



**Annual General Meeting
of Shareholders of Roche Holding Ltd
27 February 2006**

Address by Franz B. Humer
Chairman and CEO

(The address as delivered is definitive.)

Shareholders, Ladies and Gentlemen

2005 was an outstanding year for Roche – both operationally and financially and in terms of our contributions to better healthcare. Today I would like to review the year's most important results with you. And I think it is also important to spend some time talking about why Roche has performed so well in recent years and what strategy the company intends to pursue going forward.

First, though, allow me to introduce Severin Schwan, the new member on our Corporate Executive Committee. Mr Schwan has been CEO of Roche's Diagnostics Division since 1 January 2006. Before accepting the divisional CEO post, Mr Schwan was most recently in charge of the division's Asian operations, and prior to that he was Roche Diagnostics' CFO. He succeeds Heino von Prondzynski, who has decided to end his long and successful tenure at Roche for family reasons. I would like to take this additional opportunity to thank Mr von Prondzynski for his valuable contributions to establishing and reinforcing Roche Diagnostics' market leadership, and I also want to wish Mr Schwan every success in his new role.

At this time I also wish to express my very special thanks to Director Rolf Hänggi for his major contributions to our company. During his decade as Vice Chairman of the Board of Directors he has served as Chair of the Finance and Investment Committee and as a member of the Audit and Corporate Governance Committee. Mr Hänggi's current Board term ends at today's Annual General Meeting, and he has declined to stand for re-election in order to pursue other professional interests. On behalf of the Board and the Corporate Executive Committee, Rolf, I want to express our sincere appreciation for your many years of dedicated and distinguished service to Roche.

Now for last year's results.

2005: Record sales and record profits¹



Strong organic growth and improved quality of earnings

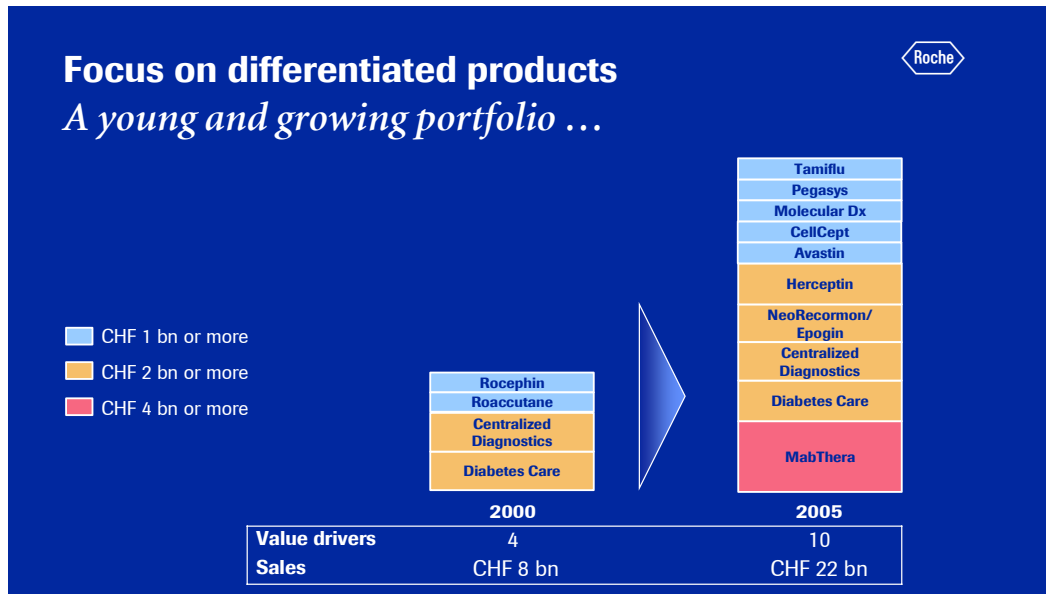
- Sales and profit¹ at record levels
- Strong cash flow from operating activities
- Outstanding clinical and regulatory news flow
- Significant progress on promising late-stage development projects across a number of therapeutic areas, including the new area of autoimmune diseases
- Roche reselected for inclusion in the Dow Jones Sustainability Indexes
- Group awarded credit ratings of AA+ and Aa1

¹ Continuing businesses

Last year Roche posted the strongest operating results in its history.

- Sales showed organic growth of 6 billion Swiss francs, and reached 35.5 billion Swiss francs. This was a gain of 20% in Swiss franc terms. Growth was driven primarily by the Pharmaceuticals Division, which increased its sales at four times the global market growth rate. The Diagnostics Division's sales were up 5% for the year (in CHF), in line with the market growth rate, following seven straight years of above-market growth.
- Strong top-line growth had a very positive impact on the Group's earnings performance in 2005. Profits from continuing businesses advanced to nearly 7 billion Swiss francs – a gain of 2 billion Swiss francs, or 43%.
- Cash flow from operating activities (before taxes) and net cash were both up strongly for the year, to 12 billion and 11 billion Swiss francs, respectively.
- We received double A ratings from both Standard & Poor's (AA+) and Moody's (Aa1) – the second highest ratings awarded by these agencies.
- Especially important for our company's future is the fact that all 15 of our phase III trials remained on track last year – an exceptionally high success rate for our industry. Exciting data from our cancer trials captured the attention of the medical community and the public at large. Last year it also became even clearer that rheumatoid arthritis is an emerging area of strength for Roche.

- I am also pleased to note that Roche was reselected last year for inclusion in both Dow Jones Sustainability Indexes and in the FTSE4Good Index and was ranked a very respectable second in the pharmaceutical industry category.

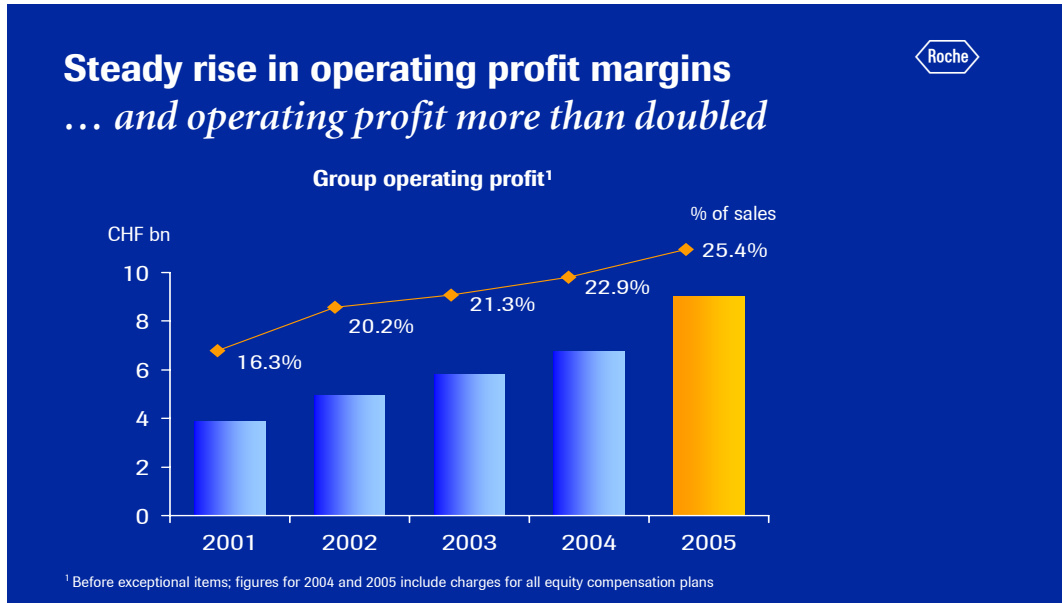


Our portfolio is dominated by young, high-growth products. For the first time ever, seven Roche medicines generated annual sales of more than 1 billion Swiss francs each – in some cases significantly more. Counting our Diabetes Care, Centralized Diagnostics and Molecular Diagnostics businesses, we now have ten brands with annual sales of more than one billion Swiss francs, giving us a significantly broader revenue base than we had just a few years ago.

In 2005 demand was especially strong for our oncology products. Roche is the only healthcare company with five anticancer medicines on the market that have been shown to increase patient survival. These represent real advances in a therapeutic area which for decades witnessed virtually no progress at all, despite intensive research efforts at centres around the globe.

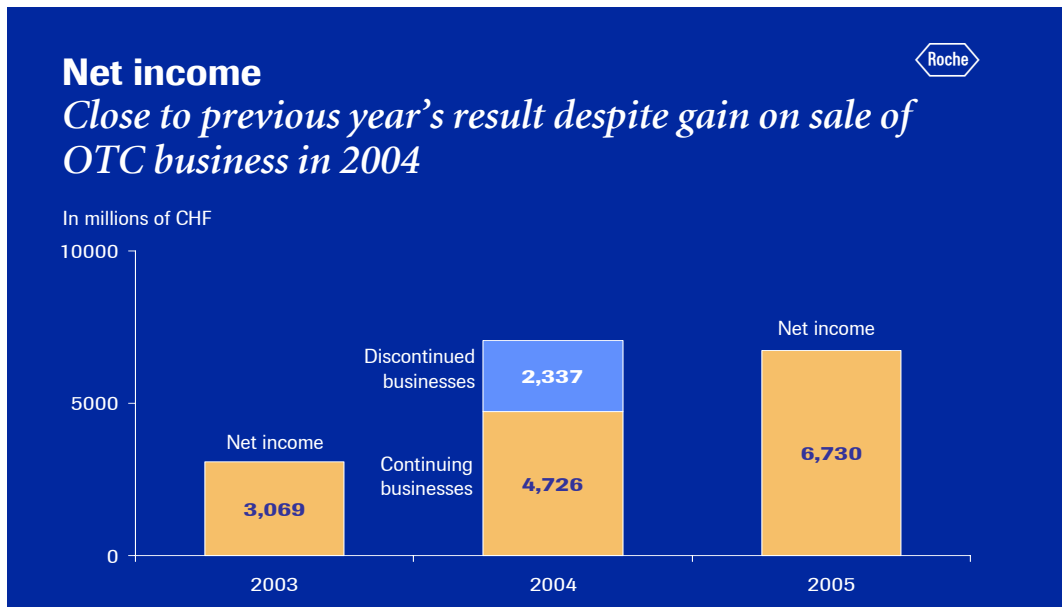
Sales of our anti-influenza medicine Tamiflu were also very strong last year, with government orders for pandemic stocks accounting for about half of total sales of the drug. In view of the latest developments, the avian flu situation is more topical than ever. For that reason we would like to inform you as fully as we can today about what we know and what action we are taking.

Our Head of Pharma Technical Operations, Jan van Koeveringe, will be briefing you in detail later this morning.

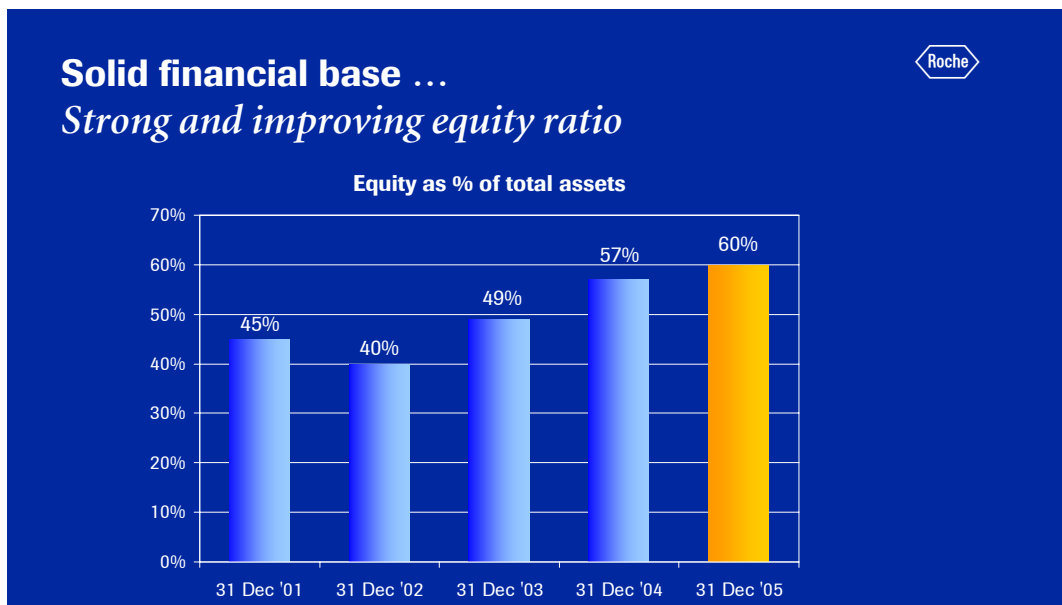


It was also a very good year for Roche in terms of operating profitability. Last year our operating profit margin climbed to over 25%, up from 16% in 2001.

Reflecting the Group's strong performance, we created 3,600 new jobs last year, bringing the total number of Roche employees worldwide to over 68,000. Roughly 10% of the new jobs are located in Switzerland, where we added 360 new employees to the payroll and now employ 8,000 people.



Thanks to an outstanding performance by our core businesses and a positive financial income, the Group's net income reached 6.7 billion Swiss francs, nearly matching the prior-year figure, despite the fact that income for 2004 included 2.3 billion Swiss francs from the sale of the OTC business.



The Group's financial condition improved further in 2005. We continued to strengthen our equity base and balance sheet. Since 2002 the ratio of equity to total assets has improved from 40% to 60%. This has increased our strategic flexibility.

In view of the Group's very good full-year results, the Board of Directors proposes that this year's dividend be raised by 25% to 2.50 Swiss francs. If approved by you, this will be Roche's 19th dividend increase in a row.

Outlook for 2006



Continued double-digit growth

Sales

- Above-market sales growth in local currencies in both divisions
- Double-digit growth in local currencies for Group and Pharma
- Sales growth in local currencies expected to be stronger in the second half of the year than in the first

Profit target

- Core earnings per share (EPS) growth roughly in line with sales growth

Barring unforeseen events

The outlook for the current year remains positive. Barring unforeseen events, we expect our Pharmaceuticals and Diagnostics Divisions both to grow faster than the market in local currencies, and we anticipate continued double-digit growth in the Pharmaceuticals Division and for the Group.

From now on we intend to communicate our annual profitability goals in terms of core earnings per share and non-equity security. This will facilitate comparisons with our international competitors. For 2006 we expect core earnings per share growth to be roughly in line with sales growth.

Group well equipped for further growth

Very good progress on development projects



Pharmaceuticals

- All 15 phase III clinical trials met their primary endpoints
- Clinical data confirm survival benefits of key oncology products
- Positive data from clinical trials in rheumatoid arthritis

Diagnostics

- Major R&D projects are on track:
 - DNA microarrays for leukemia, the p53 tumour suppressor gene and lymphoma
 - Early detection and patient stratification tests for cancers of breast, prostate and colon
 - New DNA sequencing applications (GS 20 system)








A look at our pharmaceuticals and diagnostics pipelines and our filing and launch activities show how well equipped Roche is for sustained growth.

At the end of 2005 the Pharmaceuticals Division had a total of 108 projects in its R&D pipeline, including 59 new molecular entities and 49 additional indications. At year's end 41 products were in the final phase of clinical development or had been filed for regulatory review. I should add that none of our major products will be going off patent within the next several years.

Last year we made major progress towards developing new treatments, particularly in oncology. Herceptin in aggressive early-stage cancer is a case in point. Data from clinical trials involving over 13,000 patients show that adding Herceptin to standard chemotherapy in this indication can cut the risk of cancer recurrence in half.

Rheumatoid arthritis is another important therapeutic area where we made good progress in 2005. With two novel biopharmaceuticals now in development for this common autoimmune disease, we are aiming to become a major player in this area in the near future.

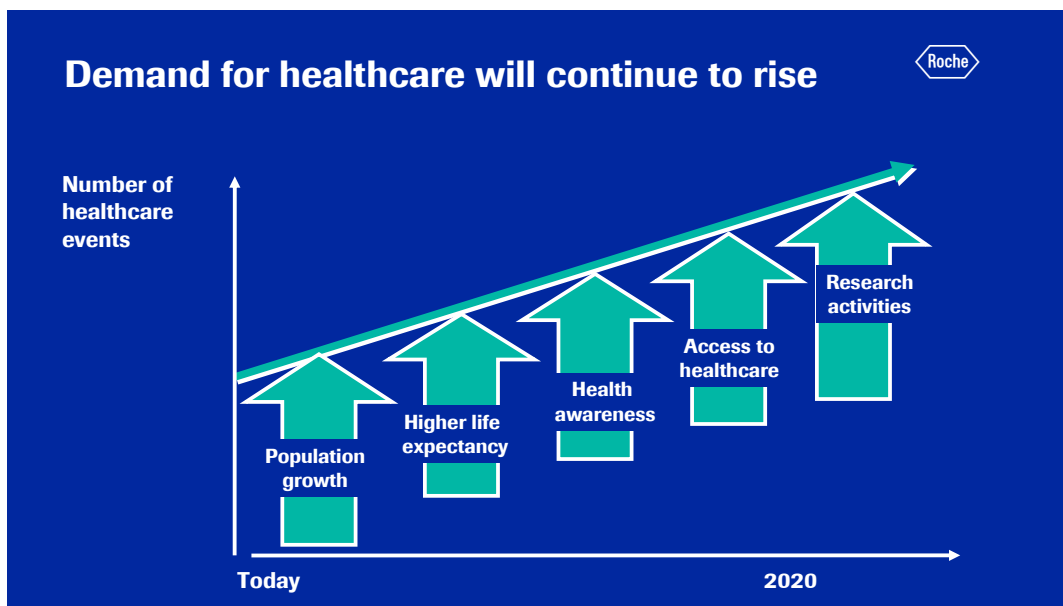
At Roche Diagnostics we are working, among other things, on a new generation of DNA microarray-based tests, including a test for leukemia. There are more than 20 different subtypes of leukemia, each requiring a different treatment approach. Being able to identify what type of

leukemia a patient has before starting treatment would thus be a huge advantage. A prototype of the test is due to be launched for research use at the end of this year.

In proteomics our main focus is on developing early-detection and patient stratification tests for cancers of the breast, prostate and colon.

As you can see, we are well equipped for sustained positive growth driven by medical innovations. How can we be so confident?

In the medium to long term, the healthcare market will be changing in ways that are fairly easy to predict. Scientific advances and demographic and economic trends will have a huge impact on the future of healthcare and the healthcare industry.



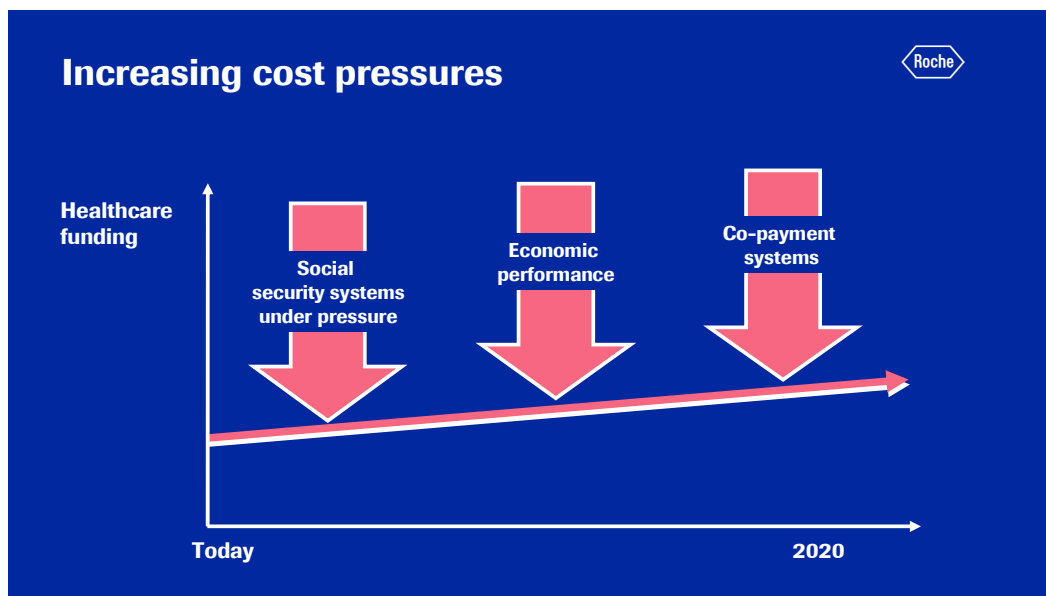
What are the most important growth drivers?

- We all know which way the demographic trends are pointing. Twenty-five years from now there will be more than 1.3 billion people on the planet who are over age 60. In other words, the number of seniors will have doubled in the space of a single generation. Whereas the populations in emerging-market countries like China, Russia and India are relatively young and growing fast, there is an increasing need in industrialised countries for innovative medicines and diagnostics for age-related conditions – products that can

ease the mounting burden of disability and dependency created by diseases like cancer, diabetes, Alzheimer's disease and hypertension.

- We also expect to see further progress in expanding access to healthcare (witness the MediCare reforms introduced in 2006 in the United States and the efforts to establish a national health insurance system in Russia).
- In today's information age patients are increasingly well informed about health issues and want to have a say about what treatment options are best suited to their needs.
- Moreover, new research findings are constantly opening the way to new diagnostic and therapeutic approaches. There will continue to be a significant demand for innovative new healthcare products, for, despite major advances in medicine, effective treatments are still lacking for far too many (old and new) diseases.

Given the enormous need for better medical solutions and the rapid pace of scientific and technological progress, the prospects for continued growth are good.

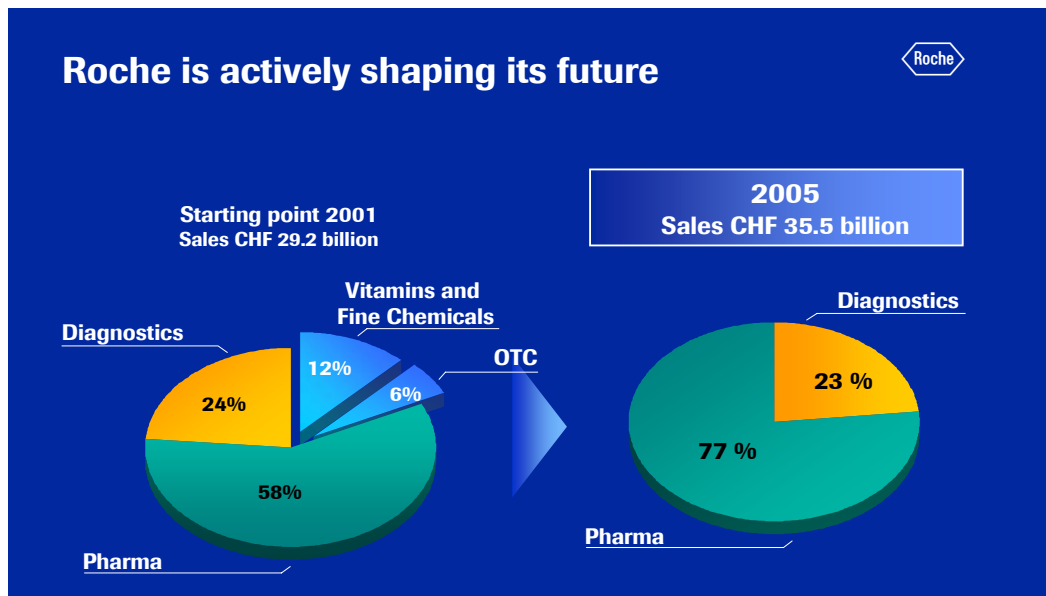


There are a number of factors limiting growth and most of them have to do with funding.

- The government insurance programs that have traditionally borne much of the cost of healthcare are increasingly strapped for resources. And growth, of course, cannot continue without adequate funding.

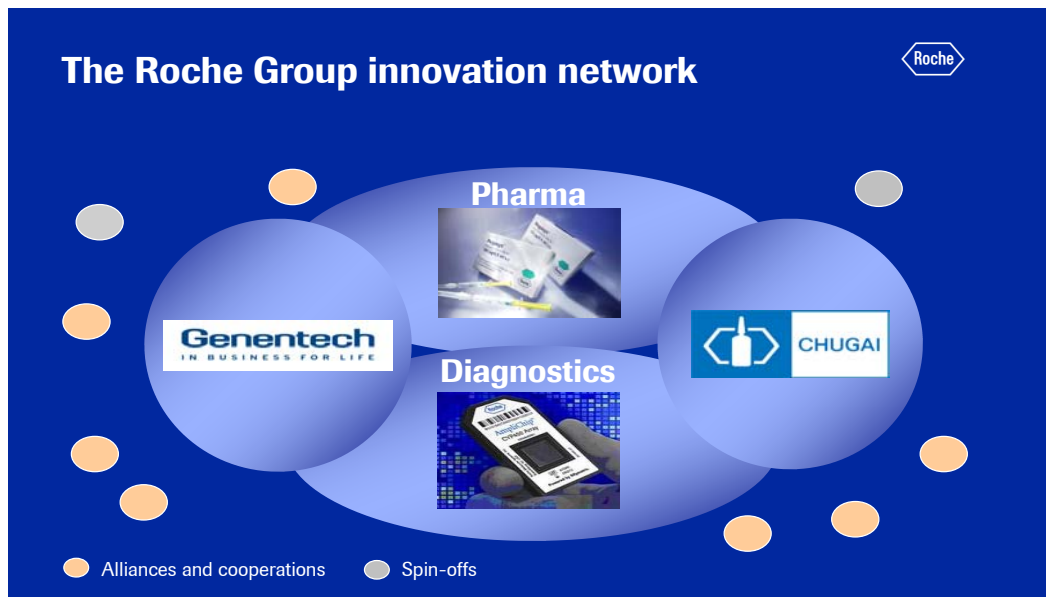
- The growing number of patient co-payment mechanisms is contributing to the downward pressure on prices – and this pressure is likely to increase further.

Faced with spiralling healthcare expenditures in recent years, governments not only in Europe and Japan but around the world are bringing increasing political pressure to bear to control health costs. Healthcare reform in the United States raises uncertainties. What infrastructure and other resources a society provides for healthcare depends to a large extent on political choices.



So far Roche has done very well in this environment. One major reason why is the refocusing we've carried out in recent years. We've emerged from the sale of our fragrances and flavours (2000), vitamins and fine chemicals (2003) and OTC (2004) businesses as a healthcare company sharply focused on pharmaceuticals and diagnostics.

Our energies are now concentrated entirely on these two highly innovative businesses.



The second key success factor for Roche is its firm focus on innovation. A lot has been written recently about the high hurdles to innovation faced by companies in our industry – about the problems leading pharma companies are having with their research and development pipelines, the sharply rising costs of drug development and the amount of time it is likely to take before discoveries in genomics and genetics start translating into actual products. Some commentators have pessimistically concluded that research-intensive pharmaceutical companies simply may not have a sustainable business model.

At Roche we take the opposite view. We're not out to develop medicines that offer little or no benefit over what's already on the market, and we have no interest in following some of our competitors into the generics business. We want to develop new medical solutions that can be shown to make a difference in patients' health, quality of life and survival. As long as there are significant unmet medical needs, there will be a need for clinically differentiated products. We firmly believe that, and we believe that such products can be brought to market. That's why we spent 5.7 billion Swiss francs on research and development last year, a figure likely to climb to over 6 billion Swiss francs in 2006.

In these cost-conscious times our strategy is aimed remaining a winner through innovation. Our strategy combines strong in-house R&D capabilities with majority interests in Genentech and Chugai and partnerships with dozens of other biotech companies and universities. We're also

open to making carefully selected acquisitions that fit in well with our business objectives. A case in point is last year's purchase of Swiss-based GlycArt, a company with a very interesting technology for developing a new generation of monoclonal antibody therapeutics.

The focus and structure of our research activities reinforce a corporate culture that fosters creativity and initiative. They create the right climate for innovation. In recent years we have steadily and aggressively expanded our rich pipeline of promising new products and built up the world's largest manufacturing capability for biopharmaceuticals – and we've done it without resorting to mergers or major acquisitions.



Roche's twin focus on pharmaceuticals and diagnostics is a third key success factor. Because of progress in molecular genetics, having combined expertise in both these areas is proving increasingly important to our ability to raise research productivity. The interplay between our two businesses in the discovery and development of new medicines gives us clear strategic advantages over our competitors. The new pharmacogenomic tests you've been reading about, for example, aren't just sophisticated diagnostic tools, they're also having a profound impact on approaches to treatment.

Already the convergence of therapeutics and diagnostics is enabling us to develop products and services spanning the entire healthcare spectrum. The market is definitely changing, with a shift


away from 'one size fits all' products to treatments tailored to the needs of specific patient populations. Roche has been and will continue to be a driving force behind this trend. Our leukemia microarray, for example, will be a major step forward in discriminating between leukemia subtypes quickly and reliably. And our AmpliChip p53 Test could one day help physicians reliably determine how aggressive a cancer is and decide which therapies will work and which ones won't.








Because our innovative diagnostic systems and devices contribute to better medical decision-making right down the line – helping doctors make better decisions faster at virtually every stage in the fight against disease – they can promote meaningful savings while at the same time substantially improving patient outcomes.

Certainly, one of the cornerstones of our success is the confidence our shareholders – including the Hoffmann and Oeri families – have shown in the strategic direction chosen by the Board of Directors and Corporate Executive Committee. You have stood behind that strategy even when the sailing hasn't been as smooth as it is now.

Your confidence enables us to make and follow through on long-term strategic decisions. This is one of Roche's great strengths, and I thank you for it.

Making a difference for patients
Benefits proven in clinical trials



	Avastin	23% reduction in risk of death in lung cancer 24% reduction in risk of death in colorectal cancer 50% reduction in risk of cancer progression in breast cancer
	Herceptin	52% reduction in risk of disease recurrence in breast cancer
	MabThera	>17-month prolongation of progression free survival in NHL 50% reduction in risk of death in NHL
	Tarceva	19% reduction in risk of death in pancreatic cancer
	Actemra	ACR 20, 50 and 70 responses in 89%, 70% and 47% of RA patients
	NT proBNP	Early detection, risk stratification and rapid treatment decisions in heart failure
	SeptiFast	Rapid, reliable detection of 25 bacteria and fungi causing bloodstream infections in less than 6 hours

Our idea of innovation in healthcare centres on the patient. As I said before, Roche is only interested in developing medicines and diagnostics with a measurable advantage for patients. This slide shows several examples of what I'm talking about.

Thanks to a completely new mechanism of action, our recently launched medicine Avastin has demonstrated significant therapeutic benefit in various cancers.

And Herceptin, MabThera and Tarceva also significantly improve survival in cancer patients. It's fair to say that we may even have reached the turning point in the battle against certain cancers, though the war on cancer is still far from won. Taking the development of anticancer medicines to a new level is one of the core missions of our global research organisation.

For the future of research-intensive pharmaceutical companies like Roche, it is extremely important that regulators pay sufficient attention to the innovativeness and patient benefits of new products when evaluating their cost effectiveness. What we're in fact seeing, though, is that new biopharmaceuticals are increasingly coming under pricing pressure, even in cases where products are clearly innovative and have been shown – and acknowledged by the medical community – to offer superior benefits.

The debate over the use of new – and at first glance seemingly expensive – biotech products has an ethical dimension that shouldn't be neglected. We take these issues very seriously, are an active participant in the current dialogue and want to contribute to a solution. Our primary task is to develop innovative, targeted medicines offering clear patient benefits, and which therefore can have a positive impact on the overall cost of healthcare delivery. As far as anticancer treatments are concerned, I might point out that they currently account for only about 5% to 7% of healthcare expenditure.

Our aspiration: to be a leader

Where do we stand in the world?



Roche is **number 1** in...

- oncology
- virology
- transplantation
- *in vitro* diagnostics (20% market share)
- diabetes management
- molecular diagnostics
- diagnostic solutions for clinical laboratories

...and **number 2** in...

- biotechnology

	Pharmaceuticals	Sales in bn CHF	% chg vs 2004*
1	Pfizer	43	-7.6
2	GSK	30	4.2
3	Sanofi-Aventis	26	10.2
4	Novartis	25	11.1
5	J&J	23	0.7
6	AstraZeneca	21	9.1
7	Merck & Co	21	-6.1
8	Roche	20	16.3
9	Abbott	17	9.5
10	BMS	14	-7.5

Source: IMS MIDAS, September 2005

Our achievements in therapeutics and diagnostics have not only made us the number one supplier of *in vitro* diagnostics but have also earned us a leading place among the world's biggest pharmaceutical companies. We are currently growing significantly faster than the competition, and our aspiration is to be a leader in every segment in which we chose to compete. To an extent, we've already achieved that objective. In the space of a few years Roche has become the world's leading supplier of anticancer medicines. We reinforced this leadership last year with sales growth of 42%. Anticancer medicines now account for 40% of our pharmaceutical sales.

We are also a market leader in other fast-growing segments like transplantation and hepatitis, diabetes monitoring and molecular diagnostics.

As I said, our objective is to be a company that develops and commercialises clinically differentiated products and services – in a word, products and services that are superior.

Our business model is aimed at delivering sustainable value for all our stakeholders – for patients and our employees, for you, or shareholders, and for society as a whole.

Ladies and Gentlemen,

Despite enormous progress in the fight against disease, there are still many areas of high unmet medical need. The advances that have occurred in science and technology in recent years will translate into innovations in clinical practice. This raises hopes that we may one day be better able to treat, and may possibly even be able to prevent or cure, the most serious human diseases. Roche is well equipped to play a leading role here, and intends to do just that.

Our improved operating performance, market position and rich R&D pipeline all show very clearly, I think, that we are successfully executing our strategy. Our strengths in biotechnology, our research network and our leadership in diagnostics R&D give us a tremendous competitive edge going forward.

As a result we are able to anticipate trends and adjust our strategy from a position of strength. The fact that we are so well-positioned today has a lot to do with your confidence and support. And for that I would like to thank you personally and on behalf of the Corporate Executive Committee and the 68,000 Roche employees worldwide.



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 are not profit forecasts 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.