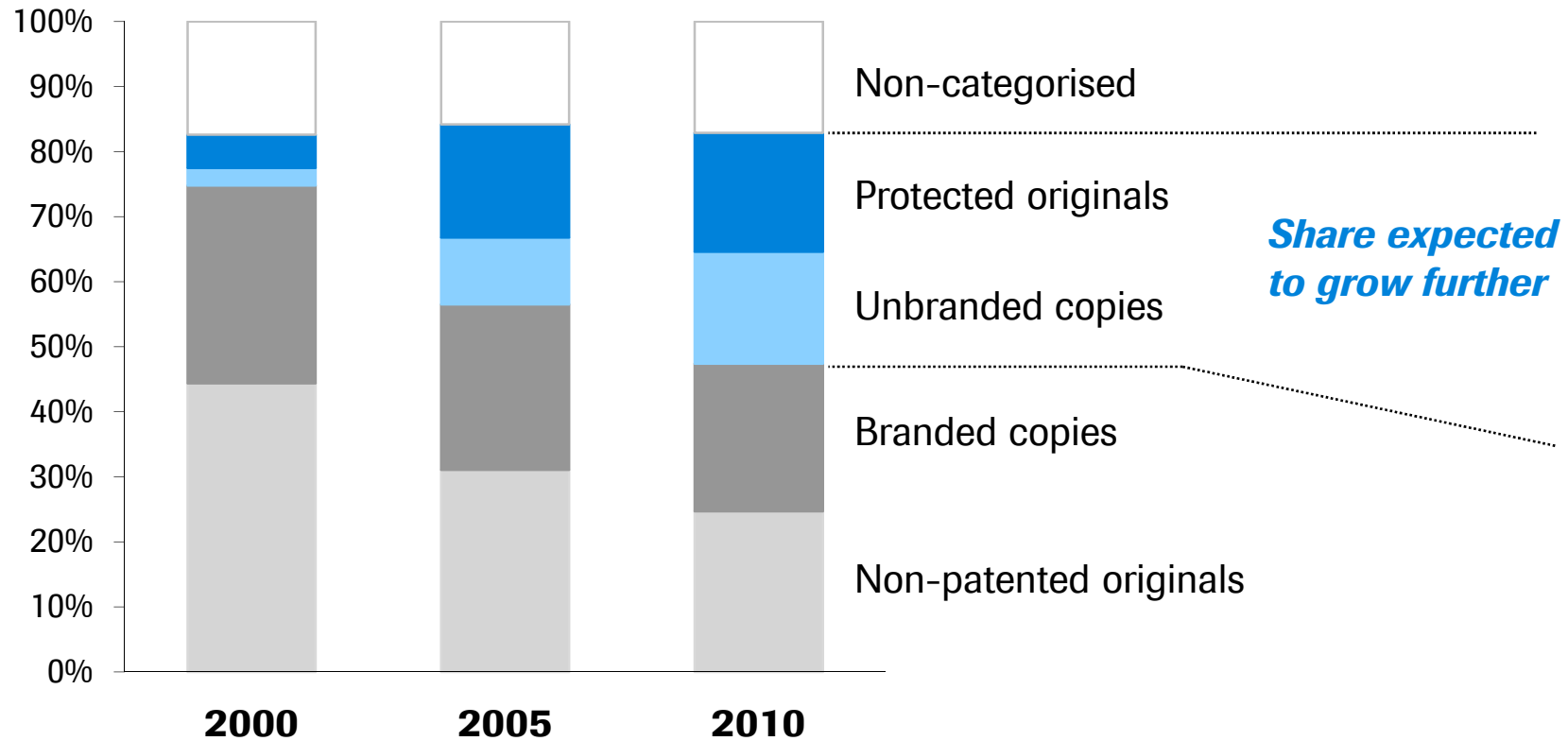
All growth YoY at CER=Constant Exchange Rates



# 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**

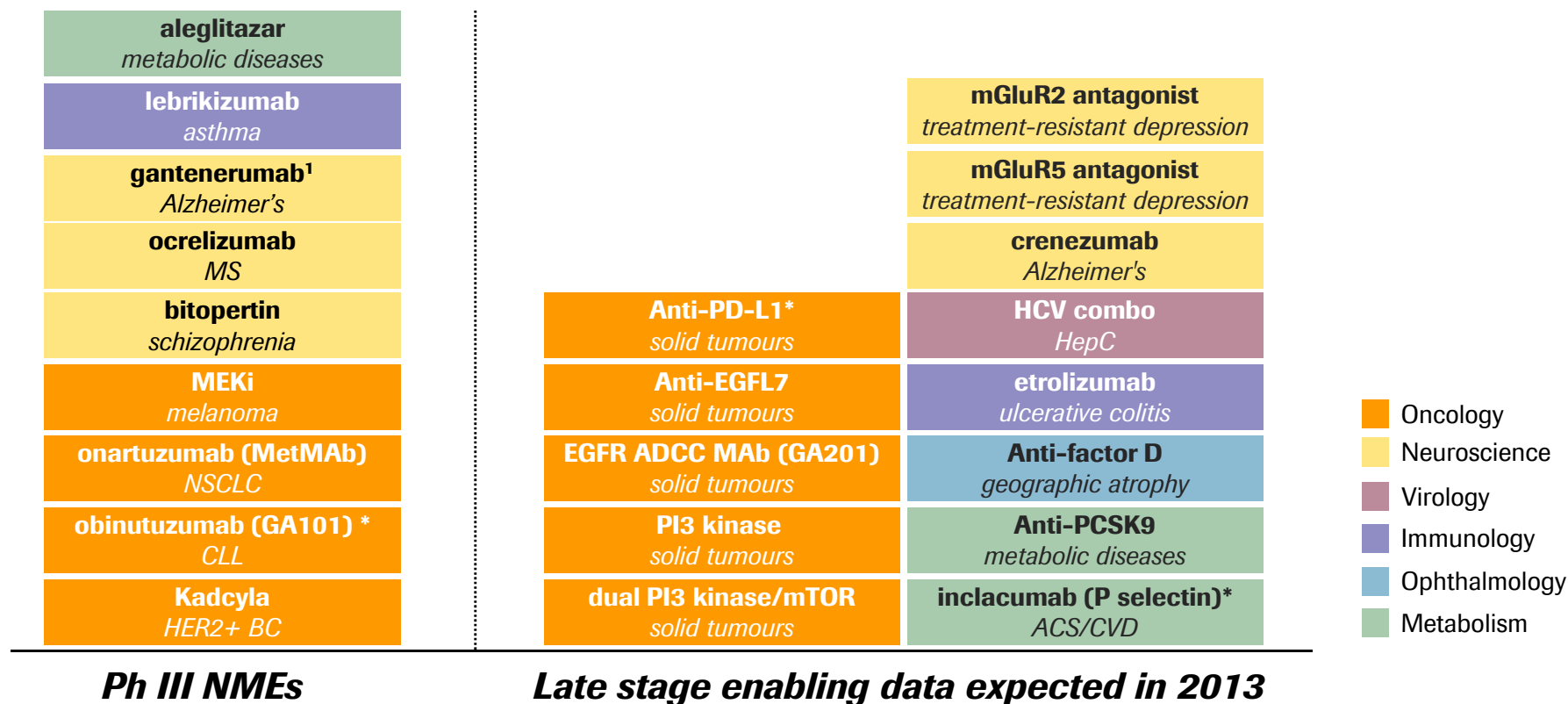
**Access to healthcare**

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**Summary**



# Q1 2013: Pipeline milestones



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

**2013 R&D to remain stable**

\*Data presentation planned/presented

<sup>1</sup>Phase 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**

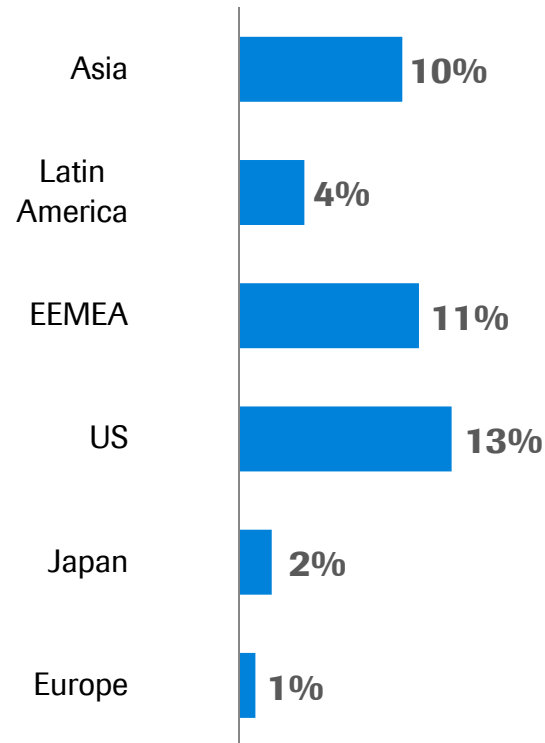
**Leading product pipeline providing value for the future**



*Doing now what patients need next*

# Q1' 13: US and Emerging markets driving sales growth

## Pharma



## Diagnostics

