

**Investors/Analysts Conference  
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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:

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- 2 legislative and regulatory developments and economic conditions;
- 3 delay or inability in obtaining regulatory approvals or bringing products to market;
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- 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.

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## **Business combinations / subsidiaries**

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**Free cash flow**

**Other changes in the Finance Report**

**Roche Finance Information System**

## **IFRS 3 and IAS 27** *Highlights of revision*

### **Step acquisitions recorded at fair value**

- Already owned financial assets / associates are fair valued at the date of acquisitions, with the increase/decrease included in income.
- Previously included at cost.

### **Transaction costs expensed**

- Previously included in cost of acquisition.

### **Contingent consideration recorded at fair value**

- Previously only recorded in acquisition if payment probable (over 50%).
- Provision recorded measured at expected value of payment (probability adjusted, and discounted if material).
- Difference between final settlement, if any, and provision booked to income. Treatment of settlement amounts relating to specific assets under discussion.

## **IFRS 3 and IAS 27**

### *Highlights of revision*

#### **Recognition of intangibles**

- Intangibles no longer have to be “reliably measurable” for separate recognition. This lowers the hurdle for recognition and could mean certain early stage research projects are treated as separate intangibles and not rolled into goodwill.

#### **Settlement of pre-existing relationships**

- Where an acquisition in effect settles an already existing relationship, then the fair value of that settlement is included in income.

#### **Non-controlling interests**

- Previously called “minority interests”.

#### **Transactions in controlled subsidiaries**

- Where control does not change, all entries are directly to equity.

## **Business combinations / subsidiaries**

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### **Free cash flow**

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## **Other changes in the Finance Report**

## **Roche Finance Information System**

## Roche External Cash Flow Reporting



### *Key features*

#### Financial Review

- Focus on 'Free cash flow' to measure the cash generating power available to the Group, after servicing debt- and shareholders (management view)
- True cash flow basis, i.e. elimination of all non cash items, replacement with the equivalent cash effect. Hence, EBITDA will not be used in the Financial Review anymore, but it will be reported on a separate reconciliation page behind Core EPS, as it is still widely used
- Full reconciliation between income statement and free cash flow statement
- Full reconciliation between free cash flow statement and change in net cash
- Cohesiveness or consistency of classification across the different financial statements
  - Operating Profit, Operating Free Cash Flow and Net Operating Assets are defined on a consistent basis
- Results presented and commented on in the context of the divisional and the Group results

#### Audited Financial Statements

- IAS 7 Cash Flow Statement as so far

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## Roche External Cash Flow Reporting



### *Information to be reported at Half-Year and Year-End*

#### Free cash flow

	Pharmaceuticals (mCHF)	Diagnostics (mCHF)	Corporate (mCHF)	Group (mCHF)
<b>2008</b>				
Operating profit	13,002	1,187	(265)	13,924
Operating profit cash adjustments	1,496	1,122	(7)	2,611
(Increase)/decrease in net working capital	(15)	(464)	(2)	(481)
Investments in property, plant and equipment	(2,021)	(1,237)	(1)	(3,259)
Investments in intangible assets	(409)	(8)	-	(417)
<b>Operating free cash flow</b>	<b>12,053</b>	<b>600</b>	<b>(275)</b>	<b>12,378</b>
Treasury activities				166
Taxes paid				(3,514)
Dividends paid				(4,051)
<b>Free cash flow</b>				<b>4,979</b>

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## Roche External Cash Flow Reporting

### *Information to be reported at Half-Year and Year-End*



#### Net cash

	Roche (mCHF)	Genentech (mCHF)	Chugai (mCHF)	Group (mCHF)
<b>31 December 2007</b>				
Cash and cash equivalents	1,869	1,157	729	3,755
Marketable securities	14,496	5,209	742	20,447
Long-term debt	(1,270)	(2,564)	-	(3,834)
Short-term debt	(2,357)	(675)	-	(3,032)
<b>Net cash at beginning of period</b>	<b>12,738</b>	<b>3,127</b>	<b>1,471</b>	<b>17,336</b>
Free cash flow for 2008	1,623	3,392	(36)	4,979
Transactions in own equity instruments	(141)	-	-	(141)
Business combinations	(2,964)	-	-	(2,964)
Changes in ownership interests in subsidiaries	(2,219)	-	-	(2,219)
Currency translation, fair value and other movements	(707)	275	123	(309)
<b>Net change in net cash</b>	<b>(4,408)</b>	<b>3,667</b>	<b>87</b>	<b>(654)</b>
<b>31 December 2008</b>				
Cash and cash equivalents	1,036	3,057	822	4,915
Marketable securities	8,380	6,740	736	15,856
Long-term debt	(498)	(2,474)	-	(2,972)
Short-term debt	(588)	(529)	-	(1,117)
<b>Net cash at end of period</b>	<b>8,330</b>	<b>6,794</b>	<b>1,558</b>	<b>16,682</b>

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## Business combinations / subsidiaries

### Free cash flow

### Other changes in the Finance Report

- Changes in Group organisation
- Other changes

## Roche Finance Information System

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## **Changes in Group organisation – Note 8**



### *Incremental impacts at Roche Pharma and Genentech*

#### **Presentation as an exceptional item**

- Gives full transparency to incremental costs and the underlying results.
- Similar presentation will be used during 2009.

#### **Roche Pharma US business reorganisation**

- Costs that are already committed and incurred in 2008 are recognised as part of the 2008 results.
- Includes closure of Nutley manufacturing and some closure and relocation costs at Palo Alto.
- Reorganisation plans that are contingent on a Genentech transaction are not included in the 2008 results.

#### **Genentech retention plan**

- Additional incremental costs of the plan are shown as “Changes in Group organisation”
- Normalised cost shown in usual cost functions.

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## **Other disclosure changes**



### *Further enhanced disclosures in key areas*

#### **Business combinations – Note 7**

- Full details of 2008 M&A activity given, in accordance with new standards.

#### **Pensions – Notes 10**

- Note gives full information on the current status of the Group’s pension plans.
- Implementation of IFRIC 14 (already implemented at half-year), which gives additional guidance on the recognition of assets from pension plans.

#### **Provisions – Note 25**

- Updated information on current litigation, including Accutane litigation in US.

#### **Financial Risk Management – Note 32**

- Further expanded to give additional detail..

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**Business combinations / subsidiaries**

**Free cash flow**

**Other changes in the Interim Finance Report**

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**Roche Finance Information System**

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## **Roche Finance Information System**

### *Objectives and content*

#### **Key objectives**

- Facilitate and support the information and decision making needs of financial analysts, investors and other stakeholders
- Providing easy access to financial key information, including download capability

#### **Contents**

- Same financial information as in quarterly, half-yearly and yearly external communication
- Two modules: (1) Sales Performance, (2) Financial Results
- Excel download capability including exchange rates

#### **Availability and Access**

- To be available at the same time as the media release / analyst presentation
- Access through IR website; user self registration