



Annual General Meeting of Roche Holding Ltd

10 March 2009

Address by Severin Schwan

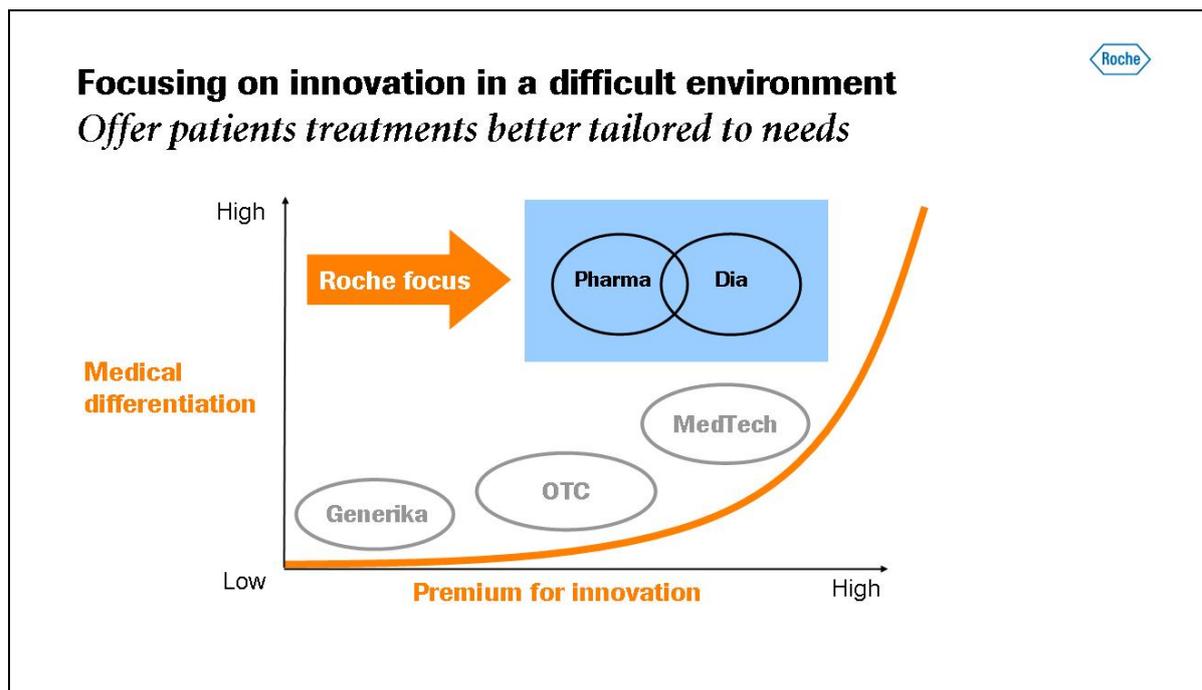
CEO of the Roche Group

(Please check against delivery)

Good morning, Ladies and Gentlemen.

Before presenting our operating results for last year, which were again strong, I would like to speak briefly about how we are implementing the strategy that Dr Humer outlined in his address and say a few words about our priorities for 2009.

In turbulent times like these, it is more important than ever that we stay on our current successful course and continue developing products that significantly improve the treatment options available to patients. With government budgets under pressure (and likely to stay that way for some time to come given the enormous costs of various rescue and stimulus packages), health systems will be looking even more closely at the value products provide and will only want to pay for innovations that offer a true additional benefit.



To bring such innovations to market, we at Roche are focusing on our two core businesses – pharmaceuticals and diagnostics – in which we rank among the best in the world. Unlike other pharmaceutical companies, we have no intention of diversifying into other markets such as medical devices, OTC or generics.

There's no question that the economic climate has become harsher – even for research-based healthcare companies like Roche. But it's also a fact that for many diseases there are still no diagnostic tests or drugs at all or the available options are inadequate. If we succeed in offering better, medically differentiated solutions for these unmet needs, there will be a demand for them. I am thoroughly convinced that patients and society will continue to reward true medical innovations. Medical differentiation is the key to helping patients more effectively, and at the same time making healthcare safer and more cost-efficient.



Focusing on Pharma und Diagnostics

Improves efficacy, fewer side effects



Personalised medicine

- Increasingly tailor treatments to specific groups of patients
- Use our unique strengths in molecular biology

Targeted biotech acquisitions (2008)

- Pharma: Piramed, Mirus, ARIUS, Memory
- Diagnostics: Ventana
- Tender offer to acquire all Genentech shares

Today's medicines are known to be ineffective, on average, in about fifty percent of patients. In some indications, such as cancer, response rates are even lower. Moreover, many patients experience serious side effects. Every year thousands of people die of complications related to drug treatment. This is why, for years, Roche has been a pioneering force in the pursuit of personalised medicine.

I believe that no other company in the world is better positioned to make personalised healthcare a reality, because if you really want to tailor treatments to patients, you first need a good diagnosis.

Roche's primary advantage over its competitors lies in its acknowledged expertise in molecular biology. We are the leaders in molecular diagnostics and (with 14 biopharmaceuticals on the market) by far the biggest biotech company in the world. These are unique strengths, and they present us with outstanding opportunities. They enable us to make real use of the synergies between pharmaceuticals and diagnostics. For us innovation also means having an open ear for good ideas, because of course we aren't the only company with successful research programmes. This is why we maintain a global network that spans dozens of alliances. And it's also the rationale behind our targeted acquisitions of technologies, drug compounds and know-how:

- Last year, for example, we further reinforced our pharmaceuticals business by acquiring Piramed (cancer and inflammatory diseases), Mirus (ribonucleic acid interference) and ARIUS (antibody research).
- Our acquisition of Ventana last February and the subsequent successful integration of this business have enabled us to move into tissue diagnostics. This additional expertise will support the development of further personalised treatments, particularly for cancer.
- And as Dr Humer has already explained, we are aiming to bolster innovation within the Group in the long term by acquiring the remaining shares in Genentech.

This leads me to our priorities for the current year.

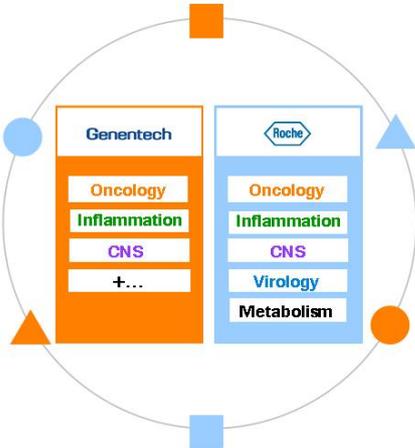
I would particularly like to focus on three of them:

- the planned integration of Genentech
- investments in our product pipeline
- and our most important new product launch this year, RoActemra for the treatment of rheumatoid arthritis.

Priority: Genentech

Strengthening our innovative capabilities together





Examples from Roche network

- **IP:**
 - Biomarkers
 - Libraries (small molecules)
- ▲ **Technologies:**
 - Antibody technology platform (GlycArt)
 - Protein therapeutics (Penzberg)
 - siRNA (Kulmbach, Alnylam)
 - Immunohistochemistry (Ventana)
- **Partnerships:**
 - Combined global partnerships >100

The operational integration of Genentech will have top priority this year once the transaction is closed.

I am convinced that by improving mutual access to intellectual property and technologies, we will strengthen the Group's innovative capabilities. Let me give you a concrete example to show you what I mean.

Four years ago Roche acquired the Zurich-based biotech company Glycart. This company has developed an extremely interesting technology (for monoclonal antibodies) that could one day help in developing a successor to our current top-ranking product MabThera.

Once the potential of this new technology had begun to emerge, researchers at Genentech and Roche came together to discuss collaboration. The proposition was an interesting one for both parties: Genentech has very specific expertise in monoclonal antibodies such as MabThera, and Roche had access to the new technology.

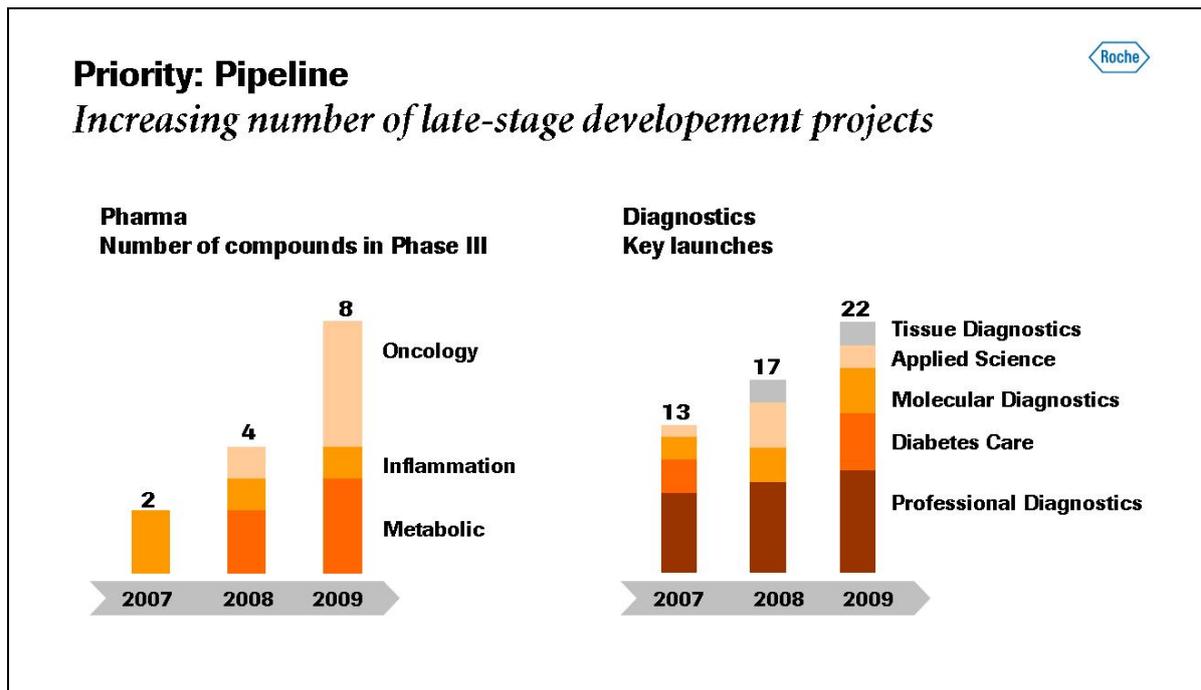
The researchers from Genentech and Roche were clear from their first meeting that they wanted to collaborate. But it took forever to conclude the legal and financial negotiations – two-and-a-half years, to be precise, even though it was a win-win situation! In the current competitive landscape, we simply can't afford to work like this any more. In cancer therapy in particular, competition is intensifying.

In the future we will no longer be paying lawyers to hold up worthwhile research collaborations for years in order to protect Genentech's minority shareholders. This is a prospect I'm already very pleased about .

We have great respect for what Genentech and its people have achieved, and we will take the necessary steps to ensure that Genentech's unique culture of innovation is preserved. It is for precisely this reason that Genentech's research organisation will continue to operate independently.

From day one, we plan to carry out integration activities across all functions *jointly* with Genentech's management. We don't pretend to know everything better here in Basel. We intend to listen to our Genentech colleagues and build on their knowledge and contributions. I look forward to this exciting undertaking.

This brings me to our next priority for 2009, advancing the projects in our research and development pipeline.



Both Roche divisions are making good progress in this area.

As you can see from this chart, we increased the number of new molecular entities in late-stage development – known as phase III, in which drugs are tested in large clinical trials – from two to four last year. This year we are aiming to double the number of new molecular entities in phase III again, from four to eight projects.

Last year, Roche's Diagnostics Division launched 17 new products and will increase the number of new product launches further this year, particularly in Diabetes Care.

The success of our development pipeline – particularly the higher number of costly phase III projects – is having an impact on our research and development expenditure, however. This year R&D spending is expected to rise to about 10 billion Swiss francs for the first time in Roche's history. At the same time we are continuously improving the efficiency of our marketing and distribution, production and administrative organisations. This is freeing up resources which we can invest in research and development, thus improving our ability to continue adding innovative new products to our portfolio and strengthen our market position in the longer term.

A further priority this year is the launch of RoActemra for the treatment of rheumatoid arthritis. This medication, developed in collaboration with our Japanese subsidiary Chugai, is our most important launch in 2009.



Priority: RoActemra
A novel medicine for rheumatoid arthritis



- More than 21 million RA sufferers worldwide
- 2006: Biological drug MabThera launched for severe RA
- 2008/2009: RoActemra launched in Japan und Europe
- Novel treatment option for moderate to severe RA

Rheumatoid arthritis is a serious disease that affects more than 21 million people worldwide. It is an autoimmune disorder characterised by chronic, progressive, inflammation of the joints and surrounding tissue. It is associated with severe pain, irreversible destruction of the joints and serious complications such as chronic fatigue and anemia. After ten years, fewer than 50 percent of patients are still able to work or carry out their usual daily activities. It is ultimately a crippling disease, and one that can also shorten life expectancy.

A number of cells and proteins play important roles in the inflammation process. Our genetically engineered drugs directly target several of them. The recent regulatory approval of RoActemra in Japan and Europe (including Switzerland) gives new hope to patients who have failed to respond to any form of treatment so far.

In recent months I have talked personally to many of the patients and doctors who were involved in these trials. The outcomes of treatment are remarkably good. RoActemra has great potential. For me, talking with patients like these is the most compelling reminder that we are on the right track with our clear strategic focus on innovation.

To conclude, I would like to summarise our key results for 2008 and discuss the outlook for the current year.



2008: Industry-leading sales growth

Sales in CHF billion	2007	2008	% change	
			CHF	LC*
Pharmaceuticals	36,8	36,0	-2	5
excluding Tamiflu pandemic	34,9	35,7	2	10
Diagnostics	9,4	9,7	3	10
Roche Group	46,1	45,6	-1	6
excluding Tamiflu pandemic	44,3	45,4	2	10

* LC = local currencies

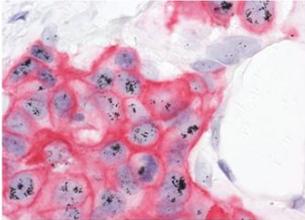
Once again, sales by the Pharmaceuticals and Diagnostics Divisions grew faster than the respective markets.

Excluding sales of pandemic Tamiflu, which, as expected, declined sharply, the Pharmaceuticals Division achieved double-digit growth, with sales advancing 10%, or twice as fast as the market, in local currencies. Once again, our cancer medicines were the division's major growth drivers.

Sales in the Diagnostics Division also grew by 10% (in local currencies). Professional Diagnostics and Applied Science displayed the strongest growth, considerably outperforming their respective markets. Sales by Tissue Diagnostics, the business area created by the acquisition of Ventana, also grew significantly faster than the market, contributing 4 percentage points to the Division's sales growth.



Ventana integration a success
Expanding leadership in tissue diagnostics



Tissue sample: breast cancer

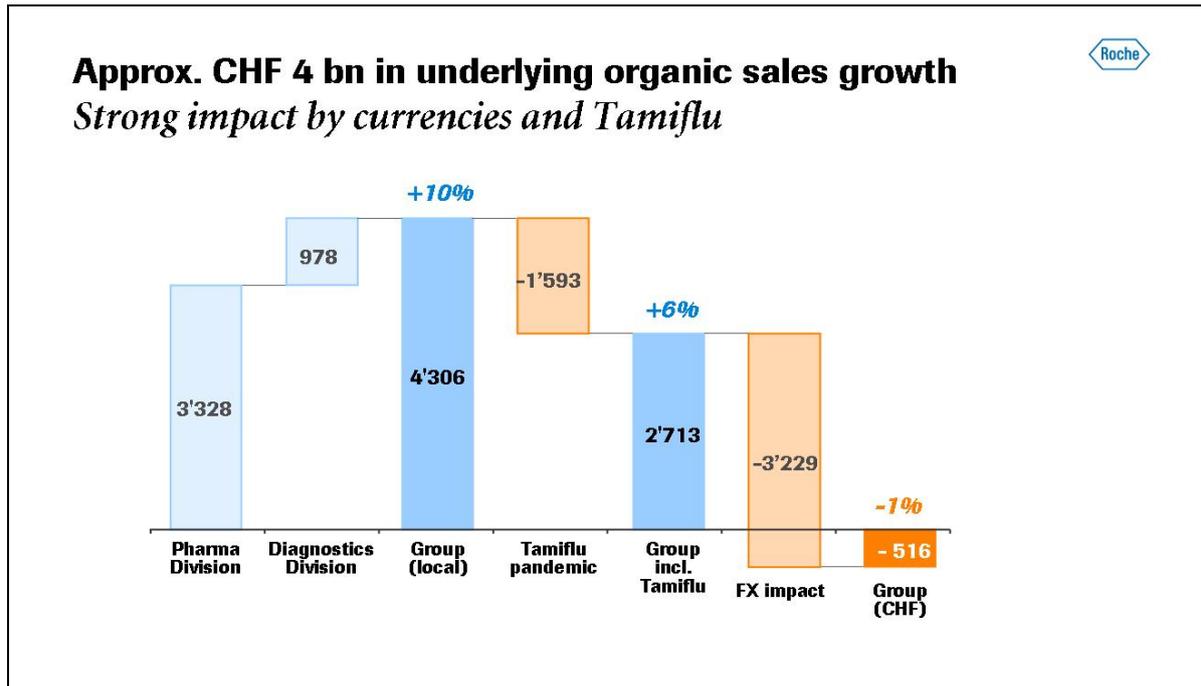
- Ventana acquired February 2008
- Integration successfully completed
- Sales growth exceeds expectations at +23%
- Molecular tissue diagnostics provide basis for targeted therapy of solid tumours

Ventana – the US-based leader in tissue diagnostics that we acquired last year for 3.8 billion Swiss francs – has exceeded our expectations in every respect.

As planned, the business area remains headquartered in the United States. Commercial operations in Ventana's existing markets have now been successfully integrated into Roche, and we are using Roche's global infrastructure to expand into promising new markets in Europe, Latin America and the Asia-Pacific region.

Sales grew by 23% in local currency terms, significantly outpacing the market, which is estimated to have grown by 14%. This is all the more remarkable since Ventana is already the market leader by a long chalk in tissue diagnostics, and we also had to cope with the integration activities last year.

We view tissue diagnostics as a major element in our efforts to tailor treatments to the needs of specific patient groups, particularly cancer sufferers. This acquisition is thus strategically important for both the Diagnostics Division and the Group as a whole. And I am confident that this newly acquired expertise will also prove its value in the future when collaboration with Genentech intensifies.



As this chart shows, our overall sales increased organically last year by over 4 billion Swiss francs.

However, two exceptional factors last year had a significant impact on our performance in Swiss francs. Strong underlying sales growth more than compensated for the decline in sales of pandemic Tamiflu to governments and corporations, which showed a net decrease of 1.6 billion Swiss francs compared with the previous year. However, the appreciation of the Swiss franc against most currencies had an additional and markedly negative effect on the Group's operating result in Swiss francs. The strong Swiss franc reduced revenues in this currency by around 3.2 billion Swiss francs. Group sales in Swiss francs were thus down by one percent in 2008.



2008: Further increase in operating profit
Despite higher Research & Development spending

In CHF billion	2007	2008	% change	
			CHF	LC*
Sales	46,1	45,6	-1	+6
Operating profit	14,5	13,9	-4	+4
<i>as % of sales</i>	31,4	30,5		
Net income	11,4	10,8	-5	
<i>as % of sales</i>	24,8	23,8		
Core Earning per Share	11,85	11,04	-7	+2

* LC = local currencies

Although our earnings performance also reflects last year's negative currency effects – as well as our strong sales growth – it is still very good.

Operating profit reached almost 14 billion Swiss francs despite a considerable increase in research and development spending. At 10.8 billion Swiss francs, net income was only slightly below 2007's record figure despite the strong appreciation of the Swiss franc against major currencies and lower financial income.

And finally, Core Earnings per Share (at constant exchange rates) improved yet again despite Tamiflu and higher spending on research and development, gaining 2% on the previous year's record level.

We continued to perform strongly in the first two months of 2009. Sales in both divisions grew in line with our expectations, and operating profit growth was even better than anticipated. We are accordingly very confident about the outlook for the full year.

Ladies and Gentlemen,

Significant challenges and opportunities lie ahead in the healthcare market, and Roche will be able to tackle them from a position of strength. The increase in our research and development spending underlines our firm commitment to innovation and to investing in our future, even in these economically difficult times. Roche has nine products on the market which are each generating sales in excess of one billion Swiss francs. Some of our drugs have considerable additional growth potential, particularly in oncology. With the exception of CellCept, the US patent on which expires in May, none of our best-selling drugs will be coming off patent in the near future. Moreover, this year we will be launching RoActemra, a promising new treatment for rheumatoid arthritis, while in the next few years we will be advancing into new therapeutic areas such as the treatment of diabetes and other metabolic disorders.

But there can be no doubt that the market environment is a challenging one for Roche too, that market growth is continuing to slow overall, and that the pressure on costs is increasing. We will therefore continue to improve the efficiency of our structures and processes on an ongoing basis while also continuing to anticipate and adapt to market changes in order to stay on the success track. We have everything it takes. We want to develop products that offer patients key advantages by tangibly improving their health, quality of life and length of life. These investments in innovation will ultimately benefit everyone: patients, doctors, payers, and Roche too.

At this point I would like to express my thanks to our 80,000 employees around the world – at Roche, Chugai and Genentech. Their outstanding efforts are what have made this success possible. And I would like to thank you, Ladies and Gentlemen, for your confidence in Roche.

Thank you.