



Annual General Meeting
Roche Holding Ltd
1 March 2011

Address by Severin Schwan
Chief Executive Officer

(Check against delivery.)

Fellow Shareholders, Ladies and Gentlemen,

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

2010 wasn't an easy year for Roche, yet it was still a successful year in various ways. There are three main topics I would like to discuss:

- Firstly: The financial results for 2010 and the outlook for the current business year.
- Secondly: The significance of our Group-wide Operational Excellence initiative for our long-term innovation strategy, and where it stands now.
- And thirdly: How we are advancing personalised healthcare and what this means for patients; I will be illustrating this point with a specific example.

First of all I would like to briefly review our key financial results for 2010.

2010: Solid overall performance <i>All goals achieved</i>						
In billions of CHF	2009	2010	Growth		Excluding Tamiflu	
			CHF	LC		
Sales	49.1	47.5	- 3%	0%	+ 5%	
Core operating profit	16.3	16.6	+ 2%	+ 7%		
<i>As % of sales</i>	33.2	34.9				
Net income	8.5	8.9	+ 4%			
<i>As % of sales</i>	17.3	18.7				
Core EPS (CHF)	12.34	12.78	+ 4%	+ 10%		

LC = local currencies

If we look at our sales growth, we see that two exceptional factors significantly influenced the Group result in 2010:

- Firstly, sales of our flu medication Tamiflu fell sharply as anticipated (down 2.3 billion Swiss francs from 2009). This was because we had already supplied most of the pandemic-driven orders to governments by early 2010 and the flu season was relatively mild last year.
- Secondly, exchange-rate movements – especially the weakness of the euro and dollar versus the (strong) franc – had a strong negative impact on our result in Swiss francs.

Excluding sales of Tamiflu, Group sales (and Pharmaceutical sales) advanced 5% in local currencies. In the Diagnostics Division, sales advanced by 8%. The sales growth of both Divisions significantly outpaced the market.

Thanks to synergies gained from the Genentech integration and cost-control measures, we also enhanced our earning power. The Group's operating profit grew faster than sales, rising by a robust 7% to 16.6 billion Swiss francs in local currencies. Profitability (operating margin) improved further in both Divisions accordingly.

Consolidated net income rose 4% to 8.9 billion Swiss francs versus 2009, largely due to the strong operating result.

We succeeded in our objective of achieving a double-digit rise in Core Earnings per Share, which advanced 10% in local currencies.

Roche owes its success to its employees. Thanks to their tremendous dedication and hard work, we once again achieved our goals last year, despite an increasingly challenging market environment. On behalf of the entire Executive Committee, I would like to thank all our employees for their important contributions.

What is the (financial) outlook for 2011?

Outlook for 2011	
Sales growth <i>(in local currencies)</i>	Group & Pharma (excluding Tamiflu): low single digit Diagnostics: significantly above market
Core EPS growth target <i>(in local currencies)</i>	High single digit
Dividend outlook	Dividend increase in line with Core EPS growth

Barring unforeseen events

We anticipate low single-digit sales growth in local currencies for Group and Pharma this year (excluding Tamiflu sales, which are hard to predict). Naturally, this forecast also reflects the effects of healthcare reform in the US and European cost-saving measures.

Overall, we expect Pharmaceutical sales to advance in line with market growth. Meanwhile, Diagnostics Division sales are expected to significantly outpace the market again.

Cost-cutting programmes in industrialised countries alone will squeeze sales and operating profit by an additional half a billion Swiss francs this year. Despite an increasingly challenging market environment and the introduction of an excise duty in the US, we have set ourselves the objective of a high single-digit increase in Core Earnings per Share at constant exchange rates.

In view of growing pricing pressures, increasingly stringent approval requirements and the setbacks in our development pipeline, in November 2010 we launched the comprehensive Group-wide Operational Excellence initiative.

Operational Excellence <i>Strengthening our productivity and innovation capacity</i>	
Financial impact	Anticipated savings reaching 2.4 billion Swiss francs annually as of 2012 ¹
Progress to date <i>(February 2011)</i>	<ul style="list-style-type: none"> ▪ Programme on track; implementation to be completed by 2012 ▪ Majority of persons affected have been personally informed; social compensation plan negotiations in Switzerland successfully completed ▪ Projects in research and development prioritised ▪ Divestiture of manufacturing sites initiated
<small>¹ In addition to synergies of 1 billion Swiss francs from the Genentech integration</small>	

Operational Excellence is designed to strengthen the Group's productivity and innovation capacity and thereby secure Roche's long-term success.

The greatest changes will be in the Pharmaceuticals Division, where we will be adjusting our global sales organisation, taking steps to improve efficiency and productivity in product development, and optimising our manufacturing network. Implementation of Operational Excellence is already under way and will continue through 2012. We expect to achieve savings of 2.4 billion Swiss francs annually from 2012 on. As previously announced, the initiative will involve the elimination of about 4,800 positions out of a global workforce of roughly 82,000 (at the time when we announced Operational Excellence).

A total of 530 jobs will be lost in Switzerland. I should mention at this point that we currently employ over 10,000 people in Switzerland and have created around 1,600 additional positions in the last five years alone. And I am confident that solid growth in the future will enable us to create new positions again, also here in Switzerland.

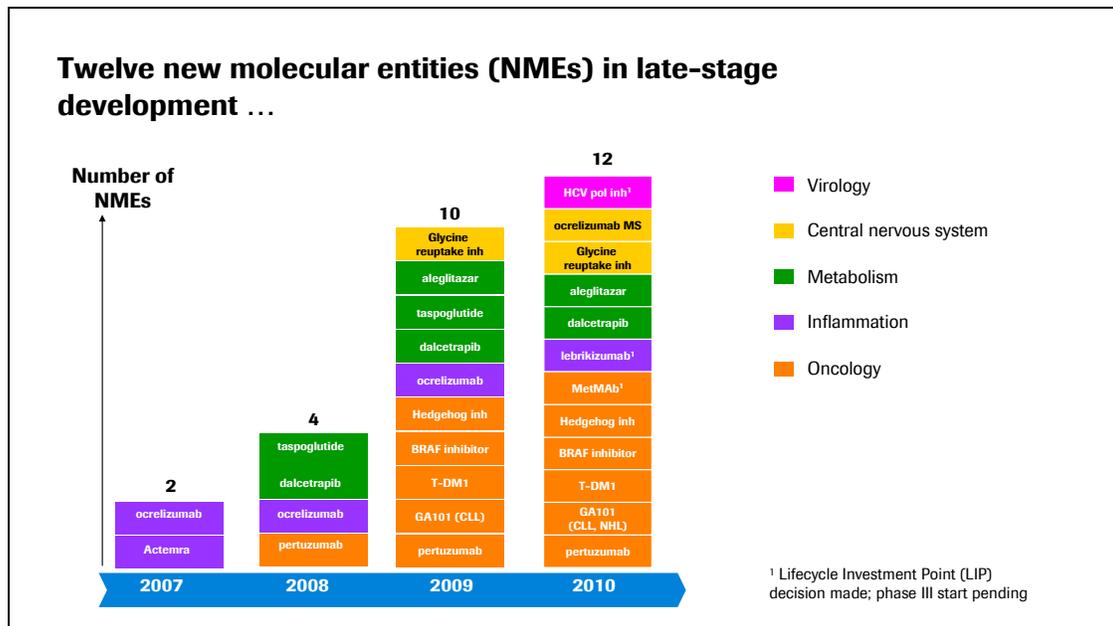
Our Operational Excellence programme is on track. In other words, the majority of employees affected have been personally informed. We have also re-prioritised projects in research and development where necessary and initiated the divestiture of manufacturing sites as planned.

It was very important for us from the outset to find socially responsible solutions for the affected employees. So I am glad that it has been possible to conclude social compensation plan negotiations in Switzerland and elsewhere successfully and amicably.

This initiative is not just about cutting costs; we are taking these measures proactively from a position of strength with a view to setting the right priorities for a successful future. This will give us the financial flexibility we need going forward, to be able to invest substantial funds in healthcare innovations. It will also enable us to secure our long-term growth and profitability so that Roche remains attractive for investors. Making sure that Roche remains an employer of choice is also an important priority for me. Operational Excellence will help keep Roche on track for success, which will in turn ensure that Roche remains a great place to work for its many thousands of employees.

We will continue to focus primarily on helping patients through our outstanding achievements in science. Roche employs twenty thousand highly qualified people (a quarter of the workforce) in R&D alone, and 3,000 of these work in Basel.

Roche stands out in the pharmaceutical industry for its expertise in personalised healthcare. Indeed, personalised healthcare paradigms increasingly shape our research and development programmes.



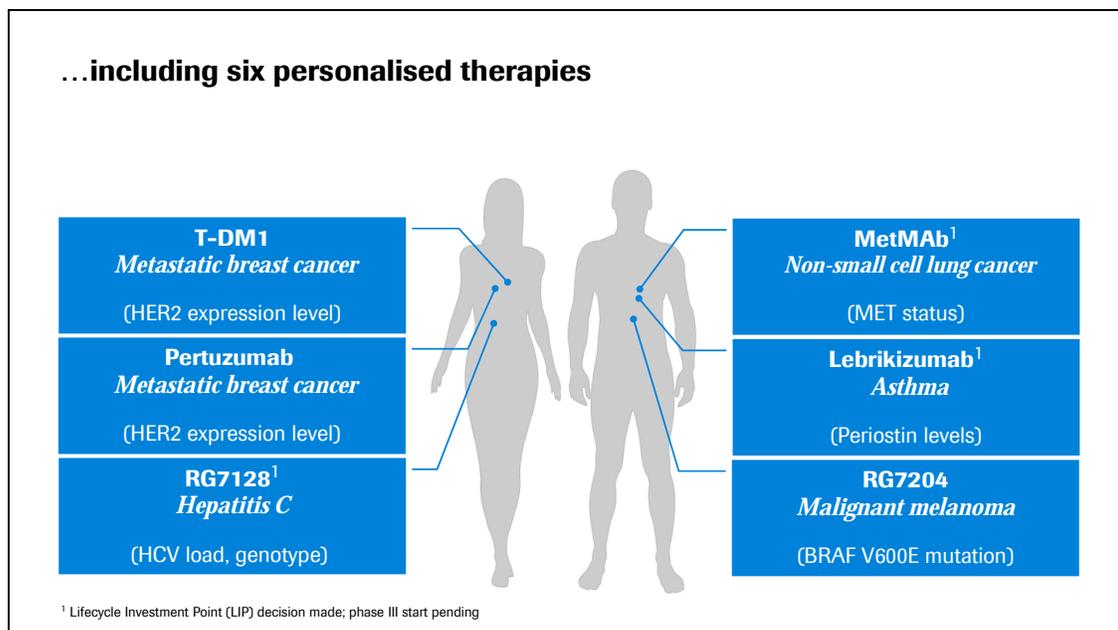
Our success is based on our single-minded pursuit of innovation. We seek to develop medicines and diagnostics that create tangible added value for physicians and patients alike in therapeutic areas with high unmet medical need. (Here in Basel alone we invest around two billion Swiss francs annually in research into metabolic and central nervous system disorders.) However, advances in medicine and pharmaceuticals carry inherent risks, as we were again reminded last year.

But the setbacks we experienced were matched by important R&D successes. Our research and development pipeline counts as one of the strongest in the industry, both for diagnostics *and* pharmaceuticals. We currently have 102 projects in our Pharma development portfolio - 62 new drugs and 40 additional indications - that are being tested in clinical trials involving around 330,000 patients around the world.

Just a few weeks ago, for example, we were pleased to report results from a third phase III trial showing that our leading cancer medication Avastin significantly improved progression-free survival in ovarian cancer. Every year, an estimated 230,000 women worldwide are diagnosed this disease. Based on the excellent clinical trial results, Roche has submitted a European Union marketing authorisation application and plans to file for approval in the US before the end of this year.

Our priorities for the near term are our projects in late-stage clinical development, including (as the chart shows) twelve new molecular entities in five different therapeutic areas. We are confident that these projects will provide a solid basis for our future growth.

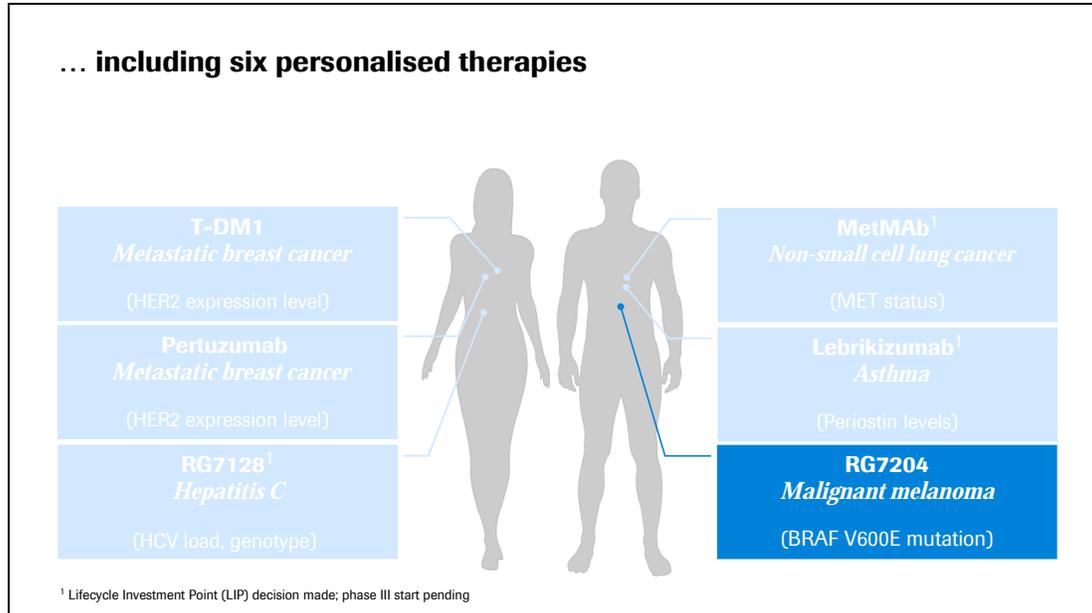
Insights from modern molecular diagnostics mean it is now possible to fit treatments more precisely to patient needs. Of the twelve new molecules I just referred to, half are designed for targeted use in specific patient populations (with the help of companion diagnostic tests).



We have made huge strides in personalised healthcare in recent years. Vemurafenib, our BRAF inhibitor for skin cancer, MetMAB for lung cancer, T-DM1 and pertuzumab for breast cancer, and other projects in virology and inflammatory disease – all these molecular entities, together with their companion diagnostics, represent major advances for patients.

Our targeted diagnostic and therapeutic options are helping us to fulfil our promise of offering patients and physicians significant clinical benefits in terms of efficacy, quality and safety. These therapies are not only more focused in their efficacy, and therefore more cost-effective – which has significant economic benefits for regulators and payers – they also improve patients' quality

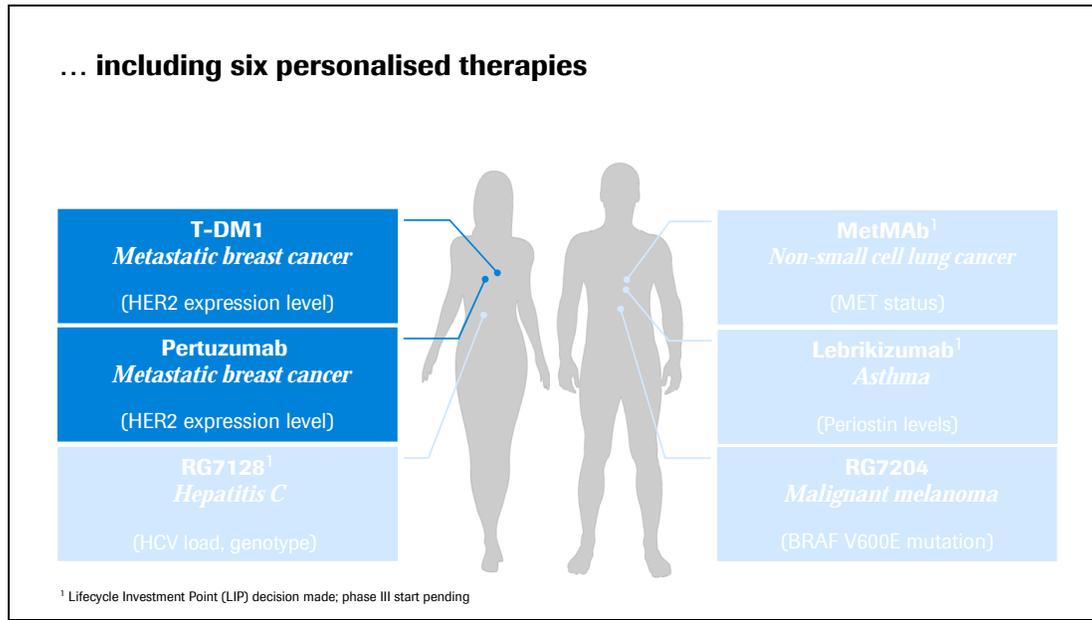
of life, prolong survival by several years in some cases, and can even save lives if administered when a disease is in its early stages.



Last year I presented one of these six late-stage development projects to you in more detail, notably vemurafenib (RG7204), a BRAF inhibitor designed to treat a specific type of aggressive malignant melanoma. Perhaps you remember Michael Roberts, the 72-year old skin cancer patient whose story we showed in a short documentary. This is a man who, at the end of 2009, had been given only a few weeks to live. I am delighted to be able to inform you today that (all things considered) Michael Roberts is still doing well. Early last year he even started competing in triathlons again!

The latest trial data on vemurafenib, published earlier this year, confirm its positive effect. A clinical study showed for the first time that a personalised medicine used to treat this aggressive form of skin cancer is able not only to substantially improve patients' quality of life but also prolong survival. Roche is now working closely together with healthcare authorities worldwide so that patients do not have to wait any longer to be treated with this drug. We will soon be filing for approval in the USA, followed by other countries. This is a striking example of the way in which personalised healthcare is gradually becoming a reality.

The revolutionary advances we are starting to see in molecular biology give us a clear strategic edge across a number of areas, including our ability to raise research (and development) productivity.

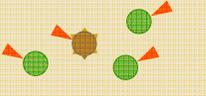


I would like to conclude this section by talking about two other candidate products at an advanced stage of development in our personalised healthcare portfolio: T-DM1 and pertuzumab – both of which are used to treat HER2-positive breast cancer, a particularly aggressive form of the disease.

Breast cancer is the most common cancer in women worldwide (and the second most common cancer altogether). One in ten women develop this type of cancer at some stage in their lives, and more than 1.4 million new cases are diagnosed each year. Despite major advances in treatment, over 450,000 patients die of breast cancer each year, including 1,400 in Switzerland alone.

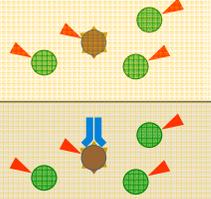
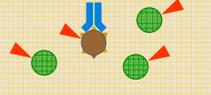
The battle against cancer is a tough one given the complexity of human biology. But it is one in which we are steadily advancing in small steps (that mean big benefits for patients). Breast cancer is a case in point. Thanks to decades of research, treatment options have advanced

enormously. I would now like to show you a simplified diagram illustrating how Roche is getting a grip on breast cancer, and aims to beat it in the end.

Roche Personalised Healthcare <i>Making good treatments even better</i>				
<i>Treatment</i>	<i>Mechanism</i>		<i>Efficacy</i>	<i>Side effects</i>
Chemotherapy 	Attacks all cells 		+	--

Let's take a trip back in time to the seventies, when chemically (i.e. synthetically) produced drugs represented a quantum leap in the treatment of diseases such as cancer. Over the next few decades, chemotherapy remained the standard treatment regimen for cancer.

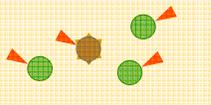
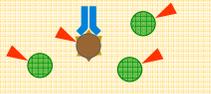
However, as is commonly known, chemotherapy agents are "non-specific", that is to say, they attack healthy cells as well as cancerous ones. This often causes major side effects (such as hair loss, nausea and weakening of the immune system) and therefore significantly compromises quality of life.

Roche Personalised Healthcare <i>Making good treatments even better</i>				
<i>Treatment</i>	<i>Mechanism</i>		<i>Efficacy</i>	<i>Side effects</i>
Chemotherapy 	Attacks all cells		+	--
Chemotherapy + Herceptin® 	Antibody that specifically targets HER2+ cancer cells		++	--

At the end of the nineties, Roche achieved a huge breakthrough in cancer treatment with its biopharmaceutical drug Herceptin. Back then, Herceptin was the world's first therapeutic antibody for the targeted treatment of breast cancer, and it has since become a prime example of personalised healthcare. The drug is only effective in patients whose tumours carry a particular genetic defect, causing them to overproduce a protein called HER2. HER2-positive tumours are highly aggressive, fast-growing, and likely to relapse. Around 20% of all women with breast cancer have HER2-positive tumours, which means Herceptin can only be used in conjunction with a companion diagnostic test.

Herceptin binds to HER2 receptors and blocks them, much like a key fitting into lock. Since the HER2 protein is not overproduced in healthy cells, Herceptin only attacks cancer cells. However, Herceptin is most effective when administered together with chemotherapy, which of course also means side effects.

Building on the success of Herceptin, we are now working to develop and bring to market the next generation of targeted treatments for HER2-positive cancer.

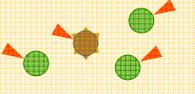
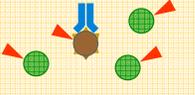
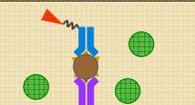
Roche Personalised Healthcare <i>Making good treatments even better</i>				
<i>Treatment</i>	<i>Mechanism</i>		<i>Efficacy</i>	<i>Side effects</i>
Chemotherapy 	Attacks all cells		+	--
Chemotherapy + Herceptin® 	Antibody that specifically targets HER2+ cancer cells		++	--
T-DM1 	'Armed' antibody		++	-

T-DM1, an antibody–drug conjugate in late-stage development, represents an entirely novel approach to treating cancer. Simply put, it links the mode of action of Herceptin with the targeted administration of chemotherapy. The same antibody used in Herceptin binds to the HER2 receptors of the cancer cells. In addition, however, our researchers have now succeeded in binding a highly potent chemotherapy agent directly to the antibody. This chemotherapy agent is then introduced selectively into the cancer cells, which it destroys without harming healthy cells. We therefore call this medicine an “armed” antibody.

T-DM1 is currently being evaluated in studies in women with advanced HER2-positive breast cancer. The results so far are very promising: Firstly, women who no longer have any other treatment options (i.e. whom Herceptin no longer helps) have responded to this drug. Secondly, patients tolerate it significantly better: compared with conventional chemotherapy, the side effect burden is halved.

In a few moments I will give you a closer insight into the significance of T-DM1 for patients in another short documentary.

Roche Personalised Healthcare
Making good treatments even better

<i>Treatment</i>	<i>Mechanism</i>	<i>Efficacy</i>	<i>Side effects</i>
Chemotherapy 	Attacks all cells 	+	--
Chemotherapy + Herceptin® 	Antibody that specifically targets HER2+ cancer cells 	++	--
T-DM1 	'Armed' antibody 	++	-
T-DM1 + pertuzumab 	Combination of antibodies 	+++	-

Another novel biopharmaceutical agent in our late-stage pipeline is pertuzumab. Unfortunately, in many cases, cancer is resistant to existing treatments. Cancer cells are smart, find new ways of evading attack and often begin to multiply again further down the line. Combination therapies that can keep the cancer in check from several sides simultaneously are thus set to play an increasingly important role.

Previous trials have shown that pertuzumab in combination with Herceptin and chemotherapy improves the patient response rate by more than 50% (compared with Herceptin and chemotherapy).

We will continue to strive to make good treatments even better, drawing on the new insights we are gaining in molecular biology. Our goal is to transform cancer more and more into a chronic disease instead of the fatal one it has usually been until now.

I would now like to show you a short documentary about what T-DM1 means for patients with advanced breast cancer, and for their families. It features an American lady called Chris Tury, who gives a moving account of her experiences.

T-DM1 for aggressive breast cancer



Chris Tury, breast cancer patient

(short documentary featuring breast cancer patient Chris Tury)

The conference you just saw took place a year ago – which is a long time for women with aggressive breast cancer. So we are particularly delighted that Chris Tury is still doing well. She has been treated successfully with T-DM1 for the past three years.

T-DM1 and pertuzumab are specific examples of how our focus on scientific excellence is achieving significant advances for patients. If the approval process goes to plan, we will be able to launch both new medicines (together with a tissue-based companion diagnostic test) in the coming years.

We aim to build on successes like these and tackle cancer and other serious diseases with targeted and thus more effective strategies.

All the signs are that 2011 will be an outstanding year for personalised healthcare. And of one thing I am sure: personalised healthcare has tremendous potential for patients, for healthcare systems, and for Roche.

Thank you for your attention.