



**Annual General Meeting  
of Shareholders of Roche Holding Ltd  
5 March 2007**

**Address by Franz B. Humer**  
Chairman and CEO

**(The address as delivered is definitive.)**

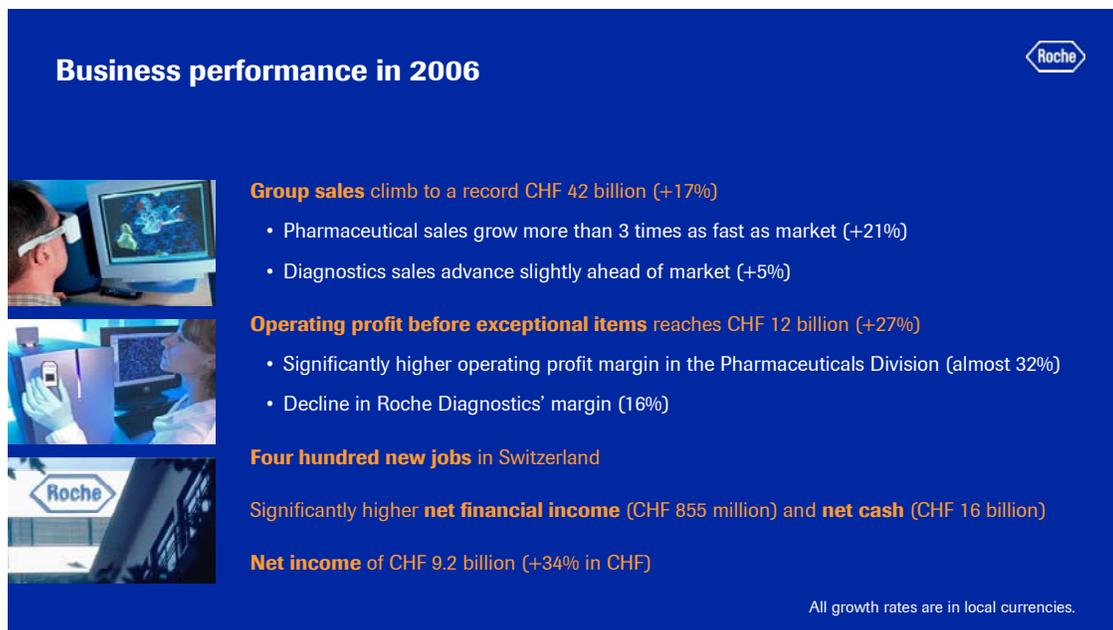
Shareholders, Ladies and Gentlemen

Your company enjoyed another year of strong growth and outstanding financial performance in 2006. In fact, it was the best year in the company's entire 110-year history – and that despite a significantly tougher market landscape for the healthcare industry as a whole.

We reported in detail on our full-year results at our annual media conference on 7 February and published our 2006 Annual Report on the Web on the same date.

Today, I would like to recap the main results for you first, before speaking at somewhat greater length about some current economic and political issues with a bearing on Roche.

### The year in brief



The slide features a dark blue background with white and orange text. On the left side, there are three small images: a person wearing a head-mounted display, a person in a lab coat holding a device, and a Roche logo. The main text is organized into sections with bold orange headers. The Roche logo is in the top right corner. At the bottom right, there is a small white text note: 'All growth rates are in local currencies.'

## Business performance in 2006

**Group sales** climb to a record CHF 42 billion (+17%)

- Pharmaceutical sales grow more than 3 times as fast as market (+21%)
- Diagnostics sales advance slightly ahead of market (+5%)

**Operating profit before exceptional items** reaches CHF 12 billion (+27%)

- Significantly higher operating profit margin in the Pharmaceuticals Division (almost 32%)
- Decline in Roche Diagnostics' margin (16%)

**Four hundred new jobs** in Switzerland

Significantly higher **net financial income** (CHF 855 million) and **net cash** (CHF 16 billion)

**Net income** of CHF 9.2 billion (+34% in CHF)

All growth rates are in local currencies.

- Group sales rose 6.5 billion Swiss francs to 42 billion Swiss francs. This was all organic growth. Once again, our Pharmaceuticals Division was the main growth driver. Its sales increased 21% last year (in local currencies), or more than three times the average market growth rate. Third-party sales by our California-based subsidiary, Genentech, surged even

more strongly, advancing 37% for the year. (Genentech's chairman and CEO, Arthur Levinson, will have more to say about Genentech's 2006 performance a bit later.)

- Chugai, however, which had to contend with the difficult market situation in Japan, saw its sales slip 1% in 2006. A number of factors made it a challenging year for the Diagnostics Division – notably the phase-over to a new generation of diabetes care products. Nevertheless, all divisional business areas contributed to a slightly above-market growth rate of 5% (in local currencies).
  
- We achieved significant additional market share gains with our innovative products for cancer, extending our global market leadership in this key therapeutic area. As a result of a number of programmes to increase productivity, costs grew more slowly than sales, which had a positive impact on our earnings performance. The Group's operating profit (before exceptional items) increased by more than one-fourth, to nearly 12 billion Swiss francs. In the Pharmaceuticals Division the operating profit margin increased to almost 32%, while Roche Diagnostics' margin declined to 16%. Several factors, including impairment charges on intangible assets mainly related to the Disetronic acquisition, were responsible for the margin decline in our diagnostics business.
  
- Our strong businesses continue to create new jobs. The total number of people employed by the Roche Group worldwide topped 74,000 last year, an increase of about 4,600 over 2005. Here in Switzerland we hired 400 additional employees, and we currently have another 400 positions that haven't been filled yet.
  
- Once again, net financial income and net cash increased significantly, and our balance sheet was strengthened further. Roche has the financial strength to remain a leading independent player in a competitive marketplace.
  
- Thanks to the outstanding overall business performance and the strong increase in financial income, the Group's net income rose by a third to 9.2 billion Swiss francs. This resulted in a further improvement in our ratio of equity to total assets.



This chart shows how strongly your company has grown in recent years.

In 2006 Group sales advanced at a double-digit rate for the sixth year in a row. Since 2001 sales have nearly doubled.

During the same period Roche's operating profit has grown even more strongly, to nearly three times what it was in 2001, helped by productivity gains and cost discipline.

The Group's operating profit margin reached nearly 28% in 2006, an increase of 2 percentage points over the year before and nearly double the figure recorded in 2001.

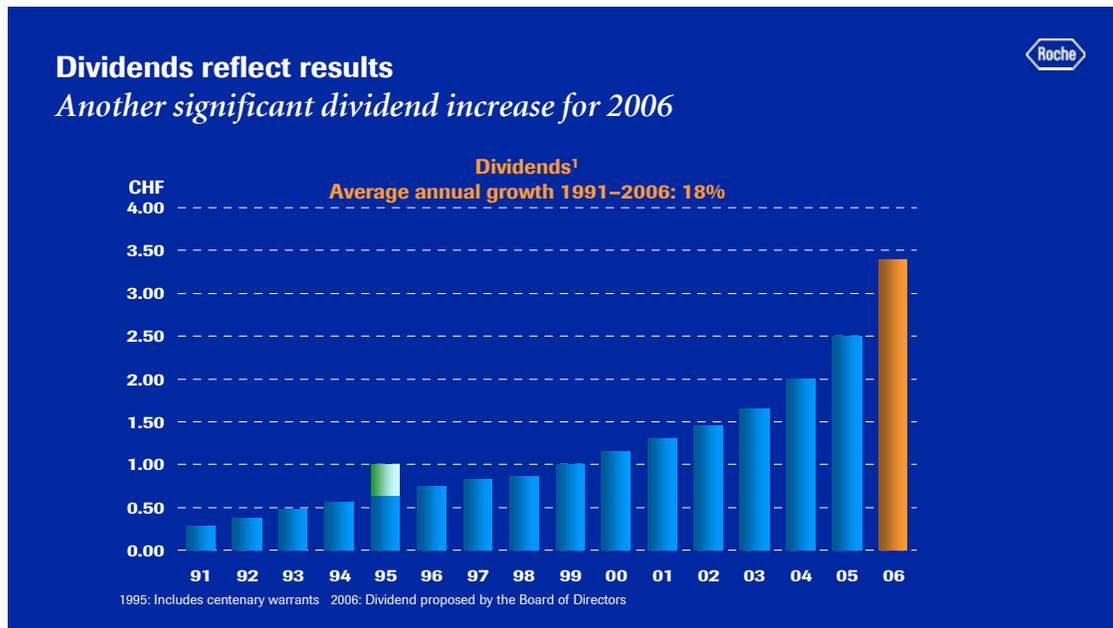
Throughout this period, our sales growth has consistently more than offset increased investments in research and development, production and marketing and distribution.



This impressive track record is mirrored by our Core Earnings per Share, which have averaged 23% annual growth in recent years, with a 26% increase in 2006. Core EPS is a metric that helps you, our investors, to assess our operating performance over time, and as you can see here it shows that our performance has been steadily improving.

Like most of our competitors, we also provide guidance on our earnings per share expectations. As there are widely different methods of calculating earnings per share, our financial statements contain clear explanations of the methods used at Roche as well as detailed supplementary information on the subject.

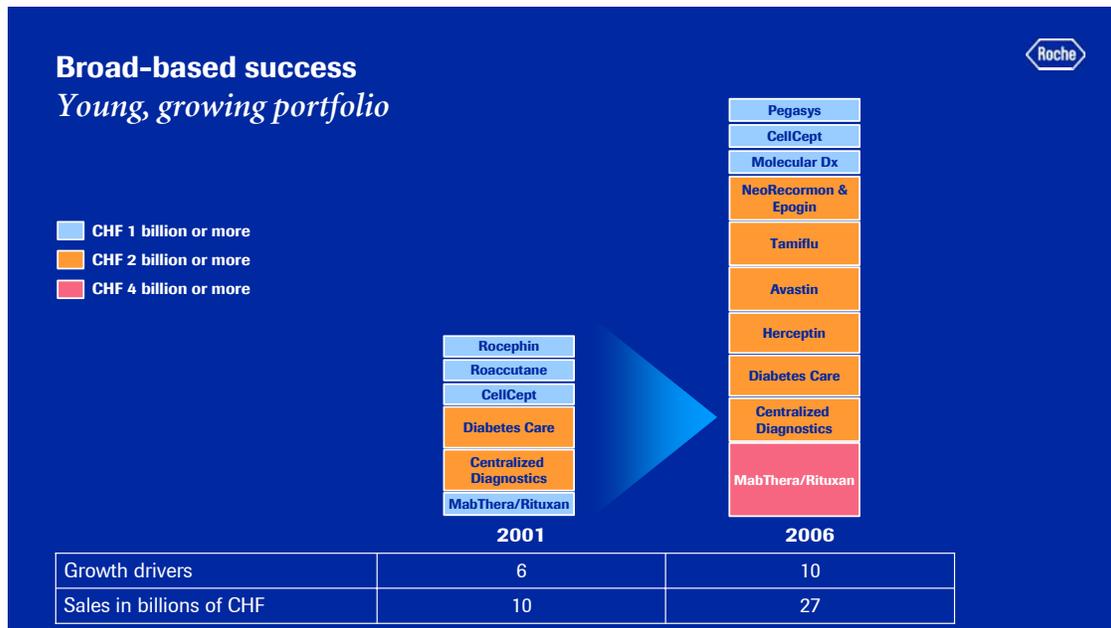
You'll find this information on pages 87, 88 and 101 of the English version of our 2006 Finance Report.



The dividends we distribute to our stockholders directly reflect our success as a business. Over the last two decades our dividends have increased every year.

Based on last year's outstanding results, the Board of Directors proposes that the dividend for 2006 be increased by 36% to 3.40 Swiss francs per share and non-voting equity security.

Subject to your approval at today's Annual General Meeting, this will bring our total dividend payout to about 3 billion Swiss francs, or 800 million more than the year before – for a payout ratio of roughly 38%.



Looking to the future, one very positive development is that we now have significantly more growth drivers than we did just a few years ago.

The Pharmaceuticals Division currently has seven products, and the Diagnostics Division three product lines, with annual sales of over 1 billion Swiss francs each, and by the end of this year we intend to have several more products in this league.

Moreover, the portfolio of growth drivers in our Pharmaceuticals Division is dominated by young products like Herceptin, Avastin and MabThera/Rituxan, for cancer; our influenza medicine, Tamiflu; and Bonviva/Boniva, for osteoporosis.

Going forward, we expect to launch a number of our marketed products – particularly our cancer medicines – for additional indications. None of our major products is due to go off patent in the near future.

## Outlook for 2007



### Sales

- Double-digit sales growth<sup>1</sup> in the Pharmaceuticals Division and for the Roche Group as a whole
- Above-market sales growth in both divisions

### Core EPS

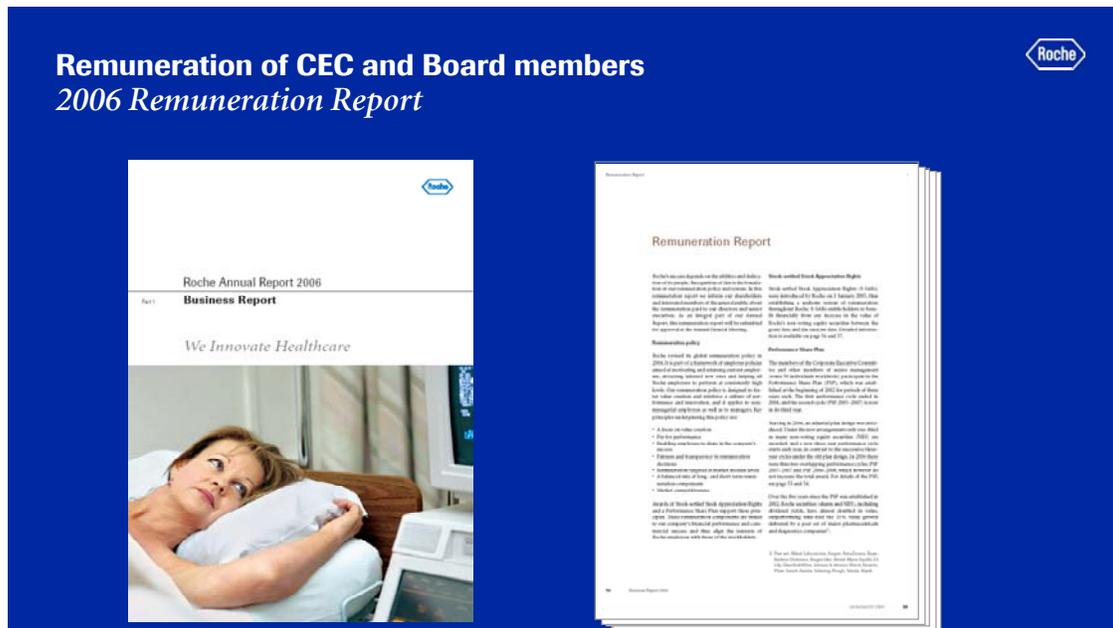
- Core earnings per share growth in line with sales growth

<sup>1</sup> In local currencies      Barring unforeseen events

Our full-year outlook for 2007 reflects the excellent shape our pharmaceuticals and diagnostics businesses are in.

This year we expect sales in both divisions to grow ahead of the market, with the Pharmaceuticals Division and the Group as a whole expected to post double-digit sales gains (in local currencies).

We are aiming for an increase in Core Earnings per Share in line with sales – despite significant investments in research and development, production and marketing and distribution.



At this point I'd like to turn to the subject of executive pay – a focus of considerable media attention of late – and say a few words about the remuneration paid to the members of our Corporate Executive Committee and the members of our Board of Directors.

Our annual reports have been informing readers openly and transparently about executive compensation at Roche since 2002.

The detailed remuneration report for 2006 is a section in its own right of our annual Business Report. (You'll find it on pages 50 to 57 of the English version of the Business Report.) It provides clear, comprehensive information about the remuneration paid to each director on the Roche Board and each member of our Corporate Executive Committee and gives a detailed breakdown of my total remuneration, which is set by our Board's Remuneration Committee. The report exceeds the new statutory disclosure requirements set by Switzerland's Code of Obligations.

The remuneration paid to Corporate Executive Committee members and to all other Roche executives is based on well-defined performance criteria. This ensures that the interests of management are aligned with those of our stockholders.

## Innovation creates value for all our stakeholders



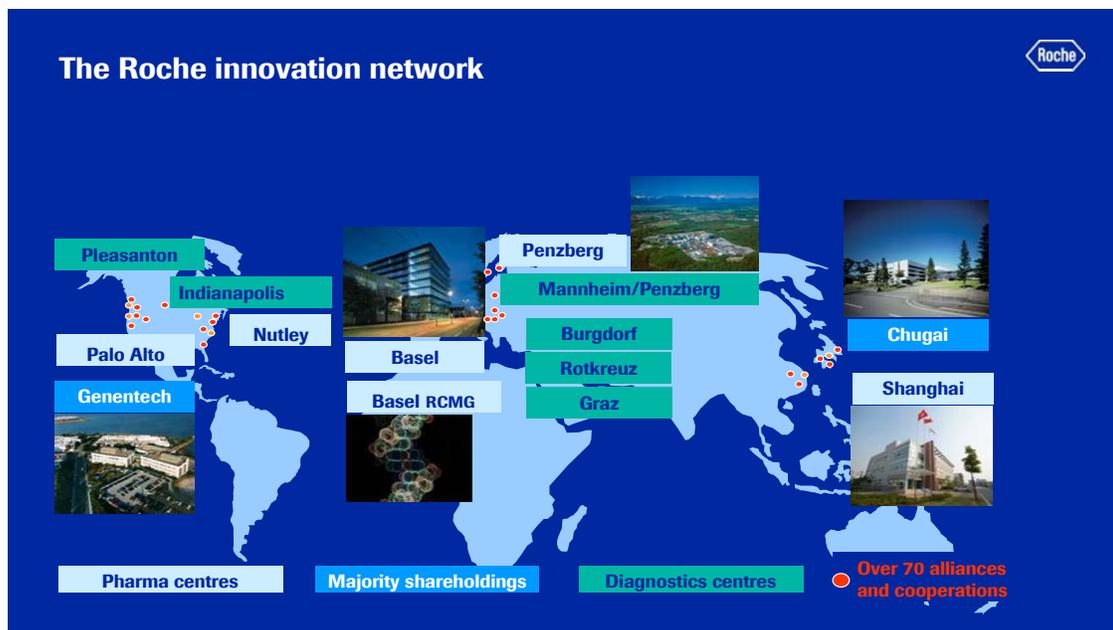
### Our definition of innovation

The creation and commercialisation of **medically differentiated** products and services that lead to **tangible improvements** in patients' **health** and the **length and quality of their lives**.

With the world's population growing not only larger but older, more and more people are affected by diseases of ageing. Many cancers, Alzheimer's disease, diabetes and rheumatoid arthritis, for example, are already becoming increasingly prevalent, making it all the more urgent to find effective ways of treating them. In an expanding and ageing population, people thus need more and better healthcare options, not just more of the same. Ultimately, the only way to meet this need is through innovation.

To remain competitive in today's increasingly cost-sensitive markets, we need to develop products that combine proven clinical benefits for patients with cost-effectiveness for health systems. As a research-based healthcare company, Roche focuses on creating and commercialising targeted treatment options that extend patients' lives, improve their quality of life or have fewer side effects than other options. This focus includes diagnostic tests that reduce the costs of treatment by helping doctors to prescribe the most appropriate medicine for their patients the first time around. Our aim is to develop clinically differentiated products for medical needs that cannot yet be adequately addressed. Consistent with that aim, our drug research efforts prioritise areas of significant unmet need where we have the expertise to make a difference – areas like oncology, virology, diabetes, inflammatory and metabolic disorders and diseases of the central nervous system.

We believe that we can provide greater value with our innovation strategy than by selling generics, over-the-counter remedies or 'me-too' products offering at best marginal advantages over existing treatments. Because they have health-economic as well as clinical benefits, targeted therapies and diagnostic tests that support better clinical decision-making are more likely to be approved by regulators, accepted by patients and covered and reimbursed by payers. Our goal is to deliver innovations that benefit all healthcare stakeholders, and that mustn't change. But much depends on society's continued willingness to recognise and reward innovation.



Despite the enormous sums the industry invests every year in research and development, innovation is never a sure thing in a complex business like pharmaceuticals. But there are ways of 'improving the odds'. This is what our new pharmaceutical R&D model, announced in early February, is intended to do. The model is designed to ensure that our research and development organisation, which has grown significantly in recent years, is ideally equipped for the future. One of our greatest strengths is our Group's innovation network. Forming the backbone of that network are the global R&D organisations of our Pharmaceuticals and Diagnostics Divisions and our majority shareholdings in Genentech, in the United States, and Chugai, in Japan. Genentech and Chugai are both listed on the stock exchange and operate largely independently in their

home markets. The Group's R&D capabilities are augmented by a host of scientific and commercial collaborations with external biotech companies, universities and research organisations around the world. This network of partnerships and alliances gives our activities the breadth, diversity and flexibility that have so often proven to be a great advantage for the Roche Group as a whole. We intend to maintain and strengthen our hub-and-spoke innovation strategy.

Recognising that innovation requires perseverance and a long-term perspective, we invest early in important new technologies. Roche has been active in biotechnology, for example, for a quarter of a century. We began collaborating with biotech pioneer Genentech in the early 1980s and acquired a majority interest in the company in 1990, at a time when modern molecular research was still in its infancy. Today biopharmaceuticals account for half of the Group's sales revenues, and Roche is the global market leader in molecular diagnostics. We are now reaping the rewards of our early entry into biotech, which has opened up completely new ways of diagnosing and treating disease, particularly cancer.

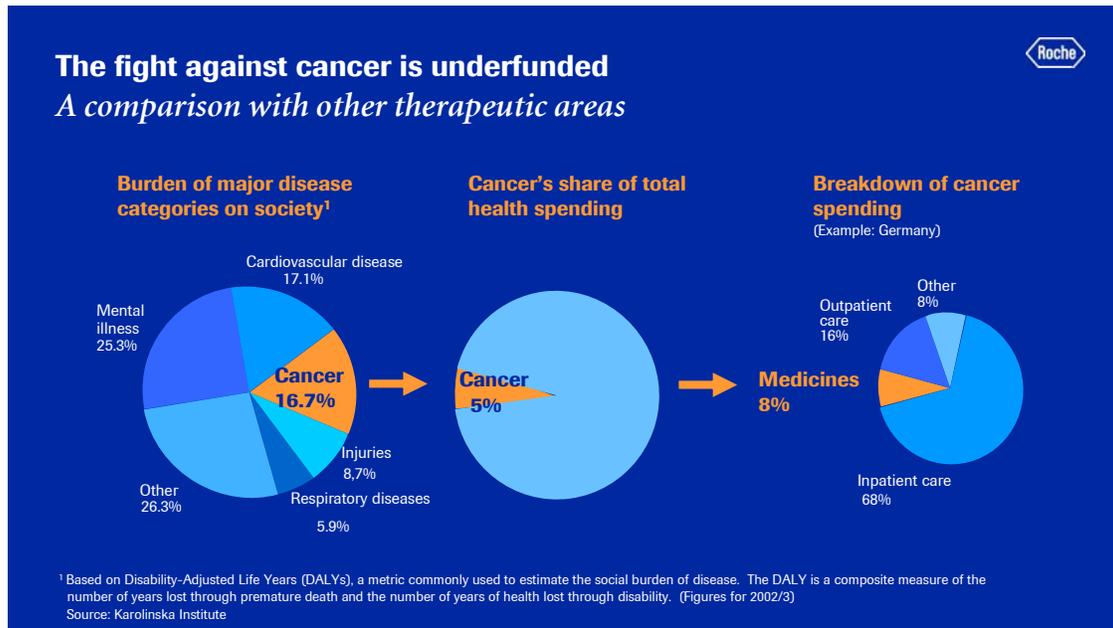
### **Prices, benefits and cost-effectiveness**

As you well know, the prices of novel biopharmaceuticals are a frequent target of criticism both in the media and from policymakers.

There's no question that cancer therapies using the latest, most innovative medicines are expensive, with annual costs per patient sometimes running into the tens of thousands of Swiss francs. That is a lot of money, particularly from the perspective of government health programmes, hospitals and insurers that have to come up with funding but whose budgets may already be stretched very thin. Given the rising incidence of cancer and the pressure on health systems to save money, the debate over the costs of cancer treatments is certain to be with us for a while.

If one takes a different perspective, however, and assesses these same medicines on the basis of their value and measurable benefits for patients, health systems and society as a whole – a

yardstick most government agencies apply in setting reimbursement rates – then it quickly becomes clear how very cost-effective most of the innovative new medicines are.



After decades of research, we're starting to see some real breakthroughs in oncology. Not only can medicines be used in a more targeted way, thus saving costs; they also extend patients' lives, sometimes by years, and improve quality of life. If started at an early enough stage, they can even save lives. This makes the underfunding in this therapeutic area all the more regrettable.

Cancer is the second-leading cause of death in Europe, after cardiovascular disease. The burden that cancer places on society is very high compared with most other diseases.

Nevertheless, more money is spent on medicines for cardiovascular conditions, central nervous system disorders, infections and gastrointestinal diseases than on cancer medicines. Cancer medicines rank fifth in terms of their share of prescription drug expenditures.

If we look at healthcare spending as a whole – in other words, at what society spends on hospital care, diagnostic procedures, etc., and not just on medicines – cancer accounts for only

about 5% of the total. Roughly 70% of the money spent on treating cancer goes for inpatient care in hospitals, compared with a much smaller figure of about 8% for cancer medicines. Which means that cancer medicines account for substantially less than 1% of total healthcare expenditure.

Thanks to new therapeutic antibodies and chemotherapeutic agents, cancer can increasingly be treated on an outpatient basis. Thus, higher drug costs are often more than offset by savings on other items, resulting in lower overall treatment costs.

The funding available for the treatment of cancer is too little for a disease posing such a significant burden on society.

When discussing drug prices, it's important to maintain a sense of proportion. Internationally, spending on pharmaceuticals averages about 16% of total healthcare expenditure, with diagnostic tests accounting for an even tinier 1% of total spending. And yet the use of diagnostics, combined with innovative medicines, can do much to make healthcare delivery more effective and efficient by improving prevention, early detection, treatment and treatment monitoring.

**Making a real difference for patients**  
*Some of our medicines' proven clinical benefits*



**Herceptin** significantly improves survival in patients with early or advanced HER2-positive **breast cancer**. HER2-positive cancers are especially aggressive.



**Avastin** has been shown to extend life in patients with four major types of cancer (**metastatic colorectal cancer, breast cancer, lung cancer and advanced kidney cancer**).



Up to 70% of **rheumatoid arthritis** patients develop joint damage within two years. **MabThera** is the first and only medicine for RA that selectively targets B cells, leaving other important cells of the immune system intact.

Our medicines Avastin, Herceptin, MabThera/Rituxan, Tarceva and Xeloda have revolutionised the treatment of cancer. We are the world leader in oncology, a therapeutic area which, for decades, saw very little progress, despite intensive global research efforts. Today six out of ten cancer patients are still alive five years after diagnosis. While the medical care available to cancer patients in countries like Switzerland is very good, the unmet needs in this area remain enormous. For some cancers (breast cancer, prostate cancer), the chances of achieving a cure or holding the disease in check are remarkably good. Other cancers (lung cancer, pancreatic cancer), by contrast, remain extremely hard to treat.

Discovering and developing more effective medicines to treat the many different types of cancer will continue to be a major area of interest for Roche. While progress in this area usually occurs one small step at a time, the benefits of these incremental advances to cancer sufferers can be significant. The additional indications we're pursuing for our leading cancer medicines fall into this category.

- The first clinical trials with Herceptin, for example, showed it to extend survival in patients with metastatic – that is, advanced – breast cancer. Now more recent trials have proven that Herceptin can help cure early-stage breast cancer if given following surgery. Whereas one in three early breast cancer patients treated with standard chemotherapy alone suffers a recurrence of her cancer, the figure is one in six for women who also receive Herceptin. Every year Herceptin saves the lives of about 100,000 women with breast cancer.
- Another example of our innovative approach to oncology is our new cancer medicine Avastin. It starves cancers by cutting off their supply of oxygen and nutrients. Increasingly, this mechanism of action is becoming a new mainstay in the fight against cancer. That is why we will be investing nearly 1.5 billion Swiss francs over the next few years to develop Avastin for a number of additional indications.
- Last year's launch of MabThera/Rituxan for rheumatoid arthritis is our first step towards establishing a strong presence in a therapeutic area that will become increasingly important for us in the coming years. We are also making good progress with Actemra, a drug we're co-developing with Chugai for rheumatoid arthritis. Clinical trials have shown that it significantly slows the progression of joint damage.

## Sustainability

### Access to medical care

*A few of the ways we're helping in the Developing World*







- **Access to HIV medicines and tests**  
Medicines supplied at no-profit prices; policy of not enforcing existing patents or applying for new ones; AmpliCare programme.  
→ **Vast majority** of all people living with HIV/AIDS are covered by our preferential pricing policy for HIV/AIDS medicines.
- The **Roche Technology Transfer Initiative** provides technical assistance in manufacturing generic HIV medicines.
- **Production capacity for Tamiflu has increased 500%** in two years.
- **Cambodia Treatment Access Programme:** Access to HIV/AIDS treatment; training for health workers.

Developing services and products that save and enhance lives is the greatest contribution Roche can make to a healthier world. But we are also aware that countless people in both the developed and the developing world lack access to the medical tests and treatments they need. To help address this problem, Roche sponsors and is actively involved in a number of programmes and partnerships in the world's poorest nations and in industrialised countries.

### Industrialised countries

In most industrialised countries access to healthcare is ensured through some form of government-funded or government-mandated health insurance. In countries, like the United States, which lack universal health coverage, Roche and Genentech sponsor programmes of their own to provide needy patients with access to the Group's medicines. I'd like to note, too, that more than 160,000 patients are currently enrolled in the many phase I to phase IV clinical trials we're conducting, and that diagnostic tests and trial medications are provided to participating patients free of charge. When necessary, trial patients continue to receive our medicines at no cost until the medicines become commercially available in their markets.

**Developing world**

We also have programmes in place to assist people in the world's poorest countries, which are the countries hardest hit by a number of diseases.

Many developing countries are unequipped to provide even the most rudimentary healthcare. Besides shortages of medicines, they often lack the infrastructure and trained medical personnel needed to ensure that illnesses are correctly diagnosed and that the right medicines get to the right people. Education is also essential for combating the spread of preventable infections, including HIV/AIDS.

Given that there are at least 25 million people in sub-Saharan Africa who are living with HIV/AIDS, improving access to anti-HIV medicines remains a top priority.

We have a firm policy of not enforcing existing patents or applying for new ones for any of our medicines in the least developed countries. And the same policy applies to our medicines for HIV and AIDS in all sub-Saharan African countries. We supply our anti-HIV medicines Invirase (saquinavir) and Viracept (zidovudine) at no-profit prices in these countries. Our no-profit pricing applies to 26 million people in 63 countries; that's over 60% of all people living with HIV/AIDS. And if one adds in the patients in low- and lower middle-income countries – where our antiretrovirals are sold at reduced prices – then the great majority of the world's HIV/AIDS population is covered by our preferential pricing policies.

I would also like to mention our Technology Transfer Initiative – a new programme aimed at helping people to help themselves – which we launched in January 2006. The initiative provides free technical assistance to local manufacturers. The aim is to help local companies manufacture generic versions of our anti-HIV medicine Invirase in the world's least developed countries and throughout sub-Saharan Africa. We are prepared to provide on-site technical support to all eligible manufacturers. The response to this initiative has been tremendous. Within nine months of its inception, we had already signed three technology-sharing agreements, and discussions are ongoing with another 22 companies in 14 countries.

Turning to diagnostics, our AmpliCare initiative is expanding the availability of medical testing services by helping local government agencies and hospitals to build and equip laboratories and train technicians.

For more information on what Roche is doing to improve access to medicines in the developing world, please visit our website. There you'll find more information about the programmes and initiatives I've mentioned today, and about a number of others besides. I can assure you that our efforts on this front will continue.

Our approach to improving access to medicines is multi-faceted and, as we see it, designed to make a sustainable difference. It is not an approach based on donating products – something we do only in disaster relief situations and to support pandemic preparedness.

**Sustainability is integral to the way we do business**  
*2006*



Roche named one of the top companies in the **Dow Jones World, Dow Jones STOXX** and **FTSE4Good sustainability indexes** for third straight year.



Out of a field of 44 major pharmaceutical companies, Roche receives **Innovest's** top **AAA rating** for the first time.



Roche named one of the **Global 100 Most Sustainable Corporations in the World** in January at the World Economic Forum meeting in Davos.

Following a rigorous review process, Roche was reselected in 2006 for inclusion in the Dow Jones World, Dow Jones STOXX und FTSE4Good sustainability indexes. This is our third straight year as one of the top companies in these indexes. In addition, we received our first AAA sustainability rating from Innovest, putting us in the front ranks of a field of 44 global pharmaceutical companies, and we were also named one of the Global 100 Most Sustainable

Corporations in the World at this January's meeting of the World Economic Forum in Davos. These achievements underscore our commitment to sustainability and the progress we've made in integrating sustainability into our business processes.

One important aspect of this commitment is environmental stewardship, and nowhere do we take this more seriously than here in the Basel region. As recently reported in the media, Roche, in consultation with the local authorities, will fund a landfill cleanup and remediation project in the nearby community of Grenzach. Although there is no way of establishing the source of the waste necessitating cleanup and remediation of the site, Roche has voluntarily agreed to assume a major share of the costs. A memorandum of understanding was recently concluded with town authorities in Grenzach. The aim is to start work on the project this year.

Ladies and Gentlemen, your company is extremely well equipped for the future. Compared with many of our competitors, our continued success – both financially and in terms of bringing valuable new medicines and diagnostics to market – puts us in a strong position to meet the challenges and capitalise on the opportunities of today's healthcare environment. Today's Roche is the market leader in high-growth therapeutic areas like oncology, transplantation and hepatitis and a global leader in molecular and centralised diagnostics and diabetes management. Our focus on prescription pharmaceuticals and diagnostics, our biotech expertise, our global research and development network and the fact that we don't have any products that will be going off patent in the near future are all important competitive advantages in a changing marketplace.

The success of our operating businesses and the progress we've made in R&D mean that we are now in even better shape for continued, organic growth, and I believe our record also shows that we've set the right strategic course for Roche, one that will enable us to remain a leading, independent healthcare company.

We will continue to pursue our current winning strategy of focussed innovation for the benefit of patients, health professionals, our employees and you, our shareholders.



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.