# Annual General Meeting of

# Roche Holding Ltd

**10 March 2009**

**Address by Franz B. Humer**

Chairman of the Board of Directors

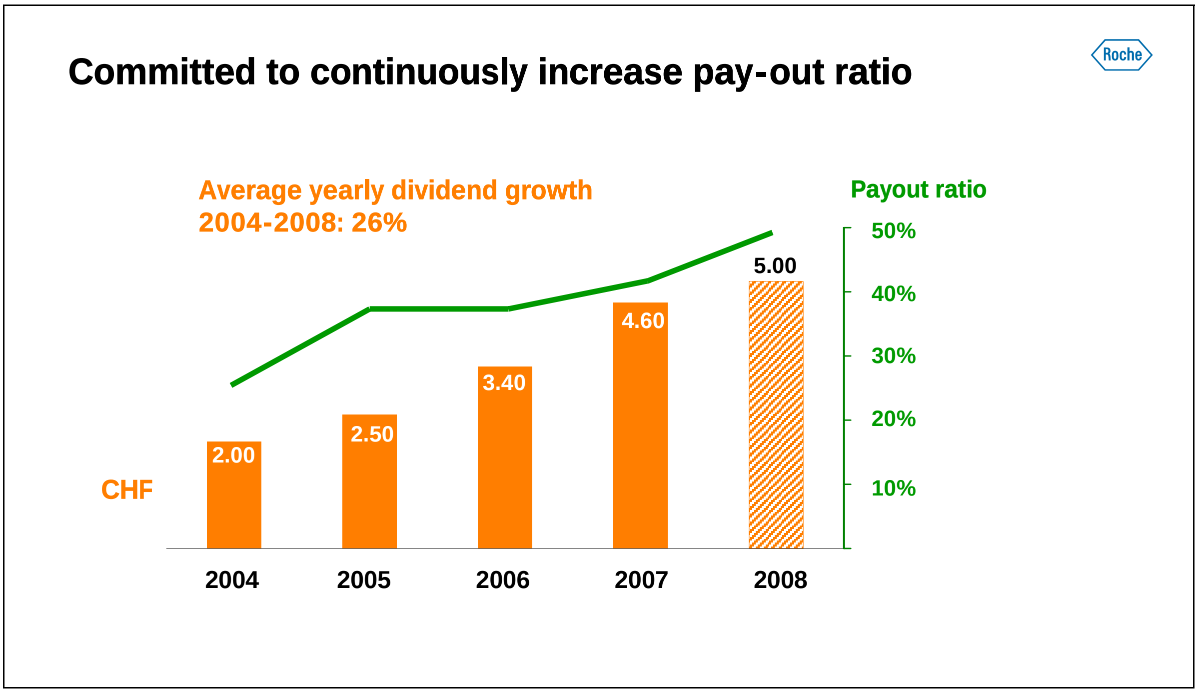
**(Please check against delivery)**

Shareholders, ladies and gentlemen,

Last year was dominated — and this year continues to be dominated — by the global financial and economic crisis. Yet your company was able not only to continue the positive development of recent years, but also to expand market share and position itself more strongly for the future in all areas. We can certainly say that, so far, and as far as its operational business is concerned, Roche has hardly been affected by the financial and economic turmoil. We reported our full-year results in detail at our Annual Media Conference on 4 February and at the same time published our Annual Report on the internet. As in previous years, our Annual Report is available in German and in English.

After my presentation, our CEO Severin Schwan will talk about the most important events and results of the past year and summarise the outlook for the current year.

At this point I would particularly like to draw your attention to two topics that we will subsequently be presenting to you for approval.



- As already announced, since 2008 was another very successful year for Roche, the Board of Directors has decided to propose today, as Item 3 on the agenda, that the dividend be increased by 9% to 5.00 Swiss francs per share and non-voting equity security (up from 4.60 Swiss francs in 2007). This will increase the payout ratio further, to 49%. In other words, about half of net income will be paid out to you, the shareholders, in the form of a dividend, if the proposal is accepted. Subject to your approval, this will be the 22nd consecutive dividend increase.

**Separate vote on Remuneration Report**
***Pages 75-85 of the Business Report***

- The Remuneration Report provides a detailed account of the compensation paid to members of the Board of Directors and Corporate Executive Committee.
- The Board's Remuneration Committee sets base salaries, bonuses, and Performance Share Plan and Stock-settled Stock Appreciation Rights allocations based on clear performance criteria. Key underlying principles:
  - **A focus on value creation**
  - **Pay for performance**
  - **Enabling employees to share in the company's success**
  - **Fairness and transparency in remuneration decisions**
  - **A balanced mix of long- and short-term remuneration components**
  - **Market competitiveness**

- In recent years, and in compliance with the Swiss Code of Best Practice for Corporate Governance, we have submitted the Remuneration Report to you for approval as an integral part of the Annual Report. This report goes beyond the statutory disclosure requirements, providing full details of the remuneration received by the Board of Directors and the Corporate Executive Committee. Today, for the first time, you will have an opportunity to take part in a separate advisory vote on the Remuneration Report. We are thus responding to a growing need, which has of course also found expression in public debate.

The subject of this vote, which, in purely legal terms, is not binding, is not individual salaries, but the Remuneration Report as a whole, as published on pages 75 to 85 of the Annual Report.

- Allow me to summarise some of the major points of the Remuneration Report:
  The remuneration of the Corporate Executive Committee and Roche's senior management is guided by clear performance criteria and is determined by a Remuneration Committee made up exclusively of independent members of the Board of Directors and led by Vice-Chairman Bruno Gehrig. The key principles that underpin these criteria are:
  - A focus on value creation
  - Pay for performance
  - Enabling employees to share in the company's success
  - Fairness and transparency in remuneration decisions
  - A balanced mix of long- and short-term remuneration components
  - Market competitiveness

  The individual remuneration components – base pay, bonuses, Stock-settled Stock Appreciation Rights (S-SARs) and the Performance Share Plan (PSP) – support these principles.

What criteria, then, are used to determine the individual remuneration components?

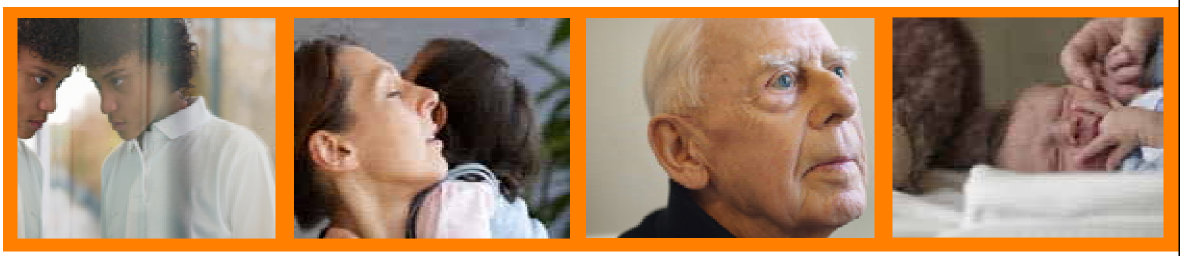
- Base pay levels are determined according to market data for specific positions and individual employees' abilities, experience and performance, and the company's situation.
- Bonuses are awarded in recognition of individual contributions to value creation which go beyond normal job expectations. Bonus amounts are linked to the company's annual business performance.

- The members of the Corporate Executive Committee and other members of senior management — currently, 117 individuals worldwide — also participate in the Performance Share Plan, which is based on medium-term cycles. Under this plan, Roche non-voting equity securities are reserved for a three-year performance cycle. The number of equity securities actually awarded depends on whether and to what extent an investment in Roche securities outperforms the average return on an investment in securities issued by a peer set of 19 comparator companies. The Plan's 2006-2008 performance cycle ended on 31 December 2008. On the basis of the performance achieved over the three-year cycle, Performance Share Plan participants were awarded three-quarters of the non-voting equity securities originally reserved for the period.
- Finally, at the beginning of 2005 Stock-settled Stock Appreciation Rights (S-SARs) were introduced, thus creating a uniform system of remuneration throughout Roche. The financial benefit depends on developments in the value of Roche non-voting security equity securities and cannot be realised until a vesting period has elapsed. Allocations of S-SARs are made on the basis of individual performance criteria and the contribution that the recipient is expected to make to the company's success in the future. Some 3,300 managers worldwide participate in this long-term stock option programme. These, then, are the basic principles.

As you can see on page 81 of the Report, as Chairman of the Board of Directors, I received the highest total remuneration of all members of the Board of Directors in 2008. Since I relinquished the position of CEO, my total remuneration has consisted of a base salary and bonus awards. I now no longer participate in the Performance Share Plan or the stock options programme. Of the members of the Corporate Executive Committee, Group CEO Severin Schwan receives the highest total remuneration; here too, you will find full details in the Remuneration Report, on page 82. The Remuneration Report also gives full details of the compensation received by each member of the Corporate Executive Committee.

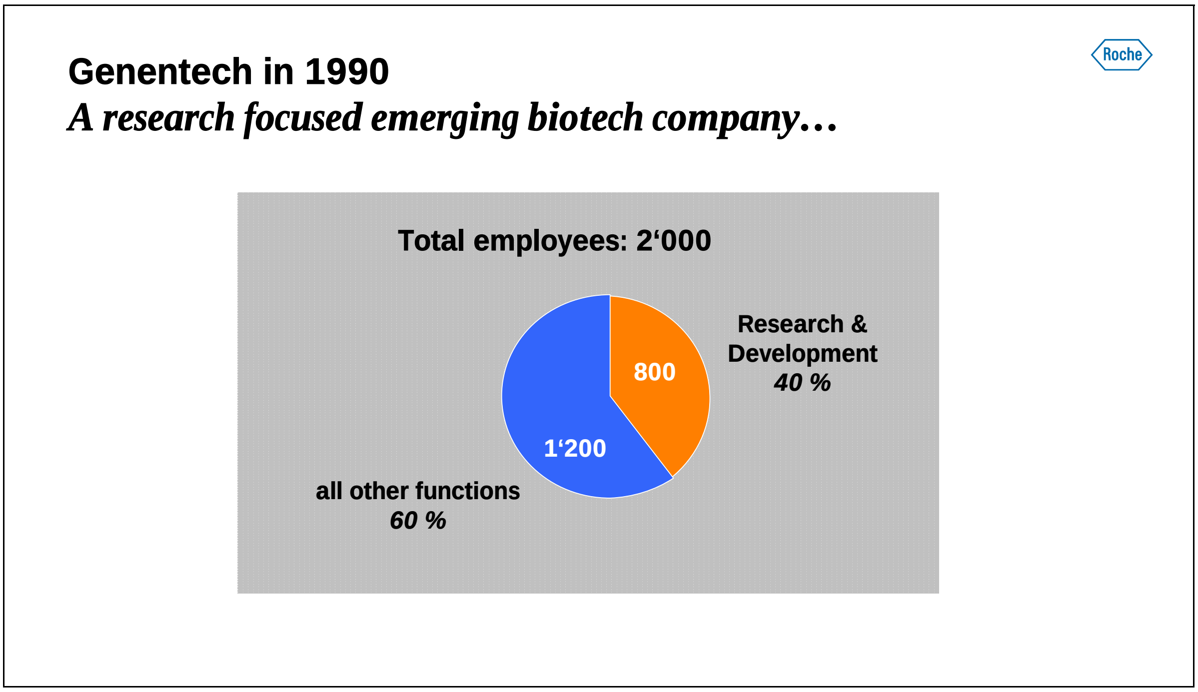
**Innovation creates value for all our stakeholders**

***Our goal is the creation and commercialisation of medically differentiated products and services that lead to tangible improvements in patients' health and the length and quality of their lives.***



Last year we also set the stage for the future in many important areas, and at the same time reaffirmed our strategic course. Our objective is still the same: the creation of better medicines, diagnostic tests and services. Here, I particularly want to emphasise how important it is for our ability to pursue our long-term strategy that the Hoffmann and Oeri families recently announced the extension of their share-pooling agreement for an indefinite period, thus securing their majority shareholding in the company. I would like to quote from the media release issued by the shareholders' pool: 'With this step, members of the Hoffmann and Oeri families are underscoring their joint desire to preserve the company's independent and autonomous character for the long term. The pool will continue to exercise its majority rights responsibly and in the interests of the company as a whole.' We are proud and delighted to have such majority shareholders!

A significant decision for the future of Roche is the intention we announced last year to increase our majority holding in Genentech from 56% to 100% and thus to acquire Genentech completely. Why did we make this decision? What benefits will it have for the development of our company? And where do we stand now?

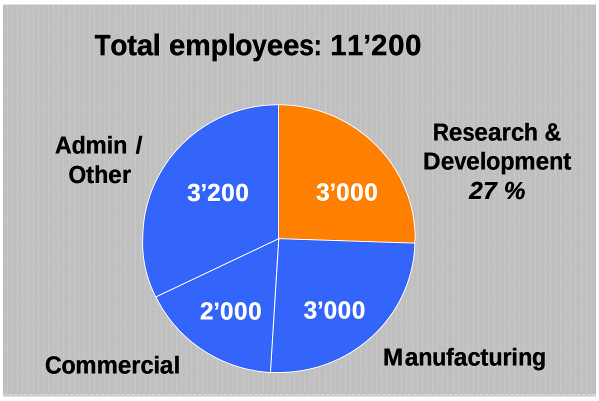



The decision has to be seen in the context of our long-standing relationship with Genentech. When we acquired a majority shareholding in Genentech in 1990, in Fritz Gerber's era, we were buying into a relatively small biotech company with just under 2,000 employees, around half of whom worked in research. With considerable financial support and in collaboration with Roche, Genentech has been able to develop several breakthrough medicines, primarily in oncology.

Roche

**Genentech today**

***… a fully integrated pharmaceutical company***




Genentech - South San Francisco

These successes made Roche successful. And over the past 20 years they have enabled Genentech to develop into a large, fully integrated pharmaceutical company with more than 11,000 employees, of whom only about a quarter still work in research and development.

In seeking to combine the two companies, we are pursuing two objectives:

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**Key objectives of combining Genentech and Roche**

***…enhance innovation and operational efficiency***

Research and Early Developement | Late Develop-ment | Manu-facturing | Com-mercial | Admin & other

**Enhance innovation**

- Allow diversity of approches in research
- Encourage sharing of IP, technologies, networks etc.
- Post 2015 partnership

**Improve operational efficiency**

- Reduce complexity
- Eliminate duplications
- Leverage combined scale in the US and globally

- Firstly we will create substantial synergies in areas such as late-stage global development, administration, manufacturing and distribution, where critical mass and cost are decisive factors in the context of global competition in the pharmaceutical industry. This is more important than ever in enabling us not only to maintain, but to continue expanding our position in a challenging environment increasingly characterised by pricing pressure. It is vital so that we can strengthen our market position and impact. Combining both companies will improve operating efficiency by reducing complexity, eliminating duplication and significantly strengthening our position in the US market.

- Secondly, and even more importantly, Roche’s ability to innovate will be strengthened. On the one hand we will take the necessary steps to maintain Genentech’s innovative and unique science-driven culture. In particular, we want to work with the current leadership team at Genentech to retain Genentech’s approach to researching and developing new medicines. For this reason, research and early development at Genentech will continue to operate as an independent research centre — with its own unique culture — within the Roche Group. In so doing we want to foster a diversity of research approaches and thus create the conditions for further medical progress. At the same time, it will be much less complicated for researchers to work together, because the legal constraints that currently protect the interests of Genentech’s minority shareholders — and that increasingly are a barrier to collaboration — will no longer apply. The integration of Genentech will give Roche unrestricted access to over 100 partnerships, while Genentech will have unrestricted access to Roche’s expertise and patents. In short, the combination will maintain a diversity of research approaches while allowing sharing of intellectual property, technologies and partnerships. This will significantly strengthen the Group’s ability to innovate.

The combination of Roche and Genentech is a big step towards achieving our goal of becoming the world's leading healthcare company. Innovation – creating medically differentiated products and services – will remain the core of our business. Particularly in these turbulent times, we will not deviate from our course.

**Roche offer to Genentech's minority shareholders**

1. July 2008: Proposal to Genentech's independent directors to purchase all outstanding Genentech shares for $(US) 89 per share
2. February 2009: Public tender offer to purchase all outstanding Genentech shares for $(US) 86.50 per share (a total of $42.1b)
3. 6 March 2009: Tender offer adjusted to $(US) 93 per share (a total of $45.7b)
4. Opportunity for Genentech's minority shareholders to receive a fair cash price for their shares in the current difficult market environment
5. Transaction to be financed through a combination of liquid funds, bonds, commercial paper, and bank loans

In July last year, Roche made an offer to acquire all publicly-held Genentech shares not already owned by Roche – or approximately 44 percent of all Genentech shares outstanding – at a price of 89.00 US dollars per share.

This proposal was rejected by a special committee of the board of directors of Genentech, consisting solely of independent directors. In the several months and weeks since then, we have made intensive efforts to reach a negotiated agreement. We gave the special committee sufficient time to examine our proposal and initiate negotiations. We are disappointed that the talks between Roche and the special committee have not lead to an agreement.

We feel that the price proposed by the special committee — $112.00 per share — is not based on realistic assumptions about the future. For example, we believe that the committee's assessments of the potential impact of competition from follow-on biologics on Genentech's biological products after patent expiry, expected productivity gains and higher success rates in research and development, the investments required and the market potential of the cancer drug Avastin in additional indications, and possibilities for price increases in the US market are either inadequate or overly optimistic.

Therefore, one month ago we commenced a public tender offer to purchase all outstanding Genentech shares for US$86.50 per share.

In the meantime numerous conversations with Genentech shareholders have shown us that there is a strong sentiment to bring this process to a swift and fair conclusion. As a result, on the 6th of March we adjusted our offer to $(US) 93. The offer provides an opportunity for all Genentech shareholders to receive a fair cash price for their shares in the near term in the current difficult market environment. The tender offer will now expire on 20 March.

Roche intends to finance the transaction with its own liquid funds, debt securities, commercial paper, and bank loans. Our recent offering of debt securities to help finance the Genentech acquisition have been extremely successful — and the terms very favorable.

There's one point in particular I would like to emphasise. Although this is, in formal terms, a 'hostile takeover', the relationship between the Roche and Genentech management teams remains very good. I am therefore very optimistic that this step will not jeopardise the successful working relationship or the mutual trust between Roche and Genentech.

The results our company achieved in 2008 show clearly that Roche is taking this step from a position of strategic, operational and financial strength. With that, I would like to hand over to Severin Schwan. After his presentation, Dr Schwan and I will be happy to answer your questions.