



Annual General Meeting
Roche Holding Ltd
13 March 2018

Address by Severin Schwan
CEO of the Roche Group

(Check against delivery.)

Dear Shareholders, Ladies and Gentlemen

Let me, too, offer you a warm welcome to the Annual General Meeting.

2017 was a very successful year for your company. Not only financially, but also in terms of research and development – and that is particularly important for the future.

Today I'd like to address two topics in greater detail:

- Firstly: the full-year result for 2017 and the outlook for the current financial year.
- Secondly: the progress we have made with our product pipeline. And to illustrate our success in “new” therapeutic areas, I shall talk in some detail about Hemlibra, a medicine that gives new hope to haemophilia patients and their families.

Now to my first topic. We provided a detailed briefing on our full-year performance at our press conference on 1 February, so I shall limit myself to the key financial results.

Full-year result

					
2017: Good full-year result					
<i>Targets fully achieved</i>					
In CHF bn	2017	2016	Growth in %		
			local ¹	CHF	
Sales	53.3	50.6	+ 5	+ 5	
- Pharmaceuticals	41.2	39.1	+ 5	+ 5	
- Diagnostics	12.1	11.5	+ 5	+ 5	
Net income (IFRS²)	8.8	9.7	- 9	- 9	
Core earnings per share (CHF)	15.34	14.53	+ 5	+ 6	

¹ At constant exchange rates ² International Financial Reporting Standards

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We met all the financial targets we set ourselves at the start of 2017.

Pharmaceuticals sales rose 5%¹. It is especially gratifying that this growth came for the most part from new medicines, i.e. from medicines that we launched only recently. The Diagnostics Division's sales also rose 5% – a major driver being immunodiagnostics, which once again generated double-digit growth.

Net income according to IFRS fell 9% due to the impairment of goodwill and intangible assets. Core earnings per share reflect our good business performance: they rose by 5% (at constant exchange rates).

Outlook

2018 outlook	
Group sales growth¹	<ul style="list-style-type: none"> Stable to low single-digit
Core earnings per share growth¹	<ul style="list-style-type: none"> Broadly in line with sales growth, excl. effect of US tax reform High single-digit growth, incl. effect of US tax reform
Dividend	<ul style="list-style-type: none"> Further dividend increase in Swiss francs

¹ At constant exchange rates

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We expect to see competition from biosimilars intensify in the current year. Sales of the affected products will therefore – as expected – decline (as is already the case with Mabthera in Europe). But I am pleased to say that, in view of the extraordinarily good demand for our new medicines, we will be able (at least) to make up for this decline. Overall, we expect the Roche Group to see stable to low single-digit sales growth in the current year.

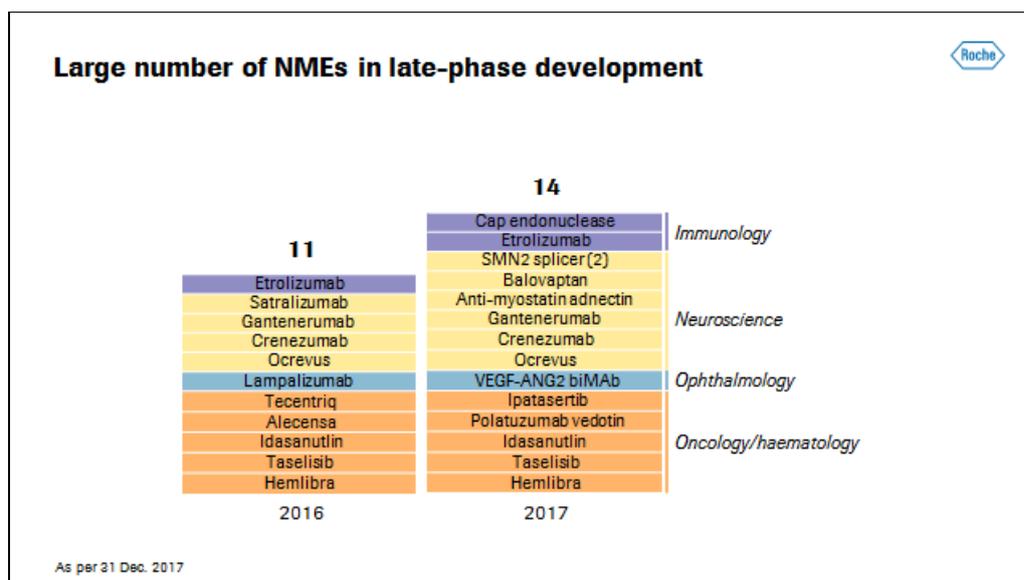
¹ All growth rates are at constant exchange rates (average for 2016).

We are aiming to grow core earnings per share broadly in line with sales growth. Allowing for the US tax reform effect, we anticipate growth in core earnings per share in the high single-digit range.

On this basis, we expect to further increase our dividend for 2018.

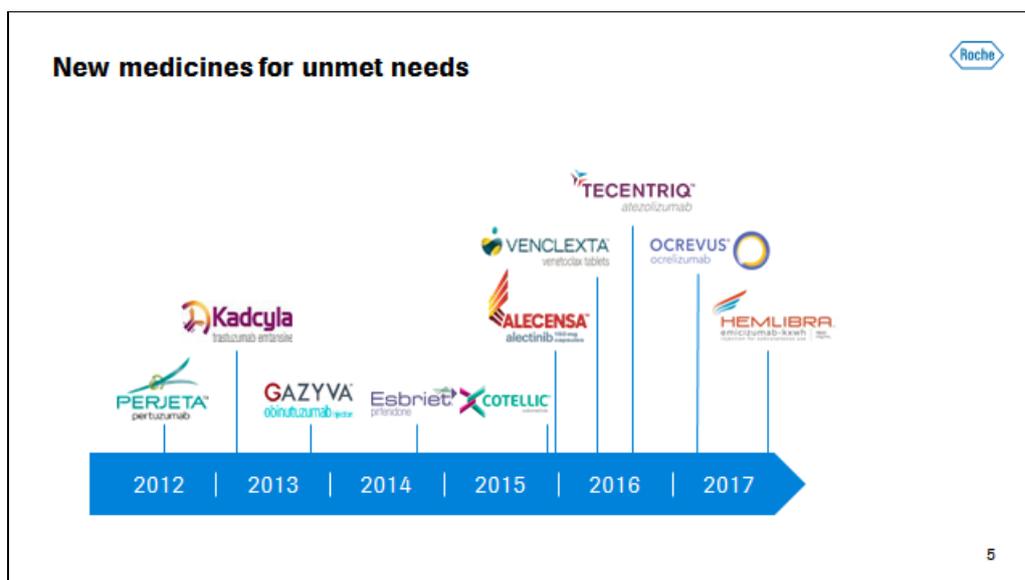
Pipeline

The foundation of our success is and will remain our clear focus on innovation. This is why our progress in developing new medicines and diagnostics is so important for the company's future. This brings me to the **second part** of my speech.



Once again, we made important progress here in the past year. With **14 new molecular entities** (NMEs) and **more than 30 additional indications** in late-phase clinical development, we have one of the strongest product pipelines in the industry.

Even by the standards of previous years, we are operating at **record levels**. Our portfolio has never been stronger in terms of quality. We have a leading position in oncology; immunology is performing well, and we have a growing number of neuroscience projects.



Here you can see that over (approximately) the last two years – in a relatively short space of time, in other words – we have been able to launch **six** new medicines. This is an **extra-ordinarily large number of new launches** (unprecedented in the history of Roche). With Ocrevus and Hemlibra, we continued in 2017 to write the previous year’s success story.

That’s impressive – not just in terms of the figures, but also of the **medicine**: more than **two thirds** (7 out of 10) of the new products listed here have been designated **a therapeutic breakthrough** by the FDA (the US Food and Drug Administration) – some of them for more than one indication (Tecentriq and Alecensa). We have now achieved this recognition for a total of 20 of our investigational medicines². That’s a record for the industry of which we are proud.

For many of these serious diseases, there had been no medical advances for **decades**.

- **The example of Tecentriq** In the fight against bladder cancer, research had made no progress over the previous **30 years**. Tecentriq, our first cancer immunotherapeutic, gives patients with bladder cancer new hope: it activates their own immune systems in the fight against cancer.

² Eight of them are still in development, while 12 have already been approved.

The latest important **trial results** show the potential Tecentriq offers for the treatment of a whole series of different forms of cancer, and we expect more landmark data in the next few months.

- **(2) And Ocrevus:** In 2017 this medicine was approved for the treatment of a particular form of multiple sclerosis for which there had previously been **no** specific approved therapy whatsoever.

Ocrevus was also a highlight in commercial terms: in the first nine months after its launch, this ground-breaking medicine generated nearly CHF 900 million: a highly impressive start!

- **(3) And here is Hemlibra, recently approved** – the first treatment **for 20 years** for patients with a specific form of haemophilia.

When we presented the trial results for Hemlibra in children last year, something happened that is extremely rare at specialist conferences: The physicians got to their feet and applauded!

The expression “medical breakthrough” is often used too lightly, but Hemlibra deserves this accolade without reservation. It is not only the medical data that tell me this. At the beginning of this year, I visited the University Children’s Hospital in Zurich, which is Switzerland’s largest haemophilia centre – and the discussions I had there brought home to me once again what this condition means to the children affected and their families, and how much doctors are hoping for new therapies like Hemlibra.

I’d like to talk about this new, ground-breaking medicine in rather more detail – because it truly exemplifies the innovation in our portfolio.

What is haemophilia A? 



- An inherited disorder
- Deficiency in clotting factor VIII
- Spontaneous bleeding; usually not visible
- Painful, major joint damage in the long term (disabilities)
- Can be life-threatening

Haemophilia A, is a rare and serious inherited bleeding disorder that prevents blood from clotting. People with haemophilia A bleed more heavily and for longer than those without it.

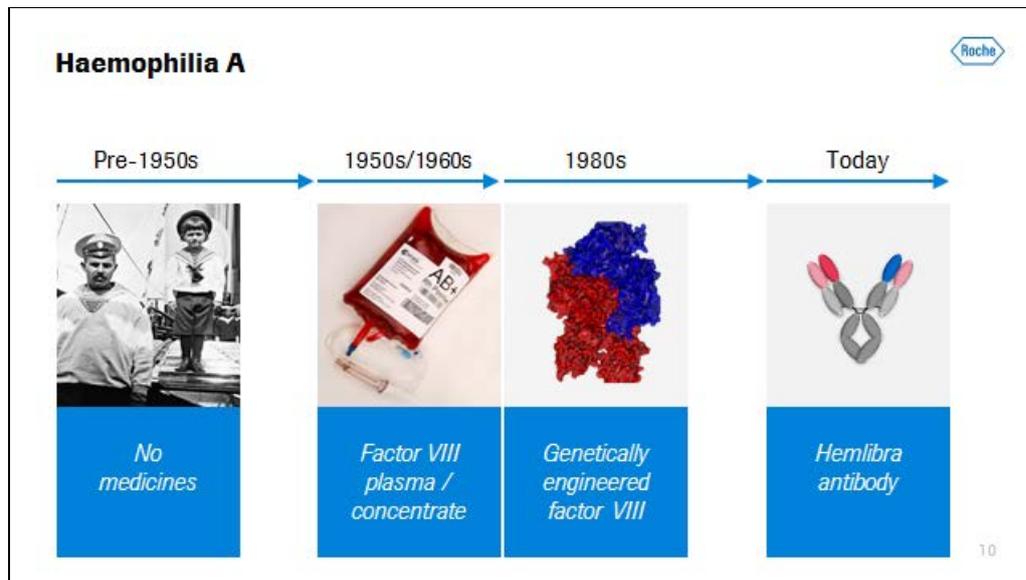
The real problem is that the bleeding is usually not visible, because it is internal, and, depending on the severity of the disease, can occur with no external cause: spontaneously, in other words. (Not many people know that you, I, all of us suffer from internal bleeding – but it heals quickly, without our noticing.)

In certain patients with haemophilia A, it is difficult to control bleeding with today's medicines, and major internal bleeding occurs (see picture).

A severe damage can take place in the joints, where the blood accumulates. This can cause pain, and eventually destroy the joints. The bleeding can also be life-threatening if it affects major organs, like the kidneys or the brain.

What **causes this disease**? People with haemophilia A completely lack, or are deficient in, an important protein called **factor VIII**. This plays an important part in the blood clotting process.

I shall explain that in more detail in a moment, but let's first take a look back.



Until the 1950s, haemophilia was greatly feared, and doctors were powerless: from their earliest childhood, sufferers were in constant danger of bleeding to death. There was no treatment, and life expectancy was correspondingly short.

(Plasma)³ – The first treatments, factor VIII products, didn't appear until the 1950s. These were mixtures of proteins extracted from human blood plasma. A decade later, a concentrate of the essential protein was successfully produced. Operations were now possible for the first time.

(Genetic engineering / synthetic clotting factors) – The 1990s saw the first clotting factors produced synthetically (i.e. with biotechnology) reach the market. And that remains the standard treatment to this day.

³ Until 1935: whole blood instead of plasma / 1946: Purification of plasma (Cohn/Quick) / 1955: First factor VIII products made (but still in large volumes; in event of injury several hours of infusion needed). From 1958 onwards home therapy with this "impractical" medicine – a breakthrough for patients nonetheless (=more independence) / 1963/64: Plasma extrakt (Pool)

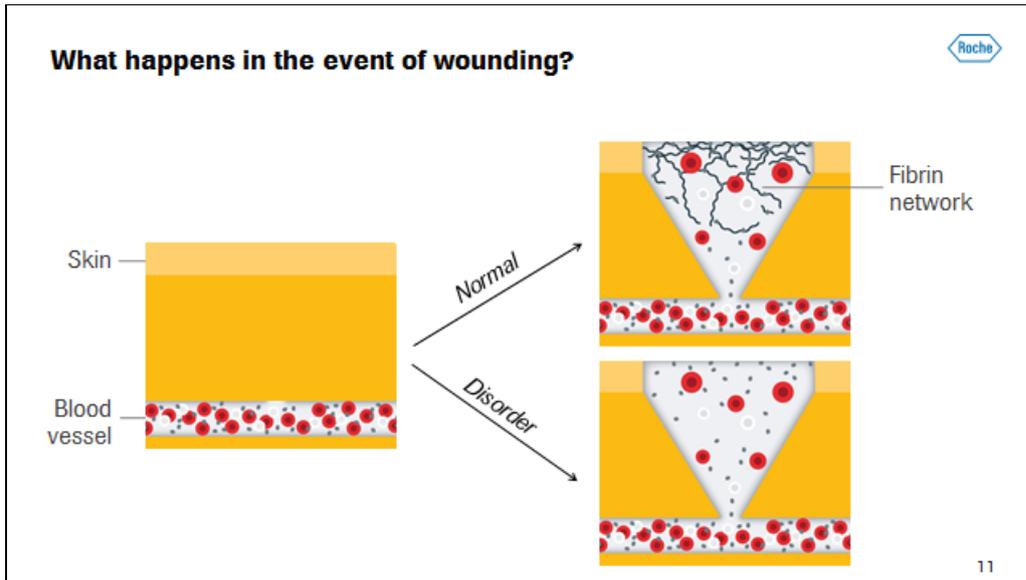
The trouble is that these synthetic clotting factors are broken down by the body relatively quickly, so they have to be administered (intravenously, directly into a vein), as frequently as two or three times per week.

Another problem: at some stage almost one patient in three with serious haemophilia A develops inhibitors that block the standard treatment, i.e. the immune system recognises the synthetic factor VIII as exogenous and attacks it. The consequence is that the blood no longer clots, and symptoms return in spite of the therapy. For these patients the only possible treatments are very restricted and very cumbersome and stressful. Moreover, these patients have a 70% increased mortality compared to patients without inhibitors.

(Chugai / Hemlibra) – At around the turn of the millennium, one of our Chugai researchers in Japan had the idea of developing an antibody that would replace the missing clotting factor, factor VIII, without the disadvantages of existing treatments.

It sounded like science fiction, and it took a correspondingly long time for others to be convinced. But then a small, dedicated team of researchers set to work: they spent almost 15 years of intensive research examining over 40,000 antibodies, finally making the breakthrough with Hemlibra.

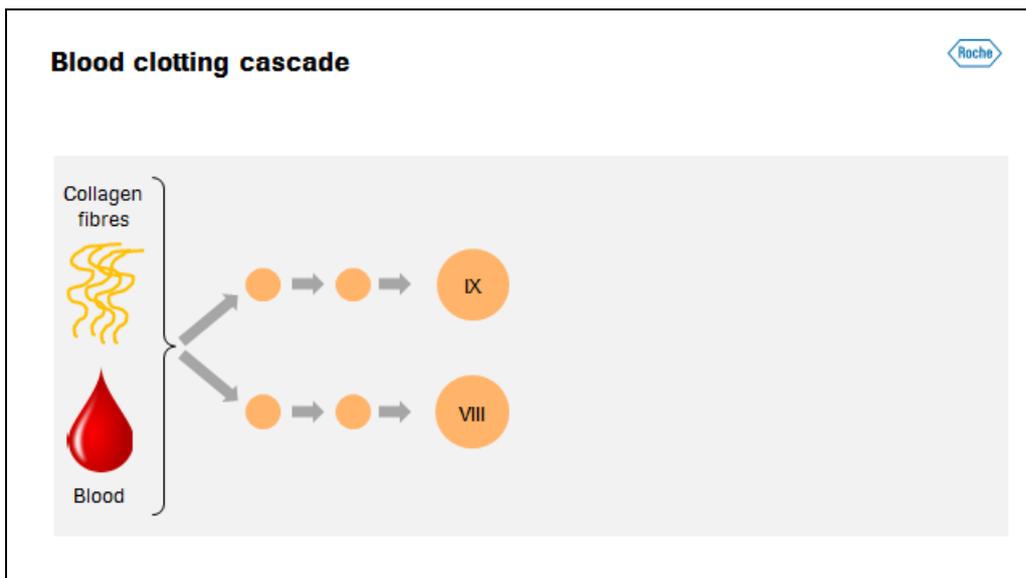
I have mentioned “clotting factors” and “factor VIII” several times. What exactly do they mean? What happens in the event of injury?



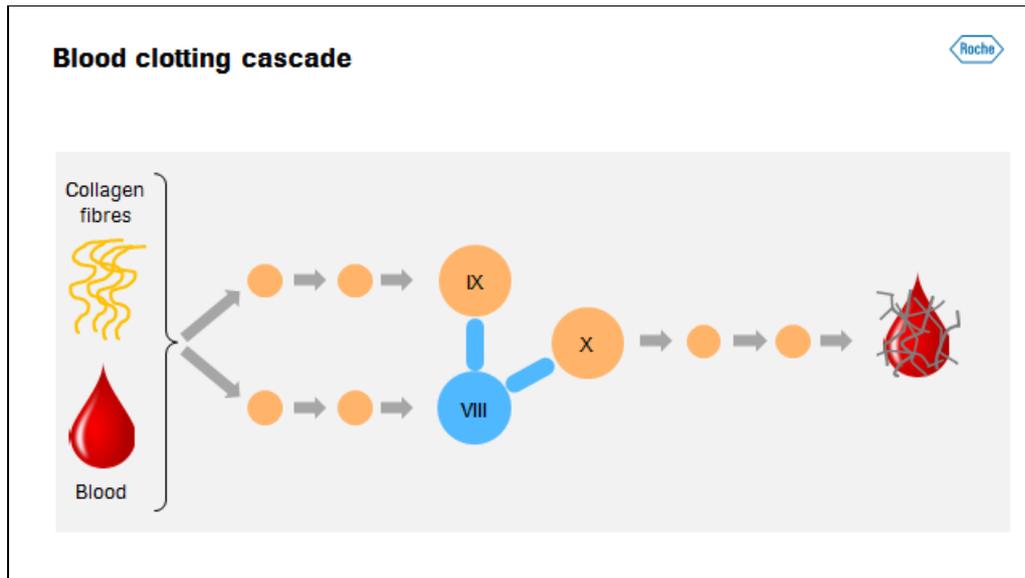
Here at the bottom of this diagram you can see a blood vessel surrounded by skin. In the event of injury (shown here as a funnel), a fibrin mesh is formed, ensuring that the wound is properly closed.

But in haemophilia patients this mesh fails to form: the wound is not properly closed.

To understand this we must go (rather deeper) into the molecular level.

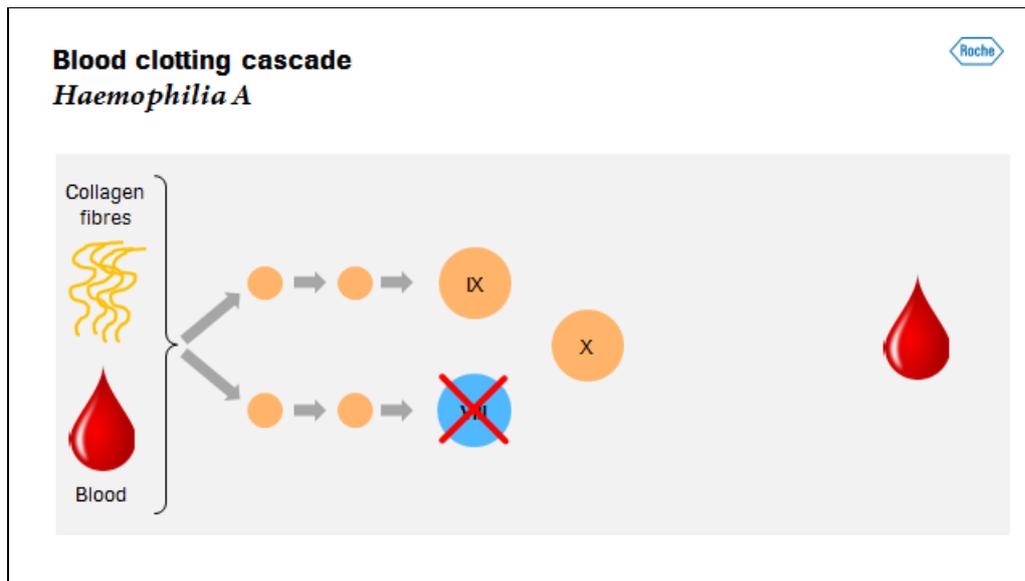


In the event of injury, certain blood components (the platelets) come into contact with skin fibres (collagen). This contact between blood (platelets) and collagen triggers a chain reaction in the vicinity of the wound. This is called the blood clotting cascade. Certain proteins (clotting factors) are activated one after the other in a very specific sequence, i.e. they pass on signals at a biochemical level.

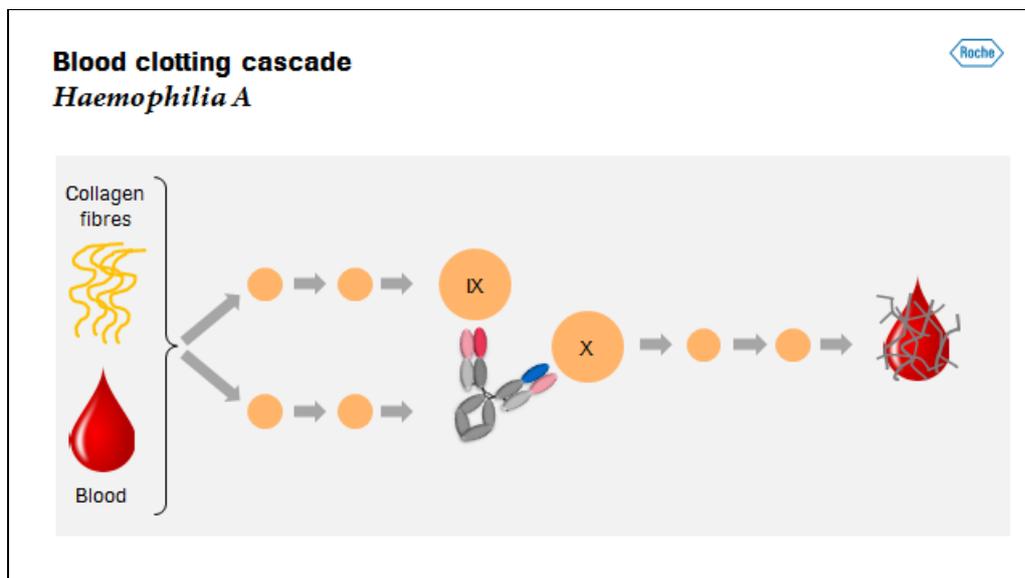


I shall say no more about these highly complex biological processes here, except that:

- The clotting factors VIII and IX are activated at some stage in this process.
- Factor VIII brings activated factor IX together with the next protein, factor X (thereby activating it).
- Once this happens, the final stages of the cascade are initiated: the fibrin network is eventually formed, and the wound is properly closed.

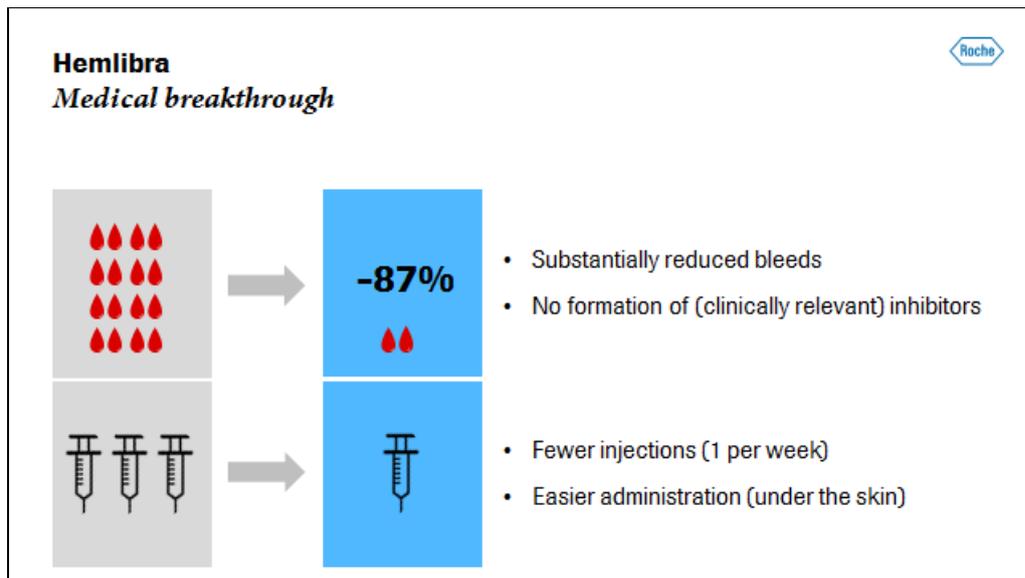


In haemophilia A patients, this chain reaction is interrupted. They either do not have enough of the important clotting factor VIII or lack it entirely. Factor X, which is essential for fibrin formation, cannot be activated – and the patient's bleeding continues.



So what is so clever about Hemlibra?

Hemlibra is what is known as a bispecific antibody: it has the ability to bind to two different molecules simultaneously. By bringing factors IX and X together, Hemlibra takes over the function of factor VIII, ensuring that the cascade functions perfectly.



Hemlibra enables the number of bleeds to be significantly reduced⁴, and at the same time the treatment has a number of very important advantages over the previous therapy:

- Firstly: no (clinically relevant) inhibitors are formed that block the Hemlibra antibody, as occurs in certain patients treated with factor VIII products.
- Secondly: Hemlibra has a significantly longer half-life than factor VIII products, so fewer injections are required.
- And thirdly: Hemlibra is injected subcutaneously: under the skin, not into a vein. This makes it much easier to administer. (This is this is the first (and only) subcutaneous option at this time.)

You will now see a short film showing you what Hemlibra means for affected children and their families. Braxton, the boy in the film, suffers from severe haemophilia.

(Video)

⁴ Phase III Haven 1 study in adults and adolescents / phase III Haven 2: The studies evaluated once-weekly subcutaneous emicizumab prophylaxis for the treatment of adults and adolescents or children with haemophilia A and inhibitors to factor VIII. The primary endpoint was treated bleeds, and results showed a statistically significant and clinically meaningful reduction in bleed rate of 87% (Haven 1) with emicizumab prophylaxis compared with on-demand treatment with bypassing agents

Braxton is still doing extremely well.

Every day, success stories like this spur us on to keep delivering medical excellence. I want to take this opportunity to offer heartfelt thanks to all our employees for their extraordinary dedication.

Ladies and gentlemen,

We believe we are well positioned in the market place, thanks to our strength in medical innovation. By developing products that improve the treatment of diseases with high unmet medical need, we will fulfil our obligations not only to you – our shareholders – but also to society as a whole.

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