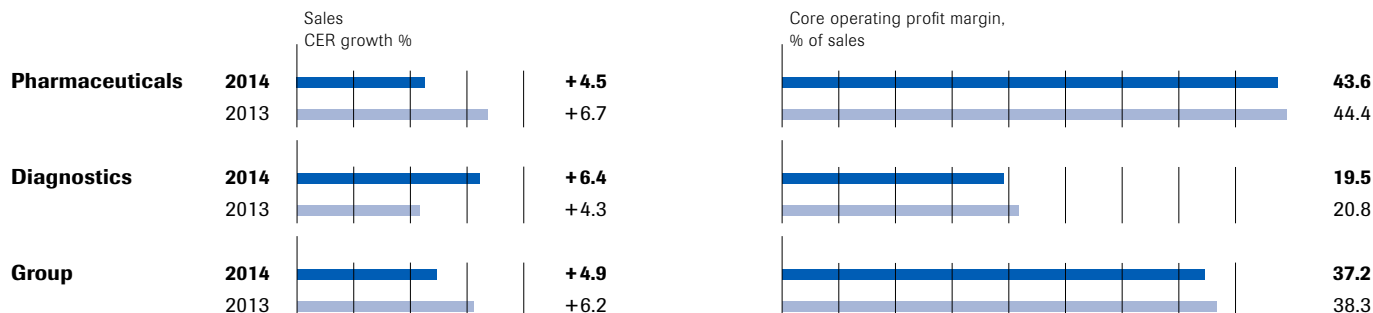


Finance Report *2014*

Finance in brief

Key results



	2014 (mCHF)	2013 (mCHF)	(CHF)	% change (CER)	2014	% of sales 2013
IFRS results						
Sales	47,462	46,780	+1	+5		
Operating profit	14,090	16,376	-14	-9	29.7	35.0
Net income	9,535	11,373	-16	-10	20.1	24.3
Net income attributable to Roche shareholders	9,332	11,164	-16	-11	19.7	23.9
Diluted EPS (CHF)	10.81	12.93	-16	-11		
Dividend per share (CHF) ¹⁾	8.00	7.80	+3			
Core results						
Research and development	8,913	8,700	+2	+4	18.8	18.6
Core operating profit	17,636	17,904	-1	+3	37.2	38.3
Core EPS (CHF)	14.29	14.27	0	+5		
Free cash flow						
Operating free cash flow	15,778	16,381	-4	-2	33.2	35.0
Free cash flow	5,322	5,403	-1	+1	11.2	11.5

	2014 (mCHF)	2013 (mCHF)	(CHF)	% change (CER)
Net debt	(14,011)	(6,708)	+109	+77
Capitalisation	47,272	39,884	+19	+14
- Debt	25,714	18,643	+38	+27
- Equity	21,558	21,241	+1	+3

1) Proposed by the Board of Directors.

CER (Constant Exchange Rates): The percentage changes at Constant Exchange Rates are calculated using simulations by re consolidating both the 2014 and 2013 results at constant exchange rates (the average rates for the year ended 31 December 2013).

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 a transparent 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 132-135 and reconciliations between the IFRS and Core results are given there.

Finance – 2014 in brief

Roche in 2014

The **Roche Group** reported solid overall results in 2014. Sales grew by 5% at constant exchange rates (CER) while core earnings per share also increased by 5%. Excluding the impact of a double charge of 202 million Swiss francs related to the US Branded Prescription Drug fee, underlying earnings grew at 7%.

Sales

Group sales increased by 5% (CER) to 47.5 billion Swiss francs (1% growth in Swiss franc terms).

Pharmaceuticals sales growth was 4% (CER). There was continued growth in the HER2 franchise and Avastin in the oncology portfolio as well as for Tamiflu, Actemra/RoActemra and Xolair. Sales of Xeloda and Pegasys decreased.

Diagnostics sales showed growth of 6% (CER) with Professional Diagnostics being the major contributor.

Operating results

Core operating profit increased by 3% (CER) to 17.6 billion Swiss francs (1% decline in Swiss franc terms). Excluding the double charge for the US Branded Prescription Drug fee, underlying operating profit grew at 5%.

Research and development expenditure grew by 4% (CER) to 8.9 billion Swiss francs on a core basis, with focus on the oncology, neuroscience and immunology therapeutic areas. Research and development costs were 18.8% of Group sales.

IFRS operating results include non-core expenses of 3.5 billion Swiss francs. This includes 2.6 billion Swiss francs for the amortisation and impairment of goodwill and intangible assets as well as 0.7 billion Swiss francs from global restructuring plans and business combinations.

Non-operating results

Core net financial expenses decreased by 0.6 billion Swiss francs to 1.1 billion Swiss francs, driven by income from divestments of equity securities and lower interest expenses.

IFRS net financial expenses additionally includes a loss of 0.4 billion Swiss francs from a non-core major debt restructuring.

Net income

IFRS net income decreased by 10% at CER to 9.5 billion Swiss francs (16% decline in Swiss franc terms), due to higher impairments of goodwill and intangible assets and higher global restructuring charges including a base effect of income of 0.5 billion Swiss francs from the reversal of impairment charges in the 2013 results.

Core earnings per share increased by 5% at CER (0% in Swiss francs terms). Excluding the impact of the double charge of the US Branded Prescription Drug fee, underlying earnings grew at 7%.

Cash flows

Operating free cash flow was 15.8 billion Swiss francs, a decrease of 2% at CER. The underlying growth in the operating business was offset by higher capital expenditure.

Free cash flow increased by 1% at CER to 5.3 billion Swiss francs, driven by sales of equity securities and lower interest payments.

Mergers and acquisitions, notably the InterMune acquisition, utilised 9.6 billion Swiss francs of cash. 5.75 billion US dollars of this was financed through new debt issuances.

Repayment of debt is ahead of schedule with 74% of the notes and bonds issued in 2009 to finance the Genentech transaction being repaid by the end of 2014.

Financial position

Net working capital increased by 4% (CER), due to higher levels of inventories from the InterMune inventory fair value adjustment, for launches and growth of key products, higher safety stock levels and increased demand in key markets.

Net debt increased by 7.3 billion Swiss francs to 14.0 billion Swiss francs, mainly due to the InterMune acquisition. Net debt as a percentage of total assets was 19%.

Credit ratings strong: Moody's at A1 and Standard & Poor's at AA.

Shareholder return

Dividends. A proposal will be made to increase dividends by 3% to 8.00 Swiss francs per share. This will represent the 28th consecutive year of dividend growth and will result in a pay-out ratio of 56.0%, subject to AGM approval.

Total Shareholder Return (TSR) was 12% representing a combined performance of share and non-voting equity security.

Roche Group

Finance in brief

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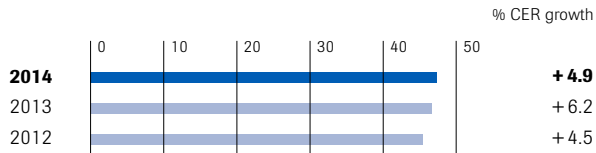
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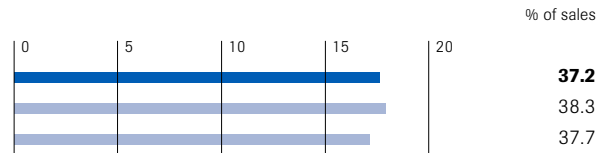
Financial Review

Roche Group results

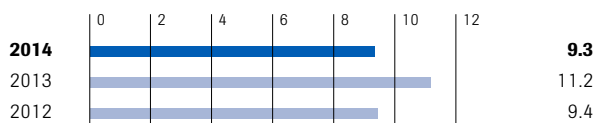
Sales in billions of CHF



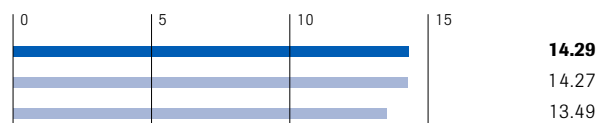
Core operating profit in billions of CHF



Net income attributable to Roche shareholders in billions of CHF



Core EPS in CHF



The Roche Group's results for 2014 showed growth in its core operating activities, with sales up by 5% and core operating profit up by 3% at constant exchange rates. Sales increased driven by the oncology portfolio, especially the medicines for HER2-positive breast cancer, and by the Professional Diagnostics business. Core operating profit grew below the rate of the sales increase due to a double charge of 202 million Swiss francs related to the US Branded Prescription Drug fee. The solid operating performance, combined with higher income from sales of equity securities and lower financing costs, lead to an increase in Core EPS of 5% at constant exchange rates. Excluding the double charge underlying earnings grew at 7%. Operating free cash flow was 15.8 billion Swiss francs or 33% of sales.

Sales in the Pharmaceuticals Division rose by 4% to 36.7 billion Swiss francs. This was driven by the oncology portfolio, especially by the HER2 franchise which grew by 20%. There was also strong demand for Actemra/RoActemra and Xolair, with sales increasing by 23% and 25%, respectively. Sales of Xeloda were lower as it is now off-patent in the US and Europe. Regional growth was most significant in the US, Europe and Latin America. Diagnostics sales grew at 6%, consolidating the Division's leading market position. The major growth area was Professional Diagnostics, while sales in Diabetes Care increased slightly.

Core operating profit increased by 3%, with the Pharmaceuticals Division growing at 4% and the Diagnostics Division at 2%. Profit in Pharmaceuticals grew due to the good sales growth. Marketing and distribution costs included the launch and rollout of new products, notably for the newly acquired product Esbriet, and investments in emerging markets, as well as increasing patient access to medicines. In research and development there were continued investments in the oncology, neuroscience and immunology therapeutic areas. In July 2014, the US Internal Revenue Service (IRS) issued the final regulations related to the Branded Prescription Drug fee which fundamentally changed a key assumption about the triggering event for liability recognition. As a result there was a one-time double charge with an operating profit impact of 202 million Swiss francs. In Diagnostics core operating profit grew due to the sales growth, offset by the base effect of pension plan changes in 2013. Excluding the double charge, the Group's core operating profit grew at 5%.

Operating free cash flow was 15.8 billion Swiss francs, a decrease of 2%. The strong cash generation of the underlying operations was offset by higher capital investments in manufacturing facilities and other site development projects. The free cash flow increased by 1% at constant exchange rates to 5.3 billion Swiss francs, driven by sales of equity securities and lower interest and tax payments which more than offset the higher annual dividend payments.

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