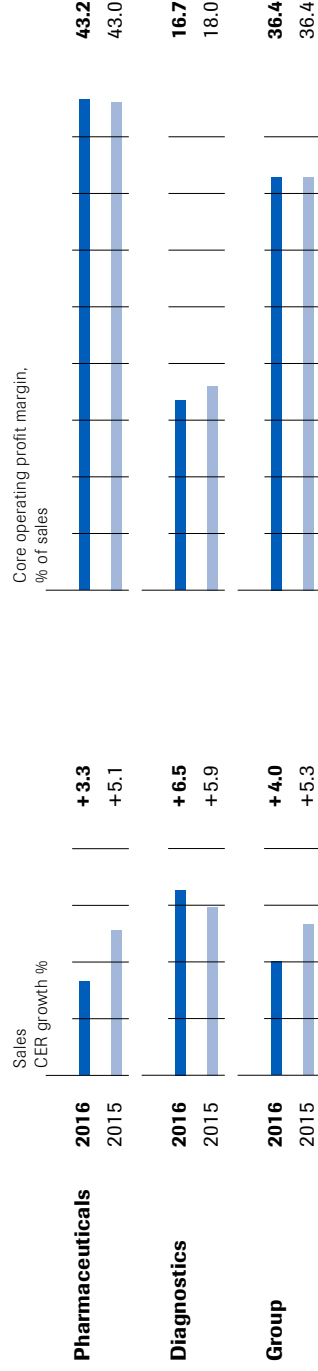


Finance in brief

Key results



	2016 (CHF m)	2015 (CHF m)	(CHF)	% change (CER)	2016	% of sales 2015
IFRS results						
Sales	50,576	48,145	+5	+4		
Operating profit	14,069	13,821	+2	+1	27.8	28.7
Net income	9,733	9,056	+7	+7	19.2	18.8
Net income attributable to Roche shareholders	9,576	8,863	+8	+8	18.9	18.4
Diluted EPS (CHF)	11.13	10.28	+8	+5		
Dividend per share (CHF) ¹⁾	8.20	8.10	+1			
Core results						
Research and development	9,915	9,332	+6	+5	19.6	19.4
Core operating profit	18,420	17,542	+5	+4	36.4	36.4
Core EPS (CHF)	14.53	13.49	+8	+5		
Free cash flow						
Operating free cash flow	14,086	14,872	-5	-7	27.9	30.9
Free cash flow	9,130	10,306	-11	-14	18.1	21.4

	2016 (CHF m)	2015 (CHF m)	(CHF)	% change (CER)
Net debt	(13,248)	(14,080)	-6	-9
Capitalisation	48,757	46,551	+5	+3
- Debt	22,355	23,251	-4	-6
- Equity	26,402	23,300	+13	+11

1) Proposed by the Board of Directors.

CER (Constant Exchange Rates): The percentage changes at Constant Exchange Rates are calculated using simulations by reconstituting both the 2016 and 2015 results at constant exchange rates (the average rates for the year ended 31 December 2015). For the definition of CER see page 144.

Core results and Core EPS (earnings per share): These exclude non-core items such as global restructuring plans and amortisation and impairment of goodwill and intangible assets. This allows an assessment of both the actual results and the underlying performance of the business. A full income statement for the Group and the operating results of the divisions are shown on both an IFRS and core basis. The core concept is fully described on pages 137-140 and reconciliations between the IFRS and Core results are given there.

The Group has refined the calculation of free cash flow in 2016 to exclude dividends, in line with its peer group. The free cash flow for 2015 has been restated accordingly, resulting in an increase of CHF 6,954 million to the free cash flow for that period. There was no impact on the operating free cash flow from this change. For the definition of free cash flow and a detailed breakdown see pages 140-142.

Roche Group

Finance in brief

Inside cover

Finance – 2016 in brief

1

Financial Review

3

Roche Group Consolidated Financial Statements

38

Notes to the Roche Group Consolidated Financial Statements

44

1. General accounting principles	44	17. Other non-current liabilities	71
2. Operating segment information	46	18. Other current liabilities	71
3. Net financial expense	50	19. Provisions and contingent liabilities	72
4. Income taxes	51	20. Debt	76
5. Business combinations	54	21. Equity attributable to Roche shareholders	81
6. Global restructuring plans	57	22. Subsidiaries	84
7. Property, plant and equipment	60	23. Non-controlling interests	86
8. Goodwill	63	24. Employee benefits	86
9. Intangible assets	65	25. Pensions and other post-employment benefits	87
10. Inventories	68	26. Equity compensation plans	93
11. Accounts receivable	68	27. Earnings per share and non-voting equity security	97
12. Marketable securities	69	28. Statement of cash flows	98
13. Cash and cash equivalents	69	29. Risk management	100
14. Other non-current assets	70	30. Related parties	109
15. Other current assets	70	31. Subsidiaries and associates	111
16. Accounts payable	71	32. Significant accounting policies	116

Report of Roche Management on Internal Control over Financial Reporting

124

Statutory Auditor's Report to the General Meeting of Roche Holding Ltd, Basel

125

Report of the Independent Auditor on Internal Control over Financial Reporting to the Board of Directors of Roche Holding Ltd, Basel

133

Multi-Year Overview and Supplementary Information

134

Roche Securities

145

Roche Holding Ltd, Basel

Financial Statements

148

Notes to the Financial Statements

150

Appropriation of Available Earnings

155

Statutory Auditor's Report to the General Meeting of Roche Holding Ltd, Basel

156

Net income increased by 7% at CER on both an IFRS basis and a core basis. In addition to the items described above in the core results, the IFRS results reflect impacts from higher intangible asset impairment and amortisation than in 2015, offset by releases from contingent consideration provisions.

In 2016 compared to 2015, the Swiss franc was weaker against most major currencies, in particular the Japanese yen, the US dollar and the euro. The overall impact is positive on the results expressed in Swiss francs compared to constant exchange rates, with a 1 percentage point impact on sales and core operating profit and 3 percentage points on Core EPS.

Income statement

	2016 (CHF m)	2015 (CHF m)	% change (CHF)	% change (CER)
IFRS results				
Sales	50,576	48,145	+5	+4
Royalties and other operating income	2,060	2,258	-9	-11
Cost of sales	(16,180)	(15,460)	+5	+3
Marketing and distribution	(9,140)	(8,814)	+4	+3
Research and development	(11,532)	(9,581)	+20	+19
General and administration	(1,715)	(2,727)	-37	-38
Operating profit	14,069	13,821	+2	+1
Financing costs	(1,099)	(1,574)	-30	-31
Other financial income (expense)	37	(260)	-	-
Profit before taxes	13,007	11,987	+9	+8
Income taxes	(3,274)	(2,931)	+12	+10
Net income	9,733	9,056	+7	+7
Attributable to				
- Roche shareholders	9,576	8,863	+8	+8
- Non-controlling interests	157	193	-19	-30
EPS - Basic (CHF)	11.24	10.42	+8	+5
EPS - Diluted (CHF)	11.13	10.28	+8	+5
Core results				
Sales	50,576	48,145	+5	+4
Royalties and other operating income	2,060	2,258	-9	-11
Cost of sales	(13,469)	(12,706)	+6	+5
Marketing and distribution	(9,007)	(8,610)	+5	+4
Research and development	(9,915)	(9,332)	+6	+5
General and administration	(1,825)	(2,213)	-18	-19
Operating profit	18,420	17,542	+5	+4
Financing costs	(1,034)	(1,140)	-9	-10
Other financial income (expense)	37	(276)	-	-
Profit before taxes	17,423	16,126	+8	+7
Income taxes	(4,735)	(4,289)	+10	+9
Net income	12,688	11,837	+7	+7
Attributable to				
- Roche shareholders	12,507	11,626	+8	+7
- Non-controlling interests	181	211	-14	-25
Core EPS - Basic (CHF)	14.68	13.66	+7	+5
Core EPS - Diluted (CHF)	14.53	13.49	+8	+5

Acquisitions

The Roche Group did not complete any business combinations in 2016. During 2016 there was CHF 408 million of non-core income from the release of contingent consideration provisions, mainly due to the partial reversal of the provisions related to the Seragon and Trophos acquisitions. There were two intangible asset impairment charges of CHF 885 million and CHF 187 million related to Seragon and Trophos respectively which offset this provision reversal as noted below in the 'Impairment of goodwill and intangible assets' commentary. Non-core costs also include expenses of CHF 167 million (2015: CHF 552 million) from the release of the Esbriet inventory fair value adjustment, which is now fully unwound. Further details are given in Notes 5 and 29 to the Annual Financial Statements.

Global restructuring plans

During 2016 the Group continued with the implementation of several major global restructuring plans initiated in prior years, notably the strategic realignment of the Pharmaceuticals Division's manufacturing network, and programmes to address long-term strategy in the Diagnostics Division.

Global restructuring plans: costs incurred for 2016 in millions of CHF

	Diagnostics ¹⁾	Site consolidation ²⁾	Other plans ³⁾	Total
Global restructuring costs				
- Employee-related costs	90	86	127	303
- Site closure costs	33	367	3	403
- Other reorganisation expenses	189	271	67	527
Total global restructuring costs	312	724	197	1,233
Additional costs				
- Impairment of goodwill	-	-	-	-
- Impairment of intangible assets	-	-	-	-
- Legal and environmental cases	-	24	-	24
Total costs	312	748	197	1,257

1) Includes the Diabetes Care 'Autonomy and Speed' restructuring plan.

2) Includes the Pharmaceuticals Division strategic realignment of its manufacturing network.

3) Includes plans for Pharmaceuticals Division research and development strategic realignment and IT outsourcing.

Diagnostics Division. In 2016 costs from the Roche Diabetes Care 'Autonomy and Speed' initiative were CHF 132 million, mainly for consultancy and IT-related matters as well as employee-related costs. New strategy plans in Diagnostics and Diabetes Care incurred costs of CHF 106 million related to site closures and employees. Spending on other smaller plans within the division was CHF 74 million and included costs related to certain IT projects.

Site consolidation. In 2015 the Pharmaceuticals Division announced a strategic realignment of its manufacturing network including exiting from the manufacturing sites at Clarecastle, Ireland; Leganés, Spain; Segrate, Italy; and Florence, US. Costs from this plan in 2016 were CHF 733 million, of which CHF 337 million were non-cash write-downs and accelerated depreciation of property, plant and equipment and CHF 396 million were related to other site closures costs, reorganisation costs and employee costs. The divestment of the Nutley site in the US was completed in the second half of 2016 and resulted in an increase in provisions for environmental remediation.

Other global restructuring plans. The major items were CHF 74 million from the Pharmaceuticals Division research and development strategic realignment and CHF 90 million in informatics mainly for the outsourcing of IT functions to shared service centres and external providers.

Further details are given in Note 6 to the Annual Financial Statements.

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.