

Statutory Financial Report

31 December 2006

Roche Finance Europe B.V.

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Directors' report

General

Roche Finance Europe B.V. has been incorporated on January 31, 2003. The paid up capital is € 2,000,000. Roche Pharmholding B.V. is the sole shareholder.

Principal activities

The main activity of the Company is the financing of its affiliates by issuing bonds. During the year 2006 no new bonds have been issued by Roche Finance Europe B.V.

Employees

According to a cost-sharing agreement Roche Pharmholding B.V. manages the activities of the company. No employees are on the payroll of the Company.

Result of the year

The total profit of 2006 is € 1,940,655. This profit mainly relates to the result on interest, reduced by income tax.

Financial position

The liquidity and solvability of the company are good.

Roche Finance Europe B.V. has a zero balancing Cash-pooling Agreement with its shareholder Roche Pharmholding B.V. Roche Pharmholding B.V. is the cashpool leader.

Future prospects

Going forward, the Company is constantly assessing its own and its affiliates' financing needs and is exploring and evaluating financing opportunities as part of its ordinary course of business. As of the date hereof, there are no specific plans to raise capital or debt and no decision has been taken with respect to such financing activities.

Woerden, 22 March 2007

The Board of Directors

N.S. de Boer

M.M. Heinzer

J.W. van den Broek

P. Eisenring

Annual accounts

Balance sheet as at 31 December 2006

(before appropriation of results for the year)

		31 December 2006		31 December 2005	
		EUR	EUR	EUR	EUR
<i>Assets</i>					
Non-current assets					
Loans to affiliates	4.1		1,124,016,377		1,114,974,044
Current assets					
Receivables from shareholder	4.2	5,795,602		-	
Receivables from affiliates	4.3	13,711,300		26,201,836	
			19,506,902		26,201,836
			1,143,523,279		1,141,175,880

		31 December 2006		31 December 2005	
		EUR	EUR	EUR	EUR
<i>Shareholders' equity and liabilities</i>					
Shareholders' equity	4.4				
Share capital		2,000,000		2,000,000	
Retained earnings		2,961,904		945,445	
Unappropriated profit		1,940,655		2,016,459	
			6,902,559		4,961,904
Long-term liabilities					
Loans from third parties	4.5	1,113,981,122		1,103,257,580	
In advance received interest	4.6	3,541,701		8,050,651	
Deferred taxes	4.7	167,386		161,082	
			1,117,690,209		1,111,469,313
Current liabilities					
Bank overdrafts		-		94	
Debt to shareholder	4.8	-		6,028,854	
Corporate income tax payable		771,425		820,512	
Accrued interest on loans from third parties		13,635,410		13,467,085	
In advance received interest		4,508,950		4,413,183	
Other creditors and accrued liabilities		14,726		14,935	
			18,930,511		24,744,663
			1,143,523,279		1,141,175,880

Profit and loss account 2006

	2006		2005	
	EUR	EUR	EUR	EUR
Interest revenues				
Interest revenue on loans to affiliates	54,947,087		54,547,237	
Interest expense on loans from third parties	(51,746,395)		(51,514,164)	
		3,200,692		3,033,073
Expenses				
General and administrative expenses		(134,715)		(147,704)
Financial expenses				
Withholding tax on interest	(232,000)		(154,825)	
Foreign exchange loss	(9,058,518)		(10,158,418)	
Interest expenses to shareholder	(139,730)		-	
		(9,430,248)		(10,313,243)
Financial income				
Other interest income third party	-		100,489	
Foreign exchange gain	9,042,334		10,185,072	
Interest income from shareholder	40,321		12,813	
		9,082,655		10,298,374
Profit before tax		2,718,384		2,870,500
Income tax		(777,729)		(854,041)
Profit for the period		1,940,655		2,016,459

Statement of cash flows under direct method

In thousands of euro

	2006	2005
Cash flows from financing activities		
Interest received on loans to affiliates	62,793	33,608
Interest received on bank accounts	-	113
Payment of transaction costs	-	-3
Payment of ongoing expenses	-135	-143
Interest paid on issued bonds	-49,911	-49,645
Income tax paid	-821	-264
Sweep to/from cashpool shareholder	-11,926	6,049
Net cash from financing activities	<u>-</u>	<u>-10,285</u>
Net increase in cash and cash equivalents	-	-10,285
Cash and cash equivalents at 1 January	-	10,300
Effect of exchange rate fluctuations on cash held	-	-15
Cash and cash equivalents at 31 December	<u>-</u>	<u>-</u>

Notes to the balance sheet and profit and loss account

1 General

Activities

Roche Finance Europe B.V. ("the Company"), is a limited liability company with its legal seat in Woerden, the Netherlands. The Company acts as a finance company, which was incorporated on 31 January 2003.

Group structure

The Company is a wholly owned subsidiary of Roche Pharmholding B.V. The Company forms a fiscal unity with Roche Pharmholding B.V. and Roche Diagnostics Nederland B.V.

The ultimate parent company of Roche Finance Europe B.V. is Roche Holding Ltd, Basel, Switzerland.

Cash flow statement

In the statement of cash flows the cash flows are presented using the direct method. As from 2005 Roche Finance Europe B.V. participates in the cash pool. Roche Pharmholding B.V. is head of this cash pool.

2 Principles of valuation of assets and liabilities

General

The annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB) as accepted by the EU. The annual accounts are prepared in Euro. Assets and liabilities are valued at historical cost basis, unless otherwise indicated.

Foreign currencies

Foreign currency assets and liabilities of the company have been translated into Euro at year-end market rates. Transactions in foreign currencies are translated at the exchange rates ruling at the time of transaction. Exchange adjustments arising are taken to the profit and loss account.

Impairment of non-current assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of the Company's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Non-current assets

Loans to affiliates included in financial fixed assets are valued at amortised cost less impairment losses.

Affiliates are companies that own or are under common ownership with the company.

Receivables

Receivables are stated at their cost less impairment losses.

Loans from third parties

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Cash and cash equivalents

Cash at bank comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Deferred tax assets and liabilities

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary difference regarding the initial recognition of assets or liabilities that affect neither accounting nor taxable profit is not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Credit risk, interest rate risk and currency risk

Credit risk arises from the possibility that the counter-party to a transaction may be unable or unwilling to meet its obligations causing a financial loss to the Company. All significant loans are to affiliates.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk arises from movements in interest rates, which could have an effect on the Company's net income or financial position. Changes in interest rates cause variations in interest income and expenses on interest-bearing assets and liabilities. In addition, they can affect the market value of certain financial assets and liabilities.

The Company's exposure to changes in interest rates is reduced because the interest rates on the loans from third parties and loans to affiliates are fixed and there is only a small interest rate spread between the received interest rate and the interest rate paid.

The maturity dates of the loans from third parties and the loans to affiliates are nearly the same.

The exposure of the Company to changes in currency rates is reduced because the currency of the loans from third parties and loans to affiliates are also the same.

3 Principles of determination of result

General

The result represents the difference between the interest income and the foreign exchange gains and the costs and other charges for the year. The results on transactions are recognised in the year they are realised; losses are taken as soon as they are foreseeable.

Exchange rate differences

Exchange rate differences arising upon the translation or settlement of monetary items are recognised in the profit and loss account in the period that they arise.

Interest

Interest income and expenses are accounted for in the profit and loss account in the period to which they relate.

Costs

Costs are recognised at the historical cost convention and are allocated to the reporting year to which they relate.

The use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimated and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about the carrying values of the assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

4 Notes to the balance sheet and profit and loss account

4.1 Loans to affiliates

	31 December 2006	31 December 2005
	EUR	EUR
<i>Roche Deutschland Holding GmbH, Germany</i>		
GBP 125,232,500, interest rate 5.67%, maturity date 29 August 2023	186,913,015	182,295,381
<i>Roche Farma S.A., Spain</i>		
EUR 200,000,000, interest rate 4.3%, maturity date 9 October 2008	200,000,000	200,000,000
EUR 100,000,000, interest rate 3.48%, maturity date 9 October 2008	100,000,000	100,000,000
<i>Roche Products Limited, United Kingdom</i>		
GBP 120,000,000, interest rate 5.67%, maturity date 29 August 2023	179,103,362	174,678,663
<i>Roche Farmacêutica Química Lda, Amadora, Portugal</i>		
EUR 48,000,000, interest rate 3.86667%, maturity date 9 October 2008	48,000,000	60,000,000
<i>Roche Sistemas De Diagnosticos Lda, Amadora, Portugal</i>		
EUR 12,000,000, interest rate 3.86667%, maturity date 9 October 2008	12,000,000	-
<i>Roche S.p.a., Monza, Italy</i>		
EUR 398,000,000, interest rate 3.80%, maturity date 9 October 2008	398,000,000	398,000,000
	<u>1,124,016,377</u>	<u>1,114,974,044</u>

All loans are fully payable on the maturity date, with no intermediate redemption.

Movements during the year were as follows:

	2006	2005
	EUR	EUR
Balance at 1 January	1,114,974,044	1,104,879,649
Translation difference	9,042,333	10,094,395
Balance at 31 December	1,124,016,377	1,114,974,044

The fair value of the loans amounts to EUR 1,111,679,876 (2005: EUR 1,138,135,396).

4.2 *Receivables from shareholder*

As of 2005 the company participates in the cashpool. As per 31 December 2006 this concerns a receivable from Roche Pharmholding B.V. Roche Pharmholding B.V. is head of this cash pool.

4.3 *Receivables from affiliates (short term)*

Receivables from affiliates relate to accrued interest on the outstanding loans.

4.4 *Shareholders' equity*

Movements in the equity are as follows:

	Share capital	Retained earnings	Unappro- priated profit	Total equity
	EUR	EUR	EUR	EUR
31 December 2004	2,000,000	385,557	559,888	2,945,445
From profit appropriation	-	559,888	-559,888	-
Unappropriated profit	-	-	2,016,459	2,016,459
31 December 2005	2,000,000	945,445	2,016,459	4,961,904
From profit appropriation	-	2,016,459	-2,016,459	-
Unappropriated profit	-	-	1,940,655	1,940,655
31 December 2006	2,000,000	2,961,904	1,940,655	6,902,559

Share capital

The company's authorised share capital amounts to EUR 10,000,000 and is divided into 100,000 shares of EUR 100 each of which 20,000 shares have been issued and fully paid up at 31 December 2006.

Unappropriated profit

The directors recommend that the entire profit for the financial year is to be taken to the retained earnings.

4.5 *Loans from third parties (long term)*

The Company issued 2 bonds in 2003:

EUR 750,000,000 at 9 April 2003, interest rate 4%, maturity date 9 October 2008.

GBP 250,000,000 at 29 August 2003, interest rate 5.375%, maturity date 29 August 2023.

Breakdown of the bonds:

	31 December 2006
	<hr/>
	EUR
Initial recognition	742,224,960
Accreted interest capitalized 2003	933,988
Accreted interest capitalized 2004	1,326,772
Accreted interest capitalized 2005	1,380,547
Accreted interest capitalized 2006	1,436,587
	<hr/>
Total	747,302,854
	<hr/>
	GBP
Initial recognition	245,183,753
Accreted interest capitalized 2003	45,554
Accreted interest capitalized 2004	141,125
Accreted interest capitalized 2005	148,722
Accreted interest capitalized 2006	156,815
	<hr/>
Total	245,675,969
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Movements during the year were as follows:

	<u>2006</u>	<u>2005</u>
	EUR	EUR
Balance at 1 January	1,103,257,580	1,091,560,511
Accreted interest capitalized	1,666,621	1,598,022
Translation difference	9,056,921	10,099,047
	<u>1,113,981,122</u>	<u>1,103,257,580</u>
Balance at 31 December		

The fair value for the bonds is as follows:

		<u>2006</u>		<u>2005</u>
	Market Quote	EUR	Market Quote	EUR
Fair value of the issued bonds				
EUR 750,000,000 at 9 April				
2003, interest rate 4%	99.95%	749,597,250	102.28%	767,100,000
GBP 250,000,000 at 29 August				
2003, interest rate 5.375%	101.88%	380,161,812	106.97%	389,278,679
		<u>1,129,759,062</u>		<u>1,156,378,679</u>
Total				

Roche Holding Ltd. unconditionally and irrevocably guaranteed the payments of all amounts due in respect of the bonds issued by the Company.

All bonds are fully payable on the maturity date, with no intermediate redemption.

4.6 *In advance received interest*

In advance received interest relates to a received early termination fee for the early repayment by Roche Deutschland Holding GmbH of an outstanding loan, being the present value of lost interest income. The fee will be repaid (pro rata) if Roche Deutschland Holding GmbH requests Roche Finance Europe B.V. a new loan under the same conditions. As far as the received interest has become unconditional it is recognised as income in the profit and loss account.

4.7 *Deferred taxes*

Movements in temporary differences during the year were as follows:

	2006	2005
	EUR	EUR
Balance at 1 January	161,082	127,553
Recognised in income	6,304	33,529
Balance at 31 December	167,386	161,082

Taxation on result on ordinary activities

	2006	2005
	EUR	EUR
Profit before taxation in the annual accounts	2,718,384	2,870,500
Deferred income tax	6,304	33,529
Corporate income tax	771,425	820,512
	777,729	854,041
Effective tax rate	28.61%	29.75%

The nominal tax rate amounts to 29.6%. The effective tax rate differs in 2006 from the nominal tax rate due to non deductible costs and an adjustment of deferred taxes from 29.6% to 25.5%.

4.8 Debt to shareholder

As of 2005 the company participates in the cashpool. As per 31 December 2005 this concerned a debt to Roche Pharmholding B.V. Roche Pharmholding B.V. is head of this cash pool.

4.9 Contingencies and commitments

As at balance sheet date the Company has no significant contingencies or commitments, which were not recognized in the balance sheet.

5 Supplementary information

5.1 Employees

The Company had no employees in 2006 (2005: nil).

5.2 Directors and supervisory directors

The remuneration of the members of the Board of Directors is nil.

Woerden, 22 March 2007

The Board of Directors,

N.S. de Boer

M. Heinzer

J.W. van den Broek

P. Eisenring

Other information

Appropriation of results for the year

In accordance with Article 21 of the Articles of Association the result for the year is at the disposal of the shareholder.

Proposed profit appropriation

The directors recommend that the entire profit for the financial year is to be taken to reserves.

The proposal has not yet been included in the company's 2006 financial statements.

Auditors' report

The report of the auditors, KPMG Accountants N.V., is set forth on the next page of the annual report.



To: The Board of Directors of Roche Finance Europe B.V.

Auditors' report

Report on the financial statements

We have audited the accompanying financial statements 2006 of Roche Finance Europe B.V., Woerden, which comprise the balance sheet as at 31 December 2006, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Roche Finance Europe B.V. as at 31 December 2006, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 22 March 2007

KPMG ACCOUNTANTS N.V.

P.B. Maris RA