



**Annual General Meeting**  
**Roche Holding Ltd**  
**3 March 2015**

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

**(Check against delivery.)**

Dear Shareholders, Ladies and Gentlemen,

It's already been a year since you put your trust in me and appointed me as Chairman of the Board of your company. I've used the first twelve months to visit Roche sites in all the big markets - in Europe, the USA and Japan - as well as some of the smaller markets such as Malaysia and Kazakhstan. There were two things in particular that impressed me.

The first is the high degree of professionalism and engagement that Roche employees around the world demonstrate in working towards a common goal: Helping to improve the quality of life and, where possible, to extend or even to cure using leading edge diagnostic tests and medicinal therapies. This is the same pioneer spirit that characterised Roche at the time of its founding nearly 120 years ago.

Secondly, I was struck by how unbelievably diverse the different healthcare systems are around the world. From country to country, state to state, healthcare is one of the most differently regulated industries there is.

I am convinced that the decentralised structure of Roche, with its strong local ties and local management is the best approach. Roche first expanded abroad in the 19<sup>th</sup> century as an early international company. It has grown since, but local roots and decentralised management still remain an important part of our culture and will continue to be so.

Shaping the future: what does this mean for us? It's about the dedication of our employees and developing our markets around the world with courage and an entrepreneurial spirit. And, it's about always keeping our eye on long-term economic success and the wellbeing of the patients.

## **Group results 2014**

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Now to the key figures from the 2014 fiscal year: I just want to touch on the Group results briefly, as Severin Schwan will later provide a summary of our results and progress.

**Group results 2014**

**Group sales:** 47.5 billion CHF

*+5% at constant exchange rates (+1% in CHF)*

**Net profit (IFRS):** 9.5 billion CHF

*-10% at constant exchange rates (-16% in CHF)*

**Core earnings per share:** 14.29 CHF

*+5% at constant exchange rates (0% in CHF)*

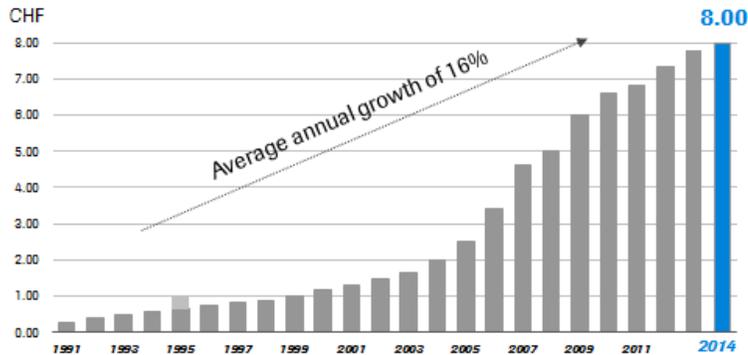
**Dow Jones Sustainability Index:** Recognised as the world's most sustainable healthcare company for the sixth consecutive year.

- Both divisions (Pharmaceuticals and Diagnostics) showed solid growth driven by our newly introduced medicines and diagnostic tests.
- Group sales increased by 5% at constant exchange rates or – due to the already relatively strong Swiss franc in 2014 – by 1% to 47.5 billion when calculated in Swiss francs.
- We realised a net income of 9.5 billion Swiss francs, which, when adjusted for currency effects, i.e. at constant exchange rates, was 10% lower than the previous year. This is due to special items, which Severin Schwan will take you through in greater detail.
- The underlying business on the other hand continued to develop well. This was reflected in a 5% increase in core earnings per share at constant exchange rates year-on-year.

It's not only these figures that prove Roche remains on the right path. Roche was once again recognised as the world's most sustainable health care company by the Dow Jones Sustainability Index. This is an honour that Roche has received for the sixth consecutive year!

## Dividend proposal

### Dividend proposal 28th consecutive increase



In light of our solid performance and positive outlook for the future, the Board of Directors is proposing a 3% dividend increase to 8.00 Swiss francs per share and non-voting equity security. If the proposal is approved, this will be the 28th dividend increase in as many years.

Given the positive outlook for our business, we have good reason to expect to be able to raise the dividend again for 2015.

## Strategic continuity – advancing innovation

Dear Shareholders,

at last year's Annual General Meeting I promised that I would do everything in my power to ensure that Roche remained the main driver of innovation within the healthcare industry. Why is that so important?

There is a huge medical need and a growing demand for specific diagnostics and effective, better tolerated therapies not only in Europe and the USA (due to rising life expectancy), but also increasingly in Asia, Latin America and Africa.

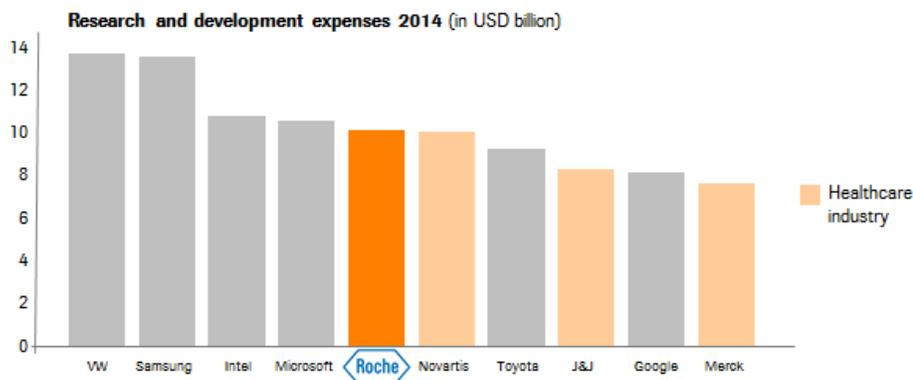
This has been brought home to us all the more forcefully in recent months. The sudden epidemic-like spread of largely unknown viral diseases, such as Ebola, raises many questions for virologists and physicians.

Consequently, for Roche, a healthcare company whose success is based on excellence in science and personalised medicine, there is still much work to do. Our diagnostics test (like our Ebola test, the first to be approved worldwide) and our medicines (like the innovative cancer drug Perjeta) can help significantly to overcome the challenges currently faced by the public health sector. Here we see great potential, even in an environment of ever-increasing cost sensitivity.

### Significant investments in research and development

We also see significant opportunities in the rapidly growing body of knowledge about biology and the origins of disease. In 2014 Roche invested around 9 billion Swiss francs<sup>1</sup>, or nearly one fifth of sales in research and development activities. – This makes us undisputedly the world's top research spender in the healthcare sector!

### Significant investments in innovation *Roche fifth in the world*



Source: Strategy &, Global Innovation 1000, Winter 2014

<sup>1</sup> Core results.

But innovative research and development is not only about opportunities and successes – there are also risks and setbacks. This was also true for Roche in 2014: apart from many successes we also had to announce disappointments.

The central question remains: Are we able to develop enough innovative products that can be patented and which will not only maintain existing income but will also generate more growth. I believe that Roche is in a strong position to make this possible. Despite the inherent risks, we will continue to pursue a clear strategy of innovation.

That means that we won't rely on "copycat" products but will use our position of strength to follow the science and strive for medicinal breakthroughs that ultimately increase survival or allow patients to enjoy a better quality of life.

Our success depends not only on working together within and across our two divisions, but also on our access to external innovation, or in other words, to good ideas from the outside.

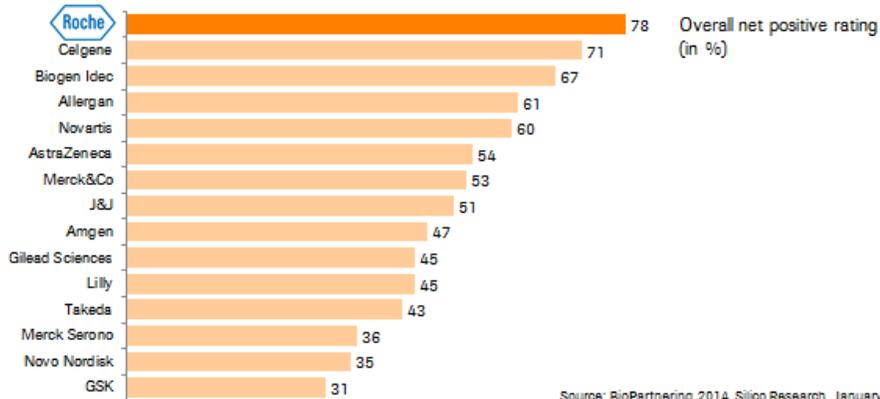
### **Tapping into external innovation**

A good third of our pharma products currently originate from cooperation with partners: mostly small biotech companies, but also universities and research centres. We maintain a worldwide network with around 190 partnerships. Roche complements its portfolio with targeted acquisitions of technologies and know-how in both Pharmaceuticals and Diagnostics.

Our company is a highly esteemed partner within the industry. A recently published survey put Roche at the top of the popularity scale when it comes to biomedical cooperation. I consider this to be a strong strategic competitive advantage for our company.

## Tapping into external innovation

*Roche is a highly esteemed partner*



The acquisitions that we made last year strengthened us in some areas and closed gaps in our product and technology portfolios in others.

Our takeover of the biotech company InterMune has decisively strengthened our pulmonary disease portfolio: Demand for Esbriet (to treat idiopathic pulmonary fibrosis), which was introduced to the US market just a few months ago, is already very positive.

This January we announced a new strategic cooperation with the US company Foundation Medicine. Combining our strengths in oncology with the cutting edge IT capabilities of Foundation Medicine (molecular analysis of tumors) will allow us to make further significant progress in researching and developing new medicines and therapeutic approaches. It will also help support therapeutic decision making.

### Investment decisions depend on attractive framework conditions

Roche's above-average investments are not only limited to R&D. We also invest in ultramodern infrastructure for our employees and production facilities.

We spent a total of 2.9 billion Swiss francs on tangible assets in Europe, the US and emerging economies in Asia and Latin America. Virtually 700 million Swiss francs were spent in

Switzerland alone. The most visible sign of this is the new Building 1 office high rise, which will house 2,000 employees here in Basel by the end of this year.

Investment decisions are made with a view to the long term. And like any other international company we have to ask ourselves how we should make decisions like these in future if conditions change.

Given recent events, I'd like to make a remark here on the economic climate in Switzerland. Switzerland may be a small market for Roche, but it is and always has been a very important location for us. Our roots are here, our headquarters are here, and Swiss-made innovation continues to make a considerable contribution to our value chain.

For example, 99% of medicines and diagnostics produced in Switzerland are sold abroad. This accounts for around 10% of Switzerland's total exports.

This makes the country's economic and political climate all the more important. The lifting of the euro-franc exchange rate cap mid-January is being felt by all Swiss companies that sell their products abroad – and this includes Roche.

Roche generates most of its sales in euros and US dollars. At the same time, a large portion of our costs also occurs in dollars, euros and other currencies, e.g. for R&D, production and staff in San Francisco, Mannheim, Penzberg and Shanghai. Just 20% of our costs are incurred in Swiss francs. This offers us partial protection from fluctuations in the exchange rate. As a global company, Roche is well equipped to deal with the very strong Swiss franc we have at the moment.

One might get the impression from public discussions that the value of our location depends on the exchange rate alone.

Ladies and Gentlemen,

the attractiveness of Switzerland as a business location depends on a variety of factors – the high quality of education and research, an internationally competitive tax system thanks to a

solid state budget, open borders and liberal labour market policies, and, last but not least, a positive atmosphere of discussion between policymakers and businesses.

These favourable conditions must be maintained. This includes a sensible implementation sometime in the near future of the Initiative against Mass Immigration. I would like to once again repeat my view that open borders are indispensable for Roche: We must be able to employ both qualified local employees as well as top employees from abroad. However, I am confident that we can rely on a pragmatic solution being found in the (intergovernmental) discussions with the EU.

### Changes in the Board of Directors and Enlarged Corporate Executive Committee

Now to conclude I'd like to take this opportunity to discuss changes in the Board of Directors and the Corporate Executive Committee.

**Changes in the Board of Directors and Enlarged Corporate Executive Committee** 

Board of Directors	<b>Resigned September 2014</b>	<b>Proposed new members</b>	
	 <b>Dr Arthur D. Levinson</b>	 <b>Prof Richard P. Lifton</b> <i>Executive Director of Yale Center for Genome Analysis</i>	 <b>Bernard Poussot</b> <i>Former Chairman and CEO of Wyeth</i>
Corporate Executive Committee	<b>Retired at end of 2014</b>	<b>Since January 2015</b>	
	 <b>Dr Richard Scheller</b> <i>Head Genentech Research and Early Development (gRED)</i>	 <b>Dr Michael D. Varney</b> <i>Head Genentech Research and Early Development (gRED)</i>	

In addition to re-elections, there are also proposed membership changes to the Board. As previously announced, Art Levinson took the decision last December to resign from the Board of Directors to avoid any conflict of interest with his new role as CEO of the research company Calico.

Art Levinson started as a scientist with Genentech in 1980. In 1995 he became the CEO and in 1999 the Chairman of the Board of Directors. Under his leadership, Genentech became one of the world's most important biotech companies and was selected year after year as one of the best employers in the USA. After Genentech's integration in 2010, he joined the Board of Directors at Roche.

On behalf of all my colleagues on the Board of Directors, I would like to take this opportunity to thank Art Levinson for his tremendous contribution to the overall success of our company.

I am pleased to propose Richard Lifton and Bernard Pousot, two renowned personalities with significant experience in the pharmaceuticals and biotech Industries, as new members of the Board.

Professor Richard Lifton is the Executive Director of the Yale Center for Genome Analysis. The recipient of numerous top scientific awards, Professor Lifton also served for many years as a member of scientific advisory committees for leading pharmaceuticals companies.

Bernard Pousot served at the US pharma company Wyeth for 23 years, including as Chairman and CEO.

With their rich industry experience they are ideal candidates to strengthen the Roche Board of Directors.

There is also a change to announce in the Enlarged Corporate Executive Committee.

Richard Scheller, Head Genentech Research and Early Development, or "gRED", retired at the end of 2014.

On behalf of the Board of Directors, I would like to thank Richard Scheller for his exceptionally valuable contribution to the successful development of our company.

I am delighted to announce that we were able to fill this key position with a respected scientist and experienced manager from within our own ranks – a sign of our dedication to long-term employee development at Roche.

At the beginning of this year, Mike Varney took over the leadership of gRED as well as joining the Enlarged Corporate Executive Committee.

Mike joined Genentech in 2005. A biochemist by training, he has broad management experience in research. Most recently, he was responsible for all chemical substance activities at Genentech as well as the research portfolio and research budget. I am confident that Mike will carry on the successful work of his predecessor Richard Scheller.

Dear Shareholders,

Roche's clear strategic focus on medical and diagnostic innovations is what makes it strong.

Our company is something quite special, quite unique:

Focussed on innovation through science, collaborative yet decentralized, rooted in Switzerland yet open to the world.

The Board of Directors and the Corporate Executive will do their utmost to ensure that Roche remains one of the most successful research-based healthcare companies in the world.

I would like to thank you, the shareholders, for your confidence in our company.

Before I hand the floor to Severin Schwan, I'd like to thank the Corporate Executive Committee and our 88,000 employees around the world for what we have achieved.

Both personally and also – I am sure – on behalf of you, our valued shareholders: Thank you!

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