Annual General Meeting
Roche Holding Ltd
1 March 2011

Address by Franz B. Humer
Chairman of the Board of Directors

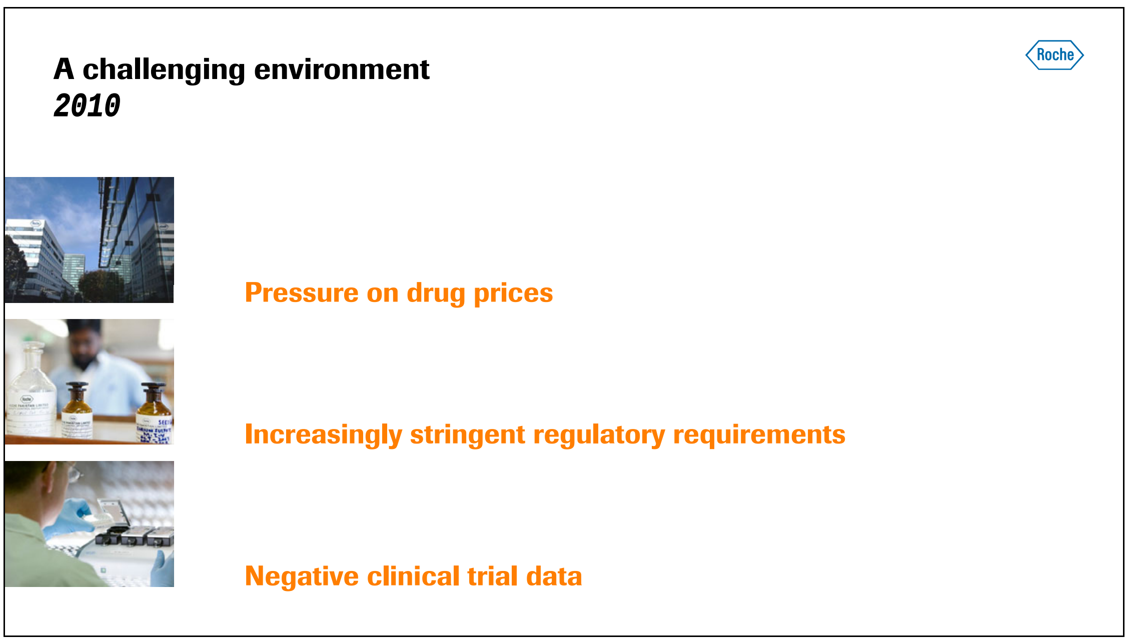
(The spoken German word is definitive.)

Good morning, Ladies and Gentlemen

We reported in detail on the Roche Group's results for 2010 at our Annual Media Conference on 2 February and published our Annual Report online on the same date.

Following my remarks, Mr Schwan will brief you on the year's key results and achievements and describe the outlook for 2011.

2010 was an eventful and particularly challenging year for Roche. Allow me to briefly go over the year and explain why I believe Roche remains strongly positioned to prosper in an environment that is becoming increasingly challenging.



A variety of factors came together within a short space of time to make 2010 a difficult year.

First: The tremendous pressure that the financial crisis is putting on government budgets hit us – and by 'us' I mean the entire healthcare industry – even faster and harder than expected. Last year Germany imposed a compulsory 16% rebate on prescription drugs; Greece announced drug price cuts of up to 27%; and Spain and other European countries followed suit with similar measures. Healthcare reform in the US also resulted in additional rebates on prescription drug sales, and starting 2011 pharmaceuticals will be subject to a new excise tax in the United States. On top of all this, the Japanese government once again cut drug prices, as it does every two years.

The pharmaceuticals market in Switzerland also shrank for the first time ever as a result of price cuts. Globally, average pharmaceuticals sales growth slowed to about 1%.

The <u>second major change</u> concerns the approval of new medicines. Regulatory requirements were tightened considerably in 2010.

The US Food and Drug Administration (FDA) is no longer satisfied with proof that a new cancer medicine prevents a disease from advancing, thereby improving patients' quality of life (progression-free survival). We must now also show an increase in overall survival.

Consequently, Roche's innovative new medicine for treating breast cancer, T-DM1, was not made available to patients through accelerated approval last year and, as a result of the additional data that the FDA now requires, will instead become available about two years later in the United States. The effort behind increasingly expensive clinical research is expanding constantly as regulatory hurdles are set higher and higher, which in turn slows approval of innovative treatments.

<u>Thirdly,</u> the inherently risky nature of pharmaceutical innovation was once again brought home to us in a way that we hadn't experienced first-hand for many years. Our clinical trials with Avastin in stomach and prostate cancer and with ocrelizumab in rheumatoid arthritis produced some negative results. And just weeks ago we had to announce that we have discontinued development of taspoglutide for type 2 diabetes, primarily because of gastrointestinal side effects.

In spite of all that, 2010 was also a year of significant progress. Mr Schwan will be speaking to you shortly about last year's positive trial data on drugs in our pipeline. Discovering and developing new drugs means taking risks – there's no other road to real innovation.

And against this very challenging backdrop, Roche posted some very good results in 2010.

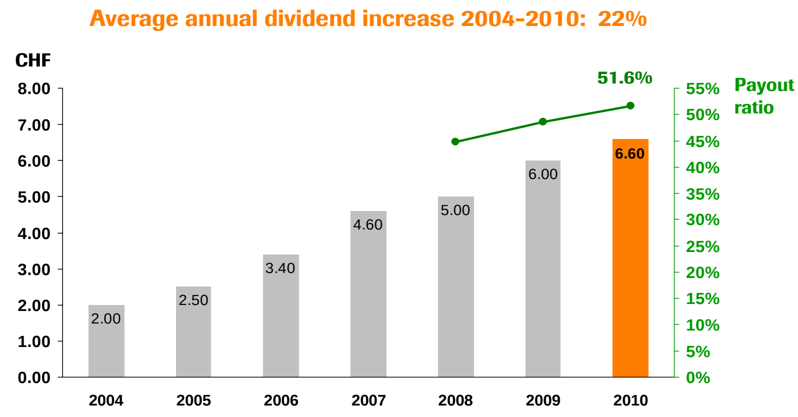
2010: Achieved goals

Sales growth (in local currencies)	Group & Pharma (excluding Tamiflu): mid-single digit Diagnostics: significantly above market	**5%** **8%**
Core EPS growth (in local currencies)	Double digit	**10%**
Debt	2010: 33% reduction (revised from 25%)	✓
Sustainability	Dow Jones Sustainability Indexes: Supersector Leader again	✓

- Excluding sales of Tamiflu, which, as anticipated, declined sharply for the year (down 2.3 billion Swiss francs from 2009), our Group and Pharmaceutical sales rose 5% in local currencies. Both our Pharmaceuticals and our Diagnostics Division grew significantly faster than the market.
- Core Earnings per Share (EPS), a key indicator of underlying business performance, advanced in double digits by 10% in local currencies (4% in Swiss francs).
- Operating free cash flow, a robust 14.1 billion Swiss francs, enabled us to pay back a full one third of the debt incurred in connection with the Genentech transaction by the end of 2010 – earlier than originally planned.

Not only did we achieve our financial objectives, but I was very pleased to learn that, for the second year in a row, the Dow Jones Sustainability Indexes named us Supersector Leader, that is, the world's most sustainable healthcare company. We firmly believe that sustainable corporate policies and practices ultimately create long-term value and promote innovation.

Steady increase in dividend payout ratio



Dividend for 2010 subject to shareholder approval

The Board of Directors is proposing a 10% dividend increase for 2010, to 6.60 Swiss francs per share and non-voting equity security (up from 6.00 Swiss francs for 2009). You will be asked to vote on this proposal as item 3 on today's agenda.

As we announced three years ago, today's dividend proposal will once again increase our dividend payout ratio (to 52% in 2010). In other words, if the proposal is adopted, more than half of the Group's net income for 2010 will be distributed to shareholders as dividends. Subject to your approval, this will be our 24th dividend increase in as many years.

In 2011, we intend to increase our dividend in line with Core EPS growth.

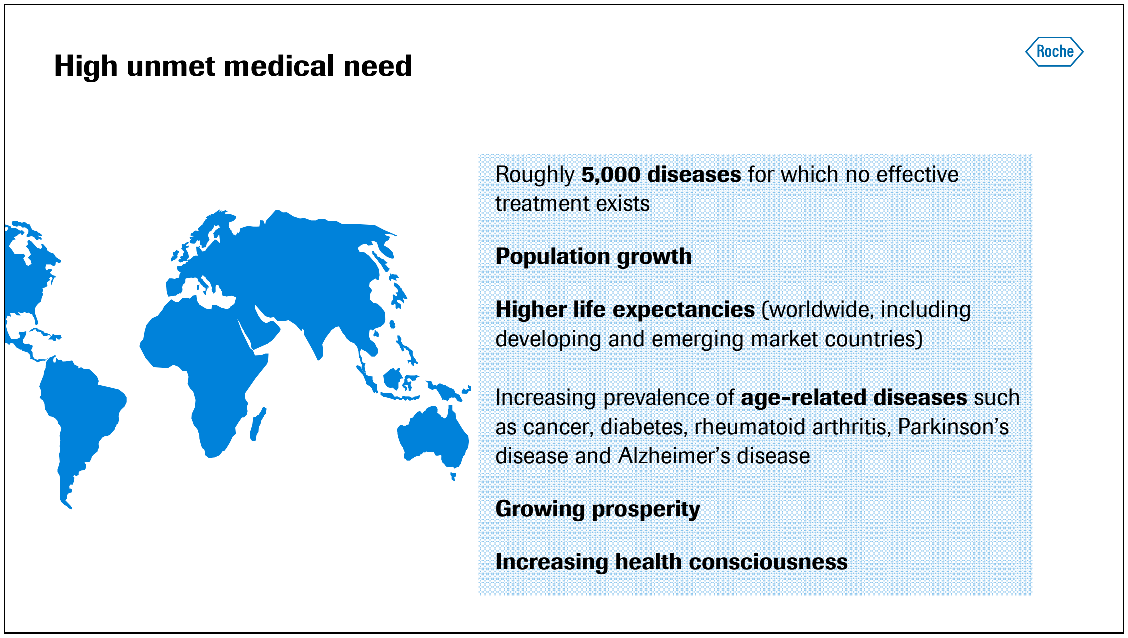
Innovation strategy reaffirmed

Ladies and Gentlemen,

last autumn we looked very closely at ways of responding to the challenges that I outlined earlier. We concluded that we needed to act now, from a position of strength, to ensure our company's future success in the long term. Above all, our analysis clearly confirmed the soundness of our corporate strategy, particularly our strategic focus on innovation in our pharmaceuticals and diagnostics businesses.

Market and regulatory conditions have become tougher. Nevertheless, I am convinced that the mid- to long-term outlook for the pharmaceuticals industry – and for Roche in particular – is excellent.

So why do we believe more strongly than ever in our strategy?



(1) Thanks largely to the research-based healthcare industry, the last decade has seen tremendous progress in medicine – particularly in treating cancer, an area where Roche is the global leader. But there are still far too many diseases for which no effective treatments exist, and often patients fail to respond adequately to the treatments that are available.

Hence there is still high unmet medical need and growing demand for more specific diagnostic tests and more effective, better tolerated medicines.

The world's population is growing and becoming older on average. And as life expectancies increase, age-related conditions like cancer, diabetes, rheumatoid arthritis, Parkinson's disease and Alzheimer's disease are becoming more prevalent. Nor are these trends confined to industrialised nations. We are also witnessing them in developing and emerging market countries like China, Brazil, Mexico and Russia – and (increasingly) in Africa.

Emerging markets already account for a quarter of the Roche Group's sales. We posted double-digit growth in these markets last year and expect to continue to do so.

Increasing prosperity will fuel above-average growth in these health markets, making their further development a high priority for us.

Sustained medical and scientific progress

(2) We believe in the enormous potential of the modern biological sciences and will vigorously continue our involvement and investments in this area. Last year Roche spent over 9 billion Swiss francs on research and development (about 25 million Swiss francs a day). Science's rapidly expanding knowledge of disease biology and the causes of disease hold particular promise. As our understanding of the underlying mechanisms grows, so does the ability to develop targeted treatments that can make an important contribution to managing the challenges currently confronting healthcare systems.

I'm talking about more personalised healthcare. And this is an area where Roche has made important progress recently. Half of the medicines we have in late-stage development are tailored to specific patient populations. These products have clinical and economic advantages that make them attractive to regulators and payers as well as to patients. Targeted innovation has been and will continue to be the engine driving our long-term success. Unlike some of our competitors, we will continue to invest heavily, particularly in those areas of research where we believe we are particularly strong – cancer, diabetes, the central nervous system. Of course we also need to ensure that we make the most of our resources and continue to steadily raise productivity.

Roche strongly positioned for the future

- Sharp focus on pharmaceuticals and diagnostics
- A leader in personalised healthcare
- Number 1 in biotech, *in vitro* diagnostics and oncology
- 13 products with annual sales exceeding 1 billion Swiss francs
- 12 new molecular entities in late-stage development
- 22 additional indications for major products
- Scientific excellence
- Dedicated to significantly improving patients' quality of life

(3) Roche is well equipped to capitalise on new opportunities – thanks in part to the successful integration of Genentech.

- As the world's biggest biotechnology company, we are ideally equipped to translate insights into disease biology into new treatments and tests.
- Roche is the world's leading supplier of cancer treatments – a distinction we intend to retain. Worldwide we have 29 new cancer medicines in development, including six in late-stage clinical trials.
- Roche is far and away the world's number 1 supplier of *in vitro* diagnostics.
- With our combined strengths in pharmaceuticals and diagnostics and proven expertise in molecular biology, we are better equipped than any other company to make personalised healthcare a reality.
- Commercially and financially, Roche is in excellent shape. Thirteen of our marketed products generate annual sales of over 1 billion Swiss francs. And the impact of patent expiries on leading Roche products will be modest in the coming years – unlike our competitors.
- Above all, the Pharmaceuticals and Diagnostics Divisions both have globally renown, highly productive research organisations and Roche has an outstanding development pipeline.

The key to our success is that we have the right strategic direction. As pricing pressures continue to increase – and increase they will – insurers will channel available funding into options offering the greatest incremental benefits for patients. By focusing on medicines and tests that create real value for physicians and patients, we've positioned ourselves to succeed in an increasingly challenging market. The strengths that serve us so well today will become even more important in future.

Finally, I would like to speak about the changes on the Board of Directors and Corporate Executive Committee.

As already announced, Walter Frey and Wolfgang Ruttenstorfer have decided not to stand for re-election to the Board at today's Annual General Meeting. On behalf of the entire Board, I would like to thank both men for their dedicated and distinguished service to Roche.

During his many years on the Board, Mr Frey, who runs a highly successful family company, has contributed significantly to Roche's success and growth. Mr Ruttenstorfer's expertise and connections – and particularly his extensive knowledge of the growth markets in Eastern Europe and the Middle East – have been an important benefit to Roche. We would like to offer our sincere gratitude to both gentlemen.

I am very pleased about the three highly respected individuals standing for election to the Board today for the first time; their election as new independent directors will strengthen the Board further. As announced in December, the nominees are Paul Bulcke (CEO of Nestlé), Christoph Franz (Chairman and CEO of Deutsche Lufthansa AG) and Peter Voser (CEO of Royal Dutch Shell plc).

As already announced, the Board of Directors is also proposing that Board terms be shortened from three to two years. This will give you, the shareholders, more flexible control over the composition of the Board, while preserving the current staggered election process.

There will also be a change soon on the Corporate Executive Committee. This past January Erich Hunziker announced his decision to retire at the end of March 2011, after a decade of outstanding achievement on Roche's CEC.

Mr Hunziker joined the CEC as Chief Financial Officer in 2001 – hardly the easiest year to take up the post – and was named the Committee's Deputy Head in 2005. In 2010 he assumed the additional role of Chief IT Officer. During his long career at Roche he has been one of the chief architects of the Group's success. Most memorably perhaps, it was Mr Hunziker who, in the midst of the financial crisis, raised the financing for the Genentech transaction on very favourable terms. On behalf of the entire Board of Directors, I would like to thank Mr Hunziker for his tremendous contribution to the Group's success.

I am very pleased that Alan Hippe will be joining us as Roche's new Chief Financial Officer. Mr Hippe, who is our guest at today's Annual General Meeting, has earned an excellent reputation internationally as a member of the executive boards of the Continental Group and ThyssenKrupp. Mr Hippe will join Roche's CEC on 1 April 2011. I have every confidence that he will continue Mr Hunziker's record of achievement.

Ladies and Gentlemen, your company will continue to pursue its successful strategy of focus and innovation for the benefit of patients, physicians, employees and you, the shareholders. My fellow Board members and I have great confidence in Roche's future.
– Thank you.