

Annual Media Conference

4 February 2009

Address by Severin Schwan

Roche Group CEO

(The spoken German text is definitive)

Good morning, Ladies and Gentlemen

Welcome to our media conference on Roche's full-year results for 2008. Despite the global financial and economic crisis, our Group has continued to perform strongly, building on the achievements of previous years.

In 2008 we also reaffirmed our Group's strategic direction. In today's turbulent economic climate we believe it is more important than ever for us to stay firmly focused on our strategy of innovation. Our prime objective as a company remains unchanged: to make increasingly targeted and effective treatments available to patients. We have recently strengthened our ability to deliver on this objective.

Focusing on innovation in a difficult environment

We will continue to concentrate on our core pharmaceuticals and diagnostics businesses as we strive to realise the (tremendous) potential of personalised healthcare. Closer collaboration between our Pharmaceuticals and Diagnostics Divisions plays a pivotal role in our drive to increase the productivity of our drug development programmes and expand our portfolio of clinically differentiated healthcare solutions. Our targeted acquisitions of technologies, compounds and know-how all serve the same end. Last year we further strengthened our Pharmaceuticals Division by acquiring Piramed (cancer and inflammatory diseases), Mirus (RNA interference) and ARIUS (antibody research). We also successfully completed the integration of Ventana, the US-based leader in tissue diagnostics that we acquired early last year for 3.8 billion Swiss francs. This new business has been performing significantly above expectations. Access to tissue diagnostics will support our efforts to develop further personalised medicines, particularly for cancer.

A few days ago we announced our intention to commence a tender offer to acquire all outstanding publicly held shares of Genentech at price of US\$ 86.50 per share. At this time I merely want to emphasise that our tender offer in no way alters our original plans. We have great respect for what our colleagues at Genentech have achieved, and we will take all the necessary steps to ensure that Genentech's special culture of innovation is preserved.

We are delighted at the Hoffmann and Oeri families' recent decision to extend their pooling agreement, which means they will retain their majority interest in Roche. This has a very important bearing on our ability to pursue our long-term strategy, because it reaffirms our majority shareholders' enduring commitment to Roche's independence and ability to shape its own future. This is very good news for the Group, particularly in today's turbulent economic situation.

Now I'd like to turn to the Group's key results for 2008.

Industry-leading sales growth continued

Excluding pandemic Tamiflu sales, which, as expected, declined, sharply last year, Group sales in local currencies (that is, excluding currency effects) rose 10% in 2008. Including pandemic Tamiflu, Group sales grew 6% (in local currencies) to 45.6 billion Swiss francs. Sales in the Pharmaceuticals and Diagnostics Divisions once again grew faster than the divisions' respective markets.

Excluding pandemic Tamiflu, the Pharmaceuticals Division posted its sixth straight year of double-digit growth. At +10% (in local currencies), divisional sales grew twice as fast as the market. Once again, the division's oncology portfolio was the main growth driver. Combined sales of cancer medicines advanced 15% to nearly 20 billion Swiss francs and accounted for roughly 55% of divisional sales. Sales growth was broad based, with nine medicines achieving annual sales of over 1 billion Swiss francs each and three products with annual sales exceeding 5 billion Swiss francs. Biopharmaceuticals now account for roughly two-thirds of our pharmaceutical sales. In 2008 we further strengthened our position as the world's biggest biotech company.

The Diagnostics Division's sales also increased 10% (in local currencies). Professional Diagnostics and Applied Science posted the strongest growth, with both units significantly outperforming their respective markets. In Tissue Diagnostics, the business area created by the Ventana acquisition, sales also grew significantly faster than the market, contributing 4 percentage points to divisional sales growth.

2008 sales: ~CHF 4 bn underlying organic sales

As this slide shows, combined organic sales growth in our two divisions totalled roughly 4 billion Swiss francs last year. Strong underlying sales growth more than offset the anticipated decline in pandemic stockpiling sales of Tamiflu to governments and corporations, which showed a net decrease of 1.6 billion Swiss francs (from 1.9 billion to 237 million Swiss francs) compared with 2007.

The appreciation of the Swiss franc against most currencies, however, had a significant negative impact on the Group's operating results in Swiss francs. Currency effects reduced the Group's Swiss franc sales by roughly 3.2 billion Swiss francs. As a result, year-on-year sales for the Roche Group were down slightly, by 1%, in Swiss francs.

Strong operating profit of 14 billion Swiss francs

Strong sales growth and negative currency effects are both reflected in the Group's earnings performance.

Operating profit totalled nearly 14 billion Swiss francs even though we increased R&D spending (to approximately 9 billion Swiss francs) to fund the many promising projects in our strong pipeline. Our operating profit margin declined slightly to 30.5%. This was primarily due to the (5.3 percentage point) decrease in the Diagnostics Division's operating margin. The impact of recent acquisitions and strong competition in the US diabetes care market were the main reasons for the lower margin in Diagnostics.

Net income, at 10.8 billion Swiss francs, was down only slightly from the previous year's record high, despite the marked appreciation of the Swiss franc against other major currencies and lower financial income.

Core Earnings per Share (at constant exchange rates) were 2% higher than the record result achieved in 2007.

In view of these latest strong results, the Board of Directors will propose that the dividend for 2008 be increased by 9% to 5 Swiss francs per share and non-voting equity security (up from 4.60 Swiss francs for 2007). Subject to shareholder approval at our next Annual General Meeting, on 10 March, this will be Roche's 22nd consecutive annual dividend increase.

Delivered on targets as committed

To sum up: we achieved all the targets we set for ourselves for 2008.

- Both divisions grew faster than their respective markets. This is true for the Diagnostics Division even excluding growth related to acquisitions.
- Excluding pandemic Tamiflu, Group sales advanced 10% in local currencies, exceeding the high-single-digit growth anticipated in our guidance.
- And lastly, Core Earnings per Share improved further, despite Tamiflu and despite increased spending on research and development.

Investments in innovation are driving R&D costs

In 2008 Roche significantly increased R&D investment in both divisions. Altogether, R&D spending totalled roughly 9 billion Swiss francs. At 22%, R&D costs as a percentage of sales were particularly high in the Pharmaceuticals Division (both in absolute terms and compared with our industry peers).

The Pharmaceuticals Division advanced twelve investigational drugs into the final stage of clinical development, including three promising and completely new molecular entities for breast cancer (pertuzumab), type 2 diabetes (taspoglutide) and cardiovascular risk reduction (dalcetrapib). This year we intend to double the number of new molecular entities in late-stage development.

We are also investing heavily in numerous programmes aimed at making our leading cancer medicines available in additional indications. The global development programme just for Avastin currently encompasses more than 450 clinical trials with around 40,000 patients in over 30 different tumour types. Roche has also made considerable progress in developing biological medicines for the treatment of rheumatoid arthritis (RA), an autoimmune disease that affects over 21 million people worldwide. Our novel medicine Actemra/RoActemra, for example, has been approved for the treatment of RA in Japan and the European Union.

The Diagnostics Division launched 17 important new products in 2008 and will increase the number of new launches this year, particularly in Diabetes Care.

This year we expect the Group's R&D spending to increase again, and to reach roughly 10 billion Swiss francs for the first time.

Our objectives for 2009

Barring unforeseen events, we expect the Group to continue to perform strongly in 2009. Full-year sales in both the Pharmaceuticals and the Diagnostics Division are expected to grow ahead of the market, with increases in the mid-single-digit range in local currencies.

Despite higher research and development costs and the expected decrease in net financial income, the Group is aiming for Core Earnings per Share (Core EPS) at constant exchange rates to remain at the same high level as in 2008.

We will communicate an update of our outlook for 2009 once the proposed acquisition of the outstanding Genentech stock has been closed. As already announced, we anticipate that the transaction will already have a positive impact on Core EPS growth in the first year after closing.

Ladies and Gentlemen,

Today's healthcare market poses great challenges and offers great opportunities. Roche can tackle both with confidence and from a position of strength. Our increased R&D spending underscores our strong commitment to innovation and to investing in our future – at a time when many of our competitors are (short-sightedly) relying on cost-cutting exercises as a recipe for success. Our portfolio of established products continues to have significant growth potential – particularly our oncology products. With the exception of CellCept, which will go off patent in the United States in May of this year, none of our top-selling medicines will be losing patent protection in the near future. Our product portfolio is expanding: This year we will be rolling out Actemra, our promising new medicine for rheumatoid arthritis. And in the coming years we will be entering new therapeutic areas, including the treatment of diabetes and other metabolic diseases.

In difficult times like these it is particularly clear that our tight focus on our core pharmaceuticals and diagnostics businesses and on innovation is the right way to go. Our products are our greatest contribution to society; they provide significant benefits to patients, tangibly improving people's health and increasing their quality and length of life.

Ultimately our investments in innovation benefit everyone: patients, doctors, payers and Roche. I'm convinced of that.