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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:

- 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.

Changes in the Roche Financial Statements

Roche, Genentech & Chugai

Acquisition accounting

Other updates

Changes in Annual Financial Statements

- Income Statement presentational changes
 - IFRS 7 Financial Instruments
 - Other changes
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Roche, Genentech & Chugai

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Income Statement presentational changes

Reclassifications only; no change in profits and margins

Changes

Alliances and collaborations

- Include costs relating to marketed products in Cost of Sales
- Disclose Cost of Sales breakdown and further details in the Notes

Amortisation and impairment of intangible assets

- Allocate costs to relevant business functions
 - costs of technology and research intangibles to R&D
 - costs of product intangibles to Cost of Sales

Phase IV costs

- Move costs of Phase IV activities with clear scientific purpose to R&D

Rationale

- Increasing importance to Roche
- Improve clarity and transparency

- Best practice
- Comprehensive presentation of R&D costs
- Comprehensive presentation of costs of marketed products

- Strengthened scientific and medical governance

IFRS 7

Financial Instruments: Disclosures

Impact of changes

- No impact on financial results.
- Significant change in year-end disclosures.

Key additional disclosures

- Nature and extent of risks arising from financial instruments.
- Risks in scope: credit risk, liquidity risk, market risks (interest, FX, equity prices).
- Qualitative disclosures: objectives, policies for managing these risks.
- Quantitative disclosures: Roche uses 'value-at-risk' data to quantify exposure to market risks.

Implementation

- Included in 2007 Finance Report, including 2006 comparatives.
- Expanded discussion in the Financial Review.
- Detailed disclosures included in Notes to Annual Financials.

IFRS accounting changes

New standards have minor impacts

IFRS 7: 'Financial Instruments: Disclosures'

- Disclosure only in Annual Financials (see slide 6).

IFRS 8: 'Operating segments'

- No change in segments for Roche. Some additional disclosures in Annual Financials.
- 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 Royalties and Other Operating Income between Roche Pharma, Genentech and Chugai.

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.

Disclosure changes

Enhanced disclosures in key areas

Financial Review

- Further expanded to give more insight into operational results, including detailed breakdowns of Cost of Sales, R&D and G&A.

Genentech / Chugai – Notes 3 and 4

- Expanded explanation of the workings of the alliance.
- Additional accounting policies given in Note 1.

Business combinations – Note 7

- Full details of 2007 M&A activity given.

Intangible assets – Note 14

- Further additional detail added concerning potential impairment risks and possible upcoming commitments under alliance transactions.

Changes in the Roche Financial Statements

Roche, Genentech & Chugai

- Concepts
- Detailed application

Acquisition accounting

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.

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. Inventory and operating profit are reduced at a Pharma divisional level.
- Profit still counts as "earned" for minority interest and EPS calculations.

Application – Royalties

Income in one segment, expense in the other

Pharmaceuticals sub-divisional information *in millions of CHF*

	Roche Pharmaceuticals		Genentech		Chugai		Pharmaceuticals Division	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenues from other operating segments								
Sales	562	789	922	451	–	–	1,484	1,240
Royalties and other operating income	10	12	1,510	1,096	57	2	1,577	1,110
Elimination of revenue within division							(3,053)	(2,327)
Total	572	801	2,432	1,547	57	2	8	23

Application – Unrealised profit

Movement in UPI during year is eliminated from operating profit at Pharma divisional level

Pharmaceuticals sub-divisional information in millions of CHF

Segment results	Roche Pharmaceuticals		Genentech		Chugai	Pharmaceuticals Division	
	2007	2006	2007	2006		2007	2006
Operating profit	7,225	6,139	5,298	4,002	569	13,133	10,710
Elimination of profit within division						(91)	(165)
Total						13,042	10,545

Application – Unrealised profit

Absolute amount of UPI is eliminated from segment assets at a Pharma divisional level

Net operating assets in millions of CHF

	Assets		Liabilities		Net assets	
	2007	2006	2007	2006	2007	2006
Roche Pharmaceuticals	16,384	15,365	(3,288)	(3,789)	13,096	11,576
Genentech	12,993	11,358	(4,049)	(3,583)	8,944	7,775
Chugai	3,663	3,773	(561)	(636)	3,102	3,137
Elimination within division	(450)	(364)	-	-	(450)	(364)
Pharmaceuticals Division	32,590	30,132	(7,898)	(8,008)	24,692	22,124
Diagnosics Division	16,323	14,547	(2,263)	(2,134)	14,060	12,413
Corporate	232	192	(271)	(139)	(39)	53
Total operating	49,145	44,871	(10,432)	(10,281)	38,713	34,590
Non-operating	29,038	29,543	(14,444)	(17,319)	14,594	12,224
Group	78,183	74,414	(24,876)	(27,600)	53,307	46,814

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Concepts – Acquisition accounting

Basic for acquisitions at Roche

Acquisition balance sheet is determined by the nature of the company

- Companies acquired by Roche are typically smaller companies with key businesses and/or intellectual property.
- Often with small balance sheet relative to stock price. In many cases not yet profitable as still in start-up phase.
- Acquisition accounting leads to intangible assets recorded at fair value, where measurable and separable. Related deferred tax liability recorded.

Significant amounts of goodwill can arise

- Long-term strategic value for Roche Group.
- Synergies with rest of Roche's business.
- Non-recognisable assets, such as early stage research and assembled workforce.
- Control premium.

Concepts – Acquisition accounting

IFRS rules



What is included separately in the opening balance sheet

- Current product and technology intangibles at fair value.
- In-Process R&D (IPR&D). Expensed in current US GAAP, capitalised in IFRS as product intangibles – not available for use.
- Inventory fair value write-up.
- PPE fair value write-up
- Contingent liabilities, at expected settlement cost.
- Deferred tax assets due to accumulated tax losses.

What cannot be separately included in the opening balance sheet

- Any synergistic value that Roche can obtain from its existing businesses.
- Restructuring expenses (unless company already committed, pre-acquisition)
- Assets that are not recognisable (e.g. early stage research).

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Application – Acquisition accounting

Acquisition balance sheet: Tanox



Tanox acquisition: net assets acquired *in millions of CHF*

	Carrying value prior to acquisition	Fair value adjustments	Carrying value upon acquisition
Property, plant and equipment	13	–	13
Intangible assets			
– Product intangibles: in use	–	613	613
– Product intangibles: not available for use	–	93	93
Deferred income taxes	9	(250)	(241)
Cash	120	–	120
Marketable securities	123	–	123
Other net assets (liabilities)	19	32	51
Net identifiable assets (liabilities)	284	488	772
Goodwill			352
Purchase consideration			1,124

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Application – Acquisition accounting



Impact of acquisitions (actual) – excluding synergies

Acquisitions – 2007: impact on results *in millions of CHF*

	Revenues from external customers	Amortisation of intangible assets	Operating profit	Net income
Impact on reported results				
Tanox	11	(21)	(4)	(2)
THP	-	(2)	(4)	(3)
Other minor acquisitions	-	-	(5)	(3)
Pharmaceuticals Division	11	(23)	(13)	(8)
BioVeris ^{a)}	9	(8)	(11)	(7)
454 Life Sciences	6	(8)	(11)	(7)
NimbleGen	9	(6)	(18)	(11)
Diagnostics Division	24	(22)	(40)	(25)
Group	35	(45)	(53)	(33)

a) The above figures exclude restructuring expenses of 29 million Swiss francs related to BioVeris.

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Application – Acquisition accounting



Impact of acquisitions (annualised) – excluding synergies

Acquisitions – 2007: impact on results *in millions of CHF*

	Revenues from external customers	Amortisation of intangible assets	Operating profit	Net income
Estimated impact on results if acquisition assumed effective 1 January 2007				
Tanox	38	(51)	(8)	(5)
THP	-	(3)	(5)	(4)
Other minor acquisitions	-	-	(10)	(7)
Pharmaceuticals Division	38	(54)	(23)	(16)
BioVeris ^{a)}	18	(16)	(19)	(11)
454 Life Sciences	10	(13)	(15)	(9)
NimbleGen	20	(14)	(40)	(25)
Diagnostics Division	48	(43)	(74)	(45)
Group	86	(97)	(97)	(61)

a) The above figures exclude restructuring expenses of 29 million Swiss francs related to BioVeris.

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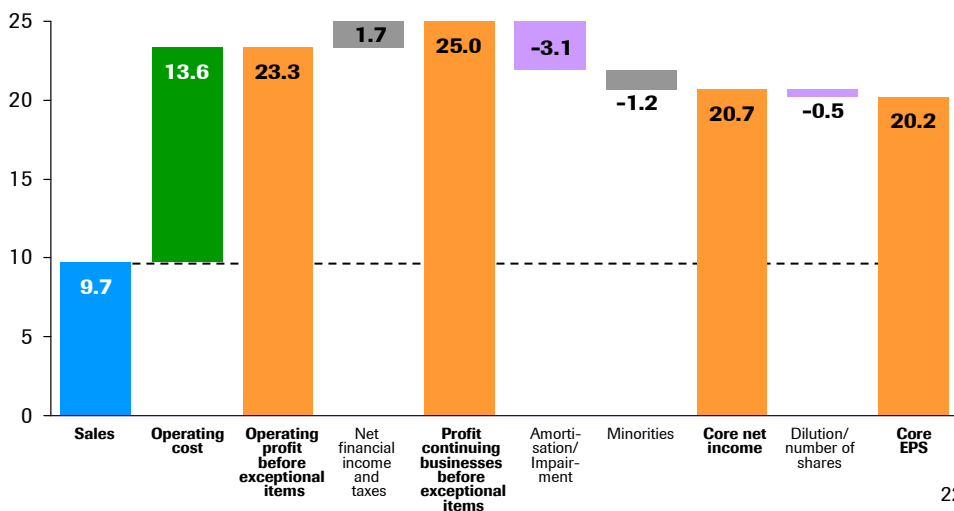
Acquisition accounting

Other updates

Core EPS 2007

Exceeds sales growth, with improved operating efficiency

CHF growth in %



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	FY '07 USD m
Operating profit	(105)	(245)	(208)	(407)	(198)	(387)
Tax benefit	61	99	23	41	8	(9)
Effective tax rate	58%	40%	11%	10%	4%	-2%