Annual Media Conference
3 February 2010

Address by Erich Hunziker
Deputy Head of the Executive Committee
Chief Financial Officer

(The spoken German text is definitive)

Good morning Ladies and Gentlemen

Highlights 2009

We started the year 2009 out of a very strong financial position, and – although we did the largest transaction in the history of our company – we ended the year with excellent results: we generated a free cash flow of 9 billion Swiss francs and have already redeemed 6.9 billion francs of our debt.
The Genentech transaction was accretive for our shareholders from day one and already started to contribute significantly to the bottom line. Of course there are some one-time charges related to such a significant transaction, but a majority of them were non-cash items. On the background of these strong results we propose to increase the dividend by 20% to 6 Swiss francs.

Group operating performance 2009
14% increase of operating profit before exceptional items

The continuous efforts to improve our cost structures that we started several years ago helped to achieve an impressive operating result: although we were not able to generate the same amount of licensing and other operating income, the solid improvements in the cost of sales and in the marketing and distribution field contributed significantly to raise our operating profit. In line with the clear focus to bring our company ahead by innovation, we had to absorb a strong increase of our R+D-expenses. On the other hand a very strict discipline in the field of G+A expenses brought these down to industry leading levels.

Group operating performance 2009 after exceptional items
The Genentech transaction as a platform to improve our cost structures

As already explained on the occasion of the 2009 half year results, the Genentech transaction offered the unique opportunity to fundamentally streamline our cost structures in the US market. As previously announced, we are e.g. in the process of eliminating significant production capacities. These efforts result in one-time charges in the range of 2.4 billion Swiss francs.

Net financial income 2009

Decline mainly due to Genentech transaction and lower liquid funds

As announced a year ago, the reduced assets in treasury and in the pension fund generated lower returns in a low interest rate environment.
In the next few years the financial result will of course be strongly impacted by the financing cost of the Genentech transaction, but the attractive maturity profile of our debt will allow us to reduce this exposure step by step.

Group performance 2009

Genentech transaction accretive excluding exceptional items

The excellent underlying operating results and the first 300 million Swiss francs of Genentech transaction related synergies were of course not able to compensate for the significant exceptional cost. But looking at the underlying business excluding the exceptional items we already see a 9 % increase of the net income attributable to Roche shareholders.
We were able to achieve an impressive 20% increase of Core EPS in local currencies.

Group cash flow 2009

Free cash flow of CHF 8.9 billion

The free cash flow of the operating business increased to 15.7 billion Swiss francs. This strong free cash flow allowed us to end a year with a 52.8 billion franc transaction with a net debt of 23.9 billion francs.

Net debt of CHF 23.9 billion at Group level

The liquidity situation at the end of 2009 is very strong: with liquid funds of 18.5 billion Swiss francs we can easily absorb the significant outflows over the next two months: we will repay the 1 year debt and cover the interest expenses and the dividend.

Committed to continuously increase pay-out ratio over three years

In the last 22 years Roche has continuously increased its dividend. Based on the excellent results, the Board proposes to the Annual Shareholder Meeting of March 2, 2010, that we increase the dividend by 20% to 6 Swiss francs.

Outlook for 2010

Let me close with our outlook for 2010. Barring unforeseen developments

- Firstly, we expect a mid-single-digit sales growth for the Group + Pharma (excluding Tamiflu) and significantly above market sales growth for Diagnostics
- Secondly, we expect the synergies related to the Genentech transaction to reach 800 million Swiss francs at the end of 2010 and
  1 billion francs at the end of 2011
- Thirdly, the R+D investment will be slightly below 2009 level
- Fourthly, 25% of the debt initially raised is to be redeemed at the end of 2010; in 2015 we aim to return to a net cash position
- And finally return for shareholders: continuous increase of the pay-out ratio over the period 2008 - 2010