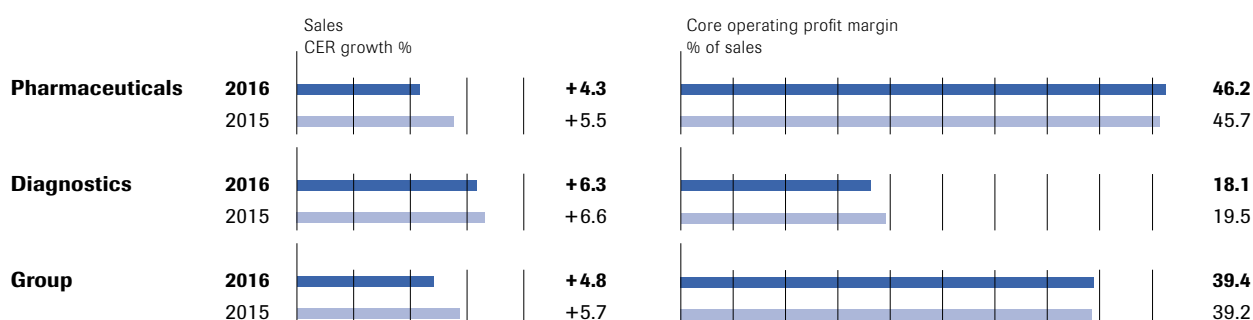


# Half-Year Report *2016*

# Finance in brief

## Key interim results



	Six months ended 30 June					
	2016	2015	(CHF)	% change	2016	% of sales
	(CHF m)	(CHF m)		(CER)		2015
<b>IFRS results</b>						
Sales	25,022	23,585	+6	+5		
Operating profit	8,142	7,710	+6	+4	32.5	32.7
Net income	5,467	5,249	+4	+3	21.8	22.3
Net income attributable to Roche shareholders	5,378	5,154	+4	+3	21.5	21.9
Diluted EPS (CHF)	6.24	5.98	+4	+3		
<b>Core results</b>						
Research and development	4,780	4,351	+10	+7	19.1	18.4
Core operating profit	9,854	9,236	+7	+5	39.4	39.2
Core EPS (CHF)	7.74	7.22	+7	+5		
<b>Free cash flow</b>						
Operating free cash flow	5,487	6,525	-16	-19	21.9	27.7
Free cash flow	2,849	3,966	-28	-32	11.4	16.8

	30 June 2016	31 December 2015	% change	% change
	(CHF m)	(CHF m)	(CHF)	(CER)
Net debt	(18,273)	(14,080)	+30	+33
Capitalisation	45,895	46,551	-1	-3
- Debt	24,814	23,251	+7	+7
- Equity	21,081	23,300	-10	-13

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

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 59–62 and reconciliations between the IFRS and core results are given there.

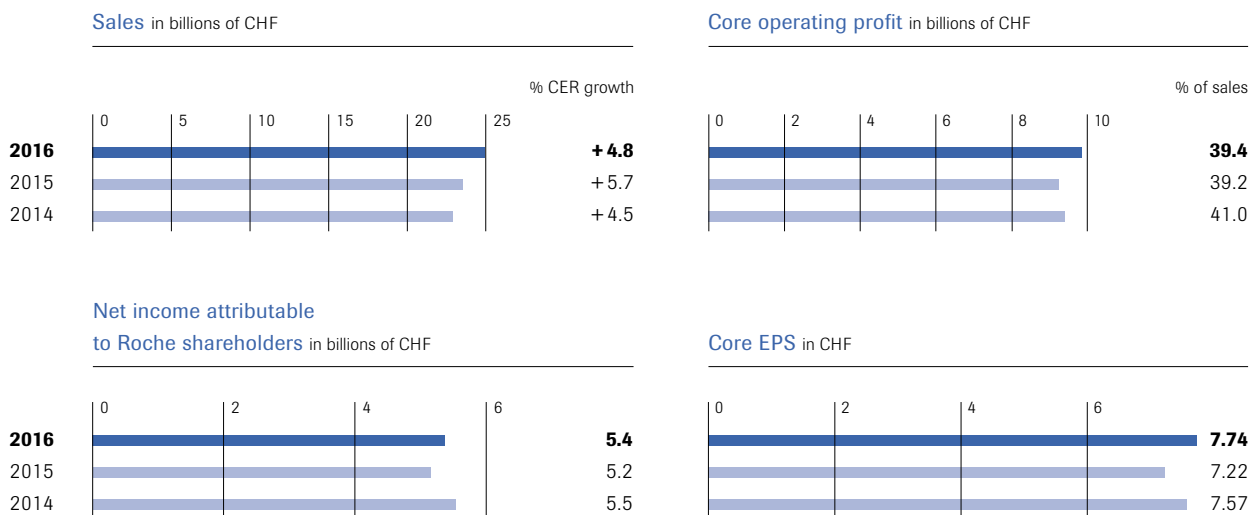
The Group has refined the calculation of free cash flow in 2016 to exclude dividends, in line with its peer group. The free cash flow for the six months ended 30 June 2015 has been restated accordingly, resulting in an increase of CHF 6,894 million to the free cash flow for that period. There was no impact on the operating free cash flow from this change.

# Contents

<b>Finance in brief</b>			<b>1</b>
<b>Financial Review</b>			<b>3</b>
<b>Roche Group Interim Consolidated Financial Statements</b>			<b>32</b>
<b>Notes to the Roche Group Interim Consolidated Financial Statements</b>			<b>38</b>
<b>1.</b> Accounting policies	38	<b>10.</b> Debt	51
<b>2.</b> Operating segment information	40	<b>11.</b> Pensions and other post-employment benefits	53
<b>3.</b> Net financial expense	43	<b>12.</b> Equity attributable to Roche shareholders	53
<b>4.</b> Income taxes	44	<b>13.</b> Subsidiaries	54
<b>5.</b> Business combinations	44	<b>14.</b> Earnings per share and non-voting equity security	54
<b>6.</b> Global restructuring plans	46	<b>15.</b> Statement of cash flows	55
<b>7.</b> Goodwill	48	<b>16.</b> Financial risk management	56
<b>8.</b> Intangible assets	49		
<b>9.</b> Provisions and contingent liabilities	50		
<b>Review Report of the Statutory Auditor</b>			<b>58</b>
<b>Supplementary Information</b>			<b>59</b>
<b>Roche Securities</b>			<b>65</b>

# Financial Review

## Group results



The Roche Group's results for the first half of 2016 showed sales growth of 5% at constant exchange rates (CER), with core operating profit and Core EPS also growing at 5%. Sales increased driven by the oncology portfolio, especially the HER2 franchise, and by the Professional Diagnostics business. Operating expenses increased, in particular research and development in cancer immunotherapies and costs for launching new products, offset by income from changes to the Group's Swiss pension plans. Operating free cash flow was CHF 5.5 billion or 21.9% of sales, a decrease of 19% due to increases in net working capital.

Sales in the Pharmaceuticals Division rose by 4% to CHF 19.5 billion. This increase was driven by the oncology portfolio, especially the HER2 franchise which grew by 10%. Sales in immunology grew, with Xolair and Actemra/RoActemra increasing by 19% and 17% respectively. Esbriet continued to grow with sales reaching CHF 0.4 billion. Regional growth was most significant in the US and Europe. Diagnostics sales grew at 6%, consolidating the Division's leading market position. The major growth area was Professional Diagnostics, with sales increasing by 9%. Molecular Diagnostics and Tissue Diagnostics increased by 8% and 12% respectively while sales in Diabetes Care decreased by 4% due to challenging market conditions in the US.

Core operating profit increased by 5% in the Pharmaceuticals Division and by 1% in the Diagnostics Division. For Pharmaceuticals marketing and distribution costs grew by 7% due to the launch of new products, notably for Tecentriq and Ocrevus. In research and development there were continued investments in oncology, especially in the cancer immunotherapy field. For Diagnostics cost of sales increased due to unfavourable product mix, higher technical service costs and higher costs from external suppliers. Research and development expenses increased in the sequencing and molecular diagnostics businesses. The results of both Divisions were positively impacted by the accounting effects of changes to the Group's Swiss pension plans.

Operating free cash flow was CHF 5.5 billion, a decrease of 19% at CER. The cash generation of the business was offset by increased net working capital. The increase in net working capital was related to an increase in trade receivables in the US due to the timing of payments from distributors at the end of 2015. Payables decreased since the end of 2015 as a result of the settlement of significant year-end accounts payable and accruals, including employee benefits and the timing of royalty payments. The free cash flow was CHF 2.8 billion, a decrease due to the lower operating free cash flow.

Net income increased by 3% at CER on an IFRS basis and by 5% on a core basis. The net financial expenses were lower due to lower interest expenses and lower net foreign exchange losses, partly offset by losses on bond redemption. In addition to the items described above in the core results, the IFRS results reflect impacts from contingent consideration arrangements, partially offset by higher intangible asset impairment and amortisation.

In the first half of 2016 compared to the first half of 2015, the Swiss franc was weaker against several major currencies, in particular the US dollar, the Japanese yen 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, a 2 percentage point impact on core operating profit and on Core EPS.

### Income statement

	Six months ended 30 June			
	2016 (CHF m)	2015 (CHF m)	% change (CHF)	% change (CER)
<b>IFRS results</b>				
Sales	25,022	23,585	+6	+5
Royalties and other operating income	986	1,245	-21	-23
Cost of sales	(7,578)	(7,249)	+5	+4
Marketing and distribution	(4,362)	(4,092)	+7	+5
Research and development	(5,297)	(4,493)	+18	+15
General and administration	(629)	(1,286)	-51	-52
<b>Operating profit</b>	<b>8,142</b>	<b>7,710</b>	<b>+6</b>	<b>+4</b>
Financing costs	(600)	(574)	+5	+4
Other financial income (expense)	(23)	(56)	-59	-56
<b>Profit before taxes</b>	<b>7,519</b>	<b>7,080</b>	<b>+6</b>	<b>+4</b>
Income taxes	(2,052)	(1,831)	+12	+9
<b>Net income</b>	<b>5,467</b>	<b>5,249</b>	<b>+4</b>	<b>+3</b>
Attributable to				
- Roche shareholders	5,378	5,154	+4	+3
- Non-controlling interests	89	95	-6	-17
EPS - Basic (CHF)	6.31	6.06	+4	+2
EPS - Diluted (CHF)	6.24	5.98	+4	+3
<b>Core results</b>				
Sales	25,022	23,585	+6	+5
Royalties and other operating income	986	1,245	-21	-23
Cost of sales	(6,428)	(6,198)	+4	+4
Marketing and distribution	(4,309)	(4,021)	+7	+6
Research and development	(4,780)	(4,351)	+10	+7
General and administration	(637)	(1,024)	-38	-39
<b>Operating profit</b>	<b>9,854</b>	<b>9,236</b>	<b>+7</b>	<b>+5</b>
Financing costs	(573)	(553)	+4	+3
Other financial income (expense)	(23)	(72)	-68	-66
<b>Profit before taxes</b>	<b>9,258</b>	<b>8,611</b>	<b>+8</b>	<b>+5</b>
Income taxes	(2,497)	(2,291)	+9	+6
<b>Net income</b>	<b>6,761</b>	<b>6,320</b>	<b>+7</b>	<b>+5</b>
Attributable to				
- Roche shareholders	6,663	6,220	+7	+6
- Non-controlling interests	98	100	-2	-13
Core EPS - Basic (CHF)	7.82	7.31	+7	+5
Core EPS - Diluted (CHF)	7.74	7.22	+7	+5

## Sales

In the first half of 2016 sales increased by 5% at CER (+6% in CHF; +2% in USD) to CHF 25.0 billion. Sales in the Pharmaceuticals Division rose 4% to CHF 19.5 billion, driven by growth in the HER2 franchise, as well as by Esbriet, Actemra/RoActemra and Xolair. MabThera/Rituxan and Avastin continued to show significant volume growth. Sales grew in all regions, particularly in the US and Europe where the HER2 franchise grew by 7% and 11% respectively. Pegasys sales declined due to the competition from a new generation of treatment. Lucentis sales in the US decreased due to competitive pressures. Tarceva sales decreased by 16% due to competition in the US and Europe. The Diagnostics Division recorded sales of CHF 5.6 billion, an increase of 6% at CER, consolidating its leading market position. The major growth area was Professional Diagnostics, which represents more than half of the Division's sales and grew by 9%, led by the immunodiagnostics business. Sales in Molecular Diagnostics and Tissue Diagnostics increased by 8% and 12% respectively. Diabetes Care sales decreased by 4%, impacted by challenging market conditions in North America.

### Divisional operating results for the six months ended 30 June 2016

	Pharmaceuticals (CHF m)	Diagnostics (CHF m)	Corporate (CHF m)	Group (CHF m)
Sales	19,460	5,562	-	25,022
Core operating profit	8,984	1,007	(137)	9,854
- margin, % of sales	46.2	18.1	-	39.4
Operating profit	7,631	664	(153)	8,142
- margin, % of sales	39.2	11.9	-	32.5
Operating free cash flow	5,937	(183)	(267)	5,487
- margin, % of sales	30.5	-3.3	-	21.9

### Divisional operating results – Development of results compared to the six months ended 30 June 2015

	Pharmaceuticals	Diagnostics	Corporate	Group
Sales				
- % increase CER	+4	+6	-	+5
Core operating profit				
- % increase CER	+5	+1	-22	+5
- margin: percentage point change	+0.1	-0.9	-	0
Operating profit				
- % increase CER	+4	-6	-14	+4
- margin: percentage point change	0	-1.6	-	-0.3
Operating free cash flow				
- % increase CER	-13	-	0	-19
- margin: percentage point change	-6.1	-6.8	-	-6.3

## Core operating results

In the first half of 2016 there was a major one-off item in the core results, which was income of CHF 426 million recorded from changes to the Group's pension plans in Switzerland (CHF 341 million after-tax). At CER this had a positive margin impact of 1.7 percentage points for the Group, 1.6 percentage points for the Pharmaceuticals Division and 1.4 percentage points for the Diagnostics Division. Excluding this, core operating profit was stable for the Group, grew by 1% for the Pharmaceuticals Division and fell by 6% in the Diagnostics Division.

**Pharmaceuticals Division.** The Division's core operating profit increased 5% at CER, ahead of the 4% sales increase. There was increased expenditure on research and development, especially in cancer immunotherapy, as well as launch expenses for Tecentriq and Ocrevus and other new products. This was offset by the one-time income from the pension plan changes.

**Diagnostics Division.** Core operating profit increased by 1% at CER, below the 6% increase in sales. Cost of sales were higher because of an unfavourable product mix, higher technical service costs and higher costs from external suppliers. Research and development costs increased due to the sequencing and molecular diagnostics businesses. These were partly offset by the one-time income from the pension plan changes.

## Acquisitions

The Roche Group did not complete any acquisitions in the first half of 2016.

During the first half of 2016 there was CHF 147 million of non-core income from contingent consideration provisions, mainly due to the partial reversal of the provision related to the Trophos acquisition. There was a related intangible asset impairment charge of CHF 187 million related to Trophos which offsets this provision reversal as noted below in the 'Impairment of goodwill and intangible assets' commentary. Non-core costs also include expenses of CHF 166 million (2015: CHF 223 million) from the release of the Esbriet inventory fair value adjustment, which is now fully unwound. See Notes 8 and 16 to the Interim Financial Statements.

## Global restructuring plans

During the first half of 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 the programme to address long-term profitability in the Diabetes Care business in the Diagnostics Division.

Global restructuring plans: costs incurred for the six months ended 30 June 2016 in millions of CHF

	Diagnostics <sup>1)</sup>	Site consolidation <sup>2)</sup>	Other plans <sup>3)</sup>	Total
Global restructuring costs				
- Employee-related costs	41	(3)	93	131
- Site closure costs	20	118	2	140
- Other reorganisation expenses	79	13	28	120
<b>Total costs</b>	<b>140</b>	<b>128</b>	<b>123</b>	<b>391</b>

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.** On 26 September 2013 Roche Diabetes Care announced the 'Autonomy and Speed' initiative which will enable the business to focus on Diabetes Care's specific requirements, speed up processes and decision-making and drive efficiencies. In the first half of 2016 total costs were CHF 67 million, mainly for consultancy and IT-related matters as well as employee-related costs. New strategy plans in Diagnostics incurred costs of CHF 48 million related to site closures and employees. Spending on other smaller plans within the Division was CHF 25 million and included costs related to certain IT projects.

**Site consolidation.** On 12 November 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 the first half of 2016 were CHF 113 million, of which CHF 75 million were non-cash write-downs and accelerated depreciation of property, plant and equipment. The divestment plans for the Nutley site in the US are on track.

**Other global restructuring plans.** The major items were CHF 49 million from the Pharmaceuticals Division research and development strategic realignment and CHF 44 million for outsourcing of IT functions to shared service centres and external providers.

## Impairment of goodwill and intangible assets

There were impairment charges of CHF 377 million in the Pharmaceuticals Division. The largest item was an impairment of CHF 187 million relating to a delay in the development of the compound acquired as part of the Trophos acquisition following regulatory feedback. There was a related decrease in the contingent consideration provision for the Trophos acquisition which contributed to the income of CHF 147 million noted above in the 'Acquisitions' commentary. There were no impairments in the Diagnostics Division. Further details are given in Note 8 to the Interim Financial Statements.

## Pensions and other post-employment benefits

During the first half of 2016 operating income of CHF 426 million was recorded for past service costs from changes to the Group's pension plans in Switzerland that were announced in June 2016. This represents the one-time impact of the adjustment of the pension liability for the plan changes. Of this amount, CHF 310 million was recorded in the Pharmaceuticals Division, CHF 77 million in the Diagnostics Division and CHF 39 million in Corporate. The after-tax impact was CHF 341 million.

Further information on the Group's pensions and other post-employment benefits is given in the commentary on page 28 below, in Note 11 to the Interim Financial Statements and in Note 25 to the 2015 Annual Financial Statements.

## Legal and environmental settlements

There were no significant developments in the first half of 2016. Further details are given in Note 9 to the Interim Financial Statements.

## Treasury and taxation

Financing costs were CHF 0.6 billion, an increase of 3%, due to losses on bond redemption, which more than offset the lower interest expenses. Other financial expenses were at CHF 23 million, including net foreign exchange losses of CHF 63 million, partly offset by income from equity securities. Core tax expenses increased by 6% to CHF 2.5 billion and the Group's effective core tax rate increased to 27.0% compared to 26.6% in the first half of 2015. This was largely due to the deferred tax impact arising from changes in some statutory tax rates.

## Net income and Earnings per share

IFRS net income and diluted EPS both increased by 4% in Swiss franc terms and by 3% at CER. Core net income and Core EPS increased by 5% at CER. The core basis excludes non-core items such as global restructuring costs, amortisation and impairment of goodwill and intangible assets, and alliance and business combination costs. Core EPS was stable when excluding the positive impact from the changes to the Group's Swiss pension plans.

### Net income

	Six months ended 30 June		% change	% change
	2016 (CHF m)	2015 (CHF m)	(CHF)	(CER)
<b>IFRS net income</b>	<b>5,467</b>	<b>5,249</b>	<b>+4</b>	<b>+3</b>
Reconciling items (net of tax)				
- Global restructuring	317	208	+52	+51
- Intangible asset amortisation	597	527	+13	+10
- Goodwill and intangible asset impairment	284	32	Over +500	Over +500
- Alliances and business combinations	4	285	-99	-99
- Legal and environmental settlements	21	9	+133	+139
- Pension plan settlements	0	(2)	-	-
- Normalisation of equity compensation plan tax benefit	71	12	+492	+446
<b>Core net income</b>	<b>6,761</b>	<b>6,320</b>	<b>+7</b>	<b>+5</b>

Supplementary net income and EPS information is given on pages 59–62. This includes calculations of Core EPS and reconciles the core results to the Group's published IFRS results.



## Financial position

	30 June 2016 (CHF m)	31 December 2015 (CHF m)	% change (CHF)	% change (CER)
<b>Pharmaceuticals</b>				
Net working capital	6,423	4,437	+45	+37
Long-term net operating assets	26,067	26,179	0	-1
<b>Diagnostics</b>				
Net working capital	3,351	2,533	+32	+31
Long-term net operating assets	12,932	12,899	0	+1
<b>Corporate</b>				
Net working capital	(69)	(108)	-36	-36
Long-term net operating assets	(210)	(258)	-19	-19
<b>Net operating assets</b>	<b>48,494</b>	<b>45,682</b>	<b>+6</b>	<b>+5</b>
Net debt	(18,273)	(14,080)	+30	+33
Pensions	(9,041)	(7,699)	+17	+17
Income taxes	(365)	(523)	-30	-19
Other non-operating assets, net	266	(80)	-	-
<b>Total net assets</b>	<b>21,081</b>	<b>23,300</b>	<b>-10</b>	<b>-13</b>

Compared to the start of the year the Swiss franc depreciated significantly against the Japanese yen and also against the Brazilian real and the euro, which resulted in a positive translation impact on balance sheet positions. The slight appreciation of the Swiss franc against the US dollar led to a negative translation impact on net operating assets, which was offset at Group level by the natural hedge from the Group's US dollar-denominated debt. The exchange rates used are given on page 23.

In the Pharmaceuticals Division net working capital increased significantly by 37% at CER. Trade receivables were higher due to strong sales in the US during 2016. Underlying inventory levels increased due to the timing of internal production campaigns and deliveries from external manufacturing partners and were partially offset by the final unwind of the Esbriet inventory fair value adjustment. Payables decreased since the end of 2015 following the settlement of significant year-end accounts payable and accruals, including employee benefits, and also due to the timing of royalty payments. Long-term net operating assets were slightly lower due to amortisation and impairment of intangible assets. In Diagnostics the increase in net working capital of 31% at CER was driven by an increase in inventories and a decrease in trade payables. The increase in inventories was due to high demand in emerging markets and the preparation for new launches. Payables decreased since the end of 2015 for similar reasons as described for the Pharmaceuticals Division. Long-term net operating assets increased mainly due to continued capital expenditure.

The increase in net debt was due to dividend payments of CHF 7.0 billion, partly offset by free cash flow of CHF 2.8 billion. The net pension liability increased to CHF 9.0 billion due to lower discount rates in all regions. The net tax liabilities decreased mainly due to the deferred tax effects of the increased net pension liabilities.

## Free cash flow

	Six months ended 30 June 2016 (CHF m)	2015 (CHF m)	% change (CHF)	% change (CER)
Pharmaceuticals	5,937	6,645	-11	-13
Diagnostics	(183)	146	-	-
Corporate	(267)	(266)	0	0
<b>Operating free cash flow</b>	<b>5,487</b>	<b>6,525</b>	<b>-16</b>	<b>-19</b>
Treasury activities	(890)	(713)	+25	+23
Taxes paid	(1,748)	(1,846)	-5	-7
<b>Free cash flow</b>	<b>2,849</b>	<b>3,966</b>	<b>-28</b>	<b>-32</b>

The Group's operating free cash flow for the first six months of 2016 was CHF 5.5 billion, a decrease of 19% at CER. The cash generation of the business was reduced by increases in net working capital and capital expenditure. The free cash flow in the first half of 2016 was CHF 2.8 billion, a decrease of 32% at CER compared to the first half of 2015, due to the lower operating free cash flow. The Group has refined the calculation of the free cash flow in 2016 to exclude dividends, in line with its peer group. Comparative 2015 free cash flow information has been restated accordingly. There was no impact on the operating free cash flow from this change.

# Pharmaceuticals operating results

## Pharmaceuticals Division interim operating results

	2016 (CHF m)	2015 (CHF m)	% change (CHF)	% change (CER)
<b>IFRS results</b>				
Sales	19,460	18,350	+6	+4
Royalties and other operating income	926	1,174	-21	-24
Cost of sales	(4,809)	(4,748)	+1	+1
Marketing and distribution	(3,048)	(2,837)	+7	+6
Research and development	(4,619)	(3,950)	+17	+15
General and administration	(279)	(842)	-67	-68
<b>Operating profit</b>	<b>7,631</b>	<b>7,147</b>	<b>+7</b>	<b>+4</b>
- margin, % of sales	39.2	38.9	+0.3	0.0
<b>Core results <sup>1)</sup></b>				
Sales	19,460	18,350	+6	+4
Royalties and other operating income	926	1,174	-21	-24
Cost of sales	(3,868)	(3,895)	-1	-1
Marketing and distribution	(3,039)	(2,801)	+8	+7
Research and development	(4,129)	(3,811)	+8	+6
General and administration	(366)	(625)	-41	-43
<b>Core operating profit</b>	<b>8,984</b>	<b>8,392</b>	<b>+7</b>	<b>+5</b>
- margin, % of sales	46.2	45.7	+0.5	+0.1
<b>Financial position</b>				
Net working capital	6,423	4,437	+45	+37
Long-term net operating assets	26,067	26,179	0	-1
<b>Net operating assets</b>	<b>32,490</b>	<b>30,616</b>	<b>+6</b>	<b>+5</b>
<b>Free cash flow</b>				
Operating free cash flow	5,937	6,645	-11	-13
- margin, % of sales	30.5	36.2	-5.7	-6.1

1) See pages 59–62 for definition of core results and Core EPS.

## Sales overview

### Pharmaceuticals Division – Interim sales by therapeutic area

Therapeutic area	2016 (CHF m)	2015 (CHF m)	% change (CER)	% of sales (2016)	% of sales (2015)
Oncology	12,418	11,656	+5	62	64
Immunology	3,414	2,932	+14	18	16
Infectious diseases	935	1,106	-16	5	6
Ophthalmology	704	769	-12	4	4
Neuroscience	325	326	+3	2	2
Other therapeutic areas	1,664	1,561	+3	9	8
<b>Total sales</b>	<b>19,460</b>	<b>18,350</b>	<b>+4</b>	<b>100</b>	<b>100</b>

Pharmaceuticals Division sales increased by 4% at CER to CHF 19.5 billion led by growth in oncology and immunology products. Sales growth was primarily driven by Perjeta, Herceptin, MabThera/Rituxan, Avastin, Esbriet, Actemra/RoActemra and Xolair. These products together contributed CHF 1.0 billion at CER to sales growth in the first half of 2016. Sales of Pegasys, Tarceva and Lucentis declined under competitive pressure.

The growth of 10% in the HER2 franchise resulted from increased demand for Perjeta and Herceptin in combination therapy and continued uptake of Kadcyla. Sales increases in immunology came from Esbriet in the US and increasing use of Actemra/RoActemra in the US and in Europe. MabThera/Rituxan and Avastin sales continued to grow, notably in China.

## Product sales

### Pharmaceuticals Division – Interim sales

	2016 (CHF m)	2015 (CHF m)	% change (CER)	% of sales (2016)	% of sales (2015)
<b>Oncology</b>					
Herceptin	3,434	3,265	+5	18	18
Avastin	3,430	3,263	+4	18	18
MabThera/Rituxan <sup>1)</sup>	2,952	2,813	+3	13	15
Perjeta	906	659	+34	5	4
Tarceva	520	602	-16	3	3
Kadcyla	408	362	+11	2	2
Xeloda	230	260	-12	1	1
Gazyva/Gazyvaro	91	63	+42	0	0
Others	447	369	+17	2	3
<b>Total Oncology</b>	<b>12,418</b>	<b>11,656</b>	<b>+5</b>	<b>62</b>	<b>64</b>
<b>Immunology</b>					
Actemra/RoActemra	814	675	+17	4	4
MabThera/Rituxan <sup>1)</sup>	750	683	+9	4	4
Xolair	731	593	+19	4	3
CellCept	373	388	-5	2	2
Esbriet	358	229	+51	2	1
Pulmozyme	337	306	+9	2	2
Others	51	58	-18	0	0
<b>Total Immunology</b>	<b>3,414</b>	<b>2,932</b>	<b>+14</b>	<b>18</b>	<b>16</b>
<b>Infectious diseases</b>					
Tamiflu	410	417	-5	2	2
Valcyte/Cymevene	160	187	-14	1	1
Rocephin	157	142	+11	1	1
Pegasys	143	285	-49	1	2
Others	65	75	-12	0	0
<b>Total Infectious diseases</b>	<b>935</b>	<b>1,106</b>	<b>-16</b>	<b>5</b>	<b>6</b>
<b>Ophthalmology</b>					
Lucentis	704	769	-12	4	4
<b>Total Ophthalmology</b>	<b>704</b>	<b>769</b>	<b>-12</b>	<b>4</b>	<b>4</b>
<b>Neuroscience</b>					
Madopar	140	134	+7	1	1
Others	185	192	0	1	1
<b>Total Neuroscience</b>	<b>325</b>	<b>326</b>	<b>+3</b>	<b>2</b>	<b>2</b>
<b>Other therapeutic areas</b>					
Activase/TNKase	537	437	+19	3	2
Mircera	241	222	+4	1	1
NeoRecormon/Epogin	161	182	-11	1	1
Edirol	139	111	+13	1	1
Others	586	609	-7	3	3
<b>Total other therapeutic areas</b>	<b>1,664</b>	<b>1,561</b>	<b>+3</b>	<b>9</b>	<b>8</b>
<b>Total sales</b>	<b>19,460</b>	<b>18,350</b>	<b>+4</b>	<b>100</b>	<b>100</b>

1) Total MabThera/Rituxan sales of CHF 3,702 million (2015: CHF 3,496 million) split between oncology and immunology franchises.

**HER2 franchise (Herceptin, Perjeta and Kadcyla).** For HER2-positive breast cancer and HER2-positive metastatic (advanced) gastric cancer. The HER2 franchise grew 10% overall. Herceptin sales grew by 5% due to longer duration of treatment in combination with Perjeta in the US as well as growing demand in the International region, particularly in China following improved reimbursement access. Perjeta sales increased in all regions, notably in Europe (+60%) and in the US (+16%). Kadcyla is approved as a single agent in more than 80 countries worldwide for the second-line treatment of people with HER2-positive advanced breast cancer and continued to grow in Europe (+7%).

**MabThera/Rituxan.** For non-Hodgkin lymphoma (NHL), chronic lymphocytic leukemia (CLL), follicular lymphoma (FL) and rheumatoid arthritis (RA) as well as certain types of ANCA-associated vasculitis. Sales were 4% higher, driven primarily by growth in the immunology segment. In the US, where Rituxan is widely used across nearly all approved indications, sales increased by 3%. Sales were also higher in Europe (+5%) and in the International region, particularly in China (+24%).

**Avastin.** For advanced colorectal, breast, lung, kidney, cervical and ovarian cancer, and relapsed glioblastoma (a type of brain tumour). Sales continued to grow and were driven by the International region, in particular China, where sales increased due to improved access in the lung and colorectal cancer setting. In Europe sales grew by 3% as a result of increasing treatment of colorectal cancer and breast cancer, in particular in Germany (+11%). In the US, where Avastin is already being broadly used in its approved indications, sales decreased by 1%. In Japan sales increased by 2% due to volume growth in all approved indications despite the negative impact from bi-annual government price cuts.

**Actemra/RoActemra.** For rheumatoid arthritis (RA) and forms of juvenile idiopathic arthritis. Sales increased by 17%, with growth in all regions, notably in the US (+18%) and Europe (+19%). The growth was driven by the uptake of the subcutaneous (SC) formulation, mainly in the US, Japan, France and the UK.

**Xolair.** For moderate to severe persistent allergic asthma (AA) and chronic idiopathic urticaria (CIU). Sales grew by 19%, driven by volume growth across both indications in the US.

**Lucentis.** For wet age-related macular degeneration (wAMD), macular edema following retinal vein occlusion (RVO) and diabetic macular edema (DME). Sales declined by 12% in the US due to competition in the wAMD and DME segments.

**Other products.** Sales of Esbriet, for idiopathic pulmonary fibrosis, increased by 51% notably in the US (+70%). Gazyva/Gazyvaro had sales growth of 42% due to uptake in chronic lymphocytic leukemia (CLL) in the US and in Europe.

#### Pharmaceuticals Division – Interim sales by region

Region	2016 (CHF m)	2015 (CHF m)	% change (CER)	% of sales (2016)	% of sales (2015)
United States	9,273	8,586	+4	48	47
Europe	4,639	4,291	+5	24	23
Japan	1,756	1,540	+2	9	8
International	3,792	3,933	+4	19	22
- EEMEA <sup>1)</sup>	851	790	+10	5	5
- Latin America	892	1,123	+2	5	6
- Asia-Pacific	1,627	1,545	+7	7	8
- Other regions	422	475	-9	2	3
<b>Total sales</b>	<b>19,460</b>	<b>18,350</b>	<b>+4</b>	<b>100</b>	<b>100</b>

1) Eastern Europe, Middle East and Africa.

**United States.** Sales grew by 4% led by the HER2 breast cancer franchise (+7%). The HER2 franchise growth was driven by longer duration of treatment for Herceptin and by Perjeta with neoadjuvant and continued first-line treatment for HER2-positive advanced breast cancer. Xolair sales (+19%) and Esbriet (+70%) were driven by increased demand. Sales of Lucentis fell by 12% due to competitive pressure in the wAMD and DME indications. In addition, Tamiflu sales declined by 18% due to a relatively weak influenza season.

**Europe.** Sales growth of 5% was due to Perjeta, MabThera/Rituxan, Actemra/RoActemra and Herceptin. The growth was partially offset by continued price pressure across the region. Sales in Germany grew by 12%, led by to the HER2 franchise, Avastin and MabThera/Rituxan. UK sales were negatively impacted by the Cancer Drugs Fund's delisting of Avastin.

**Japan.** Sales grew by 2% despite the government price cuts which had a negative effect on sales of approximately 4%. Growth was driven by the HER2 franchise (+9%), Alecensa (+71%), the osteoporosis medicine Edirof (+13%) and Actemra/RoActemra (+14%), partially offset by lower sales of Femara, Neutrogin and Oxarol.

**International.** Sales increased by 4% driven by the Asia-Pacific and Eastern Europe, Middle East and Africa sub-regions. Sales in China grew due to additional reimbursements for Herceptin and Avastin. For the Eastern Europe, Middle East and Africa sub-region sales growth came from oncology products and the timing of tender sales. Sales in Brazil decreased due to lower sales of Herceptin related to the phasing of tenders.

#### Pharmaceuticals Division – Interim sales for E7 leading emerging markets

Country	2016 (CHF m)	2015 (CHF m)	% change (CER)	% of sales (2016)	% of sales (2015)
Brazil	335	447	-10	2	2
China	846	787	+8	4	5
India	43	46	-4	0	0
Mexico	132	159	-5	1	1
Russia	63	69	+5	0	0
South Korea	154	139	+15	1	1
Turkey	153	149	+13	1	1
<b>Total sales</b>	<b>1,726</b>	<b>1,796</b>	<b>+3</b>	<b>9</b>	<b>10</b>

#### Operating results

##### Pharmaceuticals Division – Royalties and other operating income for the six months ended 30 June

	2016 (CHF m)	2015 (CHF m)	% change (CER)
Royalty income	766	869	-15
Income from out-licensing agreements	40	209	-82
Income from disposal of products and other	120	96	+21
<b>Total – IFRS and Core basis</b>	<b>926</b>	<b>1,174</b>	<b>-24</b>

The decrease of 24% at CER was due to lower income from out-licensing agreements and lower royalty income. Royalty income fell by 15% due to certain non-recurring royalty income in 2015, partly offset by a net increase in sales across the royalty portfolio. The decrease in out-licensing income was due to payments in 2015 for the commercialisation of Mircera in the US and from a collaboration partner for a de-blocking amendment. Income from product disposals and other operating income increased due to higher profit-sharing income, mainly as a result of higher Xolair sales in Europe.

##### Pharmaceuticals Division – Cost of sales for the six months ended 30 June

	2016 (CHF m)	2015 (CHF m)	% change (CER)
Manufacturing cost of goods sold and period costs	(2,393)	(2,276)	+7
Royalty expenses	(402)	(611)	-35
Collaboration and profit-sharing agreements	(1,069)	(1,007)	+3
Impairment of property, plant and equipment	(4)	(1)	+350
<b>Cost of sales – Core basis</b>	<b>(3,868)</b>	<b>(3,895)</b>	<b>-1</b>
Global restructuring plans	(121)	(37)	+209
Amortisation of intangible assets	(654)	(593)	+7
Business combinations – inventory fair value adjustment	(166)	(223)	-28
<b>Total – IFRS basis</b>	<b>(4,809)</b>	<b>(4,748)</b>	<b>+1</b>

Core costs decreased by 1% at CER. As a percentage of sales, cost of sales decreased by 1.3 percentage points to 19.9%. Manufacturing cost of sales grew at 7%, ahead of the sales growth of 4%. The Pharmaceuticals Division has made considerable investments in its biologics manufacturing network in recent years and as these facilities come on-line, this leads to a certain increase in costs, especially during the ramp-up phases. Additionally contract manufacturers are being used for some products to give flexibility and security to the supply chain. Royalty expenses were 35% lower due to the expiry of some royalties, including some for Avastin and Herceptin. Expenses from collaboration and profit-sharing agreements also increased driven by higher co-promotion expenses due to growing sales of Xolair in the US. Non-core costs include the amortisation of the intangible assets, mainly related to the InterMune acquisition, and the final unwind of the inventory fair value adjustment for the acquired Esbriet inventories.

#### Pharmaceuticals Division – Marketing and distribution for the six months ended 30 June

	2016 (CHF m)	2015 (CHF m)	% change (CER)
<b>Marketing and distribution – Core basis</b>	<b>(3,039)</b>	<b>(2,801)</b>	<b>+7</b>
Global restructuring plans	(8)	(35)	-83
Amortisation of intangible assets	(1)	(1)	0
<b>Total – IFRS basis</b>	<b>(3,048)</b>	<b>(2,837)</b>	<b>+6</b>

Core costs increased by 7% at CER and as a percentage of sales rose to 15.6% (2015: 15.3%). Costs were incurred to ensure increased patient access and for the launches of Tecentriq (atezolizumab), Ocrevus (ocrelizumab), Alecensa (alectinib) Venclaxta (venetoclax) and other products.

#### Pharmaceuticals Division – Research and development for the six months ended 30 June

	2016 (CHF m)	2015 (CHF m)	% change (CER)
<b>Research and development – Core basis</b>	<b>(4,129)</b>	<b>(3,811)</b>	<b>+6</b>
Global restructuring plans	(45)	(40)	+10
Amortisation of intangible assets	(68)	(54)	+24
Impairment of intangible assets	(377)	(45)	Over +500
<b>Total – IFRS basis</b>	<b>(4,619)</b>	<b>(3,950)</b>	<b>+15</b>

Core costs increased by 6% at CER and, as a percentage of sales, increased to 21.2% compared to 20.8% in 2015. The oncology franchise remained the primary area of research and development, notably in cancer immunotherapy. In late-stage development, growth in spend was mainly for the oncology and central nervous system areas. Early-stage research and development spending increased in areas related to immunology and inflammation. In addition the Pharmaceuticals Division spent CHF 363 million on the in-licensing of pipeline compounds and technologies, which are capitalised as intangible assets. Global restructuring costs of CHF 45 million were recorded, mainly resulting from strategic realignment of the research and development area. The impairment charges of CHF 377 million relate to a delay in the development of the compound acquired as part of the Trophos acquisition and a portfolio reassessment of one other compound.

#### Pharmaceuticals Division – General and administration for the six months ended 30 June

	2016 (CHF m)	2015 (CHF m)	% change (CER)
Administration	(556)	(528)	+4
Pensions – past service costs	311	0	-
Business taxes and capital taxes	(164)	(142)	+14
Other general items	43	45	-
<b>General and administration – Core basis</b>	<b>(366)</b>	<b>(625)</b>	<b>-43</b>
Global restructuring plans	(61)	(37)	+72
Alliances and business combinations	152	(179)	-
Legal and environmental settlements	(4)	(4)	-15
Pensions – settlement gains (losses)	0	3	-
<b>Total – IFRS basis</b>	<b>(279)</b>	<b>(842)</b>	<b>-68</b>

Core costs decreased by 43% at CER and as a percentage of sales decreased from 3.4% to 1.9% due to income from pension changes in the first half of 2016. Excluding this, core costs grew by 6%, primarily due to increased business taxes from the US Branded Prescription Drug Fee. The alliance and business combination income came from the partial reversal of the contingent consideration provision for the Trophos acquisition. This contrasts with an expense in the first half of 2015 relating to the Seragon acquisition.

## Roche Pharmaceuticals and Chugai sub-divisional operating results

Pharmaceuticals sub-divisional interim operating results in millions of CHF

	Roche Pharmaceuticals		Chugai		Pharmaceuticals Division	
	2016	2015	2016	2015	2016	2015
Sales						
- External customers	17,704	16,810	1,756	1,540	19,460	18,350
- Within Division	719	620	329	293	1,048	913
Core operating profit	8,552	8,108	380	355	8,984	8,392
- margin, % of sales to external customers	48.3	48.2	21.6	23.1	46.2	45.7
Operating profit	7,205	6,890	374	328	7,631	7,147
- margin, % of sales to external customers	40.7	41.0	21.3	21.3	39.2	38.9
Operating free cash flow	5,874	6,284	63	361	5,937	6,645
- margin, % of sales to external customers	33.2	37.4	3.6	23.4	30.5	36.2

Pharmaceuticals Division total core operating profit and operating profit both include the elimination of minus CHF 52 million of unrealised inter-company gains between Roche Pharmaceuticals and Chugai (2015: positive CHF 71 million).

The increase in the exchange rate of the Japanese yen has a positive impact of approximately 12% on the Chugai results when expressed in Swiss francs. Sales to external customers by Chugai increased by 2% in Japanese yen while sales within the Division were in line with the previous year. Chugai core operating profit decreased by 4% due to lower gross profit on sales within the Division and higher research and development costs, partially offset by higher gross profit on sales to external customers. Operating free cash flow at Chugai decreased by 84% due to capital expenditure projects in manufacturing and research.

## Financial position

### Pharmaceuticals Division – Net operating assets

	30 June 2016 (CHF m)	31 Dec. 2015 (CHF m)	% change (CHF)	% change (CER)	Movement: Transactions (CHF m)	Movement: CTA (CHF m)
Trade receivables	6,272	5,550	+13	+10	570	152
Inventories	5,948	5,655	+5	+2	161	132
Trade payables	(1,053)	(1,541)	-32	-32	506	(18)
<b>Net trade working capital</b>	<b>11,167</b>	<b>9,664</b>	<b>+16</b>	<b>+12</b>	<b>1,237</b>	<b>266</b>
Other receivables/(payables)	(4,744)	(5,227)	-9	-10	492	(9)
<b>Net working capital</b>	<b>6,423</b>	<b>4,437</b>	<b>+45</b>	<b>+37</b>	<b>1,729</b>	<b>257</b>
Property, plant and equipment	13,537	13,082	+3	+2	287	168
Goodwill and intangible assets	15,499	16,320	-5	-5	(736)	(85)
Provisions	(3,066)	(3,298)	-7	-7	225	7
Other long-term assets, net	97	75	+29	+24	20	2
<b>Long-term net operating assets</b>	<b>26,067</b>	<b>26,179</b>	<b>0</b>	<b>-1</b>	<b>(204)</b>	<b>92</b>
<b>Net operating assets</b>	<b>32,490</b>	<b>30,616</b>	<b>+6</b>	<b>+5</b>	<b>1,525</b>	<b>349</b>

The absolute amount of the movement between the 30 June 2016 and 31 December 2015 consolidated balances reported in Swiss francs is split between actual 2016 transactions (translated at average rates for 2015) and the currency translation adjustment (CTA) that arises on consolidation. The 2016 transactions include non-cash movements and therefore the movements in this table are not the same as the amounts shown in the operating free cash flow (which only includes the cash movements). A full consolidated balance sheet is given on page 35 of the Interim Financial Statements, and a reconciliation between that balance sheet and the information given above is on page 64.

**Currency translation effects on balance sheet amounts.** Compared to the start of the year the Swiss franc depreciated significantly against the Japanese yen and also against the Brazilian real and the euro, resulting in a positive translation impact on net operating assets. This was partly offset by the slight appreciation of the Swiss franc against the US dollar. The exchange rates used are given on page 23.

**Net working capital.** There was an increase in trade receivables in the US due to the strong sales during 2016. Increases in inventory levels from the timing of internal production campaigns and deliveries from external manufacturing partners were partially offset by the final unwind of the Esbriet inventory fair value adjustment. Payables decreased since the end of 2015 as a result of the settlement of significant year-end accounts payable and accruals, including employee benefits, and due to the timing of royalty payments.

**Long-term net operating assets.** Overall long-term net operating assets are stable. Intangible assets decreased due to amortisation and impairment. Provisions decreased due to the reversal of contingent consideration provisions and the utilisation of restructuring provisions, mainly related to restructuring of the Division's manufacturing network. Property, plant and equipment has increased due to projects in Switzerland, including a new manufacturing building for antibody drug substance and a new IT centre, as well as new manufacturing plants at Chugai and Genentech and further site development at the South San Francisco campus.



**Free cash flow****Pharmaceuticals Division – Operating free cash flow for the six months ended 30 June**

	2016 (CHF m)	2015 (CHF m)	% change (CHF)	% change (CER)
<b>Operating profit</b>	<b>7,631</b>	<b>7,147</b>	<b>+7</b>	<b>+4</b>
- Depreciation, amortisation and impairment	1,714	1,216	+41	+38
- Provisions	(242)	76	-	-
- Equity compensation plans	165	148	+11	+8
- Other	(2)	497	-	-
<b>Operating profit cash adjustments<sup>1)</sup></b>	<b>1,635</b>	<b>1,937</b>	<b>-16</b>	<b>-19</b>
<b>Operating profit, net of operating cash adjustments</b>	<b>9,266</b>	<b>9,084</b>	<b>+2</b>	<b>-1</b>
(Increase) decrease in net working capital	(1,886)	(1,132)	+67	+64
Investments in property, plant and equipment	(1,068)	(1,053)	+1	-2
Investments in intangible assets	(375)	(254)	+48	+45
<b>Operating free cash flow</b>	<b>5,937</b>	<b>6,645</b>	<b>-11</b>	<b>-13</b>
- as % of sales	30.5	36.2	-5.7	-6.1

1) A detailed breakdown is provided on page 63.

The Pharmaceuticals Division's operating free cash flow decreased to CHF 5.9 billion. Increasing net working capital and higher investments in intangible assets led to a 13% decline in operating free cash flow. The operating profit, net of operating cash adjustments, declined by 1% at CER. This was due to increased expenditure on product launches and pipeline development in the first half of 2016. The increase in net working capital was a result of higher receivables due to strong US sales and due to decreasing payables following the settlement of the year-end 2015 positions.

# Diagnostics operating results

## Diagnostics Division interim operating results

	2016 (CHF m)	2015 (CHF m)	% change (CHF)	% change (CER)
<b>IFRS results</b>				
Sales	5,562	5,235	+6	+6
Royalties and other operating income	60	71	-15	-17
Cost of sales	(2,769)	(2,501)	+11	+11
Marketing and distribution	(1,314)	(1,255)	+5	+4
Research and development	(678)	(543)	+25	+22
General and administration	(197)	(266)	-26	-28
<b>Operating profit</b>	<b>664</b>	<b>741</b>	<b>-10</b>	<b>-6</b>
- margin, % of sales	11.9	14.2	-2.3	-1.6
<b>Core results<sup>1)</sup></b>				
Sales	5,562	5,235	+6	+6
Royalties and other operating income	60	71	-15	-17
Cost of sales	(2,560)	(2,303)	+11	+11
Marketing and distribution	(1,270)	(1,220)	+4	+4
Research and development	(651)	(540)	+21	+17
General and administration	(134)	(222)	-40	-41
<b>Core operating profit</b>	<b>1,007</b>	<b>1,021</b>	<b>-1</b>	<b>+1</b>
- margin, % of sales	18.1	19.5	-1.4	-0.9
<b>Financial position</b>				
Net working capital	3,351	2,533	+32	+31
Long-term net operating assets	12,932	12,899	0	+1
<b>Net operating assets</b>	<b>16,283</b>	<b>15,432</b>	<b>+6</b>	<b>+6</b>
<b>Free cash flow</b>				
Operating free cash flow	(183)	146	-	-
- margin, % of sales	(3.3)	2.8	-6.1	-6.8

1) See pages 59–62 for definition of core results and Core EPS.

## Sales

The Diagnostics Division continued to increase sales with growth of 6% at CER to CHF 5.6 billion. Professional Diagnostics, with 9% sales growth, was the main contributor led by its immunodiagnostics business. Molecular Diagnostics sales increased by 8%, with growth in the underlying molecular businesses of 2% as well as growth in the sequencing business coming from the Ariosa and Kapa acquisitions completed in 2015. Diabetes Care sales decreased by 4% due to continued challenging market environment in the US. The growth in Tissue Diagnostics was driven by the advanced staining product portfolio.

## Diagnostics Division – Interim sales by business area

Business area	2016 (CHF m)	2015 (CHF m)	% change (CER)	% of sales (2016)	% of sales (2015)
Professional Diagnostics	3,233	2,972	+9	58	57
Diabetes Care	998	1,057	-4	18	20
Molecular Diagnostics	903	832	+8	16	16
Tissue Diagnostics	428	374	+12	8	7
<b>Total sales</b>	<b>5,562</b>	<b>5,235</b>	<b>+6</b>	<b>100</b>	<b>100</b>

**Professional Diagnostics.** With an increase in sales of 9%, the business area was the major contributor to the divisional performance in all regions, with growth being primarily driven by the immunodiagnostics business (+14%), which now represents 29% of divisional sales. This was also supported by the clinical chemistry business (+6%). The Professional Diagnostics business is growing in all regions, but especially in Asia-Pacific (+19%) due to sales in China. The growth reported in the Europe, Middle East and Africa ('EMEA') region of 3% was mainly due to the immunodiagnostics (+7%).

**Diabetes Care.** Sales decreased 4%, predominantly due to a continued spillover of Medicare prices to commercial plans for the blood glucose monitoring portfolio in the US, leading to a decline in North America of 28%. The decrease of 4% in EMEA was mainly due to the UK, partially offset by good growth in several European countries such as Russia. Sales growth in Latin America (+43%) was due to new tenders and local inflationary effects.

**Molecular Diagnostics.** Sales rose 8% with growth in the underlying molecular businesses of 2% as well as growth in the sequencing business. The growth in the underlying molecular businesses sales came from the virology, the HPV (cervical cancer screening) and the microbiology business. This was partly offset by a sales decline in the biochemical reagent business and the genomics and oncology business. Sales from the sequencing business increased driven by the Ariosa and Kapa acquisitions completed in 2015. Regionally, growth was driven by Asia-Pacific (+25%) and North America (+8%) due to strong sales in the US.

**Tissue Diagnostics.** Sales rose 12%, driven by 9% growth in the advanced staining portfolio. Companion diagnostics sales grew by 29%. In addition sales grew in the primary staining business due to the launch of the new HE 600 instruments at the end of 2015. Regionally, growth was driven by North America (+12%) and EMEA (+8%). In both regions the growth was driven by the advanced staining portfolio. Sales in Asia-Pacific grew by 16%, with China as the main market.

#### Diagnostics Division – Interim sales by region

Region	2016 (CHF m)	2015 (CHF m)	% change (CER)	% of sales (2016)	% of sales (2015)
Europe, Middle East and Africa (EMEA)	2,314	2,260	+1	42	43
North America	1,466	1,394	+2	26	27
Asia-Pacific	1,192	1,037	+17	21	19
Latin America	375	355	+27	7	7
Japan	215	189	+2	4	4
<b>Total sales</b>	<b>5,562</b>	<b>5,235</b>	<b>+6</b>	<b>100</b>	<b>100</b>

In the EMEA and North America regions, the Division's largest markets, the sales increases were led by Professional Diagnostics and Molecular Diagnostics. The sales growth in North America was partially offset by the decline of the Diabetes Care business, which was impacted by continued pricing pressure. The sales increase in Asia-Pacific was mainly in China (+24%). In Latin America sales increased by 27% due to new tender business and local inflationary price increases. Sales growth in Japan was led by the Professional Diagnostics business.

#### Diagnostics Division – Interim sales for E7 leading emerging markets

Country	2016 (CHF m)	2015 (CHF m)	% change (CER)	% of sales (2016)	% of sales (2015)
Brazil	99	101	+19	2	2
China	733	600	+24	13	11
India	67	60	+15	1	1
Mexico	68	46	+70	1	1
Russia	51	44	+34	1	1
South Korea	90	85	+10	2	2
Turkey	62	61	+12	1	1
<b>Total sales</b>	<b>1,170</b>	<b>997</b>	<b>+23</b>	<b>21</b>	<b>19</b>

## Operating results

### Diagnostics Division – Royalties and other operating income for the six months ended 30 June

	2016 (CHF m)	2015 (CHF m)	% change (CER)
Royalty income	53	64	-21
Income from out-licensing agreements	0	0	0
Income from disposal of products and other	7	7	+19
<b>Total – IFRS and Core basis</b>	<b>60</b>	<b>71</b>	<b>-17</b>

The decrease of 17% at CER was driven by lower royalty income, notably in Molecular Diagnostics, due to the base effect of back royalty payments in 2015 as well as expiry of a PCR technology patent.

### Diagnostics Division – Cost of sales for the six months ended 30 June

	2016 (CHF m)	2015 (CHF m)	% change (CER)
Manufacturing cost of goods sold and period costs	(2,485)	(2,194)	+14
Royalty expenses	(75)	(109)	-31
<b>Cost of sales – Core basis</b>	<b>(2,560)</b>	<b>(2,303)</b>	<b>+11</b>
Global restructuring plans	(40)	(47)	-16
Amortisation of intangible assets	(169)	(151)	+8
<b>Total – IFRS basis</b>	<b>(2,769)</b>	<b>(2,501)</b>	<b>+11</b>

Core costs increased by 11% at CER. This is primarily due to unfavourable product mix, higher technical service costs and higher costs from external suppliers. The core cost of sales ratio increased to 46.1% compared to 44.1% in the first half of 2015. Global restructuring costs were mainly related to site closures and costs for the initiative to harmonise processes and systems.

### Diagnostics Division – Marketing and distribution for the six months ended 30 June

	2016 (CHF m)	2015 (CHF m)	% change (CER)
<b>Marketing and distribution – Core basis</b>	<b>(1,270)</b>	<b>(1,220)</b>	<b>+4</b>
Global restructuring plans	(43)	(35)	+22
Amortisation of intangible assets	(1)	0	-
<b>Total – IFRS basis</b>	<b>(1,314)</b>	<b>(1,255)</b>	<b>+4</b>

Core costs increased by 4% at CER, primarily due to increased spending in the Asia-Pacific and EMEA regions. There was also higher spending in sequencing business, partly offset by cost containment in Diabetes Care. On a core basis, marketing and distribution costs as a percentage of sales decreased to 22.8% compared to 23.3% in 2015. Global restructuring costs were mainly due to the reorganisation of the Diabetes Care business.

### Diagnostics Division – Research and development for the six months ended 30 June

	2016 (CHF m)	2015 (CHF m)	% change (CER)
<b>Research and development – Core basis</b>	<b>(651)</b>	<b>(540)</b>	<b>+17</b>
Global restructuring plans	(24)	(2)	Over +500
Amortisation of intangible assets	(3)	(1)	+118
<b>Total – IFRS basis</b>	<b>(678)</b>	<b>(543)</b>	<b>+22</b>

Core costs increased by 17% at CER, driven in part by spending in sequencing and molecular diagnostics on projects such as the HPV Surepath trial and the cobas 4800. The recent Genia, Ariosa and GeneWeave acquisitions also contributed to the increase. As a percentage of sales, research and development core costs increased to 11.7% from 10.3% in 2015.

## Diagnostics Division – General and administration for the six months ended 30 June

	2016 (CHF m)	2015 (CHF m)	% change (CER)
Administration	(245)	(203)	+19
Pension – past service costs	77	0	–
Business taxes and capital taxes	(10)	(20)	–52
Other general items	44	1	Over +500
<b>General and administration – Core basis</b>	<b>(134)</b>	<b>(222)</b>	<b>–41</b>
Global restructuring plans	(34)	(33)	–6
Alliances and business combinations	(6)	(7)	–15
Legal and environmental settlements	(23)	(4)	Over +500
<b>Total – IFRS basis</b>	<b>(197)</b>	<b>(266)</b>	<b>–28</b>

Core costs decreased by 41% at CER due to the income from pension changes in 2016. Excluding this, core costs decreased by 7%. Administration costs grew by 19% due to the ramp-up of the sequencing business and newly-established affiliates. Business taxes decreased because of the suspension of the Medical Device Excise Tax in the US. The income in other general items reflects underspending on IT and infrastructure areas. As a percentage of sales, core costs decreased to 2.4% from 4.2% in 2015.

## Financial position

## Diagnostics Division – Net operating assets

	30 June 2016 (CHF m)	31 Dec. 2015 (CHF m)	% change (CHF)	% change (CER)	Movement: Transactions (CHF m)	Movement: CTA (CHF m)
Trade receivables	2,932	2,872	+2	+2	36	24
Inventories	2,273	1,993	+14	+14	266	14
Trade payables	(635)	(895)	–29	–29	265	(5)
<b>Net trade working capital</b>	<b>4,570</b>	<b>3,970</b>	<b>+15</b>	<b>+15</b>	<b>567</b>	<b>33</b>
Other receivables/(payables)	(1,219)	(1,437)	–15	–15	219	(1)
<b>Net working capital</b>	<b>3,351</b>	<b>2,533</b>	<b>+32</b>	<b>+31</b>	<b>786</b>	<b>32</b>
Property, plant and equipment	5,413	5,250	+3	+3	160	3
Goodwill and intangible assets	8,408	8,623	–2	–2	(169)	(46)
Provisions	(890)	(947)	–6	–6	53	4
Other long-term assets, net	1	(27)	–104	–98	28	0
<b>Long-term net operating assets</b>	<b>12,932</b>	<b>12,899</b>	<b>0</b>	<b>+1</b>	<b>72</b>	<b>(39)</b>
<b>Net operating assets</b>	<b>16,283</b>	<b>15,432</b>	<b>+6</b>	<b>+6</b>	<b>858</b>	<b>(7)</b>

The absolute amount of the movement between the 30 June 2016 and 31 December 2015 consolidated balances reported in Swiss francs is split between actual 2016 transactions (translated at average rates for 2015) and the currency translation adjustment (CTA) that arises on consolidation. The 2016 transactions include non-cash movements and therefore the movements in this table are not the same as the amounts shown in the operating free cash flow (which only includes the cash movements). A full consolidated balance sheet is given on page 35 of the Interim Financial Statements, and a reconciliation between that balance sheet and the information given above is on page 64.

**Currency translation effects on balance sheet amounts.** Compared to the start of the year the Swiss franc depreciated against the euro and the Brazilian real resulting in a positive translation impact on net operating assets, offset by the slight appreciation of the Swiss franc against the US dollar. The Diagnostics Division does not have a significant net asset position in Japanese yen so the depreciation of the Swiss franc against the Japanese yen had only a minor impact. The exchange rates used are given on page 23.

**Net working capital.** Net trade working capital increased by 15% at CER. Trade receivables increased by 2% due to the growth in sales. Inventories increased by 14% due to high demand in emerging markets, notably in China and certain Latin American countries, and due to preparation for new launches. Trade payables decreased by 29% compared to the start of the year following the settlement of year-end positions. The net liability for other receivables/payables decreased due to lower liabilities for VAT and other business taxes.

**Long-term net operating assets.** The increase of 1% at CER was due to higher property, plant and equipment and decreased provisions offset by lower intangible assets. Property, plant and equipment increased by 3% due to manufacturing site expansion in China, the US and Germany, as well as site infrastructure development in Germany, the US and Switzerland. Provisions decreased by 6% following the payment of milestones related to the IQuum and Ariosa acquisitions. The 2% decrease in goodwill and intangible assets was due to amortisation.

## Free cash flow

### Diagnostics Division – Operating free cash flow for the six months ended 30 June

	2016 (CHF m)	2015 (CHF m)	% change (CHF)	% change (CER)
<b>Operating profit</b>	<b>664</b>	<b>741</b>	<b>-10</b>	<b>-6</b>
- Depreciation, amortisation and impairment	638	577	+11	+10
- Provisions	9	(13)	-	-
- Equity compensation plans	29	22	+32	+30
- Other	(2)	53	-	-
<b>Operating profit cash adjustments<sup>1)</sup></b>	<b>674</b>	<b>639</b>	<b>+5</b>	<b>-3</b>
<b>Operating profit, net of operating cash adjustments</b>	<b>1,338</b>	<b>1,380</b>	<b>-3</b>	<b>-4</b>
(Increase) decrease in net working capital	(851)	(598)	+42	+48
Investments in property, plant and equipment	(665)	(556)	+20	+19
Investments in intangible assets	(5)	(80)	-94	-94
<b>Operating free cash flow</b>	<b>(183)</b>	<b>146</b>	<b>-</b>	<b>-</b>
- as % of sales	-3.3	2.8	-6.1	-6.8

1) A detailed breakdown is provided on page 63.

The operating free cash flow of the Diagnostics Division was a net cash outflow of CHF 183 million compared to a net cash inflow of CHF 146 million in the first half of 2015. The cash generation of the business, measured by the operating cash flow, net of operating cash adjustments fell by 4% at CER due to the lower operating results and expenditure on restructuring in Diabetes Care. In addition net working capital increased by 48%, as noted above in the comments on the financial position. Increased capital expenditure came from the expansion of manufacturing sites, notably in China for immunochemistry and clinical chemistry products and at the sites in Penzberg, Germany and Indianapolis, US to support the manufacture of reagents. There was also further development of the Division's headquarters in Switzerland. This was partially offset by lower investments in intangible assets compared to the same period in 2015.

# Corporate operating results

## Corporate interim operating results summary

	2016 (CHF m)	2015 (CHF m)	% change (CER)
Administration	(206)	(201)	+2
Pension – past service costs	39	0	–
Business taxes and capital taxes	(9)	(10)	–6
Other general items	39	34	+9
<b>General and administration costs – Core basis<sup>1)</sup></b>	<b>(137)</b>	<b>(177)</b>	<b>–22</b>
Global restructuring plans	(15)	(1)	Over +500
Legal and environmental settlements	(1)	0	–
<b>Total costs – IFRS basis</b>	<b>(153)</b>	<b>(178)</b>	<b>–22</b>
<b>Financial position</b>			
Net working capital	(69)	(108)	–36
Long-term net operating assets	(210)	(258)	–19
<b>Net operating assets</b>	<b>(279)</b>	<b>(366)</b>	<b>–24</b>
<b>Free cash flow</b>			
Operating free cash flow	(267)	(266)	0

1) See pages 59–62 for definition of core results and Core EPS.

General and administration costs decreased by 22% at CER on a core basis, driven by the income from pension changes in the first half of 2016. Excluding this, core costs were stable. The change in net operating assets was due to the utilisation of provisions for environmental remediation activities in Nutley, US and Grenzach, Germany. Corporate operating free cash flow showed a higher outflow due to the settlement of accounts payable and utilisation of provisions.

## Foreign exchange impact on operating results

The Group's exposure to movements in foreign currencies affecting its operating results, as expressed in Swiss francs, is summarised by the following key figures and comments.

### Growth (reported at CER and in Swiss francs) for the six months ended 30 June

	% change (CER)		% change (CHF)	
	2016	2015	2016	2015
<b>Pharmaceuticals Division</b>				
Sales	+4	+5	+6	+3
Core operating profit	+5	+1	+7	-2
<b>Diagnostics Division</b>				
Sales	+6	+7	+6	+2
Core operating profit	+1	+7	-1	+3
<b>Group</b>				
Sales	+5	+6	+6	+3
Core operating profit	+5	+2	+7	-2

### Exchange rates against the Swiss franc

	30 June 2016	Average to 30 June 2016	31 December 2015	Average to 30 June 2015
1 USD	0.98	0.98	0.99	0.95
1 EUR	1.09	1.10	1.08	1.06
100 JPY	0.95	0.88	0.82	0.79

In the first half of 2016 compared to the first half of 2015, the Swiss franc was weaker against a number of currencies, in particular the US dollar, the Japanese yen and the euro. The appreciation of the main currencies resulted in a total positive foreign exchange impact on the income statement compared to a negative impact in 2015. For sales, these developments resulted in a positive impact of 1 percentage point, equivalent to CHF 0.3 billion when translated into Swiss francs. The currency translation gain on the operating profit is 2 percentage points, mainly from the appreciation of the euro. The sensitivity of Group sales and core operating profit to a 1% change in average foreign currency exchange rates against the Swiss franc during the first half of 2016 is shown in the table below.

### Currency sensitivities for the six months ended 30 June 2016

Impact of 1% change in average exchange rate versus the Swiss franc	Sales (CHF m)	Core operating profit (CHF m)
US dollar	110	48
Euro	50	24
Japanese yen	20	11
All other currencies	60	33



# Treasury and taxation results

## Treasury and taxation interim results

	2016 (CHF m)	2015 (CHF m)	% change (CHF)	% change (CER)
<b>IFRS results</b>				
Operating profit	8,142	7,710	+6	+4
Financing costs	(600)	(574)	+5	+4
Other financial income (expense)	(23)	(56)	-59	-56
<b>Profit before taxes</b>	<b>7,519</b>	<b>7,080</b>	<b>+6</b>	<b>+4</b>
Income taxes	(2,052)	(1,831)	+12	+9
<b>Net income</b>	<b>5,467</b>	<b>5,249</b>	<b>+4</b>	<b>+3</b>
Attributable to				
- Roche shareholders	5,378	5,154	+4	+3
- Non-controlling interests	89	95	-6	-17
<b>Core results<sup>1)</sup></b>				
Operating profit	9,854	9,236	+7	+5
Financing costs	(573)	(553)	+4	+3
Other financial income (expense)	(23)	(72)	-68	-66
<b>Profit before taxes</b>	<b>9,258</b>	<b>8,611</b>	<b>+8</b>	<b>+5</b>
Income taxes	(2,497)	(2,291)	+9	+6
<b>Net income</b>	<b>6,761</b>	<b>6,320</b>	<b>+7</b>	<b>+5</b>
Attributable to				
- Roche shareholders	6,663	6,220	+7	+6
- Non-controlling interests	98	100	-2	-13
<b>Financial position – Treasury and taxation</b>				
Net debt	(18,273)	(14,080)	+30	+33
Pensions	(9,041)	(7,699)	+17	+17
Income taxes	(365)	(523)	-30	-19
Financial non-current assets	527	321	+64	+61
Derivatives, net	(190)	(470)	-60	-62
Collateral, net	92	454	-80	-80
Interest payable	(202)	(445)	-55	-54
Other non-operating assets, net	39	60	-35	-29
<b>Total net assets (liabilities)</b>	<b>(27,413)</b>	<b>(22,382)</b>	<b>+22</b>	<b>+25</b>
<b>Free cash flow – Treasury and taxation<sup>2)</sup></b>				
Treasury activities	(890)	(713)	+25	+23
Taxes paid	(1,748)	(1,846)	-5	-7
<b>Total</b>	<b>(2,638)</b>	<b>(2,559)</b>	<b>+3</b>	<b>+1</b>

1) See pages 59–62 for definition of core results and Core EPS.

2) 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 the six months ended 30 June 2015 has been restated accordingly.

## Financing costs

Core financing costs were CHF 573 million, an increase of 3% at CER compared to the first half of 2015. Losses on bond redemptions were CHF 100 million and this more than offset lower interest expenses due to the refinancing of debt at lower interest rates. The net interest cost of defined benefit pension plans increased by 6% at CER to CHF 95 million due to higher discount rates in the US and Germany at the end of 2015. A full analysis of financing costs is given in Note 3 to the Interim Financial Statements.

## Other financial income (expense)

Core other financial income (expense) was a net expense of CHF 23 million compared to a net expense of CHF 72 million in the first half of 2015. Net income from equity securities was CHF 36 million. Interest income and income from debt securities were stable at CHF 15 million in an environment of continued low interest rates. The net foreign exchange results reflect hedging costs and losses on unhedged positions. Net foreign exchange losses in the first half of 2016 were CHF 63 million compared to net losses of CHF 94 million in the same period of 2015, which included a loss of CHF 100 million for Venezuela. A full analysis of other financial income (expense) is given in Note 3 to the Interim Financial Statements.

## Income taxes

The Group's effective core tax rate increased by 0.4 percentage points to 27.0% in the first half of 2016. This was largely due to the deferred tax impact resulting from changes in some statutory tax rates. The IFRS results include the deferred tax impact in respect of equity compensation plans, which varies according to the price of the underlying equities and increased the effective tax rate in the IFRS results compared to the core results.

### Analysis of the Group's effective tax rate for the six months ended 30 June

	2016			2015		
	Profit before tax (CHF m)	Income taxes (CHF m)	Tax rate (%)	Profit before tax (CHF m)	Income taxes (CHF m)	Tax rate (%)
<b>Group's effective tax rate – Core basis</b>	<b>9,258</b>	<b>(2,497)</b>	<b>27.0</b>	<b>8,611</b>	<b>(2,291)</b>	<b>26.6</b>
Global restructuring plans	(392)	75	19.1	(268)	60	22.4
Goodwill and intangible assets	(1,273)	392	30.8	(845)	286	33.8
Alliances and business combinations	(42)	38	90.5	(407)	122	30.0
Legal and environmental settlements	(32)	11	34.4	(14)	5	35.7
Equity compensation plans	–	(71)	–	–	(12)	–
Other	–	–	–	3	(1)	33.3
<b>Group's effective tax rate – IFRS basis</b>	<b>7,519</b>	<b>(2,052)</b>	<b>27.3</b>	<b>7,080</b>	<b>(1,831)</b>	<b>25.9</b>

## Financial position

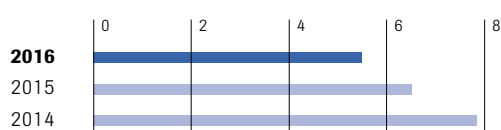
The increase in net debt was due to the dividend payment of CHF 7.0 billion partly offset by the free cash flow of CHF 2.8 billion. The net pension liability increased to CHF 9.0 billion due to lower discount rates in all regions. The net tax liabilities decreased mainly due to the deferred tax effects of the increased net pension liabilities. Interest payable relates to bonds and notes with coupon payment dates in March and September, and the decline is due to CHF 0.6 billion of coupon payments on bonds and notes during the interim period, partly offset by interest accrued in the same period. At 30 June 2016 the Group held financial long-term assets with a market value of CHF 0.5 billion, which consist mostly of holdings in biotechnology and other pharmaceuticals companies which were acquired as part of licensing transactions or scientific collaborations.

## Free cash flow

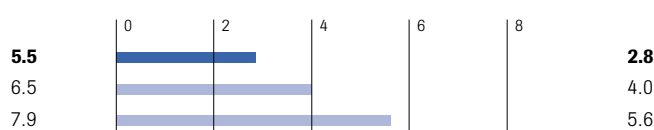
The cash outflow from treasury activities increased to CHF 0.9 billion due to investments in financial long-term assets and higher pension contributions, partly offset by lower interest payments. Total taxes paid in the first half of 2016 were CHF 1.7 billion, a decrease of 7% due to the prepayments of tax in 2015. 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 the six months ended 30 June 2015 has been restated accordingly.

## Cash flows and net debt

Operating free cash flow in billions of CHF



Free cash flow in billions of CHF



Free cash flow for the six months ended 30 June

	Pharmaceuticals (CHF m)	Diagnostics (CHF m)	Corporate (CHF m)	Group (CHF m)
<b>2016</b>				
Operating profit – IFRS basis	7,631	664	(153)	8,142
Operating profit cash adjustments	1,635	674	(72)	2,237
<b>Operating profit, net of operating cash adjustments</b>	<b>9,266</b>	<b>1,338</b>	<b>(225)</b>	<b>10,379</b>
(Increase) decrease in net working capital	(1,886)	(851)	(39)	(2,776)
Investments in property, plant and equipment	(1,068)	(665)	(3)	(1,736)
Investments in intangible assets	(375)	(5)	0	(380)
<b>Operating free cash flow</b>	<b>5,937</b>	<b>(183)</b>	<b>(267)</b>	<b>5,487</b>
Treasury activities				(890)
Taxes paid				(1,748)
<b>Free cash flow</b>				<b>2,849</b>
<b>2015</b>				
Operating profit – IFRS basis	7,147	741	(178)	7,710
Operating profit cash adjustments	1,937	639	(49)	2,527
<b>Operating profit, net of operating cash adjustments</b>	<b>9,084</b>	<b>1,380</b>	<b>(227)</b>	<b>10,237</b>
(Increase) decrease in net working capital	(1,132)	(598)	(34)	(1,764)
Investments in property, plant and equipment	(1,053)	(556)	(5)	(1,614)
Investments in intangible assets	(254)	(80)	0	(334)
<b>Operating free cash flow</b>	<b>6,645</b>	<b>146</b>	<b>(266)</b>	<b>6,525</b>
Treasury activities				(713)
Taxes paid				(1,846)
<b>Free cash flow</b>				<b>3,966</b>

Operating free cash flow decreased by 19% at CER to CHF 5.5 billion. The underlying cash generated from operations increased to CHF 10.4 billion, but there were further increases in net working capital following the increase in receivables and the settlement of year-end payables. Capital expenditure increased to CHF 1.7 billion.

The cash outflow from treasury activities increased to CHF 0.9 billion due to investments in financial long-term assets and higher pension contributions. Taxes paid were CHF 1.7 billion, a decrease due to prepayments of tax in 2015. The free cash flow of CHF 2.8 billion was lower than in the first half of 2015, due to the lower operating free cash flow.

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 the six months ended 30 June 2015 has been restated accordingly, resulting in an increase of CHF 6,894 million to the free cash flow for that period. There was no impact on the operating free cash flow from this change.

## Net debt – Movement in carrying value in millions of CHF

<b>At 1 January 2016</b>	
Cash and cash equivalents	3,731
Marketable securities	5,440
Long-term debt	(17,100)
Short-term debt	(6,151)
<b>Net debt at beginning of period</b>	<b>(14,080)</b>
<b>Change in net debt during interim period 2016</b>	
Free cash flow	2,849
Dividend payments	(6,969)
Transactions in own equity instruments	(289)
Business combinations, net of divestments of subsidiaries	(69)
Hedging and collateral arrangements	51
Currency translation, fair value and other movements	234
<b>Change in net debt</b>	<b>(4,193)</b>
<b>At 30 June 2016</b>	
Cash and cash equivalents	2,817
Marketable securities	3,724
Long-term debt	(16,415)
Short-term debt	(8,399)
<b>Net debt at end of period</b>	<b>(18,273)</b>

## Net debt – Currency profile in millions of CHF

	Cash and marketable securities		Debt	
	30 June 2016	31 Dec. 2015	30 June 2016	31 Dec. 2015
US dollar <sup>1)</sup>	1,046	1,494	(18,412)	(17,464)
Euro	1,995	2,986	(2,896)	(2,175)
Swiss franc	1,056	2,170	(2,603)	(2,598)
Japanese yen	1,792	1,813	(6)	(6)
Pound sterling	225	320	(261)	(291)
Other	427	388	(636)	(717)
<b>Total</b>	<b>6,541</b>	<b>9,171</b>	<b>(24,814)</b>	<b>(23,351)</b>

1) US dollar-denominated debt includes those bonds and notes denominated in euros, Swiss francs and pounds sterling that were swapped into US dollars, and therefore in the financial statements have economic characteristics equivalent to US dollar-denominated bonds and notes.

The net debt position of the Group at 30 June 2016 was CHF 18.3 billion, an increase of CHF 4.2 billion from 31 December 2015. The increase in net debt was due to dividend payments of CHF 7.0 billion, partly offset by the free cash flow of CHF 2.8 billion.

The issuance, redemption and repurchase of bonds and notes during the first half of 2016 (see Note 10 to the Interim Financial Statements) had no impact on the net debt position.

## Pensions and other post-employment benefits

Funding status and balance sheet position in millions of CHF

	30 June 2016	31 December 2015
Funded plans		
- Fair value of plan assets	13,030	12,363
- Defined benefit obligation	(16,697)	(15,629)
<b>Over (under) funding</b>	<b>(3,667)</b>	<b>(3,266)</b>
Unfunded plans		
- Defined benefit obligation	(5,498)	(4,544)
<b>Total funding status</b>	<b>(9,165)</b>	<b>(7,810)</b>
Limit on asset recognition	0	(14)
Reimbursement rights	124	125
<b>Net recognised asset (liability)</b>	<b>(9,041)</b>	<b>(7,699)</b>

During the first half of 2016 operating income of CHF 426 million was recorded for past service costs from changes to the Group's pension plans in Switzerland. This represents the one-time impact of the adjustment of the pension liability for the plan changes.

Overall the funding status on an IFRS basis of the Group's funded defined benefit plans decreased to 78% compared to 79% at the start of the year. This came from an increase in the defined benefit obligation arising from a decrease in discount rates in all regions since the end of 2015, partially offset by the changes to the Group's Swiss plans, which decreased the defined benefit obligation by CHF 426 million. The funded status of the pension funds is monitored by the local pension fund governance bodies as well as being closely reviewed at a Group level.

The unfunded plans are mainly those in the Group's German affiliates, where the fully reserved pension obligations are invested in the local affiliate's operations. The unfunded liabilities for these plans increased by CHF 1.0 billion during the first half of 2016 due primarily to decreases in the discount rate in Germany.

Further information on the Group's pensions and other post-employment benefits is given in Note 11 to the Interim Financial Statements and in Note 25 to the 2015 Annual Financial Statements.

## Debt

During the first half of 2016 there was the early partial redemption of USD 600 million of notes originally due 1 March 2019 following the exercise of an early-call option in December 2015 and the redemption on the due date of 4 March 2016 of EUR 2.1 billion of notes. On 22 June 2016 the Group resolved to exercise its option to call for early redemption of USD 857 million of the 6.0% notes due 1 March 2019. These notes will be redeemed on 25 August 2016.

On 26 February 2016 the Group issued EUR 650 million of notes due on 27 February 2023. On 1 March 2016 the Group issued USD 1.0 billion of notes due on 15 May 2026. The proceeds were used to refinance debt redemptions.

The maturity schedule of the Group's bonds and notes outstanding at 30 June 2016 is shown in the table below.

### Bonds and notes: nominal amounts at 30 June 2016 by contractual maturity

	US dollar (USD m)	Euro (EUR m)	Pound sterling (GBP m)	Swiss franc (CHF m)	Total <sup>1)</sup> (USD m)	Total <sup>1)</sup> (CHF m)
2016	857	-	-	-	857	839
2017	1,150	-	-	1,500	2,681	2,627
2018	-	1,000	-	600	1,725	1,690
2019	2,000	-	-	-	2,000	1,959
2020	600	-	-	-	600	588
2021-2025	3,950	2,967 <sup>2)</sup>	200	500	8,029	7,866
2026 and beyond	3,244	-	-	-	3,244	3,178
<b>Total</b>	<b>11,801</b>	<b>3,967</b>	<b>200</b>	<b>2,600</b>	<b>19,136</b>	<b>18,747</b>

1) Total translated at 30 June 2016 exchange rates.

2) Of the proceeds from these bonds and notes, EUR 1.2 billion have been swapped into US dollars, and therefore in the financial statements the bonds and notes have economic characteristics equivalent to US dollar-denominated bonds and notes.

The Group plans to meet its debt obligations using existing liquid funds as well as cash generated from business operations. In the full year 2015 the free cash flow was CHF 10.3 billion, which included the cash generated from operations, as well as payment of interest and tax. In the first half of 2016 free cash flow was CHF 2.8 billion.

For short-term financing requirements, the Group has a commercial paper programme in the US under which it can issue up to USD 7.5 billion of unsecured commercial paper notes and has committed credit lines of USD 7.5 billion available as back-stop lines. Commercial paper notes totalling USD 5.4 billion were outstanding as of 30 June 2016 (31 December 2015: USD 2.5 billion). For longer-term financing the Group maintains strong long-term investment-grade credit ratings of AA by Standard & Poor's and A1 by Moody's which should facilitate efficient access to international capital markets.

Further information on the Group's debt is given in Note 10 to the Interim Financial Statements and Note 20 to the 2015 Annual Financial Statements.

## Financial risks

As at 30 June 2016 the Group has a net debt position of CHF 18.3 billion (31 December 2015: CHF 14.1 billion). The financial assets of the Group are managed in a conservative way with the objective to meet the Group's financial obligations at all times.

**Asset allocation.** A considerable portion of the cash and marketable securities the Group currently holds is being held for debt redemptions. Liquid funds are either held as cash or are invested in high-quality, investment-grade fixed income securities with an investment horizon to meet those liquidity requirements.

### Cash and marketable securities

	(CHF m)	30 June 2016 (% of total)	(CHF m)	31 December 2015 (% of total)
Cash and cash equivalents	2,817	43	3,731	41
Money market instruments	2,270	35	3,945	43
Debt securities	1,371	21	1,390	15
Equity securities	83	1	105	1
<b>Total cash and marketable securities</b>	<b>6,541</b>	<b>100</b>	<b>9,171</b>	<b>100</b>

**Credit risk.** Credit risk arises from the possibility that counterparties to transactions may default on their obligations causing financial losses for the Group. The rating profile of the Group's CHF 6.5 billion of cash and fixed income marketable securities remained strong with 92% being invested in the A-AAA range. The Group has signed netting and collateral agreements with the counterparties in order to mitigate counterparty risk on derivative positions.

The Group has trade receivables of CHF 9.8 billion. Since the beginning of 2010 there have been financial difficulties in Southern European countries, notably Spain, Italy, Greece and Portugal. The Group is a leading supplier to the healthcare sectors in these countries and at 30 June 2016 has trade receivables of EUR 0.7 billion (CHF 0.8 billion) with public customers in these countries. This is an increase of 11% compared to 31 December 2015 in euro terms due to the substantial collections at the end of 2015. The Group uses different measures to improve collections in these countries, including intense communication with customers, forfeiting, negotiations of payment plans, charging of interest for late payments, and legal actions. Strict commercial policies are in place with selected hospitals in Greece and Italy; accounts with hospitals in Spain and Portugal are closely monitored. Since 2011 the Group's trade receivables balance in Southern Europe has decreased by 50% in euro terms.

**Liquidity risk.** Liquidity risk arises through a surplus of financial obligations over available financial assets due at any point in time. The Group's approach to liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. In addition to the current liquidity position, the Group has strong cash generation ability. Those future cash flows will be used to repay debt instruments in the coming years.

Roche enjoys strong long-term investment-grade credit ratings of AA by Standard & Poor's and A1 by Moody's. At the same time Roche is rated at the highest available short-term ratings by those agencies. In the event of financing requirements, the ratings and the strong credit of Roche should permit efficient access to international capital markets, including the commercial paper market. The Group has committed credit lines with various financial institutions totalling USD 7.5 billion available as back-stop lines for the commercial paper programme. As at 30 June 2016 no debt has been drawn under these credit lines.

**Market risk.** Market risk arises from changing market prices of the Group's financial assets or financial liabilities. The exposures are predominantly related to changes in interest rates, foreign exchange rates and equity prices. The Group uses Value-at-Risk (VaR) to assess the impact of market risk on its financial instruments. VaR data indicates the value range within which a given financial instrument will fluctuate with a pre-set probability as a result of movements in market prices. The Group's VaR decreased during the first half of 2016, mainly due to a decrease in long-term interest rates in major economies.

**Interest rate risk.** Interest rate risk arises from movements in interest rates which could affect the Group financial result or the value of the Group equity. The Group may use interest rate derivatives to manage its interest-rate-related exposure and financial result.

Further information on financial risk management and financial risks and the VaR methodology is included in Note 29 to the 2015 Annual Financial Statements.

## International Financial Reporting Standards

The Roche Group has been using International Financial Reporting Standards (IFRS) to report its consolidated results since 1990. In 2016 the Group implemented various minor amendments to existing standards and interpretations, which have no material impact on the Group's overall results and financial position.

The Group is currently assessing the potential impacts of the various new and revised standards and interpretations that will be mandatory from 1 January 2017 which the Group has not yet applied. Based on the analysis to date, the Group does not anticipate that these will have a material impact on the Group's overall results and financial position. The Group is also assessing other new and revised standards which are not mandatory until 2018 or later, notably IFRS 9 'Financial Instruments', IFRS 15 'Revenues from Contracts with Customers' and IFRS 16 'Leases'.



# Roche Group Interim Consolidated Financial Statements

The Interim Consolidated Financial Statements have been reviewed by the Group's auditor and their review report is presented on page 58.

Roche Group consolidated income statement for the six months ended 30 June 2016 in millions of CHF

	Pharmaceuticals	Diagnostics	Corporate	Group
<b>Sales<sup>2</sup></b>	<b>19,460</b>	<b>5,562</b>	<b>–</b>	<b>25,022</b>
Royalties and other operating income <sup>2</sup>	926	60	–	986
Cost of sales	(4,809)	(2,769)	–	(7,578)
Marketing and distribution	(3,048)	(1,314)	–	(4,362)
Research and development <sup>2</sup>	(4,619)	(678)	–	(5,297)
General and administration	(279)	(197)	(153)	(629)
<b>Operating profit<sup>2</sup></b>	<b>7,631</b>	<b>664</b>	<b>(153)</b>	<b>8,142</b>
Financing costs <sup>3</sup>				(600)
Other financial income (expense) <sup>3</sup>				(23)
<b>Profit before taxes</b>				<b>7,519</b>
Income taxes <sup>4</sup>				(2,052)
<b>Net income</b>				<b>5,467</b>
Attributable to				
– Roche shareholders				5,378
– Non-controlling interests				89
<b>Earnings per share and non-voting equity security<sup>14</sup></b>				
Basic (CHF)				6.31
Diluted (CHF)				6.24

## Roche Group consolidated income statement for the six months ended 30 June 2015 in millions of CHF

	Pharmaceuticals	Diagnostics	Corporate	Group
<b>Sales<sup>2</sup></b>	<b>18,350</b>	<b>5,235</b>	<b>-</b>	<b>23,585</b>
Royalties and other operating income <sup>2</sup>	1,174	71	-	1,245
Cost of sales	(4,748)	(2,501)	-	(7,249)
Marketing and distribution	(2,837)	(1,255)	-	(4,092)
Research and development <sup>2</sup>	(3,950)	(543)	-	(4,493)
General and administration	(842)	(266)	(178)	(1,286)
<b>Operating profit<sup>2</sup></b>	<b>7,147</b>	<b>741</b>	<b>(178)</b>	<b>7,710</b>
Financing costs <sup>3</sup>				(574)
Other financial income (expense) <sup>3</sup>				(56)
<b>Profit before taxes</b>				<b>7,080</b>
Income taxes <sup>4</sup>				(1,831)
<b>Net income</b>				<b>5,249</b>
Attributable to				
- Roche shareholders				5,154
- Non-controlling interests				95
<b>Earnings per share and non-voting equity security<sup>14</sup></b>				
Basic (CHF)				6.06
Diluted (CHF)				5.98

## Roche Group consolidated statement of comprehensive income in millions of CHF

	Six months ended 30 June	
	2016	2015
<b>Net income recognised in income statement</b>	<b>5,467</b>	<b>5,249</b>
<b>Other comprehensive income</b>		
Remeasurements of defined benefit plans	(1,340)	415
<b>Items that will never be reclassified to the income statement</b>	<b>(1,340)</b>	<b>415</b>
Available-for-sale investments	18	8
Cash flow hedges	(42)	(39)
Currency translation of foreign operations	856	(1,509)
<b>Items that are or may be reclassified to the income statement</b>	<b>832</b>	<b>(1,540)</b>
<b>Other comprehensive income, net of tax</b>	<b>(508)</b>	<b>(1,125)</b>
<b>Total comprehensive income</b>	<b>4,959</b>	<b>4,124</b>
Attributable to		
- Roche shareholders	4,598	4,213
- Non-controlling interests	361	(89)
<b>Total</b>	<b>4,959</b>	<b>4,124</b>

## Roche Group consolidated balance sheet in millions of CHF

	30 June 2016	31 December 2015
<b>Non-current assets</b>		
Property, plant and equipment	19,090	18,473
Goodwill <sup>7</sup>	11,030	11,082
Intangible assets <sup>8</sup>	12,877	13,861
Deferred tax assets	2,958	2,564
Defined benefit plan assets	710	642
Other non-current assets	1,237	959
<b>Total non-current assets</b>	<b>47,902</b>	<b>47,581</b>
<b>Current assets</b>		
Inventories	8,221	7,648
Accounts receivable	9,104	8,329
Current income tax assets	262	239
Other current assets	2,484	2,795
Marketable securities	3,724	5,440
Cash and cash equivalents	2,817	3,731
<b>Total current assets</b>	<b>26,612</b>	<b>28,182</b>
<b>Total assets</b>	<b>74,514</b>	<b>75,763</b>
<b>Non-current liabilities</b>		
Long-term debt <sup>10</sup>	(16,415)	(17,100)
Deferred tax liabilities	(252)	(545)
Defined benefit plan liabilities	(9,751)	(8,341)
Provisions <sup>9</sup>	(2,037)	(2,204)
Other non-current liabilities	(522)	(505)
<b>Total non-current liabilities</b>	<b>(28,977)</b>	<b>(28,695)</b>
<b>Current liabilities</b>		
Short-term debt <sup>10</sup>	(8,399)	(6,151)
Current income tax liabilities	(3,333)	(2,781)
Provisions <sup>9</sup>	(2,261)	(2,432)
Accounts payable	(2,495)	(3,207)
Other current liabilities	(7,968)	(9,197)
<b>Total current liabilities</b>	<b>(24,456)</b>	<b>(23,768)</b>
<b>Total liabilities</b>	<b>(53,433)</b>	<b>(52,463)</b>
<b>Total net assets</b>	<b>21,081</b>	<b>23,300</b>
<b>Equity</b>		
Capital and reserves attributable to Roche shareholders	18,458	20,979
Equity attributable to non-controlling interests	2,623	2,321
<b>Total equity</b>	<b>21,081</b>	<b>23,300</b>

## Roche Group consolidated statement of cash flows in millions of CHF

	Six months ended 30 June	
	2016	2015
<b>Cash flows from operating activities</b>		
Cash generated from operations <sup>15</sup>	11,005	10,917
(Increase) decrease in net working capital	(2,776)	(1,764)
Payments made for defined benefit plans	(429)	(312)
Utilisation of provisions	(432)	(473)
Disposal of products	50	45
Other operating cash flows	-	-
<b>Cash flows from operating activities, before income taxes paid</b>	<b>7,418</b>	<b>8,413</b>
Income taxes paid	(1,748)	(1,846)
<b>Total cash flows from operating activities</b>	<b>5,670</b>	<b>6,567</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,736)	(1,614)
Purchase of intangible assets	(380)	(334)
Disposal of property, plant and equipment	29	21
Business combinations <sup>5</sup>	(69)	(1,402)
Interest and dividends received	13	15
Sales of marketable securities	22,822	30,505
Purchases of marketable securities	(20,895)	(26,475)
Other investing cash flows	(194)	(20)
<b>Total cash flows from investing activities</b>	<b>(410)</b>	<b>696</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of bonds and notes <sup>10</sup>	1,690	1,670
Redemption and repurchase of bonds and notes <sup>10</sup>	(2,943)	(1,379)
Increase (decrease) in commercial paper <sup>10</sup>	2,854	(86)
Increase (decrease) in other debt	(68)	98
Hedging and collateral arrangements	51	(163)
Changes in non-controlling interests	-	(2)
Equity contribution by non-controlling interests	-	40
Interest paid	(601)	(681)
Dividends paid <sup>15</sup>	(6,969)	(6,894)
Equity-settled equity compensation plans, net of transactions in own equity	(289)	(77)
Other financing cash flows	(1)	1
<b>Total cash flows from financing activities</b>	<b>(6,276)</b>	<b>(7,473)</b>
Net effect of currency translation on cash and cash equivalents	102	(285)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(914)</b>	<b>(495)</b>
Cash and cash equivalents at beginning of period	3,731	3,742
<b>Cash and cash equivalents at end of period</b>	<b>2,817</b>	<b>3,247</b>

## Roche Group consolidated statement of changes in equity in millions of CHF

	Share capital	Retained earnings	Fair value reserves	Hedging reserves	Translation reserves	Total	Non-controlling interests	Total equity
<b>Six months ended 30 June 2015</b>								
<b>At 1 January 2015</b>	<b>160</b>	<b>26,152</b>	<b>166</b>	<b>76</b>	<b>(6,968)</b>	<b>19,586</b>	<b>1,972</b>	<b>21,558</b>
Net income recognised in income statement	-	5,154	-	-	-	5,154	95	5,249
Available-for-sale investments	-	-	3	-	-	3	5	8
Cash flow hedges	-	-	-	(38)	-	(38)	(1)	(39)
Currency translation of foreign operations	-	-	(9)	(3)	(1,310)	(1,322)	(187)	(1,509)
Remeasurements of defined benefit plans	-	416	-	-	-	416	(1)	415
<b>Total comprehensive income</b>	<b>-</b>	<b>5,570</b>	<b>(6)</b>	<b>(41)</b>	<b>(1,310)</b>	<b>4,213</b>	<b>(89)</b>	<b>4,124</b>
Dividends	-	(6,807)	-	-	-	(6,807)	(52)	(6,859)
Equity compensation plans, net of transactions in own equity	-	116	-	-	-	116	3	119
Business combinations <sup>5</sup>	-	-	-	-	-	-	238	238
Changes in non-controlling interests	-	(2)	-	-	-	(2)	-	(2)
Equity contribution by non-controlling interests	-	-	-	-	-	-	40	40
<b>At 30 June 2015</b>	<b>160</b>	<b>25,029</b>	<b>160</b>	<b>35</b>	<b>(8,278)</b>	<b>17,106</b>	<b>2,112</b>	<b>19,218</b>
<b>Six months ended 30 June 2016</b>								
<b>At 1 January 2016</b>	<b>160</b>	<b>28,591</b>	<b>155</b>	<b>27</b>	<b>(7,954)</b>	<b>20,979</b>	<b>2,321</b>	<b>23,300</b>
Net income recognised in income statement	-	5,378	-	-	-	5,378	89	5,467
Available-for-sale investments	-	-	23	-	-	23	(5)	18
Cash flow hedges	-	-	-	(29)	-	(29)	(13)	(42)
Currency translation of foreign operations	-	-	4	(3)	564	565	291	856
Remeasurements of defined benefit plans	-	(1,339)	-	-	-	(1,339)	(1)	(1,340)
<b>Total comprehensive income</b>	<b>-</b>	<b>4,039</b>	<b>27</b>	<b>(32)</b>	<b>564</b>	<b>4,598</b>	<b>361</b>	<b>4,959</b>
Dividends	-	(6,908)	-	-	-	(6,908)	(69)	(6,977)
Equity compensation plans, net of transactions in own equity	-	(207)	-	-	-	(207)	6	(201)
Changes in non-controlling interests	-	(4)	-	-	-	(4)	4	-
<b>At 30 June 2016</b>	<b>160</b>	<b>25,511</b>	<b>182</b>	<b>(5)</b>	<b>(7,390)</b>	<b>18,458</b>	<b>2,623</b>	<b>21,081</b>

# Notes to the Roche Group Interim Consolidated Financial Statements

## 1. Accounting policies

### **Basis of preparation**

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These financial statements are the unaudited condensed interim consolidated financial statements (hereafter 'the Interim Financial Statements') of Roche Holding Ltd, a company registered in Switzerland, and its subsidiaries (hereafter 'the Group') for the six months ended 30 June 2016 (hereafter 'the interim period'). These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2015 (hereafter 'the Annual Financial Statements'), as they provide an update of previously reported information. They were approved for issue by the Board of Directors on 18 July 2016.

### **Statement of compliance**

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The Interim Financial Statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group since the Annual Financial Statements.

### **Management judgements and estimates**

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The preparation of the Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, liabilities and related disclosures. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the Interim Financial Statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied in the Annual Financial Statements.

### **Seasonality**

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The Group operates in industries where significant seasonal or cyclical variations in total sales are not experienced during the financial year.

### **Significant accounting policies**

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Except as described below, the accounting policies applied in these Interim Financial Statements are the same as those applied in the Annual Financial Statements. Changes in accounting policies will be reflected in the Group's Consolidated Financial Statements for the year ended 31 December 2016.

### **Changes in accounting policies**

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In 2016 the Group has implemented various minor amendments to existing standards and interpretations, which have no material impact on the Group's overall results and financial position.

### **Future new and revised standards**

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The Group is currently assessing the potential impacts of the various new and revised standards and interpretations that will be mandatory from 1 January 2017 and which the Group has not yet applied. Based on the analysis to date, the Group does not anticipate that these will have a material impact on the Group's overall results and financial position. The Group is also assessing other new and revised standards which are not mandatory until after 2017, notably IFRS 9 'Financial Instruments', IFRS 15 'Revenues from Contracts with Customers' and IFRS 16 'Leases'.



## 2. Operating segment information

The Group has two Divisions, Pharmaceuticals and Diagnostics. Revenues are primarily generated from the sale of prescription pharmaceutical products and diagnostic instruments, reagents and consumables, respectively. Both Divisions also derive revenues from the sale or licensing of products or technology to third parties. Residual operating activities from divested businesses and certain global activities are reported as 'Corporate'. These include the Corporate Executive Committee and global group functions for communications, human resources, finance (including treasury, taxes and pension fund management), legal, safety and environmental services. Sub-divisional information for Roche Pharmaceuticals and Chugai, operating segments within the Pharmaceuticals Division, is also presented.

Divisional information in millions of CHF

Six months ended 30 June	Pharmaceuticals		Diagnostics		Corporate		Group
	2016	2015	2016	2015	2016	2015	2016
<b>Revenues from external customers</b>							
Sales	19,460	18,350	5,562	5,235	–	–	25,022
Royalties and other operating income	926	1,174	60	71	–	–	986
<b>Total</b>	<b>20,386</b>	<b>19,524</b>	<b>5,622</b>	<b>5,306</b>	<b>–</b>	<b>–</b>	<b>26,008</b>
<b>Revenues from other operating segments</b>							
Sales	–	–	6	5	–	–	6
Royalties and other operating income	–	–	–	–	–	–	–
Elimination of inter-divisional revenue	–	–	–	–	–	–	(6)
<b>Total</b>	<b>–</b>	<b>–</b>	<b>6</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Segment results</b>							
Operating profit	7,631	7,147	664	741	(153)	(178)	8,142
<b>Capital expenditure</b>							
Business combinations	–	1,694	–	941	–	–	–
Additions to property, plant and equipment	922	932	659	544	3	5	1,584
Additions to intangible assets	363	167	5	80	–	–	368
<b>Total</b>	<b>1,285</b>	<b>2,793</b>	<b>664</b>	<b>1,565</b>	<b>3</b>	<b>5</b>	<b>1,952</b>
<b>Research and development</b>							
Research and development costs	4,619	3,950	678	543	–	–	5,297
<b>Other segment information</b>							
Depreciation of property, plant and equipment	600	522	445	424	4	4	1,049
Amortisation of intangible assets	723	648	173	152	–	–	896
Impairment of property, plant and equipment	14	1	20	1	–	–	34
Impairment of goodwill	–	–	–	–	–	–	–
Impairment of intangible assets	377	45	–	–	–	–	377
Inventory fair value adjustment	166	223	–	–	–	–	166
Equity compensation plan expenses	171	151	32	25	17	10	220

## Pharmaceuticals sub-divisional information in millions of CHF

Six months ended 30 June	Roche Pharmaceuticals		Chugai		Pharmaceuticals Division	
	2016	2015	2016	2015	2016	2015
<b>Revenues from external customers</b>						
Sales	17,704	16,810	1,756	1,540	19,460	18,350
Royalties and other operating income	906	1,171	20	3	926	1,174
<b>Total</b>	<b>18,610</b>	<b>17,981</b>	<b>1,776</b>	<b>1,543</b>	<b>20,386</b>	<b>19,524</b>
<b>Revenues from other operating segments</b>						
Sales	719	620	329	293	1,048	913
Royalties and other operating income	27	11	70	56	97	67
Elimination of income within Division					(1,145)	(980)
<b>Total</b>	<b>746</b>	<b>631</b>	<b>399</b>	<b>349</b>	<b>-</b>	<b>-</b>
<b>Segment results</b>						
Operating profit	7,205	6,890	374	328	7,579	7,218
Elimination of results within Division					52	(71)
<b>Operating profit</b>	<b>7,205</b>	<b>6,890</b>	<b>374</b>	<b>328</b>	<b>7,631</b>	<b>7,147</b>
<b>Capital expenditure</b>						
Business combinations	-	1,694	-	-	-	1,694
Additions to property, plant and equipment	813	870	109	62	922	932
Additions to intangible assets	339	149	24	18	363	167
<b>Total</b>	<b>1,152</b>	<b>2,713</b>	<b>133</b>	<b>80</b>	<b>1,285</b>	<b>2,793</b>
<b>Research and development</b>						
Research and development costs	4,271	3,641	362	311	4,633	3,952
Elimination of costs within Division					(14)	(2)
<b>Total</b>	<b>4,271</b>	<b>3,641</b>	<b>362</b>	<b>311</b>	<b>4,619</b>	<b>3,950</b>
<b>Other segment information</b>						
Depreciation of property, plant and equipment	535	468	65	54	600	522
Amortisation of intangible assets	716	632	7	16	723	648
Impairment of property, plant and equipment	14	1	-	-	14	1
Impairment of goodwill	-	-	-	-	-	-
Impairment of intangible assets	377	36	-	9	377	45
Inventory fair value adjustment	166	223	-	-	166	223
Equity compensation plan expenses	169	150	2	1	171	151

## Net operating assets in millions of CHF

	30 June 2016	Assets 31 December 2015	30 June 2016	Liabilities 31 December 2015	30 June 2016	Net assets 31 December 2015
Pharmaceuticals	43,217	42,460	(10,727)	(11,844)	32,490	30,616
Diagnostics	19,669	19,408	(3,386)	(3,976)	16,283	15,432
Corporate	163	149	(442)	(515)	(279)	(366)
<b>Total operating</b>	<b>63,049</b>	<b>62,017</b>	<b>(14,555)</b>	<b>(16,335)</b>	<b>48,494</b>	<b>45,682</b>
Non-operating	11,465	13,746	(38,878)	(36,128)	(27,413)	(22,382)
<b>Group</b>	<b>74,514</b>	<b>75,763</b>	<b>(53,433)</b>	<b>(52,463)</b>	<b>21,081</b>	<b>23,300</b>

## Net operating assets - Pharmaceuticals sub-divisional information in millions of CHF

	30 June 2016	Assets 31 December 2015	30 June 2016	Liabilities 31 December 2015	30 June 2016	Net assets 31 December 2015
Roche Pharmaceuticals	39,750	39,696	(10,509)	(11,514)	29,241	28,182
Chugai	4,929	4,246	(833)	(1,002)	4,096	3,244
Elimination within Division	(1,462)	(1,482)	615	672	(847)	(810)
<b>Pharmaceuticals Division</b>	<b>43,217</b>	<b>42,460</b>	<b>(10,727)</b>	<b>(11,844)</b>	<b>32,490</b>	<b>30,616</b>

### 3. Net financial expense

#### Financing costs in millions of CHF

	Six months ended 30 June	
	2016	2015
Interest expense	(368)	(449)
Amortisation of debt discount <sup>10</sup>	(10)	(10)
Net gains (losses) on redemption and repurchase of bonds and notes <sup>10</sup>	(100)	(7)
Discount unwind	(27)	(21)
Net interest cost of defined benefit plans	(95)	(87)
<b>Total financing costs</b>	<b>(600)</b>	<b>(574)</b>

#### Other financial income (expense) in millions of CHF

	Six months ended 30 June	
	2016	2015
Net gains (losses) on sale of equity securities	42	33
Net gains (losses) on equity security derivatives	-	-
Dividend income	1	1
Write-downs and impairments of equity securities	(7)	(2)
<b>Net income from equity securities</b>	<b>36</b>	<b>32</b>
Interest income	12	14
Net gains (losses) on sale of debt securities	3	6
<b>Net interest income and income from debt securities</b>	<b>15</b>	<b>20</b>
Net foreign exchange gains (losses)	(7)	(265)
Net gains (losses) on foreign currency derivatives	(56)	171
<b>Foreign exchange gains (losses)</b>	<b>(63)</b>	<b>(94)</b>
Net other financial income (expense)	(11)	(14)
Associates	-	-
<b>Total other financial income (expense)</b>	<b>(23)</b>	<b>(56)</b>

#### Net financial expense in millions of CHF

	Six months ended 30 June	
	2016	2015
Financing costs	(600)	(574)
Other financial income (expense)	(23)	(56)
<b>Net financial expense</b>	<b>(623)</b>	<b>(630)</b>
Financial result from Treasury management	(528)	(543)
Financial result from Pension management	(95)	(87)
Associates	-	-
<b>Net financial expense</b>	<b>(623)</b>	<b>(630)</b>

## 4. Income taxes

Income tax expense is recognised based upon management's best estimate of the weighted average annual income tax rate expected for the full financial year multiplied by the pre-tax income for the six months ended 30 June 2016.

Income tax expenses in millions of CHF

	Six months ended 30 June	
	2016	2015
Current income taxes	(2,326)	(2,326)
Deferred taxes	274	495
<b>Total income tax (expense)</b>	<b>(2,052)</b>	<b>(1,831)</b>

The Group's effective tax rate for the six months ended 30 June 2016 increased to 27.3% (six months ended 30 June 2015: 25.9%). The main drivers for the increase were the deferred tax impact in respect of equity compensation plans, which varies according to the price of the underlying equities, and the deferred tax impact from statutory tax rate changes in various countries.

## 5. Business combinations

### Acquisitions – 2016

There were no business combinations during the six months ended 30 June 2016.

### Acquisitions – 2015

Acquisitions – 30 June 2015: net assets acquired in millions of CHF

	Pharmaceuticals	Diagnostics	Total
Intangible assets			
- Product intangibles: in use	511	564	1,075
- Product intangibles: not available for use	431	109	540
Cash and cash equivalents	300	20	320
Deferred tax liabilities	(337)	(265)	(602)
Other net assets (liabilities)	(21)	14	(7)
<b>Net identifiable assets</b>	<b>884</b>	<b>442</b>	<b>1,326</b>
Non-controlling interests	(238)	-	(238)
Fair value of previously held equity interest	(20)	-	(20)
Goodwill	728	258	986
<b>Total consideration</b>	<b>1,354</b>	<b>700</b>	<b>2,054</b>
Cash	1,113	511	1,624
Contingent consideration	241	189	430
<b>Total consideration</b>	<b>1,354</b>	<b>700</b>	<b>2,054</b>

## Pharmaceuticals

**Trophos.** On 3 March 2015 the Group acquired a 100% controlling interest in Trophos, a privately owned company based in Marseille, France. Trophos is reported in the Pharmaceuticals Division. The total consideration was EUR 345 million, of which EUR 120 million was paid in cash and EUR 225 million arose from a contingent consideration arrangement.

**Foundation Medicine, Inc.** On 7 April 2015 the Group acquired a 61.3% controlling interest in Foundation Medicine, Inc. ('FMI'), a publicly owned US company based in Cambridge, Massachusetts. FMI is listed on Nasdaq under the stock code 'FMI'. FMI is reported in the Pharmaceuticals Division. The total cash consideration was USD 1.0 billion.

## Diagnostics

**Ariosa Diagnostics, Inc.** On 12 January 2015 the Group acquired a 100% controlling interest in Ariosa Diagnostics, Inc. ('Ariosa'), a US privately owned company based in San Jose, California. Ariosa is reported in the Diagnostics operating segment as part of the Sequencing business. The total consideration was USD 565 million, of which USD 411 million was paid in cash and USD 154 million arose from a contingent consideration arrangement.

**Signature Diagnostics AG.** On 12 February 2015 the Group acquired a 100% controlling interest in Signature Diagnostics AG ('Signature'), a privately owned company based in Potsdam, Germany. Signature is reported in the Diagnostics operating segment as part of the Sequencing business. The total consideration was EUR 28 million paid in cash.

**CAPP Medical, Inc.** On 9 April 2015 the Group acquired a 100% controlling interest in CAPP Medical, Inc. ('CAPP'), a US privately owned company based in Palo Alto, California. CAPP is reported in the Diagnostics operating segment as part of the Sequencing business. The total consideration was USD 104 million, of which USD 70 million was paid in cash and USD 34 million arose from a contingent consideration arrangement.

## Cash flows from business combinations

Acquisitions: net cash outflow in millions of CHF

	Six months ended 30 June 2016			Six months ended 30 June 2015		
	Pharmaceuticals	Diagnostics	Total	Pharmaceuticals	Diagnostics	Total
Cash consideration paid	-	-	-	(1,113)	(511)	(1,624)
Deferred consideration paid	-	-	-	(51)	-	(51)
Contingent consideration paid <sup>16</sup>	-	(69)	(69)	(2)	(33)	(35)
Cash in acquired company	-	-	-	300	20	320
Transaction costs	-	-	-	(10)	(2)	(12)
<b>Total net cash outflow</b>	<b>-</b>	<b>(69)</b>	<b>(69)</b>	<b>(876)</b>	<b>(526)</b>	<b>(1,402)</b>

## 6. Global restructuring plans

During the six months ended 30 June 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 the programme to address long-term profitability in the Diabetes Care business in the Diagnostics Division.

Global restructuring plans: costs incurred in millions of CHF

	Diagnostics <sup>1)</sup>	Site consolidation <sup>2)</sup>	Other plans <sup>3)</sup>	Total
<b>Six months ended 30 June 2016</b>				
Global restructuring costs				
- Employee-related costs	41	(3)	93	131
- Site closure costs	20	118	2	140
- Divestment of products and businesses	-	-	-	-
- Other reorganisation expenses	79	13	28	120
<b>Total global restructuring costs</b>	<b>140</b>	<b>128</b>	<b>123</b>	<b>391</b>
<b>Six months ended 30 June 2015</b>				
Global restructuring costs				
- Employee-related costs	20	35	47	102
- Site closure costs	1	25	-	26
- Divestment of products and businesses	-	-	23	23
- Other reorganisation expenses	95	-	21	116
<b>Total global restructuring costs</b>	<b>116</b>	<b>60</b>	<b>91</b>	<b>267</b>

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

On 26 September 2013 Roche Diabetes Care announced the 'Autonomy and Speed' initiative which will enable the business to focus on Diabetes Care specific requirements, speed up processes and decision-making and drive efficiencies. During the six months ended 30 June 2016 total costs were CHF 67 million, mainly for consultancy and IT-related matters as well as employee-related costs. New strategy plans in Diagnostics incurred costs of CHF 48 million related to site closures and employees. Spending on other smaller plans within the Division was CHF 25 million and included costs related to certain IT projects.

### Site consolidation

On 12 November 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 during the six months ended 30 June 2016 were CHF 113 million, of which CHF 75 million were non-cash write-downs and accelerated depreciation of property, plant and equipment. The divestment plans for the Nutley site in the US are on track.

### Other global restructuring plans

During the six months ended 30 June 2016 the major items were CHF 49 million from the Pharmaceuticals Division research and development strategic realignment and CHF 44 million for outsourcing of IT functions to shared service centres and external providers.

## Global restructuring plans: summary of costs incurred in millions of CHF

	Six months ended 30 June	
	2016	2015
Employee-related costs		
- Termination costs	105	81
- Defined benefit plans	-	-
- Other employee-related costs	26	21
<b>Total employee-related costs</b>	<b>131</b>	<b>102</b>
Site closure costs		
- Impairment of property, plant and equipment	33	-
- Accelerated depreciation of property, plant and equipment	72	20
- (Gains) losses on disposal of property, plant and equipment	-	-
- Other site closure costs	35	6
<b>Total site closure costs</b>	<b>140</b>	<b>26</b>
Loss on divestment of subsidiary	-	23
<b>Total costs on divestment of products and businesses</b>	<b>-</b>	<b>23</b>
Other reorganisation expenses	120	116
<b>Total global restructuring costs</b>	<b>391</b>	<b>267</b>

## Global restructuring plans: classification of costs in millions of CHF

	Six months ended 30 June 2016			Six months ended 30 June 2015		
	Depreciation, amortisation and impairment	Other costs	Total	Depreciation, amortisation and impairment	Other costs	Total
Cost of sales						
- Pharmaceuticals	80	41	121	20	17	37
- Diagnostics	14	26	40	-	47	47
Marketing and distribution						
- Pharmaceuticals	1	7	8	-	35	35
- Diagnostics	-	43	43	-	35	35
Research and development						
- Pharmaceuticals	2	43	45	-	40	40
- Diagnostics	7	17	24	-	2	2
General and administration						
- Pharmaceuticals	1	60	61	-	37	37
- Diagnostics	-	34	34	-	33	33
- Corporate	-	15	15	-	1	1
<b>Total</b>	<b>105</b>	<b>286</b>	<b>391</b>	<b>20</b>	<b>247</b>	<b>267</b>
Total by operating segment						
- Roche Pharmaceuticals	84	151	235	20	129	149
- Chugai	-	-	-	-	-	-
- Diagnostics	21	120	141	-	117	117
- Corporate	-	15	15	-	1	1
<b>Total</b>	<b>105</b>	<b>286</b>	<b>391</b>	<b>20</b>	<b>247</b>	<b>267</b>



## 7. Goodwill

Goodwill: movements in carrying value of assets in millions of CHF

<b>Six months ended 30 June 2016</b>	
At 1 January 2016	11,082
Currency translation effects	(52)
<b>At 30 June 2016</b>	<b>11,030</b>
<b>Allocated by operating segment</b>	
Roche Pharmaceuticals	5,233
Chugai	105
Diagnostics	5,692
<b>Total Group</b>	<b>11,030</b>

## 8. Intangible assets

Intangible assets: movements in carrying value of assets in millions of CHF

	Product intangibles: in use	Product intangibles: not available for use	Marketing intangibles: in use	Technology intangibles: in use	Total
<b>Six months ended 30 June 2016</b>					
At 1 January 2016	9,653	3,897	23	288	13,861
Additions	65	291	12	–	368
Transfers	111	(111)	–	–	–
Amortisation charge	(855)	–	(2)	(39)	(896)
Impairment charge	–	(377)	–	–	(377)
Currency translation effects	(60)	(21)	2	–	(79)
<b>At 30 June 2016</b>	<b>8,914</b>	<b>3,679</b>	<b>35</b>	<b>249</b>	<b>12,877</b>
<b>Allocated by operating segment</b>					
Roche Pharmaceuticals	7,361	2,494	4	200	10,059
Chugai	34	50	17	1	102
Diagnostics	1,519	1,135	14	48	2,716
<b>Total Group</b>	<b>8,914</b>	<b>3,679</b>	<b>35</b>	<b>249</b>	<b>12,877</b>

Classification of intangible asset amortisation and impairment expenses in millions of CHF

Six months ended 30 June	2016	Amortisation 2015	2016	Impairment 2015
Cost of sales				
– Pharmaceuticals	(654)	(593)	–	–
– Diagnostics	(169)	(151)	–	–
Marketing and distribution				
– Pharmaceuticals	(1)	(1)	–	–
– Diagnostics	(1)	–	–	–
Research and development				
– Pharmaceuticals	(68)	(54)	(377)	(45)
– Diagnostics	(3)	(1)	–	–
<b>Total</b>	<b>(896)</b>	<b>(800)</b>	<b>(377)</b>	<b>(45)</b>

### Impairment charges – 2016

**Pharmaceuticals Division.** Impairment charges totalling CHF 377 million were recorded which related to:

- A delay in the development of the compound acquired as part of the Trophos acquisition following regulatory feedback (CHF 187 million). The asset concerned, which was not yet being amortised, was written down to its estimated recoverable value of CHF 291 million.
- A portfolio reassessment of one compound (CHF 162 million). The asset concerned, which was not yet being amortised, was fully written down.
- A decision to stop development of one compound (CHF 28 million). The asset concerned, which was not yet being amortised, was fully written down.

### Impairment charges – 2015

**Pharmaceuticals Division.** Impairment charges totalling CHF 45 million were recorded which related to decisions to stop development of two compounds with different alliance partners. The assets concerned, which were not yet being amortised, were fully written down.

## 9. Provisions and contingent liabilities

Provisions in millions of CHF

	30 June 2016	31 December 2015
Legal provisions	675	700
Environmental provisions	531	585
Restructuring provisions	597	621
Employee provisions	318	313
Other provisions	2,177	2,417
<b>Total provisions</b>	<b>4,298</b>	<b>4,636</b>
Current	2,261	2,432
Non-current	2,037	2,204
<b>Total provisions</b>	<b>4,298</b>	<b>4,636</b>

During the six months ended 30 June 2016 a total of CHF 432 million of provisions were utilised (six months ended 30 June 2015: CHF 473 million), mainly related to the utilisation of restructuring, environmental and other provisions.

Other than as described below, no significant changes in the Group's contingent liabilities have occurred since the approval of the Annual Financial Statements by the Board of Directors.

**Tarceva subpoena.** The government subpoena related to Tarceva is described in Note 19 to the Annual Financial Statements. On 6 June 2016 Genentech executed settlement agreements with the US Department of Justice and all of the States resolving the civil investigation. The matter with the Federal Government and all of the States is now concluded.

**Rituxan arbitration.** The Rituxan arbitration is described in Note 19 to the Annual Financial Statements. On 7 July 2016 the EU Court of Justice provided a judgment against Genentech on a specific legal question relating to the arbitral award's non-compliance under EU competition laws. The case will now return to the Paris Court of Appeal and a hearing is expected in the second half of 2016. The outcome of this matter cannot be determined at this time.

**EMA investigation.** The European Medicines Agency ('EMA') investigation is described in Note 19 to the Annual Financial Statements. On 4 July 2016 the EMA announced that it had concluded its second inquiry and sent, on 1 July 2016, the final updated report to the European Commission. The European Commission will now decide whether the matter should be pursued and financial penalties should be imposed. The decision of the European Commission on this matter is still pending. The outcome of this matter cannot be determined at this time.

There have been certain procedural developments in the other significant litigation matters described in Note 19 to the Annual Financial Statements. These do not significantly affect the assessment of the Group's management concerning the adequacy of the total provisions recorded for legal matters.

## 10. Debt

Debt: movements in carrying value of recognised liabilities in millions of CHF

<b>Six months ended 30 June 2016</b>	
At 1 January 2016	23,251
Proceeds from issue of bonds and notes	1,690
Redemption and repurchase of bonds and notes	(2,943)
Increase (decrease) in commercial paper	2,854
Increase (decrease) in other debt	(68)
Net (gains) losses on redemption and repurchase of bonds and notes <sup>3</sup>	100
Amortisation of debt discount <sup>3</sup>	10
Net foreign currency transaction (gains) losses	(3)
Currency translation effects and other	(77)
<b>At 30 June 2016</b>	<b>24,814</b>
Bonds and notes	18,826
Commercial paper	5,325
Amounts due to banks and other financial institutions	636
Finance lease obligations	5
Other borrowings	22
<b>Total debt</b>	<b>24,814</b>
Long-term debt	16,415
Short-term debt	8,399
<b>Total debt</b>	<b>24,814</b>

### Issuance of bonds and notes – 2016

On 26 February 2016 the Group issued EUR 650 million fixed rate notes with a coupon of 0.5% under the Euro Medium Term Note programme. The notes will mature on 27 February 2023 and are listed on the Luxembourg Stock Exchange. The Group received CHF 703 million aggregate net proceeds from the issuance and sale of these fixed notes.

On 1 March 2016 the Group completed an offering of USD 1.0 billion fixed rate notes with a coupon of 2.625%. The notes will mature on 15 May 2026. The Group received CHF 987 million aggregate net proceeds from the issuance and sale of these fixed notes.

### Issuance of bonds and notes – 2015

During the six months ended 30 June 2015 the Group issued EUR 1.0 billion fixed rate notes (CHF 1,072 million) and USD 600 million (CHF 598 million) fixed rate notes under the Euro Medium Term Note programme.

### Redemption and repurchase of bonds and notes – 2016

**Partial redemption of US dollar-denominated notes.** On 30 December 2015 the Group resolved to exercise its option to call for early partial redemption of the 6.0% fixed rate notes due 1 March 2019. On 24 March 2016 the Group redeemed an outstanding principal of USD 600 million at an amount equal to the sum of the present values of the remaining scheduled payments of these notes discounted to the redemption date at the US Treasury rate plus 0.50%, together with accrued and unpaid interest on the principal. The cash outflow was CHF 660 million, plus accrued interest and there was an additional CHF 4 million loss recorded on redemption. The effective interest rate of these notes was 6.37%.

**Redemption of euro notes.** On the due date of 4 March 2016 the Group redeemed the 5.625% fixed rate notes with a principal of EUR 2.1 billion. The cash outflow was CHF 2,283 million, plus accrued interest. The effective interest rate of these notes was 5.70%.

**Early redemption of US dollar-denominated notes in August 2016.** On 22 June 2016 the Group resolved to exercise its option to call for early redemption of the 6.0% fixed rate notes due 1 March 2019. The Group will redeem an outstanding principal of USD 857 million on 25 August 2016 at an amount equal to the sum of the present values of the remaining scheduled payments of these notes discounted to the redemption date at the US Treasury rate plus 0.50%, together with accrued and unpaid interest on the principal. A cash outflow of approximately CHF 938 million, plus accrued interest, is expected on redemption. The Group has revised the carrying value of these notes to take into account the changes to the amounts and timings of the estimated cash flows. The revised carrying value of these notes at 30 June 2016 is USD 958 million (CHF 938 million). The increase in carrying value of USD 98 million (CHF 96 million) is recorded within financing costs (see Note 3) as a loss on redemption. The effective interest rate of these notes is 6.37%.

### Redemption and repurchase of bonds and notes – 2015

During the six months ended 30 June 2015 the Group completed the early partial redemption of USD 600 million fixed rate notes (CHF 669 million) and completed the redemption of GBP 481 million of fixed rate notes (CHF 710 million).

### Cash flows from issuance, redemption and repurchase of bonds and notes

Cash inflows from issuance of bonds and notes in millions of CHF

	Six months ended 30 June	
	2016	2015
Euro Medium Term Note programme – Euro notes	703	1,072
Euro Medium Term Note programme – US dollar notes	–	598
US dollar notes	987	–
<b>Total cash inflows from issuance of bonds and notes</b>	<b>1,690</b>	<b>1,670</b>

Cash outflows from redemption and repurchase of bonds and notes in millions of CHF

	Six months ended 30 June	
	2016	2015
Euro Medium Term Note programme – Pound sterling notes	–	(710)
Euro Medium Term Note programme – Euro notes	(2,283)	–
US dollar notes	(660)	(669)
<b>Total cash outflows from redemption and repurchase of bonds and notes</b>	<b>(2,943)</b>	<b>(1,379)</b>

### Commercial paper

**Roche Holdings, Inc. commercial paper program.** Roche Holdings, Inc. has an established commercial paper program under which it can issue up to USD 7.5 billion of unsecured commercial paper notes guaranteed by Roche Holding Ltd. A committed credit line of USD 7.5 billion is available as a back-stop line. The maturity of the notes under the program cannot exceed 365 days from the date of issuance. At 30 June 2016 unsecured commercial paper notes with a principal amount of USD 5.4 billion and an average interest rate of 0.4% were outstanding.

Movements in commercial paper obligations in millions of CHF

<b>Six months ended 30 June 2016</b>	
At 1 January 2016	2,501
Net cash proceeds (payments)	2,854
Currency translation effects	(30)
<b>At 30 June 2016</b>	<b>5,325</b>

## 11. Pensions and other post-employment benefits

During the six months ended 30 June 2016 operating income of CHF 426 million was recorded for past service costs from changes to the Group's pension plans in Switzerland that were announced in June 2016. This represents the one-time impact of the adjustment of the pension liability for plan changes. Of this amount, CHF 310 million was recorded in the Pharmaceuticals Division, CHF 77 million in the Diagnostics Division and CHF 39 million in Corporate. The past service income was recorded within general and administration.

## 12. Equity attributable to Roche shareholders

### Share capital and non-voting equity securities (*Genussscheine*)

The authorised and issued share capital of the Group and the number of issued non-voting equity securities have not changed during the first half of 2016. The weighted average number of shares and non-voting equity securities in issue during the six months ended 30 June 2016 was 852 million (six months ended 30 June 2015: 850 million).

### Dividends

On 1 March 2016 the shareholders approved the distribution of a dividend of CHF 8.10 per share and non-voting equity security (2015: CHF 8.00) in respect of the 2015 business year. The distribution to holders of outstanding shares and non-voting equity securities totalled CHF 6,908 million (2015: CHF 6,807 million) and has been recorded against retained earnings in the six months ended 30 June 2016.

### Own equity instruments

#### Holdings of own equity instruments in equivalent number of non-voting equity securities

	30 June 2016 (millions)	31 December 2015 (millions)
Shares	0.1	0.1
Non-voting equity securities	10.3	10.5
<b>Total</b>	<b>10.4</b>	<b>10.6</b>

Own equity instruments are held for the Group's potential conversion obligations that may arise from the Group's equity compensation plans (described in Note 26 to the Annual Financial Statements).

### Retained earnings

In addition to net income attributable to Roche shareholders of CHF 5,378 million (six months ended 30 June 2015: CHF 5,154 million) and the dividend payments described above, retained earnings also includes losses on remeasurements of defined benefit plans of CHF 1,339 million, after tax (2015: gains of CHF 416 million, after tax). These were based on updated actuarial calculations for major plans and the losses were mainly due to a decrease in discount rates since the end of 2015.

## 13. Subsidiaries

### Chugai

Chugai is a fully consolidated subsidiary of the Group and at 30 June 2016 the Group's interest in Chugai was 61.37% (31 December 2015: 61.39%). The common stock of Chugai is publicly traded and is listed on the Tokyo Stock Exchange under the stock code 'TSE: 4519'. Chugai prepares financial statements in accordance with International Financial Reporting Standards (IFRS) that are filed on a quarterly basis with the Tokyo Stock Exchange.

The dividends distributed to third parties holding Chugai shares during the six months ended 30 June 2016 totalled CHF 59 million (six months ended 30 June 2015: CHF 44 million) and have been recorded against non-controlling interests. Dividends paid by Chugai to Roche are eliminated on consolidation as inter-company items.

### Foundation Medicine, Inc.

Foundation Medicine, Inc. ('FMI') is a fully consolidated subsidiary of the Group and at 30 June 2016 the Group's interest in FMI was 60.29% (31 December 2015: 60.88%). The common stock of FMI is publicly traded and is listed on the Nasdaq under the stock code 'FMI'. FMI prepares financial statements in accordance with US GAAP that are filed on a quarterly basis with the SEC.

## 14. Earnings per share and non-voting equity security

### Basic earnings per share and non-voting equity security

	Six months ended 30 June	
	2016	2015
<b>Net income attributable to Roche shareholders (CHF millions)</b>	<b>5,378</b>	<b>5,154</b>
Number of shares (millions)	160	160
Number of non-voting equity securities (millions)	703	703
Weighted average number of own shares and non-voting equity securities held (millions)	(11)	(13)
<b>Weighted average number of shares and non-voting equity securities in issue (millions)</b>	<b>852</b>	<b>850</b>
<b>Basic earnings per share and non-voting equity security (CHF)</b>	<b>6.31</b>	<b>6.06</b>

### Diluted earnings per share and non-voting equity security

	Six months ended 30 June	
	2016	2015
Net income attributable to Roche shareholders (CHF millions)	5,378	5,154
Increase in non-controlling interests' share of Group net income, assuming all outstanding Chugai stock options exercised (CHF millions)	-	-
<b>Net income used to calculate diluted earnings per share (CHF millions)</b>	<b>5,378</b>	<b>5,154</b>
Weighted average number of shares and non-voting equity securities in issue (millions)	852	850
Adjustment for assumed exercise of equity compensation plans, where dilutive (millions)	9	12
<b>Weighted average number of shares and non-voting equity securities in issue used to calculate diluted earnings per share (millions)</b>	<b>861</b>	<b>862</b>
<b>Diluted earnings per share and non-voting equity security (CHF)</b>	<b>6.24</b>	<b>5.98</b>

## 15. Statement of cash flows

### Cash generated from operations in millions of CHF

	Six months ended 30 June	
	2016	2015
Net income	5,467	5,249
Add back non-operating (income) expense		
– Financing costs <sup>3</sup>	600	574
– Other financial income (expense) <sup>3</sup>	23	56
– Income taxes <sup>4</sup>	2,052	1,831
<b>Operating profit</b>	<b>8,142</b>	<b>7,710</b>
Depreciation of property, plant and equipment <sup>2</sup>	1,049	950
Amortisation of intangible assets <sup>2</sup>	896	800
Impairment of goodwill <sup>2</sup>	–	–
Impairment of intangible assets <sup>2</sup>	377	45
Impairment of property, plant and equipment <sup>2</sup>	34	2
Operating (income) expense for defined benefit plans	(153)	270
Operating expense for equity-settled equity compensation plans	210	179
Net (income) expense for provisions	146	474
Bad debt (reversal) expense	6	62
Inventory write-downs	176	235
Inventory fair value adjustment	166	223
Net (gain) loss on disposal of products	(50)	(45)
Other adjustments	6	12
<b>Cash generated from operations</b>	<b>11,005</b>	<b>10,917</b>

### Dividends paid in millions of CHF

	Six months ended 30 June	
	2016	2015
Dividends to Roche Group shareholders	(6,908)	(6,807)
Dividends to non-controlling shareholders – Chugai	(59)	(44)
Dividends to non-controlling shareholders – Other	(10)	(8)
Increase (decrease) in dividends payable	6	(36)
Dividend withholding tax	2	1
<b>Total</b>	<b>(6,969)</b>	<b>(6,894)</b>



## 16. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in Note 29 to the Annual Financial Statements.

### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 – observable inputs other than quoted prices in active markets for identical assets and liabilities.
- Level 3 – unobservable inputs.

Fair value hierarchy of financial instruments in millions of CHF

	Level 1	Level 2	Level 3	Total
<b>At 30 June 2016</b>				
Marketable securities:				
– Equity securities	83	–	–	83
– Debt securities	1,371	–	–	1,371
– Money market instruments and time accounts over three months	–	2,270	–	2,270
Derivative financial instruments	–	197	–	197
Available-for-sale investments – held at fair value	123	140	–	263
<b>Financial assets recognised at fair value</b>	<b>1,577</b>	<b>2,607</b>	<b>–</b>	<b>4,184</b>
Derivative financial instruments	–	(387)	–	(387)
Contingent consideration	–	–	(1,289)	(1,289)
<b>Financial liabilities recognised at fair value</b>	<b>–</b>	<b>(387)</b>	<b>(1,289)</b>	<b>(1,676)</b>

At 30 June 2016 Level 1 financial assets consist of treasury bills, bonds and quoted shares. Level 2 financial assets consist primarily of commercial paper, certificates of deposit and derivative financial instruments.

The Group determines Level 2 fair values using the following valuation techniques:

- Marketable securities and derivative financial instruments are based on valuation models that use observable market data for interest rates, yield curves, foreign exchange rates and implied volatilities for similar instruments at the measurement date.
- Available-for-sale investments using a valuation model derived from the most recently published observable financial prices.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no significant transfers between Level 1 and Level 2 during the six months ended 30 June 2016.

**Level 3 fair values**

Details of the determination of Level 3 fair value measurements are set out below.

**Contingent consideration arrangements** in millions of CHF

<b>Six months ended 30 June 2016</b>	
At 1 January 2016	(1,492)
Utilised <sup>5</sup>	69
Total unrealised gains and losses included in the income statement	
- Unused amounts reversed	152
- Additional amounts created	(5)
- Discount unwind	(21)
Total gains and losses included in other comprehensive income	
- Currency translation effects	8
<b>At 30 June 2016</b>	<b>(1,289)</b>

During the six months ended 30 June 2016 contingent consideration provisions decreased mainly due to the partial reversal of the provision related to the Trophos acquisition and the payment of milestones related to the IQuum and Ariosa acquisitions.

**Contingent consideration arrangements**

The Group is party to certain contingent consideration arrangements arising from business combinations. The fair values are determined considering the expected payments, discounted to present value using risk-adjusted average discount rate of 4.0% at 30 June 2016 (31 December 2015: 3.9%). The expected payments are determined by considering the possible scenarios of forecast sales and other performance criteria, the amount to be paid under each scenario, and the probability of each scenario. The significant unobservable inputs are the forecast sales, other performance criteria and the risk-adjusted discount rate. The estimated fair value would increase if the forecast sales or other performance criteria rates were higher or the risk-adjusted discount rate was lower. At 30 June 2016 the total potential payments under contingent consideration arrangements could be up to CHF 2.8 billion (31 December 2015: CHF 2.9 billion).

**Carrying value and fair value**

At 30 June 2016 the carrying value of bonds and notes is CHF 18.8 billion compared to a fair value of CHF 20.9 billion and the carrying value of total debt is CHF 24.8 billion compared to a fair value of CHF 26.9 billion. The carrying values of financial assets are a reasonable approximation of the fair values at 30 June 2016.

# Review Report of the Statutory Auditor

## To the Board of Directors of Roche Holding Ltd, Basel

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**Introduction.** We have been engaged to review the accompanying consolidated balance sheet of Roche Holding Ltd as at 30 June 2016 and the related consolidated statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended, and selected explanatory notes (the interim consolidated financial statements) on pages 32 to 57. The Board of Directors is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

**Scope of Review.** We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion.** Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements as at 30 June 2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.



A handwritten signature in black ink, appearing to read 'Ian Starkey', written over a light blue horizontal line.

Ian Starkey  
Licensed Audit Expert, Auditor in Charge

A handwritten signature in black ink, appearing to read 'Marc Ziegler', written over a light blue horizontal line.

Marc Ziegler  
Licensed Audit Expert

Basel, 18 July 2016

# Supplementary Information

## Supplementary core results and EPS information

The Group's basic and diluted earnings per share is given in Note 14 to the Interim Financial Statements. To allow for a transparent assessment of both the actual results and the underlying performance of the business the full income statement for the Group and the operating results of the Divisions are shown on both an IFRS and core basis.

The core results concept, which is used in the internal management of the business, is based on the IFRS results, with the following adjustments:

- Global restructuring plans (see Note 6) are excluded.
- Amortisation and impairment of intangible assets (see Note 8) and impairment of goodwill (see Note 7) are excluded.
- Acquisition accounting and other one-time impacts from Alliance arrangements and Business Combinations (see Financial Review) are excluded.
- Discontinued operations (currently none) would be excluded.
- Legal and environmental expenses (see Financial Review) are excluded.
- Global issues outside the healthcare sector beyond the Group's control (currently none) would be excluded.
- Material one-time treasury items such as major debt restructurings (currently none) would be excluded.
- Pension plan settlements (currently none) would be excluded.
- The tax benefit recorded under IFRS in respect of Equity Compensation Plans (ECPs), which varies according to the price of the underlying equity, is replaced by a normalised tax benefit, being the IFRS 2 expense multiplied by the applicable tax rate (see Note 4).

The core results concept was further described on 22 October 2010 at an Investor Update teleconference, which is available for download at: [http://www.roche.com/investors/ir\\_agenda/csr\\_151010.htm](http://www.roche.com/investors/ir_agenda/csr_151010.htm)

The Group's IFRS results, including the Divisional breakdown, are reconciled to the core results in the tables below. The calculation of Core EPS is also given in the tables below. Additional commentary to the adjustment items is given in the Financial Review.

## Core results reconciliation – six months ended 30 June 2016 in millions of CHF

	IFRS	Global restructuring	Intangibles amortisation	Intangibles impairment	Alliances & business combinations	Legal & environmental	Pension plan settlements	Normalisation of ECP tax benefit	Core
Sales	25,022	-	-	-	-	-	-	-	25,022
Royalties and other operating income	986	-	-	-	-	-	-	-	986
Cost of sales	(7,578)	161	823	-	166	-	-	-	(6,428)
Marketing and distribution	(4,362)	51	2	-	-	-	-	-	(4,309)
Research and development	(5,297)	69	71	377	-	-	-	-	(4,780)
General and administration	(629)	110	-	-	(145)	27	-	-	(637)
<b>Operating profit</b>	<b>8,142</b>	<b>391</b>	<b>896</b>	<b>377</b>	<b>21</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>9,854</b>
Financing costs	(600)	1	-	-	21	5	-	-	(573)
Other financial income (expense)	(23)	-	-	-	-	-	-	-	(23)
<b>Profit before taxes</b>	<b>7,519</b>	<b>392</b>	<b>896</b>	<b>377</b>	<b>42</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>9,258</b>
Income taxes	(2,052)	(75)	(299)	(93)	(38)	(11)	-	71	(2,497)
<b>Net income</b>	<b>5,467</b>	<b>317</b>	<b>597</b>	<b>284</b>	<b>4</b>	<b>21</b>	<b>-</b>	<b>71</b>	<b>6,761</b>
Attributable to									
- Roche shareholders	5,378	316	590	284	4	21	-	70	6,663
- Non-controlling interests	89	1	7	-	-	-	-	1	98

## Core results reconciliation – six months ended 30 June 2015 in millions of CHF

	IFRS	Global restructuring	Intangibles amortisation	Intangibles impairment	Alliances & business combinations	Legal & environmental	Pension plan settlements	Normalisation of ECP tax benefit	Core
Sales	23,585	-	-	-	-	-	-	-	23,585
Royalties and other operating income	1,245	-	-	-	-	-	-	-	1,245
Cost of sales	(7,249)	84	744	-	223	-	-	-	(6,198)
Marketing and distribution	(4,092)	70	1	-	-	-	-	-	(4,021)
Research and development	(4,493)	42	55	45	-	-	-	-	(4,351)
General and administration	(1,286)	71	-	-	186	8	(3)	-	(1,024)
<b>Operating profit</b>	<b>7,710</b>	<b>267</b>	<b>800</b>	<b>45</b>	<b>409</b>	<b>8</b>	<b>(3)</b>	<b>-</b>	<b>9,236</b>
Financing costs	(574)	1	-	-	14	6	-	-	(553)
Other financial income (expense)	(56)	-	-	-	(16)	-	-	-	(72)
<b>Profit before taxes</b>	<b>7,080</b>	<b>268</b>	<b>800</b>	<b>45</b>	<b>407</b>	<b>14</b>	<b>(3)</b>	<b>-</b>	<b>8,611</b>
Income taxes	(1,831)	(60)	(273)	(13)	(122)	(5)	1	12	(2,291)
<b>Net income</b>	<b>5,249</b>	<b>208</b>	<b>527</b>	<b>32</b>	<b>285</b>	<b>9</b>	<b>(2)</b>	<b>12</b>	<b>6,320</b>
Attributable to									
- Roche shareholders	5,154	208	524	30	285	9	(2)	12	6,220
- Non-controlling interests	95	-	3	2	-	-	-	-	100

## Divisional core results reconciliation – six months ended 30 June 2016 in millions of CHF

	IFRS	Global restructuring	Intangibles amortisation	Intangibles impairment	Alliances & business combinations	Legal & environmental	Pension plan settlements	Core
<b>Pharmaceuticals</b>								
Sales	19,460	-	-	-	-	-	-	19,460
Royalties and other operating income	926	-	-	-	-	-	-	926
Cost of sales	(4,809)	121	654	-	166	-	-	(3,868)
Marketing and distribution	(3,048)	8	1	-	-	-	-	(3,039)
Research and development	(4,619)	45	68	377	-	-	-	(4,129)
General and administration	(279)	61	-	-	(152)	4	-	(366)
<b>Operating profit</b>	<b>7,631</b>	<b>235</b>	<b>723</b>	<b>377</b>	<b>14</b>	<b>4</b>	<b>-</b>	<b>8,984</b>
<b>Diagnostics</b>								
Sales	5,562	-	-	-	-	-	-	5,562
Royalties and other operating income	60	-	-	-	-	-	-	60
Cost of sales	(2,769)	40	169	-	-	-	-	(2,560)
Marketing and distribution	(1,314)	43	1	-	-	-	-	(1,270)
Research and development	(678)	24	3	-	-	-	-	(651)
General and administration	(197)	34	-	-	6	23	-	(134)
<b>Operating profit</b>	<b>664</b>	<b>141</b>	<b>173</b>	<b>-</b>	<b>6</b>	<b>23</b>	<b>-</b>	<b>1,007</b>
<b>Corporate</b>								
General and administration	(153)	15	-	-	1	-	-	(137)
<b>Operating profit</b>	<b>(153)</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>(137)</b>

## Divisional core results reconciliation – six months ended 30 June 2015 in millions of CHF

	IFRS	Global restructuring	Intangibles amortisation	Intangibles impairment	Alliances & business combinations	Legal & environmental	Pension plan settlements	Core
<b>Pharmaceuticals</b>								
Sales	18,350	-	-	-	-	-	-	18,350
Royalties and other operating income	1,174	-	-	-	-	-	-	1,174
Cost of sales	(4,748)	37	593	-	223	-	-	(3,895)
Marketing and distribution	(2,837)	35	1	-	-	-	-	(2,801)
Research and development	(3,950)	40	54	45	-	-	-	(3,811)
General and administration	(842)	37	-	-	179	4	(3)	(625)
<b>Operating profit</b>	<b>7,147</b>	<b>149</b>	<b>648</b>	<b>45</b>	<b>402</b>	<b>4</b>	<b>(3)</b>	<b>8,392</b>
<b>Diagnostics</b>								
Sales	5,235	-	-	-	-	-	-	5,235
Royalties and other operating income	71	-	-	-	-	-	-	71
Cost of sales	(2,501)	47	151	-	-	-	-	(2,303)
Marketing and distribution	(1,255)	35	-	-	-	-	-	(1,220)
Research and development	(543)	2	1	-	-	-	-	(540)
General and administration	(266)	33	-	-	7	4	-	(222)
<b>Operating profit</b>	<b>741</b>	<b>117</b>	<b>152</b>	<b>-</b>	<b>7</b>	<b>4</b>	<b>-</b>	<b>1,021</b>
<b>Corporate</b>								
General and administration	(178)	1	-	-	-	-	-	(177)
<b>Operating profit</b>	<b>(178)</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(177)</b>

## Core EPS (basic)

	Six months ended 30 June	
	2016	2015
Core net income attributable to Roche shareholders (CHF millions)	6,663	6,220
Weighted average number of shares and non-voting equity securities in issue (millions) <sup>14</sup>	852	850
<b>Core earnings per share (basic) (CHF)</b>	<b>7.82</b>	<b>7.31</b>

## Core EPS (diluted)

	Six months ended 30 June	
	2016	2015
Core net income attributable to Roche shareholders (CHF millions)	6,663	6,220
Increase in non-controlling interests' share of core net income, assuming all outstanding Chugai stock options exercised (CHF millions)	-	-
<b>Net income used to calculate diluted earnings per share (CHF millions)</b>	<b>6,663</b>	<b>6,220</b>
<b>Weighted average number of shares and non-voting equity securities in issue used to calculate diluted earnings per share (millions) <sup>14</sup></b>	<b>861</b>	<b>862</b>
<b>Core earnings per share (diluted) (CHF)</b>	<b>7.74</b>	<b>7.22</b>

# Supplementary operating free cash flow information

Divisional operating free cash flow information in millions of CHF

Six months ended 30 June	Pharmaceuticals		Diagnostics			Corporate		Group
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Depreciation, amortisation and impairments</b>								
Depreciation of property, plant and equipment	600	522	445	424	4	4	1,049	950
Amortisation of intangible assets	723	648	173	152	-	-	896	800
Impairment of property, plant and equipment	14	1	20	1	-	-	34	2
Impairment of goodwill	-	-	-	-	-	-	-	-
Impairment of intangible assets	377	45	-	-	-	-	377	45
<b>Total</b>	<b>1,714</b>	<b>1,216</b>	<b>638</b>	<b>577</b>	<b>4</b>	<b>4</b>	<b>2,356</b>	<b>1,797</b>
<b>Other adjustments</b>								
Add back								
- Expenses for equity-settled equity compensation plans	165	148	29	22	16	9	210	179
- Net (income) expense for provisions	71	392	69	81	6	1	146	474
- Net (gain) loss from disposals	(46)	(21)	(1)	2	-	-	(47)	(19)
- Non-cash working capital and other items	(13)	467	(23)	36	(39)	-	(75)	503
Deduct								
- Utilisation of provisions	(313)	(316)	(60)	(94)	(59)	(63)	(432)	(473)
- Proceeds from disposals	57	51	22	15	-	-	79	66
<b>Total</b>	<b>(79)</b>	<b>721</b>	<b>36</b>	<b>62</b>	<b>(76)</b>	<b>(53)</b>	<b>(119)</b>	<b>730</b>
<b>Operating profit cash adjustments</b>	<b>1,635</b>	<b>1,937</b>	<b>674</b>	<b>639</b>	<b>(72)</b>	<b>(49)</b>	<b>2,237</b>	<b>2,527</b>
<b>EBITDA</b>								
Core operating profit	8,984	8,392	1,007	1,021	(137)	(177)	9,854	9,236
Depreciation and impairment of property, plant and equipment - Core basis	529	503	445	425	4	4	978	932
<b>EBITDA</b>	<b>9,513</b>	<b>8,895</b>	<b>1,452</b>	<b>1,446</b>	<b>(133)</b>	<b>(173)</b>	<b>10,832</b>	<b>10,168</b>
- margin, % of sales	48.9	48.5	26.1	27.6	-	-	43.3	43.1



## Supplementary balance sheet information

Net operating assets to balance sheet reconciliation 30 June 2016 in millions of CHF

	Pharmaceuticals	Diagnostics	Corporate	Taxation and Treasury	Roche Group
Property, plant and equipment	13,537	5,413	140	-	19,090
Goodwill	5,338	5,692	-	-	11,030
Intangible assets	10,161	2,716	-	-	12,877
Inventories	5,948	2,273	-	-	8,221
Provisions	(3,066)	(890)	(342)	-	(4,298)
Current income tax net liabilities	-	-	-	(3,071)	(3,071)
Deferred tax net assets	-	-	-	2,706	2,706
Defined benefit plan net liabilities	-	-	-	(9,041)	(9,041)
Marketable securities	-	-	-	3,724	3,724
Cash and cash equivalents	-	-	-	2,817	2,817
Debt	-	-	-	(24,814)	(24,814)
Other net assets (liabilities)					
- Net working capital	475	1,078	(69)	-	1,484
- Long-term net operating assets	97	1	(8)	-	90
- Other	-	-	-	266	266
<b>Total net assets</b>	<b>32,490</b>	<b>16,283</b>	<b>(279)</b>	<b>(27,413)</b>	<b>21,081</b>

# Roche Securities

## Number of shares and non-voting equity securities<sup>a)</sup>

	30 June 2016	31 December 2015
Number of shares (nominal value: CHF 1.00)	160,000,000	160,000,000
Number of non-voting equity securities ( <i>Genussscheine</i> ) (no nominal value)	702,562,700	702,562,700
<b>Total</b>	<b>862,562,700</b>	<b>862,562,700</b>
Number of own shares and non-voting equity securities ( <i>Genussscheine</i> ) held	(10,356,161)	(10,542,434)
<b>Total in issue</b>	<b>852,206,539</b>	<b>852,020,266</b>

## Data per share and non-voting equity security in CHF

		Six months ended 30 June	
		2016	2015
Earnings (basic)		6.31	6.06
Earnings (diluted)		6.24	5.98
Core earnings (basic)		7.82	7.31
Core earnings (diluted)		7.74	7.22
Stock price of share <sup>b)</sup>	Opening	276.75	267.75
	High	276.75	284.50
	Low	238.20	244.40
	Period end	258.25	256.00
Stock price of non-voting equity security ( <i>Genussscheine</i> ) <sup>b)</sup>	Opening	276.40	269.90
	High	276.40	286.20
	Low	233.20	241.70
	Period end	256.10	262.00

## Market capitalisation in millions of CHF

	30 June 2016	31 December 2015	30 June 2015
Period end	218,594	235,554	222,073

- a) Each non-voting equity security (*Genussschein*) confers the same rights as any of the shares to participate in the available earnings and any remaining proceeds from liquidation following repayment of the nominal value of the shares and the participation certificate capital (if any). Shares and non-voting equity securities are listed on the SIX Swiss Exchange. Roche Holding Ltd has no restrictions as to ownership of its shares or non-voting equity securities.
- b) All stock price data reflect daily closing prices.

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