



Investors/Analysts Conference Accounting Workshop

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- 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.

Agenda



- What's new in the interim financials ?
- Employee benefits – IAS 19 (revised)
- Equity compensation plans – Income tax effects
- Question & Answer Session

What's new in the interim financials ?



Few changes only

Expanded Interim Financial Review

- Aligns to format used at year-end 2005, with additional product and regional sales figures and commentary.

'Employee benefits' IAS 19 (revised) – Note 1

- Explanation and quantification of change in accounting policy.
- Additional detail added to 'Statement of recognised income and expense' (SORIE).

Income taxes – Note 8

- Additional detail and commentary to tax reconciliation.



'Employee Benefits' IAS 19 (revised)

Impacts on pensions reporting

Actuarial gains / losses

- Reported directly to equity.

Expected return on plan assets and interest cost

- Reclassified as part of Financial Income / Financing Cost

Disclosure in Annual Financial Statements

- Expanded disclosure requirements

Retrospective application

- 2005 Interim and Full-Year restated.



Employee Benefits - Pensions

How are actuarial gains/losses reported ?

Previous version of IAS 19 – two options

- Record immediately against income.
- Defer off-balance sheet, and record amortisation against income once the accumulated gains/losses exceeded a threshold.

Revised version of IAS 19 – new third option

- Record immediately against equity.

Why is Roche choosing the third option?

- More useful for users of the financial statements. The balance sheet position will more accurately reflect the funding status of the various plans, and hence the Group's overall financial position.
- Consistent with the view of third party users such as ratings agencies.
- Consistent with our healthcare peers that use IFRS.



Employee Benefits - Pensions

Income statement presentation

How is the income statement charge calculated and reported?

- The expense for each defined benefit plan is calculated annually at the start of each year by the actuaries.
- IAS 19 specifies how the expense should be calculated, but does not specify which income statement heading should be used. Previously Roche has included the whole amount in the operating results.

Changes in 2006

- The interest cost will be included as part of financing costs.
- The expected return on plan assets will be included as part of financial income.

Reason for the changes

- The presentation of the results reflects Roche's internal management structure.
 - Divisional operating results include the cost of current pensions to current employees.
 - Funding of pension plans and pension plan asset management are overseen at a corporate level, and any income or costs are not included in the divisional results.



Equity Compensation Plans

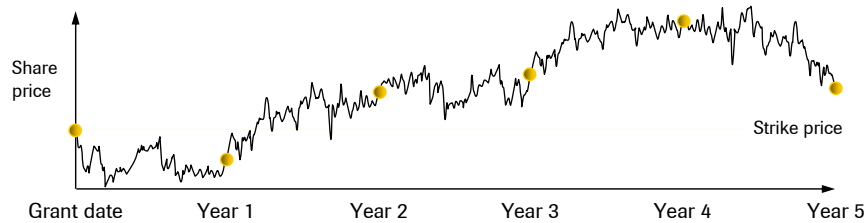
Income taxes: main principles

- Operating expense is fixed at grant date and spread over vesting period, but ...
- Tax benefit variable (depending on market price) and booked until exercise
 - Tax benefit can be zero (if option out-of-money)
 - Tax benefit can include catch-up from prior periods
 - Overall cap on tax benefit (operating expense multiplied by tax rate)
 - Tax impacts last beyond vesting until exercise



Equity Compensation Plans

Income taxes: theoretical example



Operating expense	-100	-100	-100	-	-
Tax benefit	0	60	30	30	-40
Effective tax rate	0%	60%	30%	n/a	n/a

* Assumptions: 3 year cliff vesting plan, 40 % local tax rate, no exercises



Equity Compensation Plans

Income taxes: the story so far

Genentech equity compensation plans:

	HY '04 USD m	FY '04 USD m	HY '05 USD m	FY '05 USD m	HY '06 USD m
Operating profit	(35)	(105)	(105)	(245)	(208)
Tax benefit	19	29	61	99	23
Effective tax rate	54%	27%	58%	40%	11%