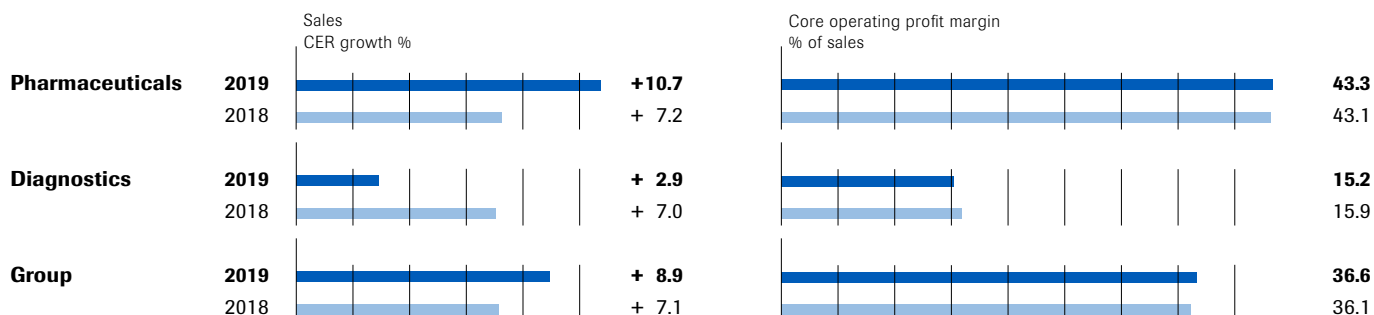




# Finance Report 2019

# Finance in Brief

## Key results



	2019 (CHF m)	2018 (CHF m)	(CHF)	% change (CER)	2019	% of sales 2018
<b>IFRS results</b>						
Sales	61,466	56,846	+8	+9		
Operating profit	17,548	14,769	+19	+21	28.5	26.0
Net income	14,108	10,865	+30	+32	23.0	19.1
Net income attributable to Roche shareholders	13,497	10,500	+29	+31	22.0	18.5
Diluted EPS (CHF)	15.62	12.21	+28	+30		
Dividend per share (CHF)	9.00 <sup>1)</sup>	8.70	+3			
<b>Core results</b>						
Research and development	11,696	11,047	+6	+6	19.0	19.4
Core operating profit	22,479	20,505	+10	+11	36.6	36.1
Core EPS (CHF)	20.16	18.14	+11	+13		
<b>Free cash flow</b>						
Operating free cash flow	20,921	18,741	+12	+11	34.0	33.0
Free cash flow	16,764	14,811	+13	+12	27.3	26.1

	2019 (CHF m)	2018 (CHF m)	(CHF)	% change (CER)
Net debt	(2,505)	(5,652)	-56	-53
Capitalisation	50,230	49,136	+2	+4
- Debt	14,363	18,770	-23	-22
- Equity	35,867	30,366	+18	+19

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 2019 and 2018 results at constant exchange rates (the average rates for the year ended 31 December 2018). For the definition of CER see page 168.

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 161-164 and reconciliations between the IFRS and core results are given there.

Free cash flow is used to assess the Group's ability to generate the cash required to conduct and maintain its operations. It also indicates the Group's ability to generate cash to finance dividend payments, repay debt and to undertake merger and acquisition activities. The free cash flow concept is used in the internal management of the business. The free cash flow concept is fully described on pages 164-166 and reconciliations between the IFRS cash flow and free cash flow are given there.

# Finance – 2019 in Brief

## Roche in 2019

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The **Roche Group** reported strong overall results in 2019. Sales grew by 9% at constant exchange rates (CER). IFRS net income increased by 32% (CER) and core earnings per share increased by 13% (CER).

## Sales

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**Group sales** increased by 9% (CER) to CHF 61.5 billion (8% growth in CHF terms).

**Pharmaceuticals sales** growth was 11% (CER) due to the new medicines Ocrevus, Hemlibra, Tecentriq and Perjeta. In oncology, in addition to Tecentriq, there was continued growth in the HER2 franchise and Avastin. Biosimilars had an estimated negative impact of CHF 1.5 billion on 2019 sales. Immunology sales increased, led by Actemra/RoActemra and Esbriet.

**Diagnostics sales** showed growth of 3% (CER) with the immunodiagnostics business being the major contributor.

## Operating results

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**Core operating profit** increased by 11% (CER) to CHF 22.5 billion (10% increase in CHF terms).

**Research and development** expenditure grew by 6% (CER) to CHF 11.7 billion on a core basis, with focus on the oncology, neuroscience and immunology therapeutic areas. Research and development costs represented 19.0% of Group sales.

**IFRS operating results** include non-core expenses (pre-tax) of CHF 5.0 billion. The major factors were CHF 1.5 billion amortisation charges for intangible assets, CHF 1.8 billion impairment of goodwill and intangible assets, notably CHF 0.8 billion relating to the Diabetes Care business.

## Non-operating results

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**Financing costs** (IFRS) increased by 28% to CHF 1.0 billion due to early debt redemption losses of CHF 0.2 billion.

**Income tax expenses** (IFRS) decreased by 23% at CER to CHF 2.5 billion. The effective core tax rate for 2019 decreased to 16.3% mainly due to the impacts from the resolution of several tax disputes.

## Net income

---

**IFRS net income** increased by 32% at CER to CHF 14.1 billion (+30% in CHF terms) due to the base effect of high goodwill impairment in 2018.

**Core earnings per share** increased by 13% at CER to CHF 20.16 (+11% in CHF terms).

## Cash flows

---

**Operating free cash flow** increased to CHF 20.9 billion. The underlying cash generation led to an increase of operating free cash flow of 11% at CER (+12% in CHF terms).

**Free cash flow** increased by 12% at CER (+13% in CHF terms) to CHF 16.8 billion, driven by the higher operating free cash flow.

## Financial position

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**Net working capital** decreased by 16% (CER) driven by the Pharmaceuticals Division.

**Net debt** decreased by CHF 3.1 billion to CHF 2.5 billion. The free cash flow more than covered the dividends and the CHF 4.6 billion net cash payments for Spark Therapeutics. Gross debt decreased by 22% (CER) to CHF 14.4 billion.

**Credit ratings** strong: Moody's at Aa3 and Standard & Poor's at AA.

## Shareholder return

---

**Dividends.** A proposal will be made to increase dividends by 3% to CHF 9.00 per share. This would represent the 33<sup>rd</sup> consecutive year of dividend growth and would result in a pay-out ratio of 44.6%, subject to AGM approval.

**Total Shareholder Return (TSR)** was 33% representing the combined performance of share and non-voting equity security.

# Roche Group

## Finance in Brief

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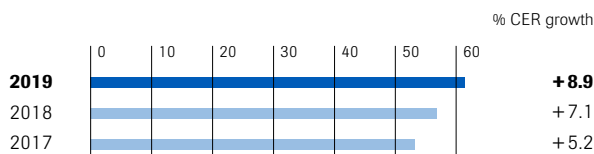
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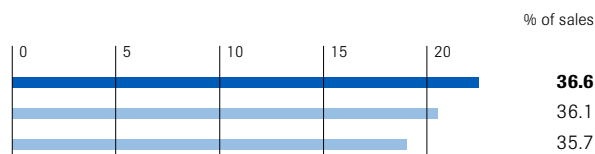
# Financial Review

## Roche Group results

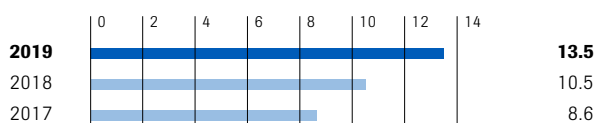
Sales in billions of CHF



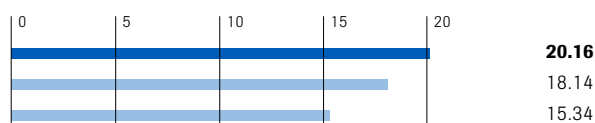
Core operating profit in billions of CHF



Net income attributable to Roche shareholders in billions of CHF



Core EPS in CHF



In 2019 the Roche Group reported sales growth of 9% at constant exchange rates (CER) and this led to core operating profit growth of 11% and an increase in Core EPS of 13%. IFRS net income increased by 32% due to this business growth and the base impact of the high goodwill impairments in 2018. The sales growth continued to be driven by the Pharmaceuticals Division's new medicines, which more than compensated for biosimilar competition. The Group further improved its operating profitability, while continuing its investments in research and development and supporting the launch of new products. Operating free cash flow was CHF 20.9 billion, an increase of 11%, driven by the higher cash generation of the pharmaceuticals business.

### Divisional operating results for 2019

	Pharmaceuticals (CHF m)	Diagnostics (CHF m)	Corporate (CHF m)	Group (CHF m)
Sales	48,516	12,950	-	61,466
Core operating profit	21,015	1,966	(502)	22,479
- margin, % of sales	43.3	15.2	-	36.6
Operating profit	17,946	242	(640)	17,548
- margin, % of sales	37.0	1.9	-	28.5
Operating free cash flow	20,536	963	(578)	20,921
- margin, % of sales	42.3	7.4	-	34.0

### Divisional operating results – Development of results compared to 2018

	Pharmaceuticals	Diagnostics	Corporate	Group
Sales				
- % increase at CER	+11	+3	-	+9
Core operating profit				
- % increase at CER	+12	+1	+7	+11
- margin: percentage point increase	+0.4	-0.4	-	+0.6
Operating profit				
- % increase at CER	+23	-46	+3	+21
- margin: percentage point increase	+3.6	-2.3	-	+2.7
Operating free cash flow				
- % increase at CER	+14	-28	+11	+11
- margin: percentage point increase	+1.1	-3.3	-	+0.5

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