



**Annual General Meeting**  
**Roche Holding Ltd**  
**5 March 2019**

**Address by Christoph Franz**  
Chairman of the Board of Directors

**(Check against delivery)**

Shareholders, ladies and gentlemen

2018 was an excellent year for Roche. 2018 was also an eventful year – not only for our company, but at the political level too. I am thinking here of the growing geopolitical tensions, in particular the trade conflict between the USA and China, but also the rise of populism and nationalism, as well as signs of accelerating climate change. Negative headlines have been dominating the news.

That said, there are also a lot of positive developments to report – especially in the healthcare sector, where Roche operates. The health of the world's population is constantly improving, more and more people are gaining access to healthcare provision, and life expectancy continues to increase globally.

Another key factor here is the progress made by medicine in the fight against serious diseases such as cancer – a treatment area in which Roche is a leading player (and has been for years). While it is true that the number of cancer cases is rising worldwide in absolute terms, the chances of surviving cancer have increased significantly. Highly innovative biopharmaceuticals can be used in a much more targeted way and thus save costs; they improve the quality of life, prolong lives – sometimes by years – and can save lives. For instance, a clinical trial conducted last year with Alecensa showed that this new Roche medicine massively reduced both the risk of disease progression and the risk of death in patients with an advanced lung tumour.

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Our biggest contribution to society is and has always been the development of medicines and diagnostics that significantly improve people's lives. This is why last year we invested more than 11 billion Swiss francs in research and development alone – more than any other healthcare company. But external innovations are also important to the future success of Roche. For that reason, we announced a week ago that our aim in acquiring US-based Spark Therapeutics is to substantially expand our presence in the promising gene therapy space. Among other clinical

assets, a novel gene therapy for the treatment of the bleeding disorder haemophilia A is at an advanced stage.

Ladies and gentlemen

I will come later in my address to our progress in personalised medicine. But first I would like to present the 2018 key financial figures, focusing above all on China's growing significance for Roche.

## Highlights 2018

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Financial result	Sales	CHF	56.8 bn	+ 7%
	Core net income	CHF	16.0 bn	+ 20%
	Net income (IFRS)	CHF	10.9 bn	+ 24%
Product portfolio	<ul style="list-style-type: none"> <li>• Market launch of Xofluza (influenza)</li> <li>• 6 Breakthrough Therapy Designations</li> </ul>			
Sustainability	Named the most sustainable healthcare company in the Dow Jones Sustainability Index for the tenth year in a row			
All growth rates at constant exchange rates.				

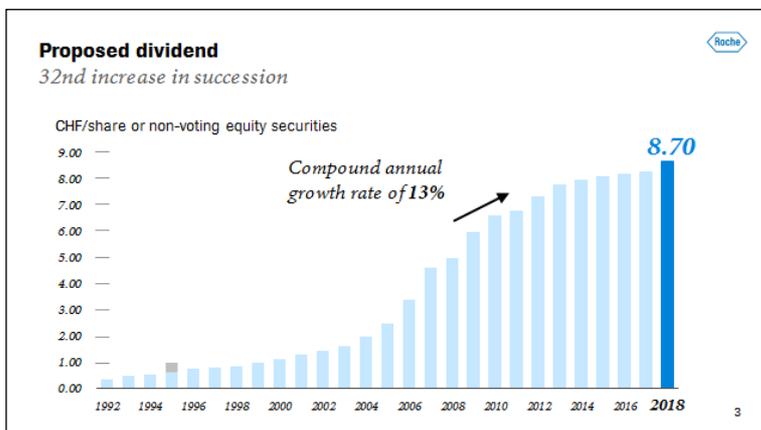
Our financial result reflects our innovative strength. Last year Roche achieved very good results in both divisions:

- Group sales grew by 7% to 56.8 billion Swiss francs. This is due first and foremost to strong demand for our new medicines, which offer patients a considerable improvement in serious diseases such as cancer, multiple sclerosis (MS) or haemophilia. Generating sales of 2.4 billion Swiss francs in the first full financial year, MS drug Ocrevus marks the most successful product launch in Roche's history.
- Core net income increased by 20% to 16 billion Swiss francs.
- Net income (under IFRS) was up by 24% to 10.9 billion Swiss francs. – These impressive figures point to a strong business performance.
- It is crucial for the future that we also made further significant advances in the development of our product pipeline. One of last year's highlights was the approval of

our new influenza medicine Xofluza in the USA. Severin Schwan will present this new medicine to you in somewhat more detail in his subsequent address.

- Over the last six years, the US Food and Drug Administration (FDA) has granted Breakthrough Therapy Designation to no fewer than 26 of Roche's drug candidates. Six of them achieved this status in 2018 alone, plus a further two in the current year. This puts Roche among the best in our industry - an achievement we are proud of. Successful new launches plus a strong development portfolio make us confident that Roche will continue on its trajectory of growth despite a number of important medicines going off patent, facing competition from biosimilars.
- Roche was, after all, named the most sustainable pharmaceutical company in the *Dow Jones Sustainability Index* for the tenth time in succession - welcome recognition of the way we both think and act sustainably at all levels of the company. I am highly pleased by this distinction, but regard it primarily as an obligation to keep running our business responsibly, with a long-term, integrated perspective.

## **Dividend**



In light of the positive business performance, we have decided to propose to you a 5% increase in the dividend to 8.70 Swiss francs per share and non-voting equity security. Subject to your approval, this will be the 32nd consecutive dividend increase.

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Ladies and gentlemen

In order to (sustainably) strengthen our business performance, it is important to keep expanding in the markets that have high potential.

Last year, sales in China contributed to the encouraging results achieved by both divisions. Diagnostics sales increased by 16%, while Pharma sales were up by an impressive 27%. This prompts me to take a slightly closer look at China.

## **Roche in China**

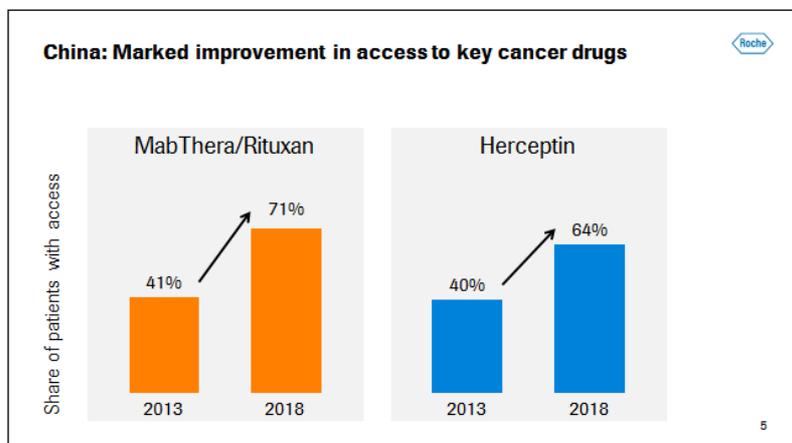


Roche opened its first office in Shanghai as early as 1926 – becoming one of the very first non-Chinese companies to have a presence in China. In just the last ten years, China’s significance for Roche in terms of sales has increased more than fivefold.

During this period, China has advanced from the tenth to the second most important market behind the USA. And I am convinced that China’s significance for Roche will continue to grow.

Why is that?

## **Marked improvement in access to key cancer drugs**



A key factor here is improved access to innovative medicines. In China, only a relatively small number of patients with private insurance could benefit from our cancer medicines until 2011. That was when we launched various initiatives together with local partners to improve access to our medicines. In recent years, the focus was mainly on two of our leading cancer drugs – Herceptin for breast cancer and MabThera/Rituxan for leukaemia (both included on the World Health Organisation’s List of Essential Drugs in 2015) – and we concluded various agreements for the reimbursement of these two products.

Another key development in patient care is that, in 2017, four of our leading medicines were added to China’s national reimbursement list.

This greatly increased the share of patients with access to these innovative medicines – to 71% in the case of MabThera/Rituxan and to 64% for Herceptin.

Chinese patients today sometimes have faster access to modern therapies than patients in Europe – it is a declared aim of the Chinese government for the entire population to have access to state-provided healthcare in ten years’ time.

## **Roche in China – Expanding to become the leading healthcare company**



The country not only offers an immense market with over 1.3 billion inhabitants needing more and more new and innovative medicines and diagnostics tests, it also offers optimal conditions for “made in China” innovations and is well on the way to joining the world leaders in the life sciences and biotechnology.

China is already among the top research spenders worldwide – most notably for the promotion of science and basic research. It also takes a generally open and positive stance towards modern sciences and technologies.

Roche recognised the country’s huge potential early on: we were the first company to build a complete pharmaceutical added-value chain in China, from research and development through to production, marketing and sales.

We continue to invest heavily to maintain our position at the forefront of the Chinese market over the long term. Just last year, our new diagnostics manufacturing facility in Suzhou became operational, and at the end of the current year a new F&E laboratory building is opening in Shanghai.

China is (also) making enormous progress in the pioneering field of healthcare digitalisation. I expect an average big city in China today has more health data than the entire Swiss healthcare system. Digitalisation would allow China to build a leading-edge healthcare system in a short

space of time, which could also spell a major advantage for research-driven companies in the country.

### **Personalised healthcare**

Digitalisation of healthcare also offers Roche immense opportunities to realise our vision of personalised medicine. We have made great progress here in the use of data from medical practice and the application of cutting-edge data analysis techniques. To this end, Roche concluded two important transactions in 2018, notably the full acquisition of Foundation Medicine and Flatiron Health in the USA.

Both companies specialise in generating meaningful data that contribute to the better understanding and treatment of diseases such as cancer. And they will both continue to work not only with Roche, but with numerous other companies and institutions as well. It is crucial that the data is broadly accessible.

This is the only way that all major actors together can derive insights from large volumes of data and jointly drive advances in personalised cancer treatment.

Foundation Medicine conducts analyses of the human genome – i.e. of the DNA – in cancer patients to identify the best cancer therapy in each individual case. This procedure is becoming increasingly established in medical practice. In a subsequent step, patients' treatment outcomes are compared with their genomic analysis so that we can better understand which treatment is most effective for which patient – and thus discover new therapeutic approaches.

## **Cancer patient Michael Negrin – FoundationOne**

**Still alive thanks to targeted cancer therapy** 



*“They gave me one year. That was three years ago.”*

Michael Negrin, Israel

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The story of Michael Negrin from Israel – as told in our Annual Report – is an impressive one. Three years ago he was found to have an aggressive bladder cancer. Since the cancer had already spread, he had a life expectancy of only around one year. He underwent intensive chemotherapy – but showed no improvement. His doctor then learned about the FoundationOne genomic test (offered by Foundation Medicine). It was able to identify the specific mutation causing his disease.

The results of the test were astonishing: the mutation that triggered his bladder cancer was actually typical of breast cancer! A combination of two targeted breast cancer medications then brought about a significant improvement in his state of health. Today – some three years after the diagnosis – Michael Negrin leads an active life and is almost cancer-free.

He says that the additional time he has been given to spend with his family, with his granddaughter, is infinitely valuable to him.

This FoundationOne test received regulatory approval in Switzerland, too, in 2018. We are naturally delighted that it is reimbursed by health insurance companies here as well.

As Michael Negrin’s story shows: data have enormous potential. Especially when available in sufficient quantity and of high quality.

If further progress is to be made in the use of data – including in Switzerland – it is vital that regulation keeps up with technological development so that the approval and reimbursement of personalised therapies can evolve rapidly. Especially in the case of rare diseases, low patient numbers mean there are very few data available from large multinational studies. If we could submit more “real-world data” – in other words, data from clinical practice – in regulatory filings, this would speed up development and give patients access to new therapies sooner. This calls for clear regulations on the quality, use and acceptance of such data. Data protection solutions need to be found without preventing access to data. – We owe this to patients.

### **Changes on the Board of Directors/Corporate Executive Committee**

**Changes: Board of Directors and Corporate Executive Committee**

Board of Directors	Corporate Executive Committee	
<b>Proposed new member</b>	<b>Departures</b>	<b>New appointments</b>
 <b>Professor Hans Clevers</b> Professor of Molecular Genetics, University Medical Center Utrecht, NL	 <b>Daniel O'Day</b> CEO Pharma until 31.12.2018	 <b>William (Bill) Anderson</b> CEO Pharma since 1.1.2019
	 <b>Roland Diggelmann</b> CEO Diagnostics until 30.9.2018	 <b>Dr Michael Heuer</b> CEO Diagnostics since 1.10.2018 (ad interim)
	 <b>Dr Sophie Kornowski-Bonnet</b> Head Roche Partnering until 31.7.2018	 <b>Dr James H. Sabry</b> Global Head Pharma Partnering since 1.8.2018

Ladies and gentlemen, to conclude I would like to draw your attention to various changes on our Board of Directors and on the Corporate Executive Committee:

- I am delighted today to be able to propose that **Professor Hans Clevers**, an outstanding scientist, be appointed as a new member of the Board of Directors. Hans Clevers is Professor of Molecular Genetics at the University Medical Center in Utrecht, Netherlands. He will strengthen the Board with his long-standing expertise and experience in the area of medical research.
- Our Corporate Executive Committee also witnessed some changes last year: **Sophie Kornowski-Bonnet** stepped down from Roche’s Enlarged Corporate Executive Committee last year after a successful 12-year career, latterly within the Partnering organisation. We are pleased to have found an in-house successor in **James Sabry** who, with his expertise in

medicine, science and business development, has successfully taken over the role of Global Head of Partnering.

- I also take this opportunity to warmly thank **Roland Diggelmann**, who left the company at the end of September, for his valuable contributions within the Diagnostics Division over the last ten years. **Michael Heuer**, Head of Diagnostics for the Europe, Middle East, Africa and Latin America region, has taken over as acting CEO of the Diagnostics Division.
- Finally, I wish to extend heartfelt thanks to **Daniel O'Day**, most recently CEO of Roche Pharma, who has taken up a new challenge outside the company. Dan O'Day achieved a huge amount during his 31-year career with Roche and was instrumental in putting us at the forefront of personalised medicine. But here, too, I can only stress that we have found a strong in-house successor in **Bill Anderson**, former CEO of Genentech.

Many changes, but strong new appointments as well. I am convinced that we are well equipped to face the future with the new, very experienced members of the Corporate Executive Committee. I am particularly pleased that we were able to recruit leaders for these roles entirely from our own ranks. Not least of all, it testifies to our long-term personnel planning, and ensures that Roche can continue advancing its personalised medicine strategy both seamlessly and consistently.

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Ladies and gentlemen

On behalf of the Board of Directors, thank you for your trust in our company. Before handing over to Severin Schwan, I would like to thank the entire Corporate Executive Committee and all employees for their superb work and tireless dedication.

Thank you very much.

This speech/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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