

Basel, 3 February 2010

Strong operating performance for Roche in 2009

Record sales, double-digit growth in operating profit and Core Earnings per share – Dividend increase by 20% to 6.00 Swiss francs proposed

Group

- Group sales increase by 10% to 49.1 billion Swiss francs (8% in Swiss francs, 7% in US dollars). Both divisions gain market share.
- Operating profit before exceptional items increases by 14% (8% in Swiss francs) to 15.0 billion Swiss francs due to strong sales growth and continuing productivity improvements; at the same time investments in research and development increase by 12% to 9.9 billion Swiss francs.
- Net income of 8.5 billion Swiss francs, down by 22% compared with the previous year due to exceptional items relating to the Genentech transaction and integration.
- Excluding exceptional items, the Genentech transaction is already contributing to income: income attributable to Roche shareholders increases by 9% to 9.8 billion Swiss francs.
- Core EPS at constant exchange rates 20% above 2008 (10% in Swiss francs).

Key figures	In millions of CHF		% change		As % of sales	
	2009	2008	In CHF	In LC ¹	2009	2008
Sales	49,051	45,617	+8	+10	100.0	100.0
Research and development	9,874	8,845	+12	+12	20.1	19.4
Operating profit before exceptional items	15,012	13,896	+8	+14	30.6	30.5
Operating free cash flow	15,722	12,378	+27	+34	32.1	27.1
Net income attributable to Roche shareholders ³	9,798	9,001	+9			
Net income	8,510	10,844	-22		17.3	23.8
Core Earnings per share (CHF)	12.19	11.04	+10	+20		
Dividend per share ² (CHF)	6.00	5.00	+20			

¹ LC= local currencies

² Proposed by the Board of Directors.

³ before exceptional items

Pharmaceuticals

- Pharma sales grow by 11% (8% in Swiss francs and in US dollars), almost twice the global market growth rate despite planned reductions in wholesaler inventory levels in the fourth quarter. The growth is driven by leading cancer medications and Tamiflu (influenza medicine) as well as Lucentis (ophthalmology medicine).
- 2010 starting with strong sales growth.
- Operating profit margin before exceptional items increases 1.2 percentage points at constant exchange rates (+0.2 percentage points in Swiss francs).
- Strong R&D pipeline with 10 new molecular entities in late-stage clinical testing; 6 new compounds entered late-stage development in 2009.
- Actemra approved in US for treatment of rheumatoid arthritis in January 2010.

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Diagnostics

- Sales increase by 9% (4% in Swiss francs and in US dollars) to 10.1 billion Swiss francs, more than twice the market growth rate.
- Operating profit margin at constant exchange rates increases 0.4 percentage points (-0.4 percentage points in Swiss francs).

Outlook

- Full-year 2010 sales for Pharmaceuticals and the Group expected to grow in the mid-single-digit range*
- Expected decrease of Tamiflu sales from 3.2 to 1.2 billion Swiss francs.
- Sales increase of Diagnostics well ahead of market.
- Planned research and development expenses will decline slightly in 2010 compared to 2009.
- Roche confirms target of double-digit Core Earnings per Share growth** in 2010.
- Based on the strong operating free cash flow, Roche expects to reduce debt progressively and to return to a net cash position by 2015 while maintaining its attractive dividend policy.

Barring unforeseen events.

Unless otherwise stated, all growth rates are in local currencies.

* Without Tamiflu sales

** at constant exchange rates

Severin Schwan, CEO of Roche, on the Group's 2009 results: "In a turbulent external environment Roche performed extraordinarily well. Sales by both Pharma and Diagnostics grew twice as fast as their respective markets. Core Earnings per share grew even more strongly than sales. And we have laid the foundation for future growth: Our Pharma pipeline now comprises 10 new molecular entities in late-stage development - which is remarkable by any standards in our industry." Speaking of the Genentech integration, Schwan said: "Bringing Genentech fully into the Roche Group is a major step on the road to creating a stronger, even more innovative organisation."

Roche Group

Strong sales and trading results

Total sales grew by 10% in local currencies (8% in Swiss francs; 7% in US dollars) to 49.1 billion Swiss francs, with the Pharmaceuticals Division accounting for 80% of Group sales and the Diagnostics Division contributing 20%. Sales growth in both divisions exceeded market growth. Sales by the Pharmaceuticals Division increased 11% in local currencies (8% in Swiss francs and in US dollars) to 39.0 billion Swiss francs or almost double the global market growth rate.

Demand for the Group's cancer medicines Avastin, Herceptin, MabThera/Rituxan, Tarceva and Xeloda continued to grow strongly. Additional major growth drivers in the Pharmaceuticals Division were Tamiflu in virology and Lucentis in ophthalmology. The Diagnostics Division achieved sales growth of 9% in local currencies (4% in Swiss francs and US dollars) to 10.1 billion Swiss francs, thereby strengthening the divisions leading market share of around 20%.

The Group's operating profit before exceptional items increased by 14% in local currencies (8% in Swiss francs) to 15.0 billion Swiss francs. Operating profit in local currencies grew 15% to 14.2 billion Swiss francs before exceptional items in the Pharmaceuticals Division and 12% to 1.2 billion Swiss francs in the Diagnostics Division.

At constant exchange rates, the Group's operating profit margin before exceptional items increased 1.0 percentage points, with the Pharmaceuticals Division improving 1.2 percentage points and the Diagnostics Division 0.4 percentage points. Due to a particularly unfavourable combination of exchange rate movements, however, the Group's operating profit margin before exceptional items in Swiss francs increased only slightly, by 0.1 percentage points to 30.6%, with the Pharmaceuticals Division improving 0.2 percentage points to 36.3% and the Diagnostics Division decreasing 0.4 percentage points to 11.9%.

The Group's operating free cash flow increased strongly, rising 34% in local currencies (27% in Swiss francs) to 15.7 billion Swiss francs. The Group's free cash flow remained strong in 2009, increasing by 3.9 billion Swiss francs to 8.9 billion Swiss francs.

Core EPS, which excludes exceptional items, amortisation and impairment of intangible assets, increased 20% in local currencies (10% in Swiss francs).

Significant impact of Genentech integration and changes in Group organisation

Effective 26 March 2009, the Group obtained full ownership of Genentech. Subsequently, the Group commenced a restructuring of its US Pharmaceuticals business as well as a number of global functions.

During 2009 restructuring and integration costs of 2.4 billion Swiss francs were incurred, mainly in connection with the discontinuation of a construction project at the manufacturing site at Vacaville, California, termination costs for the closure of manufacturing operations at Nutley, New Jersey, the closure of the research and development site at Palo Alto, California, and costs associated with the consolidation of the US administrative functions in South San Francisco. Approximately 1.8 billion Swiss francs of these exceptional operating expenses are non-cash items related mainly to impairments of manufacturing assets.

The Group financed the Genentech transaction by a combination of the Group's own funds, bonds, notes and commercial paper. The Group raised net proceeds of 48.2 billion Swiss francs through a series of bond and note offerings. As a consequence, interest expenses increased substantially in 2009, and financing costs exceeded financial income by 1.7 billion Swiss francs. By the end of 2009, the Group had already repaid debt of 6.9 billion Swiss francs.

Compared to 2008, net income decreased by 22% to 8.5 billion Swiss francs, primarily due to the exceptional items. Net income attributable to Roche shareholders declined 13% to 7.8 billion francs. Excluding exceptional items, net income was down 3% and net income attributable to Roche shareholders was 9% higher compared to 2008.

The net debt position of the Group is 23.9 billion Swiss francs, a movement of 40.6 billion Swiss francs from a net cash position of 16.7 billion Swiss francs on 31 December 2008 due to the 52.7 billion Swiss francs used in the Genentech transaction.

Outlook

Barring unforeseen events, Roche expects sales in 2010 for the Pharmaceuticals Division and for the Group to increase in the mid-single-digit range in local currencies (excluding Tamiflu). In the Diagnostics Division, we expect full-year sales to grow significantly ahead of the market. Despite an anticipated decrease in Tamiflu sales from 3.2 to 1.2 billion Swiss Francs we are aiming to achieve double-digit Core Earnings per Share growth at constant exchange rates.

Roche expects research and development expenditures to decline slightly in 2010. However, the Group's focus remains firmly on innovation, and it will continue to invest to support its rich pharmaceuticals development pipeline, which currently comprises 10 new molecular entities and 30 additional indications for existing products in late-stage development. Over the next 12-18 months the Pharmaceuticals Division expects to file marketing applications for several major line extensions of our key cancer medicines including Avastin, MabThera/Rituxan and Xeloda, as well as for taspoglutide for type 2 diabetes.

We expect to repay 25% of the debt raised to finance the Genentech transaction by the end of 2010.

By 2011 the Group aims to achieve pre-tax annual synergies of approximately 1 billion Swiss francs. Based on the Group's strong operating free cash flow, we expect to reduce debt progressively and to return to a net cash position by 2015. We will simultaneously maintain our attractive dividend policy.

Proposals to the Annual General Meeting 2010

The Board of Directors will be proposing to the Annual General Meeting of Shareholders that the dividend for 2009 be increased by 20% to 6.00 Swiss francs per share and non-voting equity (up from 5.00 Swiss francs in 2008). Subject to the meeting giving its approval, this will be Roche's 23rd consecutive annual dividend increase.

Prof. Horst Teltschik and Peter Brabeck will not be standing for re-election to the Board of Directors.

As already announced, the Board of Directors will be proposing that Arthur D. Levinson, Chairman of the Board of Directors of Genentech, and William M. Burns, a member of Roche's Corporate Executive Committee until the end of 2009, be elected as new members. Current Board members DeAnne Julius and Beatrice Weder di Mauro will be standing for a further period of office.

Division Pharmaceuticals

Key figures	In millions of CHF	% change in CHF	% change in local currencies	% of sales
Sales	38,996	8	11	100
- United States	14,805	6	5	38
- Western Europe	10,827	5	12	28
- Japan	4,765	43	29	12
- International*	8,599	4	13	22
Operating profit before exceptional items	14,154	9	15	36.3
Operating free cash flow	14,923	24	30	38.3
Research and development	8,896	13	13	22.8

*Asia-Pacific, CEMAI, Latin America, Canada, Others

Sales by the Pharmaceuticals Division rose 11% in local currencies (8% in Swiss francs and in US dollars) to 39.0 billion Swiss francs, or almost double the global pharmaceuticals market growth rate (6%).

The world-wide spread of the pandemic A (H1N1) 2009 influenza virus led to very strong demand for Tamiflu from the second quarter on. Overall, Tamiflu contributed 2.6 billion francs, or 7 percentage points, to full-year Pharmaceuticals sales growth. Excluding Tamiflu, the division's sales increased 4%, driven by demand for key products, including Avastin, Herceptin, MabThera/Rituxan, Lucentis, Mircera, Tarceva, Activase/TNKase and Actemra/RoActemra.

Year-on-year sales growth in the fourth quarter (8%) was heavily impacted by planned reductions in wholesaler inventory levels in several major markets. These resulted in part from a comprehensive review of

distribution channel exposure. In addition, the harmonisation of distribution systems in the US following the merger of Genentech and Roche triggered a re-view of wholesaler inventory policy and subsequent destocking. The adjustment of inventory levels has been completed before the end of 2009.

All regions contributed to the division's strong sales growth. In the United States, growth of key oncology products, Tamiflu and Lucentis more than compensated for lower sales of CellCept and Boniva and the voluntary withdrawal of Raptiva. Sales in Western Europe were driven by demand for Tamiflu, Avastin, MabThera and Mircera, which more than offset declining sales of NeoRecormon. Sales by Chugai in Japan increased strongly due to demand for Tamiflu, key cancer medicines and Actemra. Sales in the International region (Asia-Pacific, CEMAI, Latin America, Canada, Others) were driven by demand for Tamiflu, key cancer medicines and Pegasys.

In 2009 the Pharmaceuticals Division's operating profit before exceptional items advanced significantly faster than sales, rising 15% in local currencies (9% in Swiss francs) to 14.2 billion francs. This strong increase was driven mainly by the performance of our key pharmaceutical products and ongoing measures to improve efficiency. The operating profit margin increased 1.2 percentage points in local currencies (+ 0.2 percentage points in Swiss francs) to 36.3% despite increased investments for new product launches and in research and development. The significant increase in R&D costs, up 13% to 8.9 billion francs, reflects investment in the division's strong late-stage pipeline, including promising compounds such as dalcetrapib, taspoglutide, pertuzumab and T-DM1. The rise in R&D expenses was also driven by higher impairments of intangible assets. At 302 million francs, these were 203 million francs higher than in 2008, due primarily to the termination of a number of projects following a comprehensive review of the combined Roche and Genentech portfolio.

The division continued to generate a strong cash flow in 2009. Operating free cash flow increased 30% in local currencies (24% in Swiss francs) to 14.9 billion Swiss francs, driven by the strong operating performance. Continuous cost management and cash-flow generation are key priorities at Roche. This is reflected in ongoing global initiatives to increase operational efficiency and productivity in areas such as information technology, manufacturing and administration. Further stimulus is now being provided by the Genentech integration, which involved a major reorganisation not only of US pharmaceutical operations but also of the division's global functions. Synergies are already being generated as a result of the consolidation in South San Francisco of administrative functions for the combined US organisation, the closure of the Palo Alto site, and the reshaping of global manufacturing operations. We aim to achieve pre-tax annual synergies of approximately 1 billion Swiss francs by 2011.

Sales review - selected key products

	Total		US		Western Europe		Japan		International	
	CHF m	%	CHF m	%	CHF m	%	CHF m	%	CHF m	%
Avastin	6,222	21%	3,315	14%	1,790	24%	404	74%	713	35%
MabThera/ Rituxan	6,087	6%	3,015	3%	1,643	10%	244	3%	1,185	8%
Herceptin	5,266	8%	1,566	4%	2,125	2%	345	25%	1,230	18%
Tamiflu	3,200	435%	906	110%	784	5080%	884	808%	626	829%
Pegasys	1,655	5%	404	2%	398	-2%	129	14%	724	8%
CellCept	1,576	-22%	549	-47%	494	1%	51	12%	482	0%
NeoRecormon/ Epogin	1,560	-11%	-	-	679	-19%	515	-1%	366	-5%
Tarceva	1,304	10%	521	5%	475	11%	67	28%	241	18%
Xeloda	1,260	7%	473	10%	311	-3%	77	40%	399	9%
Lucentis	1,198	24%	1,198	24%	-	-	-	-	-	-

Sales of **Avastin** (bevacizumab), for advanced colorectal, breast, lung and kidney cancer, and for relapsed glioblastoma (a type of brain tumour), rose 21% to 6.2 billion Swiss francs. Solid double-digit growth was recorded in all regions, driven primarily by continued uptake in colorectal, breast and lung cancer. Uptake in Japan, where Avastin is currently marketed for advanced colorectal cancer, remains particularly strong and is expected to be enhanced by the product's recent approval for advanced non-small cell lung cancer. Sales growth in the United States is being driven mainly by use in advanced breast cancer and the new indications glioblastoma and kidney cancer, while high penetration rates were maintained in established indications such as lung and colorectal cancer.

Overall sales (oncology and rheumatoid arthritis) of **MabThera/Rituxan** (rituximab), for non-Hodgkin's lymphoma (NHL), chronic lymphocytic leukemia (CLL) and rheumatoid arthritis (RA), rose 6% to 6.1 billion Swiss francs. Sustained growth in the oncology segment was driven by uptake in CLL following approval in the EU for first-line treatment and in the relapsed/refractory disease setting in the first and third quarters, respectively. Lower sales growth in the US reflects the high levels of adoption of Rituxan in its cancer indications. Sales in the RA segment were an estimated 900 million Swiss francs, or 15% of the product's total sales. Growth in this segment is being driven by increasing and earlier use of MabThera/Rituxan in patients with an inadequate response to one or more tumour necrosis factor (TNF) inhibitors. MabThera is well established as the medicine of choice following inadequate response to TNF inhibitor treatment and is currently the market leader in that segment in the EU.

Sales of **Herceptin** (trastuzumab), for HER2-positive breast cancer, increased 8% to 5.3 billion Swiss francs. Solid growth throughout the year was driven by continuing uptake for early breast cancer, especially in Japan and a number of emerging markets, as well as increasing market penetration in Eastern Europe. Moderate sales growth in the US and Western Europe reflects the high market penetration achieved in both early and advanced breast cancer in these regions.

Sales of **Tarceva** (erlotinib), for advanced lung and pancreatic cancer, increased 10% to 1.3 billion Swiss francs. Demand is being driven by increased use of the medicine in second-line non-small cell lung cancer

(NSCLC) outside the US and in metastatic pancreatic cancer. The main sales contributions came from Western Europe and the United States. The more modest growth in US sales reflects stable penetration in NSCLC and pancreatic cancer, the competitive environment and reserve adjustments taken during the year, primarily for government programmes involving discounts.

Sales of **Xeloda** (capecitabine), for colorectal, stomach and breast cancer, increased 7% to 1.3 billion francs, driven primarily by strong gains in the United States, Japan and China. Growth is being driven by use in metastatic breast cancer, adjuvant colon cancer and metastatic colorectal cancer. In China the majority of growth is coming from use in patients with advanced stomach cancer, while in Japan Chugai recorded significant additional growth in the fourth quarter following approval of an expanded metastatic colorectal cancer indication.

Global sales of the anti-influenza medicine **Tamiflu** (oseltamivir) amounted to 3.2 billion Swiss francs in 2009, an increase of 435%, or 2.6 billion francs, compared with 2008. This very high growth was driven by unprecedented demand from governments and in the retail pharmacy sector following the pandemic A (H1N1) 2009 influenza virus ('swine flu') outbreak, which began in April and spread rapidly worldwide. Sales for pandemic stockpiling amounted to 1.9 billion francs for the full-year.

Roche is working with national health authorities to expand approval for pandemic use of Tamiflu to include children less than one year of age, as well as pregnant and lactating women, and to gain regulatory approval for alternative methods of administering the medicine to infants and young children. The company also continues to cooperate closely with the World Health Organization and governments worldwide to support pandemic preparedness and supply Tamiflu to all patients in need.

Sales of **Pegasys** (peginterferon alfa-2a), for hepatitis B and C, totalled 1.7 billion Swiss francs in 2009, an increase of 5% over the previous year, driven by market-share gains in major markets. Growth is being helped by new study data demonstrating the superiority of Pegasys over other treatment options, increased use in the treatment of hepatitis B, and increasing rates of hepatitis diagnosis and treatment in emerging markets.

US sales of **Lucentis** (ranibizumab), for wet age-related macular degeneration (AMD, the most common form of age-related blindness) rose 24% to 1.2 billion Swiss francs. Strong double-digit growth throughout 2009 was driven primarily by an increase in the number of injections administered to patients in the first and second year of treatment, growth in the number of patients treated for wet AMD and easier reimbursement.

In a highly competitive, price-sensitive market, sales of the renal anemia medication **Mircera** (methoxy polyethylene glycol-epoetin beta), which is now available in over 80 markets worldwide, showed consistent growth throughout 2009, rising 252% to 179 million Swiss francs. Sales are being driven primarily by the success of the product in the predialysis segment. Combined sales of the Group's established anemia

medicines, Roche's **NeoRecormon** and Chugai's **Epogin** (epoetin beta), declined 11% to 1.6 billion Swiss francs. Outside Japan the combined market share of Roche's anemia franchise (Mircera and NeoRecormon) continues to increase despite competition from new market entrants. The decline in NeoRecormon sales of 14% was due mainly to increased price pressure as new biosimilars enter the market. In contrast, the slight decline of Epogin in Japan (-1%) reflects stabilisation of the product's market share in the dialysis segment and continued expansion in the predialysis setting.

Following EU marketing approval in January 2009, by year-end the novel rheumatoid arthritis (RA) medicine **RoActemra** (tocilizumab, known as Actemra outside Europe) had been launched in ten EU countries, including Germany, France, Spain and the United Kingdom. Sales uptake in the initial European launch markets has been strong. Following launches in additional markets, including Switzerland, India and Brazil, Actemra/RoActemra is now available in over 25 countries worldwide. The response from physicians is very encouraging. Global sales rose 289% to 146 million Swiss francs in 2009. In Japan, where Actemra was approved for RA in adults and for related pediatric indications in April 2008, adoption and market penetration are progressing well, with doctors already using the medicine as a first-line biologic treatment in many patients. Sales in Japan amounted to 98 million francs, an increase of 146%.

Sales of **CellCept** (mycophenolate mofetil), for the prevention of solid organ transplant rejection, decreased 22% compared with 2008 to 1.6 billion Swiss francs. Sales in the US, the product's largest market, declined sharply from May onwards following expiry of the US patent. The continuing erosion of US sales through generic competition is being offset to some extent by solid growth elsewhere, especially in Latin America and Japan.

Development highlights — key marketed products

In 2009, the Pharmaceuticals Division filed 23 major new marketing applications and gained 13 major regulatory approvals. Positive results from 16 major phase III clinical trials investigating additional indications for existing key products or with new products such as taspoglutide and ocrelizumab were also reported. The following summaries present approvals, filings and major clinical trial results for key marketed products, by indication.

Major regulatory filings in 2009¹⁾

Product	Active substance	Indication and/or dosage form	Country
Avastin	bevacizumab	relapsed glioblastoma multiforme	Switzerland
		first-line metastatic breast cancer, combination with standard chemotherapy	EU, USA, Japan, Switzerland
ED-71	Eldecalcitol	osteoporosis	Japan
Epogin	Epotein beta	chemotherapy-induced anemia	Japan
Herceptin	trastuzumab	advanced HER2-positive gastric cancer	EU, Switzerland
Lucentis	ranibizumab	macular edema following retinal vein occlusion	USA
MabThera/Rituxan	rituximab	rheumatoid arthritis — patients with an inadequate response to a disease modifying anti-rheumatic drug; prevention of joint damage	EU, Switzerland
		first-line chronic lymphocytic leukemia	USA
		relapsed or refractory chronic lymphocytic leukemia	EU, USA, Switzerland
RG744 (Mircera)	Methoxy-Polyethylen-glycol-Epotein beta	Renal anemia	Japan
Tarceva	erlotinib	non small cell lung cancer, first line maintenance after chemotherapy	EU, USA,, Switzerland
		Advanced pancreatic cancer	Japan
Xeloda	capecitabine	adjuvant colon cancer, combination with oxaliplatin	EU, Switzerland

¹⁾ updated to 8 January 2010

Major regulatory approvals in 2009¹⁾

Avastin	bevacizumab	relapsed glioblastoma multiforme	USA ² , Switzerland
		metastatic breast cancer; combination with docetaxel	EU, Switzerland
		first-line metastatic renal cell carcinoma, combination with interferon alfa-2a	USA
		unresectable advanced or recurrent non-squamous non-small cell lung cancer	Japan
MabThera/Rituxan	rituximab	relapsed or refractory chronic lymphocytic leukemia	EU, Switzerland
		first-line chronic lymphocytic leukemia	EU
		rheumatoid arthritis, guidance on retreatment in patients with	USA

		an inadequate response to anti-TNF therapy	
Actemra/RoActemra	tocilizumab	rheumatoid arthritis signs and symptoms	EU, USA
Xeloda	capecitabine	Advanced or refractory colorectal cancer, combination with oxaliplatin, with or without Avastin,	Japan

updated to 8 January 2010

² Accelerated approval (FDA)

Positive outcomes achieved in 16 major phase III trials

Disease area	Product	Indication	Study
Oncology	MabThera/Rituxan	indolent non-Hodgkin's lymphoma, first-line maintenance	PRIMA
	Avastin	second-line metastatic breast cancer	RIBBON-2
	Xeloda	adjuvant treatment of colon cancer	NO16968 (XELOXA)
	Herceptin	HER2-positive stomach cancer	ToGA
	Tarceva	non-small cell lung cancer (NSCLC), first-line maintenance treatment (overall survival data)	SATURN
	Tarceva + Avastin	NSCLC, first-line maintenance treatment	ATLAS
	Inflammation	Actemra	rheumatoid arthritis (RA), progression of joint damage
Actemra		juvenile idiopathic arthritis, systemic onset	TENDER
ocrelizumab		RA, patients with inadequate response to previous treatment with MTX	STAGE
Ophthalmology	Lucentis	macular edema following central retinal vein occlusion	CRUISE
	Lucentis	Macular edema following branch retinal vein occlusion	BRAVO
Metabolism	taspoglutide	type 2 diabetes	T-emerge 1, 2, 4, 5, 7

Research and development

Over the next few years the division aims to expand its product portfolio with a new generation of medicines for patients suffering from cancer, metabolic and autoimmune diseases, viral infections and disorders of the central nervous system (CNS). Late-stage development of promising anticancer compounds such as pertuzumab and T-DM1 (HER2-positive breast cancer), RG7204 (malignant melanoma) and RG7159 (leukemia, lymphoma) is on track. In addition, two novel compounds in the metabolic and CNS portfolios - aleglitazar (cardiovascular disease in high-risk type 2 diabetes patients) and RG1678 (negative symptoms of

schizophrenia) - are about to start phase III development. At the same time, we are also exploring new indications and formulations for existing products, including formulations of Herceptin and other biologic medicines that can be administered by more convenient subcutaneous injection instead of intravenous infusion.

At the beginning of 2010 the division's R&D pipeline included 111 projects in clinical development (phase I to III). Of these, 59 involved new molecular entities (NMEs) and 52 involved additional indications. Ten NMEs are in or about to enter late-stage development. 30 projects investigating additional indication for existing products are in Phase III.

Ten new molecular entities in ongoing or planned late-stage studies

Compound	Lead indication	Status	Market potential
ocrelizumab	rheumatoid arthritis	first phase III study (STAGE) met primary endpoint in Q4 2009 – results from additional studies expected in 2010	best in class
trastuzumab–DM1	HER2-positive metastatic breast cancer	phase III started Q1 2009 (2nd-line treatment)	first in class
pertuzumab	HER2-positive metastatic breast cancer	phase III started in 2008	first in class
RG7159 (GA101)	non-Hodgkin's lymphoma and chronic lymphocytic leukemia	phase III started Q4 2009 (chronic lymphocytic leukemia)	best in class
RG7204 (PLX4032)	malignant melanoma	registration studies started in 2009, January 2010	first in class
RG3616 (hedgehog pathway inhibitor)	advanced basal cell carcinoma	pivotal phase II started Q1 2009	first in class
RG1678 (GlyT-1 inhibitor)	negative symptoms of schizophrenia	positive phase II results in Q4 2009, phase III planned to start in 2010	first in class
aleglitazar	cardiovascular high risk in type 2 diabetes	phase III planned to start in Q1 2010	first in class
tasoglutide	type 2 diabetes	first positive phase III results (T-emerge) in Q4 2009, additional results expected in 2010	best in class
dalcetrapib	dyslipidemia, cardiovascular high risk	phase III enrolment ongoing	first in class

Division Diagnostics

Key figures	In millions of CHF	% change in CHF	% change in local currencies	% of sales
Sales	10,055	4	9	100
– Professional Diagnostics	4,553	4	9	45
– Diabetes Care	2,969	0	6	29
– Molecular Diagnostics	1,183	2	5	12
– Applied Science	870	12	15	9
- Tissue Diagnostics	480	28	29	5
Operating profit	1,198	1	12	11.9
Operating free cash flow	1,152	92	102	11.5
Research and development	978	4	5	9.7

In 2009, the Diagnostics Division recorded sales of 10.1 billion Swiss francs, an increase of 9% in local currencies (4% in Swiss francs and in US dollars) over 2008. This was more than twice the estimated growth rate of the in vitro diagnostics market (3–4%).

All five divisional business areas contributed to sales growth, led by Professional Diagnostics and Diabetes Care. Immunoassays and single-strip blood glucose monitoring systems remained these businesses' primary growth drivers. Molecular Diagnostics' core blood screening and virology segments delivered a solid single-digit rise in overall sales. In the Applied Science unit, strong demand for the MagNA Pure and LightCycler product lines fuelled further above-market growth. The Tissue Diagnostics business, acquired in 2008, continued to grow well ahead of the market, driven mainly by its advanced tissue staining portfolio. Instrument placements were again up significantly for the division as a whole and were a major growth driver.

Geographically, the EMEA¹ and Asia–Pacific regions contributed most to growth, with all five business areas recording solid sales gains in these markets. Tissue Diagnostics remained the primary growth driver in North America. In Japan, Professional Diagnostics and Applied Science grew moderately and Tissue Diagnostics achieved high double-digit growth, but divisional sales there were flat overall, largely due to reduced government IVD reimbursement and lower research funding.

Sales in the E7² markets grew 24% and accounted for over 10% of total divisional sales revenues. Increased investment in these markets and strong demand for immunoassays and other leading-edge Roche products contributed to this strong, above-market growth.

The first two modules of the cobas 8000 analyser series for high-throughput laboratories were launched on schedule in the EU and other markets in the second half of the year. Roche expects this major addition to its cobas family of modular Serum Work Area systems to enhance its

¹ EMEA = Europe, Middle East and Africa.

² E7= Brazil, Russia, India, China, South Korea, Mexico and Turkey

competitiveness significantly in both clinical chemistry and immunoassays. Altogether, the division launched over 20 major products in 2009.

The Diagnostic Division's operating profit rose 12% in local currencies (1% in Swiss francs) to 1,198 million Swiss francs, and the operating margin at constant exchange rates advanced 0.4 percentage points. These increases largely reflect sales growth, tight cost management and the significant one-time expenses recorded in 2008, including those relating to the Ventana acquisition. In Swiss francs, the margin decreased by 0.4 percentage points, to 11.9%, due to a particularly unfavourable combination of exchange rate movements.

About Roche

Headquartered in Basel, Switzerland, Roche is a leader in research-focused healthcare with combined strengths in pharmaceuticals and diagnostics. Roche is the world's largest biotech company with truly differentiated medicines in oncology, virology, inflammation, metabolism and CNS. Roche is also the world leader in in-vitro diagnostics, tissue-based cancer diagnostics and a pioneer in diabetes management. Roche's personalised healthcare strategy aims at providing medicines and diagnostic tools that enable tangible improvements in the health, quality of life and survival of patients. In 2009, Roche had over 80'000 employees worldwide and invested almost 10 billion Swiss francs in R&D. The Group posted sales of 49.1 billion Swiss francs. Genentech, United States, is a wholly owned member of the Roche Group. Roche has a majority stake in Chugai Pharmaceutical, Japan. For more information: www.roche.com.

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Additional information

- Media release including a full set of tables: www.roche.com/med-cor-2010-02-03
- Annual Report 2009: www.roche.com/annual_reports.htm
- Roche Pharmaceuticals pipeline: www.roche.com/pipeline.htm
- Roche Finance Info System: rofis.roche.com/dynasight/rofis.html
- Photographs of the media conference (as from 4:00 pm CET):
<http://download.roche.com/selection/20100203/>

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Disclaimer: Cautionary statement regarding forward-looking statements

This document contains certain forward-looking statements. These forward-looking statements may be identified by words such as 'believes', 'expects', 'anticipates', 'projects', 'intends', 'should', 'seeks', 'estimates', 'future' or similar expressions or by discussion of, among other things, strategy, goals, plans or intentions. Various factors may cause actual results to differ materially in the future from those reflected in forward-looking statements contained in this document, among others: (1) pricing and product initiatives of competitors; (2) legislative and regulatory developments and economic conditions; (3) delay or inability in obtaining regulatory approvals or bringing products to market; (4) fluctuations in currency exchange rates and general financial market conditions; (5) uncertainties in the discovery, development or marketing of new products or new uses of existing products, including without limitation negative results of clinical trials or research projects, unexpected side-effects of pipeline or marketed products; (6) increased government pricing pressures; (7) interruptions in production; (8) loss of or inability to obtain adequate protection for intellectual property rights; (9) litigation; (10) loss of key executives or other employees; and (11) adverse publicity and news coverage. The statement regarding earnings per share growth is not a profit forecast and should not be interpreted to mean that Roche's earnings or earnings per share for any current or future period will necessarily match or exceed the historical published earnings or earnings per share of Roche.

Roche Group consolidated income statement for the year ended 31 December 2009 | in millions of CHF

	Pharma	Diagnostics	Corporate	Group
Sales	38,996	10,055	-	49,051
Royalties and other operating income	1,948	152	-	2,100
Cost of sales	(9,535)	(5,080)	-	(14,615)
Marketing and distribution	(6,964)	(2,511)	-	(9,475)
Research and development	(8,896)	(978)	-	(9,874)
General and administration	(1,395)	(440)	(340)	(2,175)
Operating profit before exceptional items	14,154	1,198	(340)	15,012
Major legal cases	(320)	-	-	(320)
Changes in Group organisation	(2,415)	-	-	(2,415)
Operating profit	11,419	1,198	(340)	12,277
Associates				-
Financial income				792
Financing costs				(2,460)
Exceptional financing costs				(377)
Profit before taxes				10,232
Income taxes				(2,870)
Income taxes on exceptional items				1,148
Net income				8,510
Attributable to				
- Roche shareholders				7,784
- Non-controlling interests				726
Earnings per share and non-voting equity security				
Basic (CHF)				9.07
Diluted (CHF)				9.02

Roche Group consolidated balance sheet | in millions of CHF

	31 December 2009	31 December 2008	31 December 2007
Non-current assets			
Property, plant and equipment	17,697	18,190	17,832
Goodwill	8,261	8,353	6,835
Intangible assets	6,005	7,121	6,346
Associates	16	9	9
Financial long-term assets	481	940	1,333
Other long-term assets	452	451	527
Deferred income tax assets	2,573	1,829	1,317
Post-employment benefit assets	601	592	1,332
Total non-current assets	36,086	37,485	35,531
Current assets			
Inventories	5,648	5,830	6,113
Accounts receivable	10,461	9,755	9,804
Current income tax assets	244	268	263
Other current assets	3,577	1,980	2,452
Marketable securities	16,107	15,856	20,447
Cash and cash equivalents	2,442	4,915	3,755
Total current assets	38,479	38,604	42,834
Total assets	74,565	76,089	78,365
Non-current liabilities			
Long-term debt	(36,143)	(2,972)	(3,834)
Deferred income tax liabilities	(1,099)	(1,409)	(1,527)
Post-employment benefit liabilities	(4,726)	(4,669)	(3,696)
Provisions	(700)	(654)	(688)
Other non-current liabilities	(416)	(459)	(723)
Total non-current liabilities	(43,084)	(10,163)	(10,468)
Current liabilities			
Short-term debt	(6,273)	(1,117)	(3,032)
Current income tax liabilities	(2,478)	(2,193)	(2,215)
Provisions	(1,618)	(804)	(1,517)
Accounts payable	(2,300)	(2,017)	(1,861)
Accrued and other current liabilities	(9,398)	(5,973)	(5,829)
Total current liabilities	(22,067)	(12,104)	(14,454)
Total liabilities	(65,151)	(22,267)	(24,922)
Total net assets	9,414	53,822	53,443
Equity			
Capital and reserves attributable to Roche shareholders	7,366	44,479	45,483
Equity attributable to non-controlling interests	2,048	9,343	7,960
Total equity	9,414	53,822	53,443

Roche Group consolidated statement of cash flows | in millions of CHF

	Year ended 31 December	
	2009	2008
Cash flows from operating activities		
Cash generated from operations	19,304	17,626
(Increase) decrease in working capital	349	(524)
Payments made for defined benefit post-employment plans	(467)	(353)
Utilisation of provisions	(709)	(1,061)
Other operating cash flows	167	3
Cash flows from operating activities, before income taxes paid	18,644	15,691
Income taxes paid	(1,767)	(3,514)
Total cash flows from operating activities	16,877	12,177
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,984)	(3,139)
Purchase of intangible assets	(235)	(418)
Disposal of property, plant and equipment	113	69
Disposal of intangible assets	3	-
Disposal of products	169	472
Business combinations	(98)	(3,004)
Divestments of subsidiaries	15	40
Interest and dividends received	306	611
Sales of marketable securities	14,968	16,666
Purchases of marketable securities	(15,171)	(12,758)
Other investing cash flows	5	(261)
Total cash flows from investing activities	(2,909)	(1,722)
Cash flows from financing activities		
Proceeds from issue of bonds and notes	48,197	-
Redemption and repurchase of bonds and notes	(7,421)	(2,188)
Increase (decrease) in commercial paper	(261)	(107)
Increase (decrease) in other debt	(133)	(317)
Hedging and collateral arrangements	3,264	-
Change in ownership interest in subsidiaries		
- Genentech	(52,708)	-
- Chugai	-	(934)
- Ventana	-	(1,285)
- Memory	(6)	-
Interest paid	(748)	(216)
Dividends paid	(4,395)	(4,051)
Genentech		
- Genentech equity compensation plans	108	735
- Genentech share repurchases	-	(844)
Equity-settled equity compensation plans, net of transactions in own equity instruments	(651)	(235)
Chugai share repurchases	(14)	-
Other financing cash flows	-	-
Total cash flows from financing activities	(14,768)	(9,442)
Net effect of currency translation on cash and cash equivalents	(1,673)	147
Increase (decrease) in cash and cash equivalents	(2,473)	1,160
Cash and cash equivalents at 1 January	4,915	3,755
Cash and cash equivalents at 31 December	2,442	4,915