Annual General Meeting
Roche Holding Ltd
13 March 2018

Address by Christoph Franz
Chairman of the Board of Directors

(Check against delivery)

Dear Shareholders, Ladies and Gentlemen

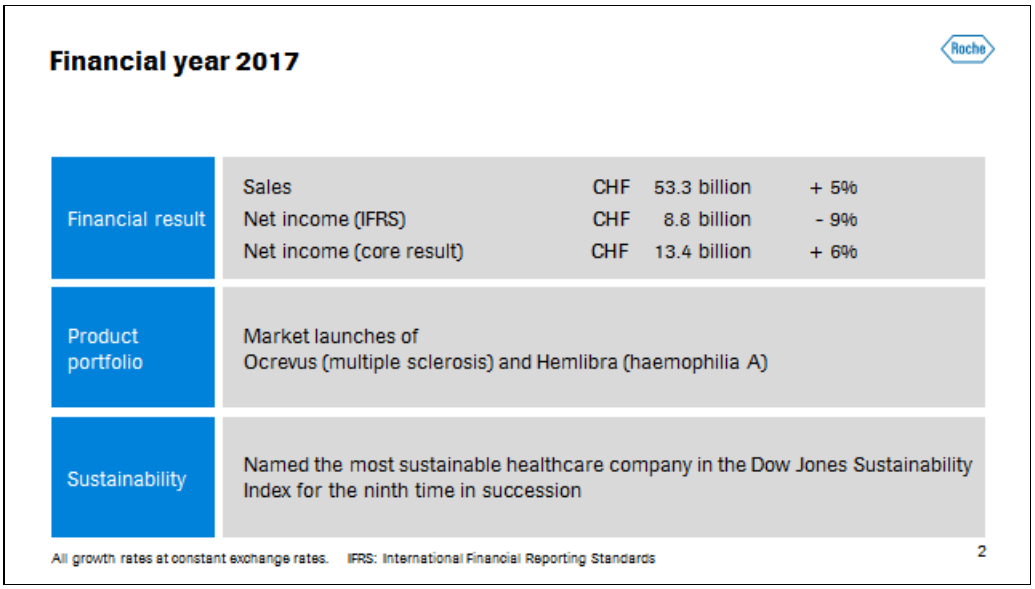
A very warm welcome to the Roche Annual General Meeting. – When you elected me as Chairman of the Board of Directors four years ago, I had good reason to contemplate the future of your company with **confidence**. When I compare the situation today with how it was then, I am more than delighted by what we – as Roche, with our workforce of around 94,000 – have achieved, and by our prospects for the future.

Looking back, it is extraordinary that, since the end of 2015, we have obtained regulatory approval for **six new medicines**, which have been extremely well received by doctors and patients. This large number is all the more remarkable if we reflect that, on a long-term average, only *one* to one-and-a-half new medicines in our research pipeline make it to market readiness per year (the industry-wide figure is only about 30). – This is because the incredible complexity of human biology means that around 90 per cent of drug candidates that are tested in human beings fail.

In addition to these six new medicines, we are also delighted to have made further remarkable progress with the implementation of our **personalised healthcare** strategy. But more on that later.

First a glance at last year's **key results**.

Financial year 2017

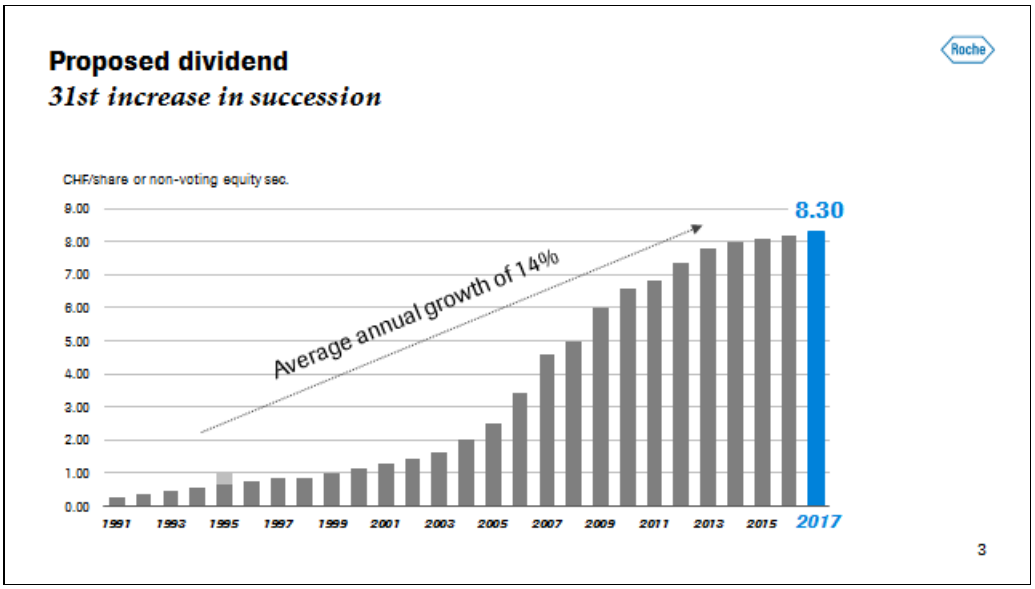


2017 was a successful financial year for Roche:

- **Sales** in both the Pharmaceuticals and Diagnostics Divisions rose 5% to a total of over CHF 53 billion. This growth was stimulated by the recent launches of Ocrevus, Tecentriq and Alecensa, which contributed some two-thirds of the growth in the Pharmaceuticals Division, and by immunodiagnostics business in the Diagnostics Division.
- **Net income** (in accordance with IFRS) fell 9% to CHF 8.8 billion, whereas based on the core result – i.e. excluding non-cash relevant amortisation and impairment of goodwill and intangible assets – it rose 6%.
- A particular highlight of 2017 was the successful **market launch** of **Ocrevus** for patients with multiple sclerosis, and the initial **approval** at the end of the year of **Hemlibra** for the serious blood clotting disorder haemophilia A. Mr Schwan will tell you more about this ground-breaking medicine in a moment.
- We are also delighted to have been named the **most sustainable healthcare company** in the **Dow Jones** Sustainability Index for the ninth year in succession; it spurs us on with an even greater will in this the tenth year. For me, it expresses how we think and act sustainably at all levels of the company.

One example of this is our efforts to **improve access to medicines**, another area in which we made progress in 2017. We worked with the authorities in China, for example, to get four of our cancer medicines added to the health insurers' reimbursement list. This has given 1.2 billion people access to our medicines, should they need them.

Proposed dividend



As previously announced, in light of our good full-year result, the Board of Directors has decided to propose to you a dividend of CHF 8.30 per share and non-voting equity security. Subject to your approval, this will be the 31st increase in succession.

Given the positive business outlook, we should be able to increase the dividend again in the current year.

Ladies and gentlemen:
Ours is a long-term business by nature, and I would therefore like to give you an **outlook** on our expectations for the coming years.

Transitional phase: New medicines at least compensate for losses due to biosimilars

Over the next few years, our portfolio will undergo significant **change** and **rejuvenation**. Cancer medicines will continue to dominate, certainly – Roche will remain the world's leading provider in oncology – but to a lesser extent: **new therapeutic areas** such as the neurosciences, and **diagnostics**, will become more prominent.

We will face **two key challenges** during the transitional phase.

The first will be the arrival on the market of me-too products for our biologically produced cancer medicines; initially for MabThera and Herceptin. Last year, competition from these products, called biosimilars, in the **Europe** Region already led to a slight decline in our pharmaceutical sales, but we are confident that the approval and successful launch of our **new medicines** like Perjeta, Ocrevus, Tecentriq and Alecensa – together with the latest launches of new products such as Hemlibra – will enable us at least to compensate for the sales we stand to lose.

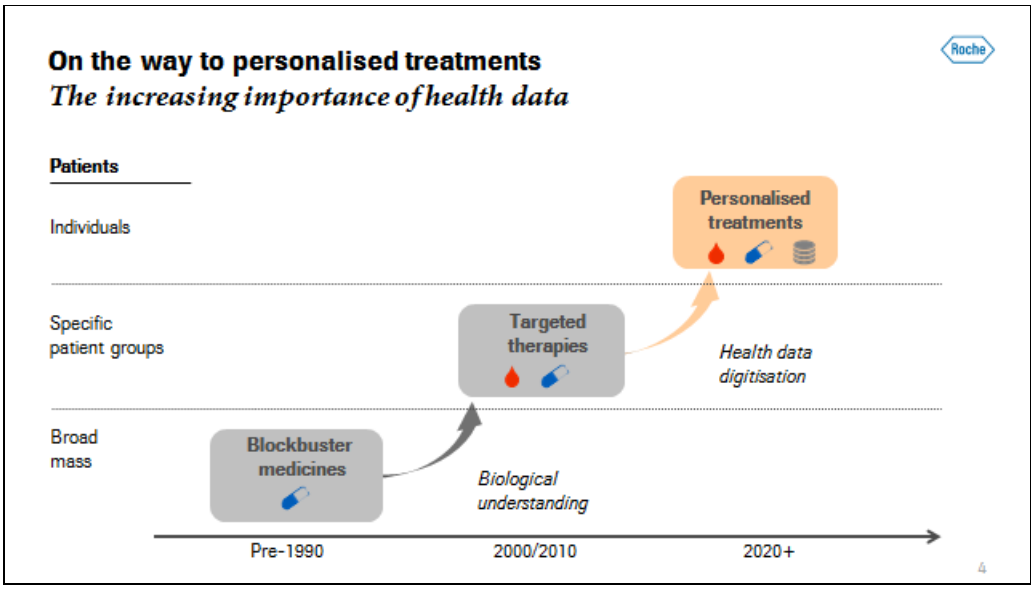
The second challenge will be fiercer **innovation competition**. In the cancer field alone, over a thousand clinical trials are currently being conducted in the industry. Roche is very well positioned here thanks to advances in **immunotherapy** and our broad development portfolio of **combination therapies**. At the end of 2017, for example, the combination of Perjeta and Herceptin for the treatment of early-stage breast cancer was approved in the USA after a trial showed that women receiving Perjeta are 19% less likely to suffer a recurrence of breast cancer. And that means many more women are now permanently cured.

It is and will remain our ambition to pursue **excellence in science** to give patients a better quality of life and help them to live longer where possible. To this end, we invested over **CHF 10 billion in research and development** last year, and we intend to maintain this level – which is

very high on a sector comparison. – After all, the demand for better diagnostics and therapies remains huge throughout the world – I'm thinking here of the increase in chronic diseases, the emergence of new epidemics, and the spread of antibiotic resistance.

Esteemed shareholders, we all know that people respond differently to medicines. It is for this reason that Roche decided so many years ago to make **personalised healthcare** its strategy – and has done pioneering work here. Now, as global leader in personalised healthcare, we will continue driving this strategy forward.

Driving personalised healthcare forward



Permit me to briefly go into the fascinating story of where we have come from and, above all, where we want to go.

- Up until the end of the last century, products known as **blockbuster medicines** dominated the pharmaceutical world. In other words, the same medicine for as many patients as possible. Today, we know that patients respond differently to the same medicines. Understanding the heterogeneity of diseases and the diversity of human genetics is crucial to the future of healthcare.
- In the last 10 to 15 years, a new era has begun: **therapies** have become **much more targeted,** more specific. This is due partly to our ever-improving understanding of what

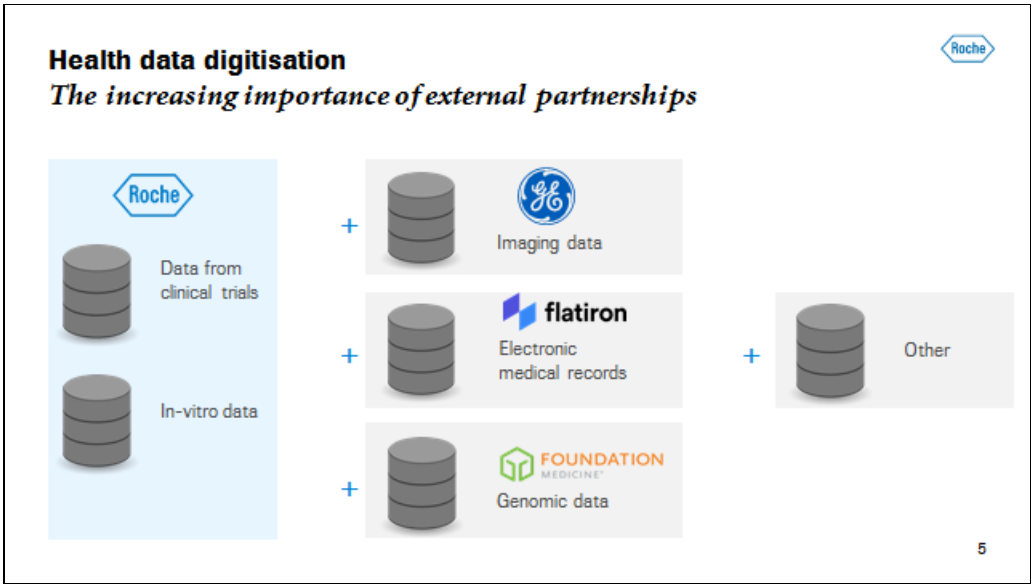
goes wrong in the cell and how diseases differ at the molecular level, and partly to modern diagnostics like PCR technology (a Roche development), which enables us to identify those **patient groups** who will respond to a therapy – thus avoiding adverse effects to the maximum possible extent. Roche has already introduced (inter alia) eight personalised cancer medicines with companion diagnostic tests. We have developed a biomarker strategy for each molecule in our product pipeline, and many are developed with companion diagnostics.

- Now, however, **"digitisation in healthcare"** has added a third component: an extra dimension, as it were, alongside pharmaceuticals and diagnostics. Essentially, this is about using information technology to capture, systematise and analyse large volumes of data generated in clinical practice, enabling valuable conclusions to be drawn about our medicines, and the linking of these real-world data with "internal" data from clinical trials. This is an incredible wealth of data, because things are seen in large volumes of data that are not evident in smaller-scale clinical trials. Personalised medicine, i.e. the **increasingly individual treatment** of patients, will therefore receive another enormous boost.

This represents a big challenge for us, because our strength lies first and foremost in the medical, the scientific area. Roche is not an IT company by tradition. Firstly, we need **access** to all these data in the "outside world", then we must analyse them. This means we shall be increasingly dependent on **new technologies** such as machine learning and artificial intelligence. For both aspects - access and analysis - cooperation with external professionals plays an important role.

This is why, as we embark on the next phase of personalised medicine, we have entered into a number of important partnerships that both strengthen and complement our own expertise.

Digitisation of health data – the increasing importance of external partnerships



In **Diagnostics,** we are currently selling instruments and the associated reagents with great success. Last year, more than **19 billion tests** were conducted with Roche instruments alone (almost 2.5 tests per earth-dweller)! - In future, we can well imagine selling more and more software, i.e. digital solutions, in order to make all the information "decision-ready" for the doctor or the patient. Diagnostic information has now become so complex that a single human brain is no longer capable of processing it.

Consequently, last year, we started introducing the **Navify Tumor Board**, a software package for medical teams in oncology, in hospitals. I was able to see this aid to clinical decision-making in action for myself in the Hospital del Mar in Barcelona, and I was impressed by the impact the platform had on the physicians' work. Navify helps them to analyse complex patient data on a multidisciplinary basis, and helps physicians from various specialisations to deduce the best recommendation for action in individual cases. Navify therefore represents an initial step on the path to data-driven precision medicine.

At the beginning of this year, as global market leader in in-vitro diagnostics, we announced a **cooperation with General Electric Healthcare**, a leader in in-vivo diagnostics. We took this step in order to integrate **imaging procedures** such as MRT and computer tomography into digital diagnosis platforms as well.

Our Pharma Division's **clinical trials**, involving around 300,000 patients a year, also constantly generate large volumes of data on the efficacy of new medicines. Two and three years ago respectively, we started working with Flatiron Health and Foundation Medicine in the USA, organisations that enable us to learn more about the 96% of patients who *do not* take part in clinical trials.

Our majority shareholding in **Foundation Medicine**, a leader in the field of advanced genome sequencing techniques, brings us closer to our goal of finding targeted treatment options for all patients – especially those with rare forms of cancer.

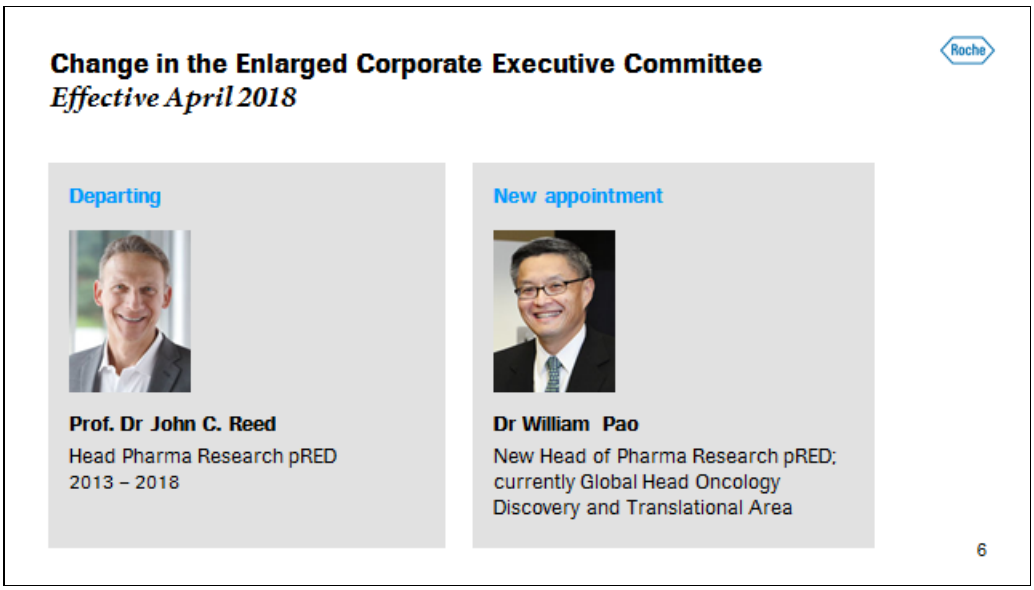
The recently announced 100% acquisition of **Flatiron Health** is also an important step in raising personalised medicine to the next level. Flatiron gives us access to anonymised data on cancer patients, collected in clinics and academic research centres. The data are of a quality that satisfies the requirements of both research and the health authorities. Clinical practice data, for example, enabled us to secure the reimbursement of the costs of our lung cancer medicine Alecensa in Europe. I am convinced that this will enable us to push the boundaries of cancer medicine even further.

One of our main concerns in the years to come will be how we can make increasingly better use of this wealth of internal and external data in order to develop customised diagnostic decision-making aids for clinical practice, and optimised individual therapies for patients.

This will include **selective acquisitions** to supplement our portfolio, such as the recent decision to acquire **Ignyta.** This company develops therapies specifically for patients suffering from rare forms of cancer. Ignyta's principal investigational medicine targets two gene mutations that occur in only 1% of all solid tumours, but which nonetheless affect some 14,000 patients

worldwide. A targeted therapy of this kind requires a precise diagnosis, which is where Roche Diagnostics and our cooperation partner Foundation Medicine come into play.

Change in the Enlarged Corporate Executive Committee



Ladies and Gentlemen

I would now like to inform you of a change in our Enlarged Corporate Executive Committee. As you have already been informed, John Reed, Head of Roche Pharma Research & Early Development (pRED) and member of the Enlarged Corporate Executive Committee., has decided to leave the company and return to the USA for personal reasons effective 2 April 2018.

Over the past five years, John Reed has made many valuable contributions to the company. I would particularly like to mention the demonstration of efficacy of eight new substances for important new indications. This includes new treatments for autism and to counter antibiotic resistance. I would like to thank John Reed, also on behalf of the Board of Directors and the Corporate Executive Committee, for all he has done for the company – thank you very much John!

We have appointed William Pao, currently Head of Oncology at pRED, as John Reed's successor. He will take up his position in the Enlarged Corporate Executive Committee at the beginning of April, and will report to Severin Schwan. William Pao has been with Roche since 2014. He is a US citizen and graduated from the renowned Harvard and Yale universities in medicine and natural sciences. He is recognised in his field as a proven physician and scientist, thanks to his pioneering work in targeted cancer treatments and leading role in cancer genomics and personalised medicine.

I am delighted that, in William Pao, we have been able to secure a leader from our own ranks for this position – this bears witness to our long-term personnel planning, and ensures that Roche can pursue the development of its current research priorities with seamless continuity

Dear Shareholders
To conclude, I want to emphasise how important **corporate culture** is to an innovation-focused company like Roche. Here at Roche we have a unique culture – of respect, trust and amicable cooperation – which is decisive in enabling us to recruit and retain the most **talented** staff both in medicine and closely associated information technology. In a sector in which innovations do not emerge overnight based on random ideas, we are also very mindful of the value of the long-term orientation of our **owner families**. I would especially like to thank the Hoffmann and Oeri families for their support, and for their determination to continue this tradition, because it is this that fosters the forward-looking spirit and courage to innovate that define the work of our 94,000 employees throughout the world.

Dear Shareholders,
On behalf of the Board of Directors, I would like to thank you for the trust you have placed in our company. Before I hand over to Severin Schwan, I want to thank the entire **Corporate Executive Committee** and all our **employees** for their fantastic work and impressive commitment.

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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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