



Annual General Meeting of Roche Holding Ltd

2 March 2010

Address by Severin Schwan
CEO of the Roche Group

(Check against delivery.)

Ladies and Gentlemen, Fellow Shareholders

I too bid you a warm welcome to this year's Annual General Meeting.

2009 was a very successful year for Roche in a number of ways. In my talk I'd like to address three topics, in particular:

- first, our results for 2009 and the outlook for the present year;
- second, how the Genentech integration significantly advances our Group's long-term innovation strategy;
- and third, our pursuit of excellence in science and research for the benefit of patients. I'll illustrate this last topic with a concrete example.

First let me summarise the most important results of the past year.

2009: Strong double-digit growth in Group sales



In billions of CHF	2008	2009	Growth	
			CHF	LC*
Pharmaceuticals	36.0	39.0	+ 8%	+ 11%
Diagnostics	9.7	10.1	+ 4%	+ 9%
Roche Group	45.6	49.1	+ 8%	+ 10%

* LC = local currencies

Sales in both the Pharmaceuticals and the Diagnostics Division grew roughly twice as fast as the market. In other words, we increased our market share once again.

For the sixth consecutive year the Pharmaceuticals Division achieved double-digit growth. Sales increased by 11% in local currencies to 39 billion Swiss francs.

Because of pandemic preparedness, sales of the influenza medicine Tamiflu increased last year to more than 3 billion Swiss francs, making this product an important growth driver.

Notwithstanding the great amount of public attention paid to this product, Roche is more than just Tamiflu – though there were times last year when one could easily have thought otherwise. In fact, in 2009 Tamiflu accounted for just under 7% of our total sales. In the oncology segment alone Roche has three drugs with sales of more than 5 billion Swiss francs, that is to say considerably more than sales of Tamiflu. Overall there was an 8% increase in sales of cancer medicines, which now account for more than half of sales in the Pharmaceuticals Division.

Sales in the Diagnostics Division increased by 9% in local currencies to over 10 billion Swiss francs. In this division the introduction of new products contributed to a strengthening of our market position in key segments such as immunoassays and tissue diagnostics.

As you can see on this slide, growth rates in Swiss francs were somewhat lower due to unfavourable exchange rate movements.

2009: Double-digit growth in operating profit and Core Earnings per Share (EPS)



In billions of CHF	2008	2009	Change	
			CHF	LC*
Sales	45.6	49.1	+ 8%	+ 10%
Operating profit before exceptional items	13.9	15.0	+ 8%	+ 14%
<i>as % of sales</i>	30.5	30.6		
Net income	10.8	8.5	- 22%	
<i>as % of sales</i>	23.8	17.3		
Core Earnings per Share (CHF)	11.04	12.19	+ 10%	+ 20%

* LC = local currencies

The Group's operating profit before exceptional items increased by 14% in local currencies and was thus substantially higher than our 10% sales growth. As in previous years, cost-saving programmes contributed to the strong operating profit.

Net income fell by 22% to 8.5 billion Swiss francs, primarily due to exceptional costs of 2.4 billion Swiss francs associated with the integration of Genentech. These costs arose in particular as a result of closures of manufacturing operations and consolidation of administrative functions in the US.

Core Earnings per Share – that is, profit excluding exceptional items, amortisation and impairment of intangible assets – increased by double digits both in local currencies and in Swiss francs. This is a key metric of business performance.

Tamiflu

Rapid and effective response to 2009 influenza A (H1N1) pandemic



As I've already mentioned, the influenza pandemic and Tamiflu became important topics for Roche last year. The worldwide spread of 'swine flu' presented a huge challenge not only for governments around the world, but also for Roche.

As on other occasions in the past, we have cooperated closely with the World Health Organization (WHO) and national governments to limit the threat posed by the new virus. In 2009 we donated an additional 5.65 million packs of our influenza medicine Tamiflu to replenish the WHO's stockpiles. Since 2005 we have donated almost 11 million packs of Tamiflu. We also supply the governments of certain countries with Tamiflu at substantially reduced prices.

In response to the increased WHO pandemic threat level, our network of manufacturing partners scaled up production to approximately 33 million treatment courses per month, and we are now able to supply up to 400 million packs annually, if required.

Although the swine flu has been milder than expected, it has caused deaths. As no one can predict how the virus will evolve, every country should be ready to respond to the emergence of a more virulent strain. That is, every country should have a preparedness plan and a stockpile of antiviral medication like Tamiflu. Tamiflu has a seven-year shelf-life, making it very suitable for contingency stockpiling.

Swine flu and Tamiflu are an object lesson in how tightly intertwined innovation and corporate responsibility can be. Roche lived up to its responsibilities with targeted and effective action.

Our concern about the sustainability of our business activities extends beyond Tamiflu. We are committed, for example, to providing better access to our products worldwide. In 2009 our efforts in this area received special recognition. For the first time the Dow Jones Sustainability Indexes named Roche the 'Super Sector Leader' in healthcare, ranking it as the most sustainable healthcare company worldwide. This form of recognition motivate us not to slacken our efforts and to continue to assume our full responsibility in this field.

Goals for 2010



- **Mid-single-digit sales growth for the Roche Group* (excluding Tamiflu)**
- **Double-digit growth in Core Earnings per Share***
- **By end of 2010, repayment of 25% of debt raised to finance Genentech transaction**

* In local currencies

Total sales of Tamiflu are expected to reach 1.2 billion CHF in 2010.
Barring unforeseen events.

Let's now have a look at our expectations and goals for the current year.

Overall, we are expecting mid-single-digit sales growth for the Pharmaceuticals Division and the Roche Group in 2010. This excludes Tamiflu sales, which are very difficult to predict. For the Diagnostics Division we are expecting sales growth considerably greater than that of the global market.

In 2010 we are also aiming to achieve a double-digit increase in Core Earnings per Share at constant exchange rates.

By the end of 2009 we had already repaid about 7 billion Swiss francs of the debt we raised to finance the Genentech transaction, and we estimate that by the end of this year we will have repaid a quarter of that debt.

Based on the Group's strong operating free cash flow, we expect to return to a net cash position by 2015.

Genentech integration

After Roche acquired full ownership of Genentech in March 2009, the successful integration of the two companies was a key priority. By the end of the year the integration was essentially complete and I am extremely happy with the progress that has been made.

The merger of the two companies has significantly strengthened our global presence and in particular our position in the US market, with the result that Roche is now the sixth-biggest pharmaceutical company in the US.

By combining the activities of the two companies in the areas of product development, production and sales we have also eliminated duplication of activities, reduced the complexity of many activities and thereby generated productivity gains. By 2011 we expect to achieve annual savings on the order of 1 billion Swiss francs (before taxes) in these areas.

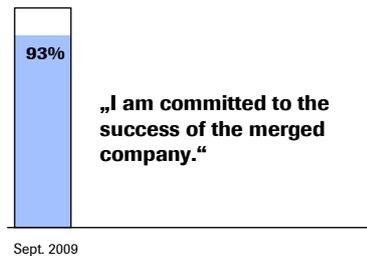
We made a conscious decision not to combine research and early development at Genentech and Roche. This is because we are convinced that in this area a diversity of opinions and approaches provides the best conditions for medical breakthroughs. Pharmaceutical research activities by Roche, Genentech and Chugai therefore enjoy considerable operational independence within the Roche Group. They operate as autonomous innovation centres that have their own resources, enter into external partnerships and adopt different research approaches.

Positive attitude of Genentech employees

Employee turnover at a new low

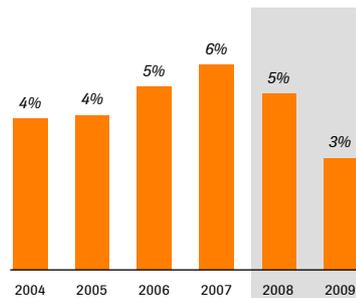


Satisfaction*



* Genentech employee survey, September 2009; percentage combines answers "almost always true" and "often true"

Turnover**



** Voluntary

It's very gratifying to know that we have succeeded in retaining Genentech's management and scientists. The fact that the integration has also been a success with employees is confirmed by an employee survey conducted at Genentech in September 2009. This found that almost all employees were committed to the success of the merged company and remained proud of their corporate culture. Over 90 percent of the researchers in San Francisco supported the merger and 86 percent said that they did not want to change jobs even in the longer term. The employee turnover rate at Genentech is actually less now than it was before the merger was announced.

Excellence in science is and will continue to be a precondition for developing treatments that make decisive differences to patients' health and quality of life. We need to continually share our excitement with employees worldwide – at Genentech in San Francisco and at all our other sites – about pursuing breakthroughs in research and development.

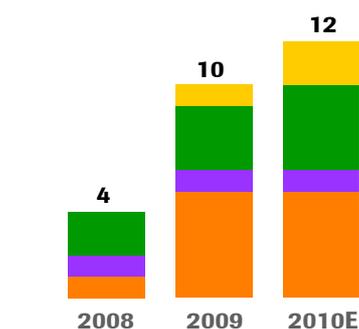
No other healthcare company in the world currently invests more than we do in the quest for new knowledge. Even compared to other industrial sectors we occupy a top position in terms of investment in research and development, with an annual Group expenditure of around 10 billion Swiss francs. Nevertheless, high levels of investment in research are worthwhile only if justified by the results that they achieve.

Strong research and development pipeline



Pharma

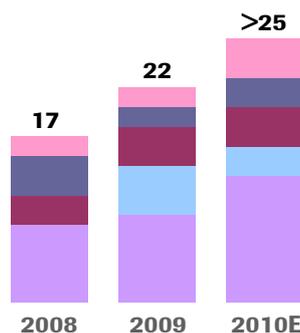
NMEs in late-stage development



NME = New Molecular Entities

Diagnostics

Major launches



The Roche Group now has one of the best research and development pipelines in the industry. Of the total of 59 new molecular entities in its pipeline, ten are in late-stage development. This number is unmatched in our industry. And this year we are planning to further increase the number of compounds in phase III, the final phase of development in which drugs are tested in large-scale clinical studies. What's more, 30 additional indications for existing products such as Avastin and MabThera/Rituxan are currently in late-stage development.

At Roche, advancing personalised healthcare through close cooperation between our Pharmaceuticals and Diagnostics Divisions is a high priority. Over the past few years we have continuously improved the organisational and technological framework for this cooperation. As a result, at Roche work can span the Pharmaceuticals and the Diagnostics Division at a very early stage of research and without problems of confidentiality or patents.

Only now are we beginning to understand diseases at the molecular level. We are finding out precisely what is malfunctioning in the body and developing drugs that specifically target the malfunction concerned. What's more, targeted therapies and diagnostic tests that help to improve medical decision-making not only offer clinical and health economic benefits for

patients, but are also attractive to regulatory authorities and payers. We see an enormous potential and huge opportunities in this area.

I'd like to single out one of the ten projects presently in late-stage development, namely a new approach to the treatment of malignant melanoma that could become a shining example of personalised healthcare (assuming that the final studies confirm the successful results obtained so far).

Malignant melanoma, the deadliest form of skin cancer *High unmet medical need*



- About 160,000 new cases diagnosed worldwide each year
- Average survival time of patients who have already developed metastases: 8-10 months
- No significant therapeutic advances in this field for 30 years

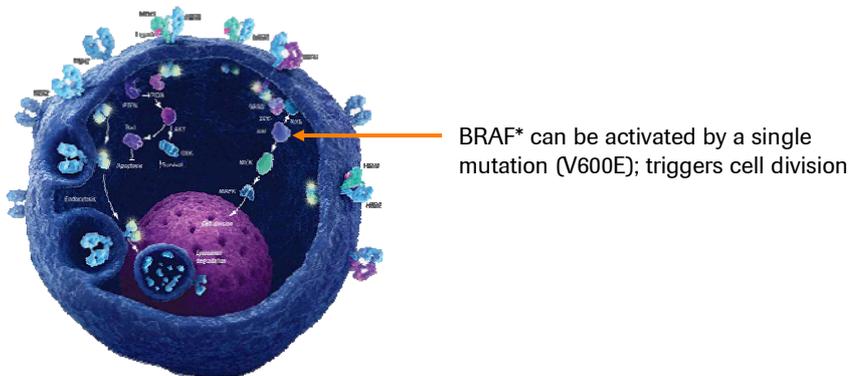
Malignant melanoma is the deadliest form of skin cancer. As it has a strong tendency to metastasise even at a very early stage, it is regarded as being particularly dangerous. Worldwide malignant melanoma is diagnosed in about 160,000 people each year, roughly 20,000 of whom have metastatic disease.

Few options are available for treating patients who have already developed metastases. And the prognosis is poor, with an average survival time of only eight to ten months.

There is therefore an urgent need for new treatment options for this dreadful disease.

Roche Personalised Healthcare in action

BRAF mutations in cancer



* Mutated BRAF is found in over 50% of all cases of melanoma

In general, tumours develop from a single cell (such as the one shown here). All cells continually undergo changes, or mutations, that influence certain signalling pathways within the cell. The vast majority of such mutations are spontaneously corrected in the body, however a very small number manage to escape the body's repair mechanisms, cause uncontrolled growth and form a tumour.

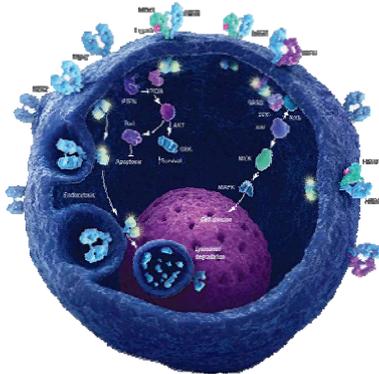
It has been found that more than 50% of melanomas harbour a highly specific mutation of a protein known as BRAF that is partially responsible for growth of the cell. If this protein has undergone a 'V600E mutation' the cell grows in uncontrolled fashion. Such patients have a very low chance of cure.

An understanding of molecular mechanisms of this kind forms the basis for personalised healthcare. Roche is therefore on the lookout for medicines that directly target the key drivers of disease.

This knowledge is also used to develop diagnostic tests that can identify those patients who will respond best to a particular medicine. Ideally, this should occur – as in the present example – during the early phase of clinical development.

Roche Personalised Healthcare in action

BRAF mutations in cancer



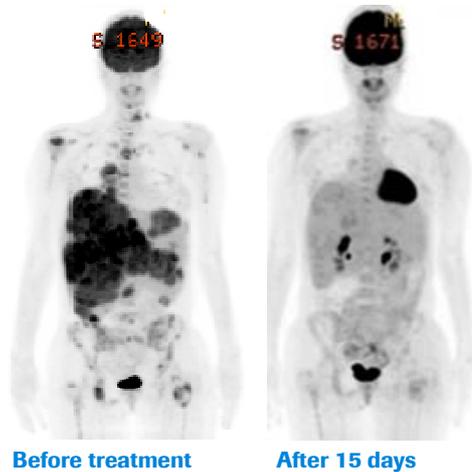
Companion diagnostic test
to demonstrate BRAF^{V600E}*



Tailored therapy
(RG7204)

On the basis of this molecular biological knowledge, Roche and Plexikon have co-developed a medicine that uses a highly innovative mechanism to inhibit the mutated BRAF protein that is partly responsible for this disease. This new medicine, which is taken orally, specifically destroys cancer cells that harbour the V600E mutation, whereas healthy cells that do not carry this mutation are not attacked.

In parallel with this we have developed a diagnostic test that demonstrates the presence of the V600E mutation in the tumour at the molecular level and thereby identifies patients who are highly likely to respond to the new medicine. In this way the new medicine can be reserved for those patients who will actually benefit from it.

RG7204*Encouraging results in aggressive skin cancer*

First clinical studies show significant medical benefits:

- Progression of cancer significantly slowed in up to 70% of patients
- Rapid response to treatment

These medical images of a 45-year-old female skin cancer patient strikingly illustrate the very positive study results that we have obtained to date with this new medicine. The liver, bones, spleen and other tissues of this patient already showed metastases (seen in the image on the left as black spots; with this technique the black staining of the brain and bladder does not indicate any abnormality). The cancer was thus already widely disseminated; the patient had stopped responding to chemotherapy and was suffering severe pain due to the metastases.

After a relatively short period of treatment with the new medicine remarkable results were obtained: the tumours had shrunk by as much as 60%; what's more, the severity of the pain (and thus the need for narcotics) was significantly less.

We published the first study results last year. These were highly encouraging in all respects and received a great deal of attention from experts in the field. The size of tumours was significantly reduced in up to 70% of patients, and patients' quality of life was markedly improved.

Despite these successes in the fight against this extremely aggressive form of cancer, no cure is in sight at present. Nevertheless, this most recent diagnostic and therapeutic advance is a major one and is of great importance especially for patients and their families.

I'd now like to show you how this looks from the point of view of the patient. In the short film that I'm about to show you, a 72-year-old patient named Michael Roberts gives a vivid description of his experiences.

(Film: Melanoma patient Michael Roberts)

These early successes provide a beacon of hope in the fight against a cancer that until now has been regarded as virtually untreatable. If the marketing approval process goes as planned, the new medicine, together with a PCR-based companion diagnostic, should be introduced into the market within a few years.

We want to build on successes such as these and fight cancer and other serious diseases using strategies that are better targeted and more effective (at the molecular level).

That's the essence of our strategy: to focus on medicines that bring real benefits to patients. As the world's biggest biotech company, we are optimally positioned to develop such solutions, and with this firm orientation we will be successful even in an increasingly demanding environment.

Ladies and Gentlemen,

Our sustained commercial and scientific success enables us, unlike many of our competitors, to approach the challenges and opportunities presented by the healthcare market from a position of strength. Our focus on pharmaceuticals and diagnostics, our expertise in biotechnology and our global research and development network provide us with important competitive advantages in a changing market. We intend to capitalise on these advantages – for the benefit of patients, our employees and you, our shareholders.

Thank you for your attention.