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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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- 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
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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.

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## Changes in the Roche Financial Statements

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**Roche, Genentech & Chugai**

**Other updates**

## Accounting changes

*New standards have minor impacts*

### **IFRS 7: 'Financial Instruments: Disclosures'**

- Disclosure only in Annual Financials.

### **IFRS 8: 'Operating segments'**

- No change in segments for Roche. Some additional disclosures in Annual Financials.

### **IAS 23 (revised): 'Borrowing Costs'**

- Interest and other borrowing costs on qualifying assets now capitalised.
- Only impact for Roche is for the Genentech operating segment. Early implementation eliminates a minor US GAAP vs IFRS difference.
- In H1'07 23m CHF of borrowing costs were capitalised that would previously have been expensed.

## **Disclosure changes**

### *Additional disclosure on operating segments and alliance and collaborations*

#### **Operating segment information – Note 2**

- Expanded to include 'Royalties and Other Operating Income' split by business segment.
- Split between external customers and from other segments.
- In particular shows Sales and ROOI between Roche Pharma, Genentech and Chugai.

#### **Financial Review - Additional information on Pharma alliances and collaborations**

- Overview of main elements of 'Royalties and Other Operating Income'.
- Bonviva/Boniva gross profit share with GSK (in 'Cost of Sales').
- Genentech collaboration profit sharing with Biogen Idec, Novartis and OSI for MabThera/Rituxan, Xolair and Tarceva (in 'M&D').
- Amounts capitalised with alliance partners as intangible assets (in 'R&D')

## **Changes in the Roche Financial Statements**

### **Roche, Genentech & Chugai**

- Concepts
- Detailed application

### **Other updates**

## Concepts - Accounting for minorities



### *Full consolidation*

#### Income statement, balance sheet and cash flow fully consolidated

- Consolidated income statement, balance sheet and cash flows includes 100% aggregation of Genentech and Chugai (with inter-company eliminated)
- Net Income is then attributable to Roche shareholders and minorities (at average rate).
- Equity (= Balance sheet net assets) is split between Roche and minorities (at closing rate).

#### Inter-company items are eliminated

- Income/expenses between Roche, Genentech and Chugai are eliminated on consolidation, but is still shown gross in the segment information.
- Receivables/payables between Roche, Genentech and Chugai are eliminated on consolidation.
- Dividends from Chugai to Roche are eliminated on consolidation. Dividends from Chugai to third parties are a deduction of equity-minority interests.

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## Concepts - Accounting for minorities



### *Standard consolidation rules apply*

#### Up-fronts and milestones

- Payments based on affiliation and other agreements.
- The receiving company recognises income as earned over the period of the development collaboration or based on achievement of the milestone – can be immediate or deferred.
- In both cases, the paying company recognises expenses mirroring the income recognition, so that at a Pharma Division level everything eliminates.

#### Unrealised Profit in Inventory (UPI)

- Currently Genentech sells to Roche and Roche sells to Chugai.
- At any balance sheet date, a certain amount of inventory is on-hand at Roche that includes Genentech's profit (same for Chugai/Roche).
- This profit has to be eliminated on consolidation. Roche inventory and Genentech profit are reduced (same for Chugai/Roche).
- Profit still counts as "earned" for minority interest and EPS calculations, and is added back for those purposes.

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## Application – Royalties

*Income in one segment, expense in the other*

Six months ended 30 June	Roche Pharmaceuticals		Genentech			Chugai Pharmaceuticals Division		
	2007	2006	2007	2006	2007	2006	2007	2006
<b>Revenues from external customers</b>								
Sales	11,367	9,670	5,227	4,223	1,674	1,684	18,268	15,577
Royalties and other operating income	472	212	580	413	48	11	1,100	636
<b>Total</b>	<b>11,839</b>	<b>9,882</b>	<b>5,807</b>	<b>4,636</b>	<b>1,722</b>	<b>1,695</b>	<b>19,368</b>	<b>16,213</b>
<b>Revenues from other operating segments</b>								
Sales	350	279	634	166	–	–	984	445
Royalties and other operating income	4	4	694	481	43	–	741	485
Elimination of income within division	–	–	–	–	–	–	(1,725)	(930)
<b>Total</b>	<b>354</b>	<b>283</b>	<b>1,328</b>	<b>647</b>	<b>43</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Segment results</b>								
Operating profit	3,605	3,054	2,701	1,686	334	276	6,640	5,016

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## Application – Unrealised profit

*Reduction of operating profit, but not minorities result*

Reconciliation of Genentech results

	Six months ended 30 June 2007		Six months ended 30 June 2006	
	USD millions	CHF millions <sup>9)</sup>	USD millions	CHF millions <sup>9)</sup>
Operating income (US GAAP basis)	2,183	–	1,399	–
– redemption costs	52	–	52	–
– equity compensation plan expenses (US GAAP basis)	203	–	150	–
– special litigation items	26	–	27	–
Operating income (non-US GAAP basis)	2,464	–	1,628	–
Add (deduct) differences and consolidation entries				
– add back redemption costs	(52)	–	(52)	–
– equity compensation plan expenses (IFRS basis)	(198)	–	(208)	–
– capitalised in-process research and development	181	–	–	–
– other differences	(4)	–	(36)	–
– consolidation entries <sup>9)</sup>	(191)	–	(5)	–
Segment result/operating profit (IFRS basis)	2,200	2,701	1,327	1,686
Add (deduct) non-operating items (IFRS basis)				
– financial income and financing costs	–	106	–	122
– consolidation entries <sup>9)</sup>	–	248	–	–
– income taxes	–	(1,201)	–	(756)
Net income (IFRS basis)	–	1,854	–	1,052
Minority interest calculation				
– minority interest (average during period)	–	44.2%	–	44.3%
– income applicable to minority interest (IFRS basis)	–	820	–	466

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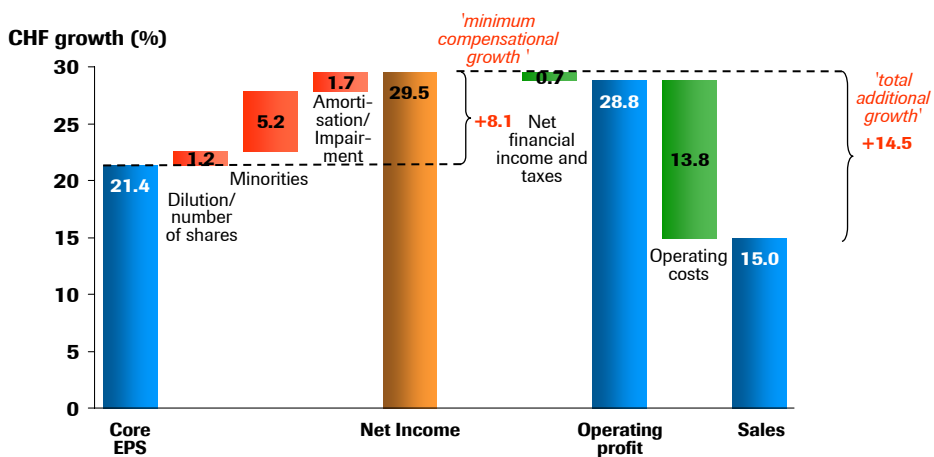
## Changes in the Roche Financial Statements

### Roche, Genentech & Chugai

#### Other updates

### Core EPS H1'07

*Exceeds sales growth, with improved operating efficiency more than covering minorities and dilution*



## Equity Compensation Plans

*Income taxes: the story so far*



### Genentech equity compensation plans: tax effects

	HY '05 USD m	FY '05 USD m	HY '06 USD m	FY '06 USD m	HY '07 USD m
Operating profit	(105)	(245)	(208)	(407)	(198)
Tax benefit	61	99	23	41	8
Effective tax rate	58%	40%	11%	10%	4%