
Investors/Analysts Conference
London, July 2009
Ian Bishop



This presentation 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 presentation, 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.

Any statements 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 this year or any subsequent period will necessarily match or exceed the historical published earnings or earnings per share of Roche.

Genentech transaction

Restructuring and integration

Other changes in the Finance Report

Transactions in controlled subsidiaries

Revised IAS 27 implemented already in 2008

Accounting under IAS 27 revised

- Where control does not change, all entries are directly to equity.
- There is no “acquisition accounting”, because there is no acquisition. The transaction is treated as a transaction with equity holders (i.e. the minority interests in equity).

Implications for Roche reporting

- Already applied to squeeze out minorities, post-acquisition after control is obtained in the first stage (2008: Ventana, 2009: Memory).
- Already applied in 2008 for Chugai Tender Offer for additional 10% of shares.
- Applied in 2009 for purchase of additional shares at Genentech.

as presented to financial analysts on June 12

Genentech transaction

Illustrative pro-forma impact on Group balance sheet

	As published 31/12/08 CHF m	Debt 1) CHF m	Genentech transaction 2) CHF m	Adjusted CHF m
Property, plant and equipment	18,190			18,190
Goodwill and intangibles	15,474			15,474
Other assets	21,654			21,654
Cash and marketable securities	20,771	48,000	-50,000	18,771
Total assets	76,089	48,000	-50,000	74,089
Debt	-4,089	-48,000		-52,089
Other liabilities	-18,178			-18,178
Total liabilities	-22,267	-48,000	0	-70,267
Total net assets	53,822	0	-50,000	3,822
Total equity	53,822	0	-50,000	3,822
Capitalisation (debt + equity)	57,911	48,000	-50,000	55,911

1) Net proceeds from new Bonds and Notes. Does not include Commercial Paper or other short-term borrowings.

2) Cash consideration for outstanding shares. Does not include settlement of stock options, transaction costs and tax impacts.

as presented to financial analysts on June 12

Impact on consolidated equity

Has strong visual impact but little business impact

Visual impact

- Balance sheet impact, with book value of Group equity significantly reduced.
- Impact for certain key ratios (e.g. equity ratio, debt/equity ratio).
- Similar accounting impacts in past at other companies from major transactions.

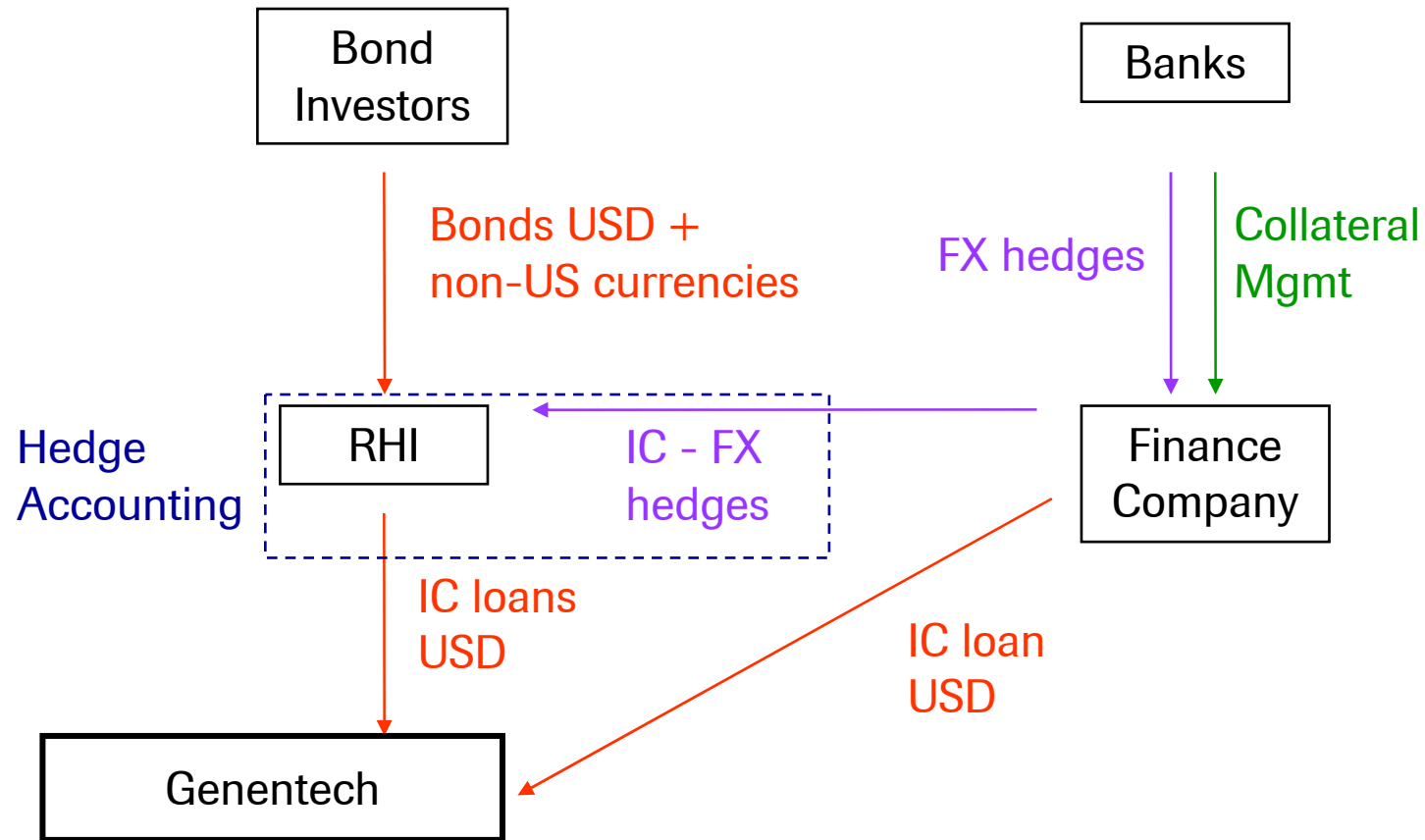
Business impact

- No impact on cash generation and profitability of underlying business.
- No impact on dividend policy or ability to pay dividends.
- The Genentech non-controlling interest is eliminated, so Genentech post-transaction profits are 100% attributable to Roche shareholders.
- No acquisition accounting, so no additional goodwill or intangible assets, and hence no additional amortisation expenses and no additional impairment risk.

as presented to financial analysts on June 12

Overview Financing and Hedging

All foreign exchange exposures hedged with derivatives



Genentech transaction

Restructuring and integration

Other changes in the Finance Report

Group Income Statement

Exceptional items to clarify underlying results

Sales²
Royalties and other operating income ²
Cost of sales
Marketing and distribution
Research and development ²
General and administration
Operating profit before exceptional items²
Major legal cases ¹¹
Changes in Group organisation ⁸
Operating profit²
Associates
Financial income ⁵
Financing costs ⁵
Exceptional financing costs ⁵
Profit before taxes
Income taxes ⁷
Income taxes on exceptional items ⁶
Net income
Attributable to
– Roche shareholders
– Non-controlling interests

Restructuring and one-time integration costs

Loss on sale of bonds to increase USD liquidity
'Cost of carrying' the acquisition financing up to the transaction date

Tax benefit on the above exceptional items
Additional tax benefit on Genentech stock options

Restructuring & one-time integration costs

Costs of 1.9 bn CHF incurred in interim period ...

Changes in Group organisation | in millions of CHF

	Six months ended 30 June	
	2009	2008
Employee-related costs		
– Termination costs	149	-
– Pensions and other post-employment benefits	(31)	-
– Genentech Employee Retention Program expenses	20	-
– Genentech stock options: accelerated vesting expenses	236	-
– Other retention plans and other employee benefits	28	-
– Other employee-related costs	31	-
Total employee-related costs	433	-
Site closure costs		
– Impairment of property, plant and equipment	1,049	-
– Accelerated depreciation of property, plant and equipment	48	-
– Other site closure costs	181	-
Total site closure costs	1,278	-
Impairment of intangible assets	174	-
Other reorganisation expenses	57	-
Total	1,942	-

Restructuring & one-time integration costs

... of which 1.6 bn CHF are non-cash items

Changes in Group organisation | in millions of CHF

	Six months ended 30 June	
	2009	2008
Employee-related costs		
– Termination costs	149	-
– Pensions and other post-employment benefits	(31)	-
– Genentech Employee Retention Program expenses	20	-
– Genentech stock options: accelerated vesting expenses	236	-
– Other retention plans and other employee benefits	28	-
– Other employee-related costs	31	-
Total employee-related costs	433	-
Site closure costs		
– Impairment of property, plant and equipment	1,049	-
– Accelerated depreciation of property, plant and equipment	48	-
– Other site closure costs	181	-
Total site closure costs	1,278	-
Impairment of intangible assets	174	-
Other reorganisation expenses	57	-
Total	1,942	-

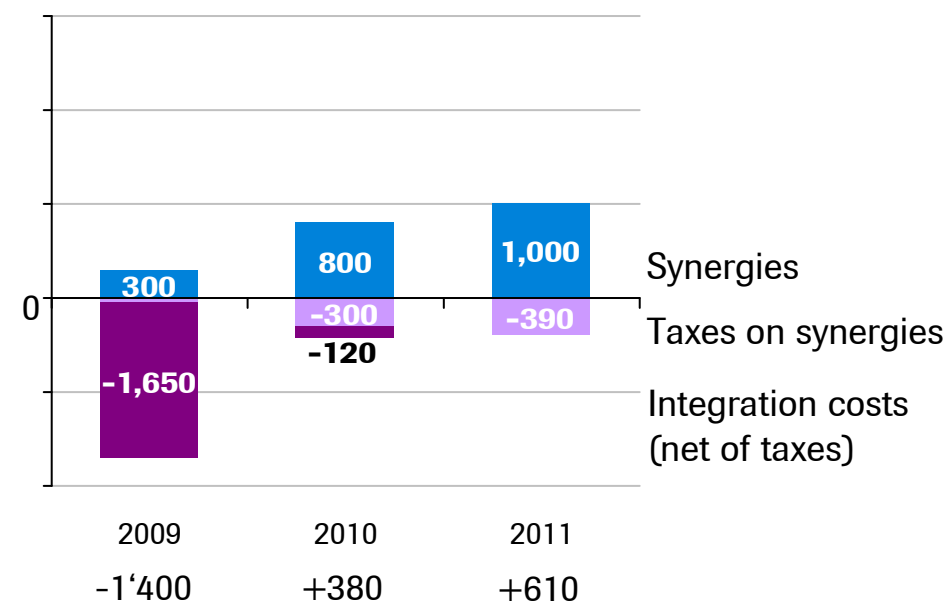
Financial impact Genentech transaction

Accretive to net income from 2010

Taking Genentech private
CHF m



Genentech integration
CHF m



Total transaction – Impact on Net income attributable to Roche shareholders
-1'050 +1'150 +1,640

1) assumes 10% annual net income growth of Genentech as a stand-alone entity, i.e. as if it had not been taken private

Genentech transaction

Restructuring and integration

Other changes in the Finance Report

Changes in IFRS

No significant changes in 2009 Roche financials

Main changes that apply in 2009 have been implemented in 2007-2008

- IFRS 8 'Operating Segments'.
- IAS 23 (revised) 'Borrowing Costs'.
- IFRS 3 (revised) 'Business Combinations'.
- IAS 27 (revised) 'Consolidated Financial Statements'.

IAS 1 (revised) 'Presentation of Financial Statements'

- Changes to format of Statement of Other Comprehensive Income (formerly Statement of Recognised Income and Expense).
- Expansion to Statement of Equity Movements.
- Additional disclosures in annual financials on pre-tax and tax impact of items of other comprehensive income booked directly to equity.

Other disclosure changes

Further enhanced disclosures in key areas

Genentech transaction – Note 3

- Details of accounting for the transaction.

Changes in Group organisation – Note 8

- Details of restructuring and integration costs.
- Includes tax effects, and expected total costs until completion.

Debt – Note 12

- Expanded disclosure on the debt outstanding.
- Full details of new issues of bonds and notes.
- Includes effective interest rates, hedging arrangements and cash flows.
- Details of Commercial Paper programmes.



Appendix

Update from 2008 Accounting Workshop

Intangible assets amortisation for 2009-2011

Estimates based on status at 31 December 2008

	2009	2010	2011
Amortisation	748	655	583
Income taxes	(262)	(229)	(204)
Non-controlling interests	(13)	-	-

Assumptions

- Does not include impairments.
- Does not include acquisitions and purchases from 2009 onwards.
- Does not include transfers to 'in use' from 2009 onwards.
- Tax rate assumed at 35%.
- Foreign exchange rates assumed: USD 1.15, EUR 1.50, JPY 120.