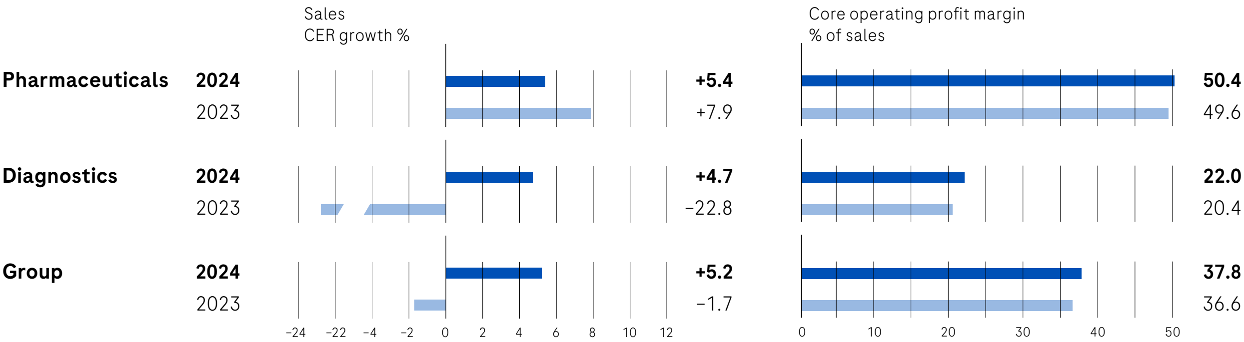
Half-Year Report 2024

Finance in Brief

Key interim results



	Six months ended 30 June 2024 (CHF m)	2023 (CHF m)	% change (CHF)	% change (CER)	% of sales (2024)	% of sales (2023)
IFRS results						
Sales	29,848	29,779	0	+5		
Operating profit	9,071	9,764	–7	0	30.4	32.8
Net income	6,697	7,563	–11	–4	22.4	25.4
Net income attributable to Roche shareholders	6,258	7,137	–12	–5	21.0	24.0
Diluted EPS (CHF)	7.80	8.87	–12	–4		
Core results						
Research and development	6,268	6,449	–3	0	21.0	21.7
Core operating profit	11,293	10,911	+4	+11	37.8	36.6
Core EPS (CHF)	10.23	10.10	+1	+9		
Free cash flow						
Operating free cash flow	8,053	8,031	0	+9	27.0	27.0
Free cash flow	5,591	6,128	–9	+1	18.7	20.6

	30 June 2024 (CHF m)	31 December 2023 (CHF m)	% change (CHF)	% change (CER)
Net debt	(25,627)	(18,699)	+37	+27
Capitalisation	67,317	62,472	+8	+5
– Debt	34,441	29,209	+18	+12
– Equity	32,876	33,263	–1	–2

CER (Constant Exchange Rates): The percentage changes at Constant Exchange Rates are calculated using simulations by reconsolidating both the 2024 and 2023 results at constant exchange rates (the average rates for the year ended 31 December 2023). For the definition of CER see page 85.

Core results and Core EPS (earnings per share): These exclude non-core items such as global restructuring plans and amortisation and impairment of goodwill and intangible assets. This allows an assessment of both the actual results and the underlying performance of the business. A full income statement for the Group and the operating results of the divisions are shown on both an IFRS and core basis. The core concept is fully described on pages 77–80 and reconciliations between the IFRS and core results are given there.

Free cash flow is used to assess the Group's ability to generate the cash required to conduct and maintain its operations. It also indicates the Group's ability to generate cash to finance dividend payments, repay debt and to undertake merger and acquisition activities. The free cash flow concept is used in the internal management of the business. The free cash flow concept is fully described on pages 80–82 and reconciliations between the IFRS cash flow and free cash flow are given there.

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 results have been restated in the financial statements in 2024. Details are given on page 43.

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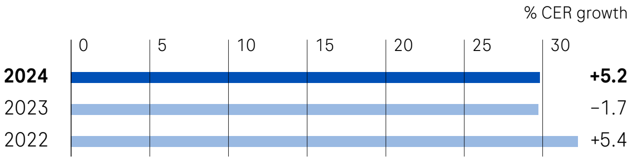
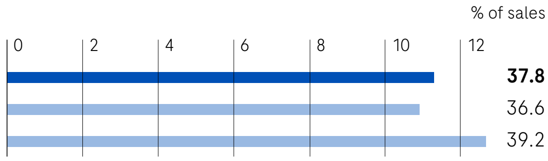
Financial Review

Group results

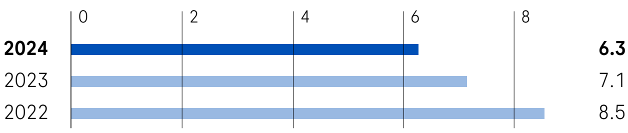
Sales in billions of CHF



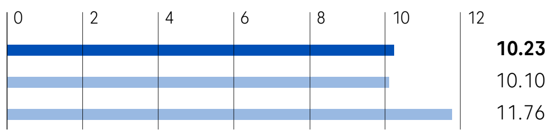
Core operating profit in billions of CHF



Net income attributable to Roche shareholders in billions of CHF



Core EPS in CHF



In the first half of 2024 the Roche Group reported sales growth of 5% and a core operating profit growth of 11% at CER. IFRS net income decreased by 4% while Core EPS increased by 9% at CER. The appreciation of the Swiss franc against many currencies relative to the first half of 2023 had an adverse net impact on the results expressed in Swiss francs of 5 percentage points on sales, 7 percentage points on core operating profit and on IFRS net income and 8 percentage points on Core EPS.

Sales in the Pharmaceuticals Division were CHF 22.6 billion (2023: CHF 22.5 billion), an increase of 5% at CER, driven primarily by increased sales of Vabysmo, with growing demand also for Phesgo, Ocrevus, Polivy and Evrysdi. These five medicines in total contributed an additional CHF 1.8 billion (CER) of sales. Sales of Avastin, Herceptin, MabThera/Rituxan, Esbriet, Lucentis and Actemra/RoActemra decreased by a combined CHF 0.6 billion (CER), as the impact of biosimilar and generic competition continued. Sales of the COVID-19 medicine Ronapreve were minimal compared to sales in Japan of CHF 0.5 billion in the first half of 2023.

The Diagnostics Division reported sales of CHF 7.2 billion (2023: CHF 7.3 billion), an increase of 5% at CER. The division's base business grew by 9% at CER across all regions, primarily due to increased demand for immunodiagnostic products. This growth was partially offset by the continued expected sales decline of the division's portfolio of COVID-19 tests, which generated sales of CHF 0.1 billion in the first half of 2024, a fall of 70% at CER.

Divisional operating results for the six months ended 30 June 2024

	Pharmaceuticals (CHF m)	Diagnostics (CHF m)	Corporate (CHF m)	Group (CHF m)
Sales	22,637	7,211	–	29,848
Core operating profit	11,409	1,583	(1,699)	11,293
– Margin, % of sales	50.4	22.0	–	37.8
Operating profit	9,593	1,425	(1,947)	9,071
– Margin, % of sales	42.4	19.8	–	30.4
Operating free cash flow	9,647	491	(2,085)	8,053
– Margin, % of sales	42.6	6.8	–	27.0

Divisional operating results – Development of results compared to the six months ended 30 June 2023

	Pharmaceuticals	Diagnostics	Corporate	Group
Sales				
– % change at CER	+5	+5	–	+5
Core operating profit				
– % change at CER	+7	+22	0	+11
– Margin: percentage point change	+0.9	+3.3	–	+1.9
Operating profit				
– % change at CER	–1	+16	+4	0
– Margin: percentage point change	–2.9	+2.0	–	–1.6
Operating free cash flow				
– % change at CER	+5	+298	+9	+9
– Margin: percentage point change	–0.4	+5.7	–	+0.9

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 results have been restated in the financial statements in 2024. Details are given on page 43.

The Pharmaceuticals Division's core operating profit increased by 7% at CER (increase of 2% in CHF). Cost of sales increased by 5%, in line with the sales increase. The higher manufacturing costs reflected the increase in sales volumes and included a base effect resulting from the release of unutilised provisions in 2023, while costs of collaboration and profit-sharing agreements decreased. Research and development costs were stable, with the oncology therapeutic area as the major area of spending. There was an increase in spending in relation to the recent acquisitions and collaborations which was offset by savings from portfolio prioritisation initiatives. Selling, general and administration costs increased by 1% due to marketing and distribution costs for ongoing launches, especially for Vabysmo. Other operating income (expense) included CHF 0.4 billion of gains from disposals of products, which were lower by CHF 0.2 billion compared to 2023.

In the Diagnostics Division, core operating profit increased by 22% at CER (increase of 7% in CHF) to CHF 1.6 billion. This was significantly higher than the 5% increase in sales due to a 1% decrease in cost of sales. Manufacturing costs were lower due to favourable product mix effects notably from the lower sales volumes of SARS-CoV-2 Rapid Antigen tests. Research and development costs increased by 1% with continued focus on high medical value assays, notably in the oncology disease area, as well as on digital solutions and sequencing. Selling, general and administration costs increased by 5% driven by higher personnel expenses and distribution costs.

The Group's core operating profit was 11% higher at CER (increase of 4% in CHF), reflecting the increased sales in both divisions coupled with the improved cost of sales margin in the Diagnostics Division and controlled spending on research and development and on selling, general and administration.

The core basis excludes non-core items such as global restructuring costs, amortisation and impairment of goodwill and intangible assets, legal and environmental cases, and mergers and acquisitions and alliance transactions. The IFRS operating profit decreased by 1% (CER) in the Pharmaceuticals Division despite the 7% growth in core operating profit, mainly due to higher intangible asset impairment charges. In the Diagnostics Division, IFRS operating profit increased by 16% (CER), driven by the 22% growth in core operating profit and partially offset by a base effect from the release of legal provisions in the first half of 2023. The 2024 interim results for the Group included CHF 1.1 billion of charges for intangible asset impairment, CHF 0.8 billion for restructuring costs, and CHF 0.4 billion for intangible asset amortisation. Group IFRS operating profit remained stable at CER (decrease of 7% in CHF).

Financing costs increased by 50% (IFRS basis at CER) to CHF 0.7 billion mainly due to additional interest expenses from new debt as well as higher interest rates which affected borrowing costs. Other financial income (expense) was a net expense of CHF 0.1 billion, with the major items being net foreign exchange losses and losses on the net monetary positions in hyperinflationary economies. The Group's effective core tax rate increased to 17.3% from 16.9% in the first half of 2023. The increase was mainly due to the impact of Pillar Two top-up taxes, which have been effective from 1 January 2024 in various countries where the Group operates.

Net income decreased by 4% at CER (decrease of 11% in CHF) on an IFRS basis to CHF 6.7 billion, while it increased by 8% at CER (increase of 1% in CHF) on a core basis to CHF 8.7 billion due to the impact of higher impairment charges to intangible assets. Core EPS increased by 9% at CER (increase of 1% in CHF) to CHF 10.23.

Operating free cash flow was CHF 8.1 billion, an increase of 9% at CER (stable in CHF) due to the higher underlying cash generation of the business. The free cash flow was CHF 5.6 billion, an increase of 1% at CER (decrease of 9% in CHF), with the increased operating free cash flow being largely offset by higher tax and interest payments.

Income statement

	Six months ended 30 June 2024 (CHF m)	2023 (CHF m)	% change (CHF)	% change (CER)
IFRS results				
Sales	29,848	29,779	0	+5
Other revenue	908	837	+8	+11
Revenue	**30,756**	**30,616**	**0**	**+5**
Cost of sales	(7,870)	(7,931)	–1	+4
Research and development	(7,388)	(6,918)	+7	+10
Selling, general and administration	(6,852)	(6,850)	0	+4
Other operating income (expense)	425	847	–50	–49
Operating profit	**9,071**	**9,764**	**–7**	**0**
Financing costs	(708)	(490)	+44	+50
Other financial income (expense)	(140)	(100)	+40	+71
Profit before taxes	**8,223**	**9,174**	**–10**	**–3**
Income taxes	(1,526)	(1,611)	–5	+1
Net income	**6,697**	**7,563**	**–11**	**–4**
Attributable to				
– Roche shareholders	6,258	7,137	–12	–5
– Non-controlling interests	439	426	+3	+12
EPS – Basic (CHF)	7.85	8.93	–12	–4
EPS – Diluted (CHF)	7.80	8.87	–12	–4
Core results [a]				
Sales	29,848	29,779	0	+5
Other revenue	908	837	+8	+11
Revenue	**30,756**	**30,616**	**0**	**+5**
Cost of sales	(7,300)	(7,456)	–2	+2
Research and development	(6,268)	(6,449)	–3	0
Selling, general and administration	(6,376)	(6,505)	–2	+2
Other operating income (expense)	481	705	–32	–30
Operating profit	**11,293**	**10,911**	**+4**	**+11**
Financing costs	(698)	(482)	+45	+50
Other financial income (expense)	(140)	(100)	+40	+71
Profit before taxes	**10,455**	**10,329**	**+1**	**+8**
Income taxes	(1,804)	(1,742)	+4	+10
Net income	**8,651**	**8,587**	**+1**	**+8**
Attributable to				
– Roche shareholders	8,205	8,124	+1	+8
– Non-controlling interests	446	463	–4	+5
Core EPS – Basic (CHF)	10.29	10.17	+1	+9
Core EPS – Diluted (CHF)	10.23	10.10	+1	+9

a) See pages 77–80 for definition of core results and Core EPS.

Competition from biosimilar and generic medicines

The introduction of a generic, biosimilar or non-comparable biologic version of the same or a similar medicine usually results in a significant reduction in net sales for the relevant product, as other manufacturers typically offer their versions at lower prices.

Avastin, Herceptin and MabThera/Rituxan. The Group's basic, primary patents for these three products have expired worldwide. Interim sales, including regional breakdowns, for Avastin, Herceptin and MabThera/Rituxan are disclosed in the Pharmaceuticals Division's operating results and are summarised in the table below. The year-on-year movements were also driven by regular price and volume changes. Biosimilar competition is only one factor in the overall picture.

Total interim Avastin, Herceptin and MabThera/Rituxan sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% divisional sales (2024)	% divisional sales (2023)
United States	759	966	–19	3.4	4.3
Europe	275	336	–16	1.2	1.5
Japan	119	207	–34	0.5	0.9
International	947	1,088	–6	4.2	4.8
Total sales	**2,100**	**2,597**	**–15**	**9.3**	**11.5**

The first biosimilar versions of Herceptin and Avastin were launched in the US from mid-2019 and the first biosimilar versions of MabThera/Rituxan in late 2019. In Europe the first biosimilar versions of MabThera/Rituxan and Herceptin were launched from mid-2017 and from mid-2018, respectively, and are now marketed in most EU countries. The first biosimilar versions of Avastin came to market in Europe from mid-2020. The first biosimilar versions of MabThera/Rituxan and Herceptin were launched in Japan in 2018 and the first biosimilar versions of Avastin in late 2019. Sales of these three products in Japan were impacted by government price cuts as well as biosimilar competition. In the International region, biosimilar versions of all three products have been launched in many countries and this, together with the impacts of regular price and volume changes, has led to the decline in sales.

Esbriet. The first generic versions of Esbriet came to market in the second quarter of 2022. The interim sales of Esbriet were CHF 49 million (2023: CHF 119 million), a decline of 58% at CER.

Lucentis. The Group's basic, primary patents have expired in the US. The first biosimilar version of Lucentis with a restricted label came to market in the US at the beginning of the third quarter of 2022. Interim US sales of Lucentis were CHF 87 million (2023: CHF 299 million), a decline of 70% at CER (as reported in US dollars) due to the ongoing switch of patients from Lucentis to Vabysmo, as well as competitive pressure.

Actemra/RoActemra. The Group's basic, primary patents have expired in the US and the EU. The first biosimilar versions of Actemra/RoActemra came to market in the EU in the fourth quarter of 2023 and in the US in the second quarter of 2024. Global interim sales of Actemra/RoActemra were CHF 1,276 million (2023: CHF 1,296 million), an increase of 3% at CER. The demand increased based on continued confidence in the medicine in the chronic business, especially in rheumatoid arthritis.

Mergers and acquisitions

Carmot. On 26 January 2024 the Group completed the acquisition of Carmot Therapeutics, Inc. ('Carmot'). With the acquisition, the Group obtained access to three clinical-stage product candidates to treat obesity and diabetes, as well as a number of preclinical programmes. The total consideration was USD 3.1 billion, of which USD 2.9 billion was paid in cash and USD 0.2 billion arose from a contingent consideration arrangement.

Divestment of Vacaville facility. In May 2023 the Group announced plans to exit its legacy Genentech manufacturing facility in Vacaville, California, as part of a broader strategy to evolve its manufacturing capabilities in line with future pipeline requirements. On 20 March 2024 the Group announced a definitive agreement with Lonza Group AG ('Lonza') under which Lonza will acquire this facility for USD 1.2 billion in conjunction with a manufacturing agreement and related quality services and warehousing. Subject to the completion of applicable regulatory approvals and transition preparations, the transaction is expected to close in the second half of 2024. As of 30 June 2024 the assets and certain liabilities directly associated with the Vacaville manufacturing plant, with a carrying value of CHF 740 million, were classified as held for sale.

Future business combinations. On 29 December 2023 the Group announced the entry into a definitive agreement to acquire selected subsidiaries of LumiraDx Limited ('LumiraDx'). With the acquisition, the Group will obtain access to LumiraDx's point-of-care technology which combines multiple diagnostic modalities on a single platform. The transaction is subject to certain conditions including antitrust and regulatory approvals. The closing of the transaction is currently expected to take place in the second half of 2024.

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

Alliance transactions

In the first half of 2024 in-licensing and alliance transactions resulted in intangible assets of CHF 0.3 billion (2023: CHF 0.2 billion) being recognised.

Global restructuring plans

During the first half of 2024 the Group continued the implementation of various global restructuring plans initiated in 2024 and prior years.

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

	2024	2023
Global restructuring costs		
– Employee-related costs	269	236
– Site closure and other costs related to physical assets	142	279
– Divestment of products and businesses	0	0
– Other reorganisation expenses	351	163
Total global restructuring costs	**762**	**678**

The Pharmaceuticals Division incurred restructuring costs of CHF 454 million, primarily for research and development optimisation initiatives, manufacturing network strategy and a business process transformation to simplify the systems landscape. The Diagnostics Division incurred costs of CHF 60 million for manufacturing and supply chain optimisations, research and development productivity initiatives and business transformations to drive organisational and commercial effectiveness. This was partly offset by reversals of unused restructuring provisions following the completion of certain optimisation plans within the division. Corporate costs were CHF 248 million and included a business process transformation to simplify the systems landscape as well as to reduce process complexity. This transformation is a multi-year cross-divisional programme to drive efficiency gains through system and process optimisation. Further details are given in Note 7 to the Interim Financial Statements.

Impairment of goodwill and intangible assets

The Pharmaceuticals Division recorded impairment charges to intangible assets of CHF 1.1 billion in total. These charges included CHF 0.8 billion related to the impairment of several product and technology intangible assets in research or development phase following decisions to stop the development or terminate the collaborations and CHF 0.3 billion for the partial impairment of the product intangible asset for Rozlytrek, acquired as part of the Ignyta acquisition. There were no impairments in the Diagnostics Division. Further details are given in Notes 8 and 9 to the Interim Financial Statements.

Legal and environmental cases

There were no significant developments in the first half of 2024. Further details are given in Note 10 to the Interim Financial Statements.

Net income and earnings per share

IFRS net income, which included the impact of higher charges for the impairment of intangible assets, decreased by 4% at CER (decrease of 11% in CHF) while net income on a core basis increased by 8% at CER. Core EPS increased by 9% at CER to CHF 10.23. The core basis excludes non-core items such as global restructuring costs, amortisation and impairment of goodwill and intangible assets, legal and environmental cases, and mergers and acquisitions and alliance transactions. The amount of net income attributable to non-controlling interests increased by 12% on an IFRS basis and increased by 5% on a core basis. The net income attributable to non-controlling interests on an IFRS basis did not include any charges from the impairment of intangible assets in the first half of 2024.

Net income

	Six months ended 30 June 2024 (CHF m)	2023 (CHF m)	% change (CHF)	% change (CER)
IFRS net income	**6,697**	**7,563**	**–11**	**–4**
Reconciling items (net of tax)				
– Global restructuring	622	544	+14	+17
– Intangible asset amortisation	332	336	–1	+1
– Goodwill and intangible asset impairment	908	208	+337	+347
– Mergers and acquisitions and alliance transactions	34	4	Over +500	Over +500
– Legal and environmental cases	21	(99)	–	–
– Normalisation of equity compensation plan tax benefit	37	31	+19	+22
Core net income	**8,651**	**8,587**	**+1**	**+8**

Supplementary net income and EPS information is given on pages 77 to 80. This includes calculations of Core EPS and reconciles the core results to the Group's published IFRS results.

Financial position

Financial position

	30 June 2024 (CHF m)	31 December 2023 (CHF m)	% change (CHF)	% change (CER)
Pharmaceuticals				
Net working capital	4,653	3,440	+35	+34
Other net operating assets	35,785	32,787	+9	+5
Diagnostics				
Net working capital	4,155	3,254	+28	+24
Other net operating assets	13,718	12,963	+6	+1
Corporate				
Net working capital	(328)	(487)	–33	–34
Other net operating assets	182	158	+15	+12
Net operating assets	**58,165**	**52,115**	**+12**	**+8**
Net debt	(25,627)	(18,699)	+37	+27
Lease liabilities	(1,734)	(1,573)	+10	+5
Pensions	(3,126)	(3,360)	–7	–11
Income taxes	4,707	4,376	+8	+1
Other net non-operating assets	491	404	+22	+14
Total net assets	**32,876**	**33,263**	**–1**	**–2**

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 results have been restated in the financial statements in 2024. Details are given on page 43.

Compared to the start of the year the Swiss franc depreciated against most currencies, with the US dollar and, to a lesser extent, the euro having a significant effect on the carrying value of the Group's net operating assets as reported in Swiss francs. This positive translation effect was partially compensated by the appreciation of the Swiss franc against the Japanese yen and by the natural hedge from the Group's US dollar-denominated debt. The exchange rates used are given on page 34.

Net working capital in the Pharmaceuticals Division increased by 34%, driven by an 11% increase in trade receivables due to the significant sales growth of Vabysmo, alongside increased sales of Ocrevus, both of which had extended payment terms in the US. In the Diagnostics Division, net working capital increased by 24% driven by the net liability for other receivables (payables), which decreased because of the settlement of year-end accruals. There was also an increase in inventories in the Diagnostics Division driven by a higher volume of instruments pending installation and a stock-up of the newest generation of serum work area systems.

The increase in net debt was due to dividend payments of CHF 7.9 billion and the payments of CHF 2.5 billion for the acquisition of Carmot, partly offset by the free cash flow of CHF 5.6 billion. Lease liabilities increased to CHF 1.7 billion due to a new property lease at Genentech. The net pension liability was lower following an increase in the fair value of pension plan assets. The net tax assets increased due to taxes paid exceeding the income tax expenses, partially offset by deferred tax impacts from the decrease in the net pension liability.

Free cash flow

Free cash flow

	Six months ended 30 June 2024 (CHF m)	2023 (CHF m)	% change (CHF)	% change (CER)
Pharmaceuticals	9,647	9,745	–1	+5
Diagnostics	491	219	+124	+298
Corporate	(2,085)	(1,933)	+8	+9
Operating free cash flow	**8,053**	**8,031**	**0**	**+9**
Treasury activities	(486)	(333)	+46	+53
Taxes paid	(1,976)	(1,570)	+26	+32
Free cash flow	**5,591**	**6,128**	**–9**	**+1**

See pages 80–82 for definition of free cash flow.

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 results have been restated in the financial statements in 2024. Details are given on page 43.

The Group's operating free cash flow for the first six months of 2024 was CHF 8.1 billion, an increase of 9% at CER (stable in CHF), due to the underlying results in both divisions. The operating free cash flow growth in the first half of 2024 was partly impacted by higher trade receivables, mainly due to the increase in sales of Vabysmo and Ocrevus, both of which had extended payment terms in the US. In contrast there were large collections of trade receivables in the first half of 2023, notably for Ronapreve sales in Japan from 2022, which had a positive impact on the operating free cash flow in 2023. The free cash flow of CHF 5.6 billion, an increase of 1% at CER (decrease of 9% in CHF), was a result of the higher operating free cash flow, partly offset by higher tax and interest payments. The appreciation of the Swiss franc in the first half of 2024 relative to the first half of 2023 had a significant adverse impact on the cash flows expressed in Swiss francs.

Pharmaceuticals operating results

Pharmaceuticals Division interim operating results

	2024 (CHF m)	2023 (CHF m)	% change (CHF)	% change (CER)
IFRS results				
Sales	22,637	22,511	+1	+5
Other revenue	886	798	+11	+14
Revenue	**23,523**	**23,309**	**+1**	**+6**
Cost of sales	(4,536)	(4,384)	+3	+9
Research and development	(6,408)	(5,947)	+8	+11
Selling, general and administration	(3,400)	(3,448)	-1	+3
Other operating income (expense)	414	710	-42	-41
Operating profit	**9,593**	**10,240**	**-6**	**-1**
– Margin, % of sales	42.4	45.5	-3.1	-2.9
Core results [a]				
Sales	22,637	22,511	+1	+5
Other revenue	886	798	+11	+14
Revenue	**23,523**	**23,309**	**+1**	**+6**
Cost of sales	(4,031)	(4,036)	0	+5
Research and development	(5,335)	(5,507)	-3	0
Selling, general and administration	(3,197)	(3,308)	-3	+1
Other operating income (expense)	449	699	-36	-35
Core operating profit	**11,409**	**11,157**	**+2**	**+7**
– Margin, % of sales	50.4	49.6	+0.8	+0.9
Financial position				
Net working capital	4,653	3,440	+35	+34
Other net operating assets	35,785	32,787	+9	+5
Net operating assets	**40,438**	**36,227**	**+12**	**+8**
Free cash flow [b]				
Operating free cash flow	9,647	9,745	-1	+5
– Margin, % of sales	42.6	43.3	-0.7	-0.4

a) See pages 77–80 for definition of core results.
b) See pages 80–82 for definition of free cash flow.

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 results have been restated in the financial statements in 2024, including in the detailed operating results of both divisions. Details are given on page 43.

Sales overview

Pharmaceuticals Division – Interim sales by therapeutic area

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
Oncology	9,619	9,775	+4	42.5	43.4
Neuroscience	4,586	4,229	+13	20.3	18.8
Immunology	3,015	3,095	+1	13.3	13.7
Haemophilia A	2,143	2,087	+7	9.5	9.3
Ophthalmology	1,891	1,265	+54	8.4	5.6
Infectious diseases	255	819	–66	1.1	3.6
Other therapeutic areas	1,128	1,241	–4	4.9	5.6
Total sales	**22,637**	**22,511**	**+5**	**100**	**100**

Sales in the Pharmaceuticals Division were CHF 22.6 billion (2023: CHF 22.5 billion), an increase of 5% at CER. Vabysmo was the major growth driver, with increased sales of CHF 0.9 billion (CER) accounting for around three quarters of the divisional growth, with CHF 0.6 billion (CER) in the US alone. There was also growing demand for Phesgo, Ocrevus, Polivy and Evrysdi, and these products, together with Vabysmo, contributed an additional CHF 1.8 billion (CER) of sales. This growth was partly offset by lower sales of Avastin, Herceptin, MabThera/Rituxan, Esbriet, Lucentis and Actemra/RoActemra which decreased by a combined CHF 0.6 billion (CER), as the impact of biosimilar and generic competition continued.

Sales in the oncology therapeutic area increased by 4%, with the growth being driven by Phesgo and Polivy, partially offset by the biosimilar competition for Avastin, Herceptin and MabThera/Rituxan. Sales of Perjeta were CHF 1.9 billion, a decline of 2% due to the conversion of patients to Phesgo, contributing to sales of Phesgo of CHF 0.8 billion with a growth of 60%. Tecentriq sales increased by 2% due to growth in the International region and in Europe, partly offset by a decrease in the US due to continued pressure from competition. Polivy sales increased by 54% to CHF 0.5 billion, notably in the US.

Sales in neuroscience grew by 13% mainly due to Ocrevus and Evrysdi. Ocrevus continued as the Pharmaceuticals Division's highest-selling medicine, with sales of CHF 3.4 billion, an increase of 8%, which included 5% growth in the US. In the immunology therapeutic area, Actemra/RoActemra sales increased by 3%, especially in rheumatoid arthritis, and despite the recent launches of biosimilars. Xolair sales in the US were 10% higher driven by growth in the chronic spontaneous urticaria indication and the launch of the medicine in the food allergy indication.

Sales in the haemophilia A therapeutic area grew by 7% based on further market penetration and the continued growth of Hemlibra in the non-inhibitor indication. Hemlibra sales were CHF 2.1 billion, an increase of 7%, led by growth in Europe and the International region.

Sales in ophthalmology significantly increased reflecting the growth in Vabysmo sales, partially offset by the decrease in Lucentis sales. Sales of Vabysmo were CHF 1.8 billion with growing demand across all regions, especially in the US. For infectious diseases, Ronapreve sales were minimal due to the evolving COVID-19 situation.

Product sales

Pharmaceuticals Division – Interim sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
Oncology					
Perjeta	1,921	2,082	–2	8.5	9.3
Tecentriq	1,798	1,853	+2	7.9	8.2
Kadcyla	999	1,001	+6	4.4	4.4
Phesgo	799	517	+60	3.5	2.3
Alecensa	766	758	+7	3.4	3.4
Herceptin	740	878	–11	3.3	3.9
Avastin	654	837	–16	2.9	3.7
MabThera/Rituxan[a)]	549	683	–16	2.4	3.0
Polivy	513	353	+54	2.3	1.6
Gazyva/Gazyvaro	445	402	+15	2.0	1.8
Erivedge	123	122	+6	0.5	0.5
Others	312	289	+14	1.4	1.3
Total Oncology	**9,619**	**9,775**	**+4**	**42.5**	**43.4**
Neuroscience					
Ocrevus	3,359	3,200	+8	14.8	14.2
Evrysdi	838	705	+25	3.7	3.2
Madopar	200	185	+13	0.9	0.8
Enspryng	143	120	+32	0.6	0.5
Others	46	19	+139	0.3	0.1
Total Neuroscience	**4,586**	**4,229**	**+13**	**20.3**	**18.8**
Immunology					
Actemra/RoActemra	1,276	1,296	+3	5.6	5.7
Xolair	1,110	1,031	+10	4.9	4.6
Pulmozyme	225	238	–2	1.0	1.0
CellCept	197	201	+4	0.9	0.9
MabThera/Rituxan[a)]	157	199	–19	0.7	0.9
Others	50	130	–60	0.2	0.6
Total Immunology	**3,015**	**3,095**	**+1**	**13.3**	**13.7**
Haemophilia A					
Hemlibra	2,143	2,087	+7	9.5	9.3
Total Haemophilia A	**2,143**	**2,087**	**+7**	**9.5**	**9.3**
Ophthalmology					
Vabysmo	1,794	957	+93	7.9	4.3
Lucentis	87	299	–70	0.4	1.3
Others	10	9	+18	0.1	0.0
Total Ophthalmology	**1,891**	**1,265**	**+54**	**8.4**	**5.6**
Infectious diseases					
Ronapreve	2	550	–100	0.0	2.4
Others	253	269	+2	1.1	1.2
Total Infectious diseases	**255**	**819**	**–66**	**1.1**	**3.6**

Pharmaceuticals Division – Interim sales *(continued)*

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
Other therapeutic areas					
Activase/TNKase	593	621	–2	2.6	2.8
Mircera	173	198	–7	0.8	0.9
Others	362	422	–6	1.5	1.9
Total other therapeutic areas	**1,128**	**1,241**	**–4**	**4.9**	**5.6**
Total sales	**22,637**	**22,511**	**+5**	**100**	**100**

a) Total MabThera/Rituxan sales of CHF 706 million (2023: CHF 882 million) split between oncology and immunology franchises.

Ocrevus. For relapsing forms of multiple sclerosis (RMS) and primary progressive multiple sclerosis (PPMS).

Ocrevus interim regional sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
United States	2,411	2,346	+5	71.8	73.3
Europe	639	584	+12	19.0	18.3
International	309	270	+27	9.2	8.4
Total sales	**3,359**	**3,200**	**+8**	**100**	**100**

Ocrevus sales grew across all regions driven by continuous and increasing demand in both indications. In the US, Ocrevus remained the market leader despite increased competition, driven by growth from the treatment of both new and existing patients. Ocrevus demonstrated a higher retention rate than other multiple sclerosis medications in the US, a trend observed in other regions as well. Sales also increased outside of the US, notably in the UK, Germany, Brazil and Canada.

Hemlibra. For haemophilia A.

Hemlibra interim regional sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
United States	1,231	1,247	+1	57.4	59.8
Europe	468	419	+14	21.8	20.1
Japan	171	192	+3	8.0	9.2
International	273	229	+32	12.8	10.9
Total sales	**2,143**	**2,087**	**+7**	**100**	**100**

Hemlibra sales grew as the medicine is being increasingly established as the standard of care in the treatment of haemophilia A. The US remains the largest market for Hemlibra and sales there grew by 1%. The US growth rate was temporarily impacted by changes to buying patterns of key distributors at the end of 2023. The growth in Europe and the International region resulted from expanded access to the non-inhibitor indication driven by various countries in both regions.

HER2 franchise (Perjeta, Herceptin, Kadcyla and Phesgo). For HER2-positive breast cancer and HER2-positive metastatic (advanced) gastric cancer (Herceptin only).

Perjeta interim regional sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
United States	694	763	–7	36.1	36.6
Europe	341	413	–16	17.8	19.8
Japan	66	109	–30	3.4	5.2
International	820	797	+14	42.7	38.4
Total sales	**1,921**	**2,082**	**–2**	**100**	**100**

Kadcyla interim regional sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
United States	381	386	+1	38.1	38.6
Europe	288	298	–1	28.8	29.8
Japan	46	52	+2	4.6	5.2
International	284	265	+23	28.5	26.4
Total sales	**999**	**1,001**	**+6**	**100**	**100**

Phesgo interim regional sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
United States	258	209	+27	32.3	40.4
Europe	354	240	+51	44.3	46.4
Japan	50	0	–	6.3	0.0
International	137	68	+115	17.1	13.2
Total sales	**799**	**517**	**+60**	**100**	**100**

Herceptin interim regional sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
United States	138	176	–19	18.6	20.0
Europe	154	183	–14	20.8	20.8
Japan	8	17	–44	1.1	1.9
International	440	502	–5	59.5	57.3
Total sales	**740**	**878**	**–11**	**100**	**100**

Sales in the HER2 franchise increased by 5% to CHF 4.5 billion. Sales of Perjeta were 2% lower as a result of the conversion of patients to Phesgo, although this was partly compensated by increased sales in those countries in the International region where Phesgo is either not yet launched or not yet reimbursed, such as China, Mexico and Brazil. Sales of Kadcyla increased by 6%, with sales growth in the International region, mainly in China. Phesgo sales increased by 60% with growth across all regions due to the ongoing conversion of patients to Phesgo as the preferred treatment over Perjeta and Herceptin. Herceptin sales were 11% lower primarily as a result of biosimilar erosion.

Tecentriq. For extensive-stage small cell lung cancer (SCLC), initial therapy of non-squamous non-small cell lung cancer (NSCLC), advanced lung cancer, unresectable or metastatic hepatocellular carcinoma (HCC), advanced bladder cancer and PD-L1-positive triple-negative breast cancer (TNBC).

Tecentriq interim regional sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
United States	898	1,000	–8	49.9	54.0
Europe	429	398	+10	23.9	21.5
Japan	182	214	–2	10.1	11.5
International	289	241	+32	16.1	13.0
Total sales	**1,798**	**1,853**	**+2**	**100**	**100**

Sales increased by 2% due to growth in the International region and in Europe. In the US, the sales decrease was caused by continued pressure from competition in the HCC and NSCLC indications. This was more than offset by growth in Europe, notably in Germany for NSCLC, and in the International region, especially in China. In Japan, sales decreased due to the slowdown of market penetration in a competitive environment.

Vabysmo. For neovascular or 'wet' age-related macular degeneration (nAMD), diabetic macular oedema (DME) and in the US also for macular oedema following retinal vein occlusion (RVO).

Vabysmo interim regional sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
United States	1,371	788	+78	76.4	82.3
Europe	287	103	+183	16.0	10.8
Japan	53	46	+35	3.0	4.8
International	83	20	+324	4.6	2.1
Total sales	**1,794**	**957**	**+93**	**100**	**100**

Vabysmo was the major growth driver in the Pharmaceuticals Division in the first half of 2024, accounting for around three quarters of the divisional growth. Sales in the US showed a continuing high uptake and there was further growth of market share in all indications, driven by newly diagnosed patients as well as patients transitioning from other treatment options. The rollout of Vabysmo in Europe continued and there was significant uptake in recently launched markets such as France, Spain and Italy, as well as in the UK and Germany. Sales also increased in the International region driven by Canada, China and Australia.

Actemra/RoActemra. For rheumatoid arthritis, forms of juvenile idiopathic arthritis, giant cell arteritis, CAR T-cell-induced severe or life-threatening cytokine release syndrome and COVID-19.

Actemra/RoActemra interim regional sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
United States	595	574	+6	46.6	44.3
Europe	363	383	–3	28.4	29.6
Japan	146	157	+7	11.4	12.1
International	172	182	+4	13.6	14.0
Total sales	**1,276**	**1,296**	**+3**	**100**	**100**

Sales increased by 3%, led by the US, reflecting the continued confidence in the medicine in the chronic business, especially for rheumatoid arthritis. Sales also grew in Japan. The first biosimilar versions of Actemra/RoActemra came to market in the EU in the fourth quarter of 2023, which drove the sales decline in Europe. In the US, the first biosimilar versions entered the market in the second quarter of 2024.

Xolair. For chronic spontaneous urticaria, allergic asthma and food allergies.

Xolair interim regional sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
United States	1,110	1,031	+10	100	100
Total sales	**1,110**	**1,031**	**+10**	**100**	**100**

Sales increased by 10% driven by growth in the chronic spontaneous urticaria indication and the launch of the medicine in the food allergy indication. Xolair is the only biologic medicine approved for chronic spontaneous urticaria and food allergies and remains a market leader in the larger allergic asthma indication.

Evrysdi. For spinal muscular atrophy (SMA).

Evrysdi interim regional sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
United States	283	255	+14	33.8	36.2
Europe	286	241	+21	34.1	34.2
Japan	44	45	+14	5.3	6.4
International	225	164	+50	26.8	23.2
Total sales	**838**	**705**	**+25**	**100**	**100**

Sales increased by 25% due to continuous gains in patient share across all regions. The sales growth in the US was led by the treatment of new patients, including previously untreated adults. Sales growth continued in Europe, notably in Spain, the UK and Poland. In the International region, Brazil was a major growth driver. In both Europe and the International region there was growth from newly treated patients and patients transitioning from other treatment options.

Alecensa. For ALK-positive non-small cell lung cancer (NSCLC) in both the metastatic and adjuvant settings.

Alecensa interim regional sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
United States	236	221	+9	30.8	29.2
Europe	145	148	+1	18.9	19.5
Japan	96	107	+4	12.5	14.1
International	289	282	+10	37.8	37.2
Total sales	**766**	**758**	**+7**	**100**	**100**

Sales growth of 7% came mainly from the US and the International region. In the US, Alecensa remains the standard of care, and the growth was driven by new and continuing patients. Growth in the International region was led by China following the renewed inclusion of the medicine in the National Reimbursement Drug List (NRDL) for the adjuvant indication.

MabThera/Rituxan. For non-Hodgkin lymphoma (NHL), chronic lymphocytic leukaemia (CLL), follicular lymphoma (FL), pemphigus vulgaris (PV), rheumatoid arthritis (RA) as well as certain types of antineutrophil cytoplasmic antibody (ANCA)-associated vasculitis.

MabThera/Rituxan interim regional sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
United States	422	534	–19	59.8	60.5
Europe	77	96	–17	10.9	10.9
Japan	9	13	–23	1.3	1.5
International	198	239	–11	28.0	27.1
Total sales	**706**	**882**	**–17**	**100**	**100**

Sales were 17% lower due to biosimilar erosion across all regions. Sales in the US decreased by 19%, with a decline in both the oncology and immunology businesses.

Avastin. For advanced colorectal, breast, lung, kidney, cervical and ovarian cancer, relapsed glioblastoma and liver cancer in combination with Tecentriq.

Avastin interim regional sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
United States	199	256	–20	30.4	30.6
Europe	44	57	–20	6.7	6.8
Japan	102	177	–33	15.6	21.1
International	309	347	–4	47.3	41.5
Total sales	**654**	**837**	**–16**	**100**	**100**

Sales decreased by 16% across all regions due to the continuing impact of biosimilars. The decrease was particularly marked in Japan, where there was continued market penetration of biosimilar competition as well as government price cuts.

Activase/TNKase. For acute ischaemic stroke (AIS) and acute myocardial infarction (AMI).

Activase/TNKase interim regional sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
United States	561	592	–3	94.6	95.3
International	32	29	+17	5.4	4.7
Total sales	**593**	**621**	**–2**	**100**	**100**

Sales were 2% lower mainly due to a temporary inventory stocking issue in the US and an increase in the sales reserves related to US governmental plans.

Polivy. For first-line treatment of diffuse large B-cell lymphoma (1L DLBCL).

Polivy interim regional sales

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
United States	255	124	+112	49.7	35.1
Europe	86	80	+9	16.8	22.7
Japan	92	108	–1	17.9	30.6
International	80	41	+107	15.6	11.6
Total sales	**513**	**353**	**+54**	**100**	**100**

Polivy was a significant driver in divisional sales growth, with the increased sales coming from accelerated uptake in the US and higher demand for the first-line treatment of diffuse large B-cell lymphoma. There was also market access expansion in Europe, notably in the UK, and in the International region, particularly in China.

Pharmaceuticals Division – Interim sales by region

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
United States	11,882	11,573	+5	52.5	51.4
Europe	4,425	4,105	+10	19.5	18.2
Japan	1,366	2,210	–28	6.0	9.8
International	4,964	4,623	+17	22.0	20.6
– *of which China*	*1,609*	*1,505*	*+14*	*7.1*	*6.7*
Total sales	**22,637**	**22,511**	**+5**	**100**	**100**

United States. Sales grew by 5%, due primarily to the continued growth of Vabysmo which added CHF 0.6 billion (CER) of sales in the US. Other major growth drivers in the US were Polivy, Ocrevus and Xolair. This growth more than compensated for the decline of CHF 0.2 billion (CER) in Lucentis sales in the US as well as the combined 19% fall in the sales of Avastin, Herceptin and MabThera/Rituxan. Ocrevus remained the division's highest-selling product in the US and sales increased by 5% driven by both new and retained patients. Vabysmo showed a high uptake, with both newly diagnosed patients as well as patients transitioning from other treatment options, and achieved CHF 1.4 billion of sales. Despite a slower growth rate, Hemlibra sales in the US were CHF 1.2 billion, with the growth rate temporarily impacted by changes to buying patterns of key distributors at the end of 2023. Xolair sales increased by 10% based on the growth in the chronic spontaneous urticaria indication and the launch of the medicine in the food allergy indication. Sales of Tecentriq were CHF 0.9 billion, with the decline in sales due to the competitive environment in the HCC and NSCLC indications. Polivy sales increased to CHF 0.3 billion as a result of higher demand for the first-line treatment of diffuse large B-cell lymphoma.

Europe. Sales increased by 10% driven by the rollout of Vabysmo and the uptake of Phesgo, Ocrevus, Hemlibra and Evrysdi, partially offset by a combined sales decline of 16% for Avastin, Herceptin and MabThera/Rituxan. There was also a sales decline of 16% for Perjeta due to ongoing conversion of patients to Phesgo. Ocrevus sales increased by 12% due to continued growth in both relapsing and primary progressive multiple sclerosis, primarily in the UK and Germany. Hemlibra sales grew 14% due to expanded market penetration in the non-inhibitor indication mainly in the UK and France. The high uptake of Phesgo resulted in a 51% sales growth, with Spain being the key driver. The sales increase of Vabysmo of 183% was driven by the launch in France and growing demand in the UK and Germany. There was a sales growth of 21% for Evrysdi resulting from increased patient share, with the main drivers being Spain and the UK.

Japan. Sales decreased by 28%, mainly due to Ronapreve sales in the first half of 2023 of CHF 549 million that did not reoccur in 2024. Excluding this, sales in Japan fell by 5% mainly driven by price cuts and increased market penetration of biosimilar and generic medicines. There was sales growth of Phesgo and Vabysmo, as well as the continued sales growth of Actemra/RoActemra and the ongoing rollout of Evrysdi.

International. Sales increased by 17%, led by Perjeta, Evrysdi, Phesgo and Tecentriq. Perjeta sales in the International region reported continued growth, in part due to Phesgo not yet being launched or reimbursed in some major markets, and therefore the impact of conversion from Perjeta to Phesgo being relatively lower in the International region. Sales in China increased by 14%, driven by continued sales of Perjeta, Alecensa and Avastin, as well as higher sales of Xofluza and growth from the rollout of Polivy. This was partially offset by the minimal sales of Xeloda, which was divested in China in 2023. Brazil, Canada and Mexico were the major other markets in the International region, showing the highest growth levels after China due to the increased adoption of Vabysmo in Canada and the uptake of Evrysdi in Brazil, along with an increase in Perjeta sales in both Brazil and Mexico.

Operating results

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 results have been restated in the financial statements in 2024, including in the detailed operating results of both divisions. Details are given on page 43.

Pharmaceuticals Division – Other revenue for the six months ended 30 June

	2024 (CHF m)	2023 (CHF m)	% change (CER)
Royalty income	386	395	−1
Profit-share income	380	328	+19
Other income from collaboration and out-licensing agreements	114	71	+76
Other	6	4	+33
Total – IFRS and Core basis	**886**	**798**	**+14**

Other revenue increased by 14% driven by the increase in profit-share income from the higher sales of Xolair outside the US and Venclexta/Venclyxto in the US, together with the higher milestone income from out-licensing agreements.

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

	2024 (CHF m)	2023 (CHF m)	% change (CER)
Manufacturing cost of goods sold and period costs	(2,527)	(2,325)	+16
Royalty expenses	(840)	(814)	+7
Collaboration and profit-sharing agreements	(638)	(872)	−24
Amortisation of commercial software intangible assets	(2)	(2)	0
Impairment of property, plant and equipment and right-of-use assets	(24)	(23)	+15
Cost of sales – Core basis	**(4,031)**	**(4,036)**	**+5**
Global restructuring plans	(82)	(227)	−64
Amortisation of intangible assets	(105)	(121)	−11
Impairment of intangible assets	(318)	0	–
Total – IFRS basis	**(4,536)**	**(4,384)**	**+9**

Core costs increased by 5%, in line with the sales growth, and cost of sales was 17.8% as a percentage of sales. The 16% increase in manufacturing costs of goods sold and period costs was driven by increased sales volumes as well as a base effect resulting from the release of unutilised provisions in 2023. Royalty expenses were 7% higher driven by increased sales of certain royalty-bearing products, notably Ocrevus and Evrysdi, partially offset by lower expenses for Tecentriq based on a reduced royalty rate from 2024. Expenses for collaboration and profit-sharing agreements decreased by 24% as a result of lower sales of Ronapreve in Japan and MabThera/Rituxan in the US together with lower expenses in relation to Evrysdi.

The costs of global restructuring plans decreased due to lower costs for the manufacturing network strategy review affecting sites in the US. There was a further partial impairment recorded for Rozlytrek, in addition to that recorded in 2023, triggered by reduced sales expectations. The impairments recorded in the second half of 2023 decreased the amortisation charges of intangible assets in 2024.

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

	2024 (CHF m)	2023 (CHF m)	% change (CER)
Research and development – Core basis	**(5,335)**	**(5,507)**	**0**
Global restructuring plans	(171)	(29)	Over +500
Amortisation of intangible assets	(169)	(151)	+15
Impairment of intangible assets	(733)	(260)	+187
Total – IFRS basis	**(6,408)**	**(5,947)**	**+11**

Core costs were stable and, as a percentage of sales, decreased by 0.9 percentage points to 23.6%. Oncology continued to be the therapeutic area with highest expenditure. There was increased spending in immunology for the study of astegolimab in chronic obstructive pulmonary disease and also for RVT-3101 from the Telavant acquisition for the treatment of inflammatory bowel disease and other diseases. In cardiovascular and metabolic diseases there was also increased spending for the CT-388 molecule from the Carmot acquisition for the achievement and maintenance of weight loss with differentiated efficacy, and for zilebesiran for patients with hypertension. This increase was offset by portfolio prioritisation and restructuring to improve productivity. In research and early-stage development, investments continued in various areas including computational biology and the Institute of Human Biology. These investments also extended to new facilities such as the Pharma Research and Early Development centre in Basel, Switzerland, which began operations in the first half of 2024.

Additionally, in-licensing transactions, business combinations and asset acquisitions resulted in intangible assets of CHF 2.0 billion (2023: CHF 0.2 billion) being recognised, of which CHF 1.8 billion arose from the Carmot acquisition. See the above sections on ‘Mergers and acquisitions’ and ‘Alliance transactions’ for further details.

The increase in global restructuring plan expenses was primarily due to employee-related expenses for new research and development productivity and portfolio prioritisation initiatives. Amortisation of intangible assets increased reflecting recent research collaborations. The impairment charges for intangible assets of CHF 0.7 billion were mainly triggered by the decision to discontinue certain programmes.

Pharmaceuticals Division – Selling, general and administration for the six months ended 30 June

	2024 (CHF m)	2023 (CHF m)	% change (CER)
Marketing and distribution	(2,621)	(2,695)	+1
Administration	(477)	(484)	+4
Business taxes and capital taxes	(92)	(77)	+28
Other general items	(7)	(52)	–87
Selling, general and administration – Core basis	**(3,197)**	**(3,308)**	**+1**
Global restructuring plans	(200)	(135)	+56
Amortisation of intangible assets	(3)	(5)	–32
Total – IFRS basis	**(3,400)**	**(3,448)**	**+3**

Core costs increased by 1%, and as a percentage of sales decreased by 0.6 percentage points to 14.1%. Marketing and distribution costs increased by 1% reflecting the investments in ongoing launches, particularly of Vabysmo. The higher administration costs were a result of the increase in personnel-related expenses. Business taxes and capital taxes increased mainly due to higher US excise tax. Other general items costs reflected the timing of expenses, resulting in lower costs compared to the same period last year. The increase in costs for global restructuring plans was primarily driven by employee-related expenses and business process transformations, as well as commercial operations initiatives in the US.

Pharmaceuticals Division – Other operating income (expense) for the six months ended 30 June

	2024 (CHF m)	2023 (CHF m)	% change (CER)
Gains (losses) on disposal of products	353	585	-39
Gains (losses) on disposal of property, plant and equipment and right-of-use assets	0	8	–
Other income (expense)	96	106	-6
Other operating income (expense) – Core basis	**449**	**699**	**-35**
Global restructuring plans	(1)	(1)	+171
Mergers and acquisitions and alliance transactions	(32)	4	–
Legal and environmental cases	(2)	8	–
Total – IFRS basis	**414**	**710**	**-41**

Core other operating income (expense) decreased by 35% due to lower gains on disposal of products in 2024 compared to 2023. Gains from disposals in 2024 included the sale of rights for Roaccutane/Accutane for CHF 250 million and in 2023 included the sale of rights for Rocephin in China for CHF 262 million and the sale of rights for Xeloda in China and Japan for CHF 234 million. Other income (expense) decreased mainly due to income from the positive resolution of disputes in some countries in 2023.

Roche Pharmaceuticals and Chugai subdivisional operating results

Pharmaceuticals subdivisional interim operating results in millions of CHF

	Roche Pharmaceuticals		Chugai		Pharmaceuticals Division	
	2024	2023	2024	2023	2024	2023
Sales						
– External customers	21,271	20,301	1,366	2,210	22,637	22,511
– Within division	652	1,174	1,472	1,330	2,124	2,504
Core operating profit	9,964	9,282	1,561	1,593	11,409	11,157
– Margin, % of sales to external customers	46.8	45.7	114.3	72.1	50.4	49.6
Operating profit	8,173	8,497	1,536	1,461	9,593	10,240
– Margin, % of sales to external customers	38.4	41.9	112.4	66.1	42.4	45.5
Operating free cash flow	8,619	7,591	1,025	2,178	9,647	9,745
– Margin, % of sales to external customers	40.5	37.4	75.0	98.6	42.6	43.3

The Pharmaceuticals Division's total core operating profit and operating profit both include the elimination of minus CHF 116 million of unrealised intercompany gains between Roche Pharmaceuticals and Chugai (2023: plus CHF 282 million).

The appreciation of the Swiss franc in the first half of 2024 relative to the first half of 2023 against the Japanese yen had an adverse impact of approximately 10 percentage points on the Chugai core results when expressed in Swiss francs for the Group's consolidated results. At CER (as reported in Japanese yen), sales by Chugai to external customers decreased by 28%, driven by the sales of Ronapreve in the prior year, while sales within the division increased by 28% due to higher sales of Hemlibra. Chugai's core operating profit increased by 8% due to the higher profit from sales within the division. This was partially offset by lower profit from sales to external customers and higher gains from product disposals in 2023. Operating free cash flow at Chugai decreased by 48% mainly due to the base effect of the receipt of the proceeds in 2023 for the Ronapreve sales recorded in 2022 and 2023.

Financial position

Pharmaceuticals Division – Net operating assets

	30 June 2024 (CHF m)	31 Dec. 2023 (CHF m)	% change (CHF)	% change (CER)	Movement: Transactions (CHF m)	Movement: CTA and other (CHF m)
Trade receivables	9,112	7,948	+15	+11	915	249
Inventories	4,670	4,813	–3	–4	(195)	52
Trade payables	(1,896)	(2,072)	–8	–10	217	(41)
Net trade working capital	**11,886**	**10,689**	**+11**	**+8**	**937**	**260**
Other receivables (payables)	(7,233)	(7,249)	0	–4	294	(278)
Net working capital	**4,653**	**3,440**	**+35**	**+34**	**1,231**	**(18)**
Property, plant and equipment	14,753	14,381	+3	+1	182	190
Right-of-use assets	759	650	+17	+12	82	27
Goodwill and intangible assets	20,778	17,992	+15	+10	1,715	1,071
Provisions	(2,095)	(1,799)	+16	+13	(226)	(70)
Other assets (liabilities), net	1,590	1,563	+2	–1	(22)	49
Other net operating assets	**35,785**	**32,787**	**+9**	**+5**	**1,731**	**1,267**
Net operating assets	**40,438**	**36,227**	**+12**	**+8**	**2,962**	**1,249**

The absolute amount of the movement between the 30 June 2024 and 31 December 2023 consolidated balances reported in Swiss francs is split between actual 2024 transactions (translated at average rates for 2023) and the currency translation adjustment (CTA) that arises on consolidation. The 2024 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 47 of the Interim Financial Statements, and a reconciliation between that balance sheet and the information given above is on page 84.

Currency translation effects on balance sheet amounts. Compared to the start of the year the Swiss franc depreciated against the US dollar, which had a significant positive effect on the net operating assets of the Pharmaceuticals Division, notably the goodwill and intangible assets. This was partly compensated by the appreciation of the Swiss franc against the Japanese yen. The exchange rates used are given on page 34.

Net working capital. The increase of 34% (CER) was driven by a significant increase in trade receivables. This increase of 11% in trade receivables was primarily driven by the significant sales growth of Vabysmo, alongside increased sales of Ocrevus, both of which had extended payment terms in the US. Inventories decreased by 4% as a result of inventory optimisation measures. The 10% decrease in trade payables included a payment to Moma Therapeutics for an intangible asset in-licensed at the end of 2023 and payments for the investment in manufacturing facilities at the Ukima site in Japan. The net liability position for other receivables (payables) decreased by 4% due to higher prepaid expenses and lower other taxes payable.

Other net operating assets. Property, plant and equipment increased by 1% due to additions in manufacturing facilities in the US, Japan and Switzerland, as well as site developments in Switzerland and the US, partially offset by depreciation expenses. Right-of-use assets increased by 12% due to a new property lease at Genentech for laboratory and office space. The Carmot acquisition increased goodwill by CHF 1.0 billion and intangible assets by CHF 1.8 billion. This increase was partially offset by impairment charges as previously mentioned in the 'Group results' section. Provisions increased by 13% due to a provision for contingent consideration for the Carmot acquisition.

Free cash flow

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

	2024 (CHF m)	2023 (CHF m)	% change (CHF)	% change (CER)
Operating profit	**9,593**	**10,240**	**–6**	**–1**
Depreciation, amortisation and impairment	2,028	1,294	+57	+61
Provisions	49	(390)	–	–
Equity compensation plans	291	270	+8	+10
Other	103	196	–47	–46
Operating profit cash adjustments	**2,471**	**1,370**	**+80**	**+86**
Operating profit, net of operating cash adjustments	**12,064**	**11,610**	**+4**	**+9**
(Increase) decrease in net working capital	(1,070)	(647)	+65	+61
Investments in property, plant and equipment	(919)	(900)	+2	+8
Principal portion of lease liabilities paid	(97)	(100)	–3	+2
Investments in intangible assets	(331)	(218)	+52	+54
Operating free cash flow	**9,647**	**9,745**	**–1**	**+5**
– as % of sales	42.6	43.3	–0.7	–0.4

See pages 80–82 for definition of free cash flow and a detailed breakdown.

The Pharmaceuticals Division's operating free cash flow increased by 5% at CER (decrease of 1% in CHF) to CHF 9.6 billion. The cash generation of the business, measured by the operating profit, net of operating cash adjustments, increased by 9%. This was above the 7% increase in core operating profit due to a base effect resulting from the release of unutilised provisions in 2023. Net working capital absorbed an additional CHF 1.1 billion of cash, driven by the reasons described above in the 'Financial position' section, notably the increase in trade receivables, and also due to the base effect of the large collections of trade receivables in the first half of 2023, notably for Ronapreve sales in Japan from 2022, which had a positive impact on the operating free cash flow in 2023. Capital expenditure was higher, due to investments in manufacturing technology and site developments in the US. Investments in intangible assets were higher than in the first half of 2023 and included payments to Alnylam Pharmaceuticals and Moma Therapeutics. Cash outflows for mergers and acquisitions, such as the Carmot acquisition, are not included in the definition of free cash flow.

Diagnostics operating results

Diagnostics Division interim operating results

	2024 (CHF m)	2023 (CHF m)	% change (CHF)	% change (CER)
IFRS results				
Sales	7,211	7,268	−1	+5
Other revenue	22	39	−44	−44
Revenue	**7,233**	**7,307**	**−1**	**+4**
Cost of sales	(3,334)	(3,547)	−6	−3
Research and development	(980)	(971)	+1	+3
Selling, general and administration	(1,510)	(1,521)	−1	+4
Other operating income (expense)	16	144	−89	−88
Operating profit	**1,425**	**1,412**	**+1**	**+16**
– Margin, % of sales	19.8	19.4	+0.4	+2.0
Core results [a]				
Sales	7,211	7,268	−1	+5
Other revenue	22	39	−44	−44
Revenue	**7,233**	**7,307**	**−1**	**+4**
Cost of sales	(3,269)	(3,420)	−4	−1
Research and development	(933)	(942)	−1	+1
Selling, general and administration	(1,485)	(1,478)	0	+5
Other operating income (expense)	37	13	+185	+205
Core operating profit	**1,583**	**1,480**	**+7**	**+22**
– Margin, % of sales	22.0	20.4	+1.6	+3.3
Financial position				
Net working capital	4,155	3,254	+28	+24
Other net operating assets	13,718	12,963	+6	+1
Net operating assets	**17,873**	**16,217**	**+10**	**+6**
Free cash flow [b]				
Operating free cash flow	491	219	+124	+298
– Margin, % of sales	6.8	3.0	+3.8	+5.7

a) See pages 77–80 for definition of core results.
b) See pages 80–82 for definition of free cash flow.

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 results have been restated in the financial statements in 2024, including in the detailed operating results of both divisions. Details are given on page 43.

Additionally effective 1 January 2024, the Diagnostics Division has changed its internal customer areas. Consequently the comparative 2023 sales by customer areas information has also been restated in the financial statements in 2024.

Sales

The Diagnostics Division reported sales of CHF 7.2 billion, an increase of 5% at CER. Sales in the division's base business increased by 9% at CER and across all regions, led by the increased demand for immunodiagnostic products and by higher sales of clinical chemistry tests, advanced staining solutions and companion diagnostics. This growth was partially offset by the expected sales decline from COVID-19-related products. The Diagnostics Division's portfolio of COVID-19 tests generated sales of CHF 0.1 billion in the first half of 2024, a decline of 70% at CER.

Diagnostics Division – Interim sales by customer area

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
Core Lab	4,069	3,935	+10	56.4	54.1
Molecular Lab	1,275	1,288	+3	17.7	17.7
Near Patient Care	1,097	1,358	–14	15.2	18.7
Pathology Lab	770	687	+17	10.7	9.5
Total sales	**7,211**	**7,268**	**+5**	**100**	**100**

Core Lab. This customer area focuses on central labs and provides diagnostics solutions in the areas of immunoassays, clinical chemistry and custom biotech. Sales increased by 10% due to the 11% growth across the portfolio of immunodiagnostic products, such as cardiac and oncology tests, and due to the 8% growth in the clinical chemistry business. Sales grew across all regions, with the largest contribution to the sales growth coming from the Europe, Middle East and Africa (EMEA) region, which grew by 12%.

Molecular Lab. This customer area focuses on molecular labs and provides diagnostics solutions for the detection and monitoring of pathogens, donor screening, sexual health and genomics and includes the Foundation Medicine business. The 3% sales increase included growth from the virology base business and from blood screening as well as higher sales of Foundation Medicine's genomic profiling tests. This was partially offset by lower COVID-19-related sales of SARS-CoV-2 assays on the cobas 6800/8800 systems.

Near Patient Care. This customer area provides diagnostics solutions in decentralised settings such as in emergency rooms, general practitioners' practices and directly with patients, and includes integrated personalised diabetes management solutions. Lower sales of the SARS-CoV-2 Rapid Antigen test were the main driver of the 14% sales decrease. The underlying base business included growth from the Liat molecular point-of-care product line. This was offset by the continued contraction of the blood glucose monitoring market in the US and major European markets.

Pathology Lab. This customer area focuses on pathology labs and provides diagnostics solutions for tissue biopsies and companion diagnostics. These are targeted diagnostics to aid in the choice of specific therapies for each patient. Sales increased by 17% and across all regions due to growth in the advanced staining and the companion diagnostics businesses.

Diagnostics Division – Interim sales by region

	2024 (CHF m)	2023 (CHF m)	% change (CER)	% of sales (2024)	% of sales (2023)
Europe, Middle East and Africa (EMEA)	2,431	2,456	+4	33.7	33.8
North America	2,163	2,110	+5	30.0	29.0
– *of which US*	*1,917*	*1,915*	*+3*	*26.6*	*26.3*
Asia-Pacific	2,102	2,205	+3	29.2	30.3
– *of which China*	*1,273*	*1,289*	*+5*	*17.7*	*17.7*
Latin America	515	497	+16	7.1	6.9
Total sales	**7,211**	**7,268**	**+5**	**100**	**100**

Sales in the Europe, Middle East and Africa (EMEA) region increased by 4% driven by higher sales of immunodiagnostic products and the clinical chemistry portfolio. This was partly offset by the continued contraction of the blood glucose monitoring market and the decline in demand for COVID-19 tests. In North America the decrease of COVID-19-related sales and in blood glucose monitoring was more than offset by growth in the underlying base business across customer areas. In the Asia-Pacific region sales increased by 3% with higher sales of immunodiagnostic products being partly offset by the drop in demand for COVID-19-related tests.

Operating results

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 results have been restated in the financial statements in 2024, including in the detailed operating results of both divisions. Details are given on page 43.

Diagnostics Division – Other revenue for the six months ended 30 June

	2024 (CHF m)	2023 (CHF m)	% change (CER)
Royalty income	19	21	-13
Profit-share income	0	8	-100
Other income from collaboration and out-licensing agreements	0	0	–
Other	3	10	-65
Total – IFRS and Core basis	**22**	**39**	**-44**

Other revenue decreased due to the base effect of the income in 2023 from the US collaboration with Pfizer to help patients who test positive for COVID-19 to navigate risks, symptoms, testing and treatment options.

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

	2024 (CHF m)	2023 (CHF m)	% change (CER)
Manufacturing cost of goods sold and period costs	(3,198)	(3,344)	-1
Royalty expenses	(70)	(72)	-2
Collaboration and profit-sharing agreements	(1)	(1)	-16
Amortisation of commercial software intangible assets	(1)	(1)	-10
Impairment of property, plant and equipment and right-of-use assets	1	(2)	–
Cost of sales – Core basis	**(3,269)**	**(3,420)**	**-1**
Global restructuring plans	2	(60)	–
Amortisation of intangible assets	(67)	(67)	0
Total – IFRS basis	**(3,334)**	**(3,547)**	**-3**

Core cost of sales decreased by 1% at CER, while sales increased by 5%. This was due to favourable product mix effects across the portfolio with lower sales volumes of SARS-CoV-2 Rapid Antigen tests as a major factor. There were also favourable developments in the cost of materials of some product lines. As a percentage of sales, the core cost of sales ratio decreased by 1.8 percentage points to 45.3%. Global restructuring plan costs for productivity measures and manufacturing and supply chain optimisations were offset by the reversal of unused restructuring provisions following the completion of certain optimisation plans within the division.

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

	2024 (CHF m)	2023 (CHF m)	% change (CER)
Research and development – Core basis	**(933)**	**(942)**	**+1**
Global restructuring plans	(44)	(25)	+78
Amortisation of intangible assets	(3)	(4)	–32
Total – IFRS basis	**(980)**	**(971)**	**+3**

Core research and development costs increased by 1% at CER driven by higher project spending. The main areas of activity included the development of high medical value assays, notably in oncology, as well as digital laboratory and digital clinical solutions and sequencing. In addition, there were continuing investments in cardiometabolic diseases, particularly for continuous blood glucose monitoring, and mass spectrometry. As a percentage of sales, research and development core costs decreased to 12.9% from 13.0% in 2023. Global restructuring costs from portfolio prioritisation and other measures to drive productivity were primarily incurred for employee-related matters.

Diagnostics Division – Selling, general and administration for the six months ended 30 June

	2024 (CHF m)	2023 (CHF m)	% change (CER)
Marketing and distribution	(1,262)	(1,244)	+6
Administration	(232)	(236)	+3
Business taxes and capital taxes	(10)	(10)	–2
Other general items	19	12	+66
Selling, general and administration – Core basis	**(1,485)**	**(1,478)**	**+5**
Global restructuring plans	(17)	(33)	–47
Amortisation of intangible assets	(8)	(10)	–19
Total – IFRS basis	**(1,510)**	**(1,521)**	**+4**

Marketing and distribution costs increased by 6% at CER due to higher personnel expenses and higher distribution costs following increased sales volumes. Administration costs increased by 3% with the major factor being the depreciation charges related to Foundation Medicine's office space in Boston, US, that was newly leased from the second half of 2023. On a core basis, selling, general and administration costs as a percentage of sales increased to 20.6% compared to 20.3% in 2023. Costs for global restructuring plans primarily comprised of a business process transformation, partly offset by the reversal of unused restructuring provisions following the completion of plans that were initiated in previous years.

Diagnostics Division – Other operating income (expense) for the six months ended 30 June

	2024 (CHF m)	2023 (CHF m)	% change (CER)
Gains (losses) on disposal of products	0	0	–
Gains (losses) on disposal of property, plant and equipment and right-of-use assets	0	1	–100
Other income (expense)	37	12	+215
Other operating income (expense) – Core basis	**37**	**13**	**+205**
Global restructuring plans	(1)	(6)	–96
Mergers and acquisitions and alliance transactions	0	(5)	–100
Legal and environmental cases	(20)	142	–
Total – IFRS basis	**16**	**144**	**–88**

Core other operating income (expense) was an income of CHF 37 million in the first half of 2024. The income from legal and environmental cases in 2023 was due to the reversal of legal provisions, notably related to the Meso litigation.

Financial position

Diagnostics Division – Net operating assets

	30 June 2024 (CHF m)	31 Dec. 2023 (CHF m)	% change (CHF)	% change (CER)	Movement: Transactions (CHF m)	Movement: CTA and other (CHF m)
Trade receivables	3,188	3,179	0	–3	(82)	91
Inventories	3,275	2,936	+12	+8	244	95
Trade payables	(1,005)	(1,135)	–11	–14	168	(38)
Net trade working capital	**5,458**	**4,980**	**+10**	**+6**	**330**	**148**
Other receivables (payables)	(1,303)	(1,726)	–25	–28	490	(67)
Net working capital	**4,155**	**3,254**	**+28**	**+24**	**820**	**81**
Property, plant and equipment	7,459	7,039	+6	+2	176	244
Right-of-use assets	541	531	+2	–3	(16)	26
Goodwill and intangible assets	6,526	6,226	+5	–1	(41)	341
Provisions	(682)	(766)	–11	–14	110	(26)
Other assets (liabilities), net	(126)	(67)	+88	+81	(56)	(3)
Other net operating assets	**13,718**	**12,963**	**+6**	**+1**	**173**	**582**
Net operating assets	**17,873**	**16,217**	**+10**	**+6**	**993**	**663**

The absolute amount of the movement between the 30 June 2024 and 31 December 2023 consolidated balances reported in Swiss francs is split between actual 2024 transactions (translated at average rates for 2023) and the currency translation adjustment (CTA) that arises on consolidation. The 2024 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 47 of the Interim Financial Statements, and a reconciliation between that balance sheet and the information given above is on page 84.

Currency translation effects on balance sheet amounts. Compared to the start of the year the Swiss franc depreciated against the US dollar, and to a lesser extent the euro. This had a positive translation effect on the net operating assets of the Diagnostics Division. The Diagnostics Division does not have a significant net asset position in Japanese yen and so the appreciation of the Swiss franc against the Japanese yen had only a minor impact. The exchange rates used are given on page 34.

Net working capital. The 24% increase in net working capital at CER was driven by a lower net liability for other receivables (payables) from the settlement of year-end accruals as well as by higher inventories. Trade receivables decreased by 3% due to the relatively high sales recorded in the last quarter of 2023 compared to the second quarter of 2024. The 8% increase in inventories was driven by a higher volume of instruments pending installation and a stock-up of the newest generation of serum work area systems. Trade payables decreased by 14% following the settlement of year-end positions.

Other net operating assets. Property, plant and equipment increased by 2% as a result of higher instrument placements and site investments in Germany and the US. Goodwill and intangible assets decreased due to the regular intangible asset amortisation charges. Provisions were lower following the release of restructuring provisions.

Free cash flow

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

	2024 (CHF m)	2023 (CHF m)	% change (CHF)	% change (CER)
Operating profit	**1,425**	**1,412**	**+1**	**+16**
Depreciation, amortisation and impairment	718	718	0	+4
Provisions	(109)	(135)	–19	–18
Equity compensation plans	75	75	0	+3
Other	123	130	–5	–2
Operating profit cash adjustments	**807**	**788**	**+2**	**+6**
Operating profit, net of operating cash adjustments	**2,232**	**2,200**	**+1**	**+12**
(Increase) decrease in net working capital	(864)	(1,105)	–22	–19
Investments in property, plant and equipment	(770)	(792)	–3	+1
Principal portion of lease liabilities paid	(70)	(68)	+3	+8
Investments in intangible assets	(37)	(16)	+131	+133
Operating free cash flow	**491**	**219**	**+124**	**+298**
– as % of sales	6.8	3.0	+3.8	+5.7

See pages 80–82 for definition of free cash flow and a detailed breakdown.

The operating free cash flow of the Diagnostics Division increased to CHF 0.5 billion driven by the operating results of the business. The cash generation of the business, measured by the operating profit, net of operating cash adjustments, increased by 12% compared to the 22% increase in the core operating profit because of lower non-cash expenses and higher utilisation of provisions. Net working capital absorbed an additional CHF 0.9 billion of cash in the first half of 2024, which was primarily attributable to the settlement of year-end payables and accruals, and also due to increased inventory levels, as described above in the 'Financial position' section. The 1% increase in capital expenditure included higher instrument placements as well as site investments in Germany and the US.

Corporate operating results

Corporate – Selling, general and administration for the six months ended 30 June

	2024 (CHF m)	2023 (CHF m)	% change (CER)
Administration	(1,683)	(1,711)	–1
Business taxes and capital taxes	(11)	(8)	+48
Other general items	0	0	–
Selling, general and administration – Core basis	**(1,694)**	**(1,719)**	**0**
Global restructuring plans	(248)	(162)	+53
Total – IFRS basis	**(1,942)**	**(1,881)**	**+4**

Selling, general and administration costs were stable at CER on a core basis. Administration costs were lower due to decreased project costs and reduced demand for informatics. Total costs on an IFRS basis increased by 4% at CER as a result of restructuring activities for a business process transformation to simplify the systems landscape and reduce process complexity and also due to initiatives in informatics.

Corporate – Other operating income (expense) for the six months ended 30 June

	2024 (CHF m)	2023 (CHF m)	% change (CER)
Other operating income (expense) – Core basis	**(5)**	**(7)**	**–26**
Global restructuring plans	0	0	–
Legal and environmental cases	0	0	–
Total – IFRS basis	**(5)**	**(7)**	**–28**

Corporate – Interim financial position and free cash flow

	2024 (CHF m)	2023 (CHF m)	% change (CER)
Financial position			
Net working capital	(328)	(487)	–34
Other net operating assets	182	158	+12
Net operating assets	**(146)**	**(329)**	**–56**
Free cash flow			
Operating free cash flow	(2,085)	(1,933)	+9

The change in net working capital is due to settlements of payables and increased prepaid expenses. The operating free cash flow includes costs of global functions such as informatics, human resources, finance and procurement, and also restructuring costs for the business process transformation. There was an increased outflow mainly due to higher restructuring costs for the business process transformation and initiatives in informatics.

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 in Swiss francs and at CER) for the six months ended 30 June 2024

	% change (CHF)	% change (CER)
Pharmaceuticals Division		
Sales	+1	+5
Core operating profit	+2	+7
Operating free cash flow	–1	+5
Diagnostics Division		
Sales	–1	+5
Core operating profit	+7	+22
Operating free cash flow	+124	+298
Group		
Sales	0	+5
Core operating profit	+4	+11
Operating free cash flow	0	+9

Exchange rates against the Swiss franc

	30 June 2024	Average to 30 June 2024	31 December 2023	Average to 30 June 2023
1 USD	0.90	0.89	0.84	0.91
1 EUR	0.96	0.96	0.93	0.99
100 JPY	0.56	0.58	0.60	0.68

The results expressed in Swiss francs were negatively impacted by the appreciation of the Swiss franc against many currencies in the first half of 2024 relative to the first half of 2023. 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 2024 is shown in the table below.

Currency sensitivities for the six months ended 30 June 2024

Impact of 1% increase in average exchange rate versus the Swiss franc	Sales (CHF m)	Core operating profit (CHF m)
US dollar	+144	+53
Euro	+45	+17
Japanese yen	+16	+20
All other currencies	+84	+48

Treasury and taxation results

Treasury and taxation interim results

	2024 (CHF m)	2023 (CHF m)	% change (CHF)	% change (CER)
IFRS results				
Operating profit	9,071	9,764	-7	0
Financing costs	(708)	(490)	+44	+50
Other financial income (expense)	(140)	(100)	+40	+71
Profit before taxes	**8,223**	**9,174**	**-10**	**-3**
Income taxes	(1,526)	(1,611)	-5	+1
Net income	**6,697**	**7,563**	**-11**	**-4**
Attributable to				
– Roche shareholders	6,258	7,137	-12	-5
– Non-controlling interests	439	426	+3	+12
Core results[a]				
Operating profit	11,293	10,911	+4	+11
Financing costs	(698)	(482)	+45	+50
Other financial income (expense)	(140)	(100)	+40	+71
Profit before taxes	**10,455**	**10,329**	**+1**	**+8**
Income taxes	(1,804)	(1,742)	+4	+10
Net income	**8,651**	**8,587**	**+1**	**+8**
Attributable to				
– Roche shareholders	8,205	8,124	+1	+8
– Non-controlling interests	446	463	-4	+5
Financial position				
Net debt	(25,627)	(18,699)	+37	+27
Lease liabilities	(1,734)	(1,573)	+10	+5
Pensions	(3,126)	(3,360)	-7	-11
Income taxes	4,707	4,376	+8	+1
Equity investments	686	547	+25	+25
Derivatives, net	(325)	(272)	+19	+26
Collateral, net	96	50	+92	+91
Interest payable	(284)	(187)	+52	+45
Associated companies and other, net	318	266	+20	+13
Total net assets (liabilities)	**(25,289)**	**(18,852)**	**+34**	**+24**
Free cash flow[b]				
Treasury activities	(486)	(333)	+46	+53
Taxes paid	(1,976)	(1,570)	+26	+32
Total	**(2,462)**	**(1,903)**	**+29**	**+36**

a) See pages 77–80 for definition of core results.
b) See pages 80–82 for definition of free cash flow.

Financing costs

Core financing costs were CHF 0.7 billion, an increase of 50% at CER compared to 2023. Interest expenses on debt increased by 58% at CER to CHF 601 million due to the issuance of new debt as well as an increase in interest rates which affected borrowing costs. A full analysis of financing costs is given in Note 4 to the Interim Financial Statements.

Other financial income (expense)

Core other financial income (expense) was a net expense of CHF 140 million compared to a net expense of CHF 100 million in 2023. The core income from equity securities, which reflects the fair value changes in the Roche Venture Fund investments as well as gains or losses realised upon sale of those investments, was a gain of CHF 9 million compared to a gain of CHF 34 million in 2023. Interest income from debt securities was CHF 112 million (2023: CHF 66 million) with the increase being due to higher interest rates. The net foreign exchange results, which reflect hedging costs and gains and losses on unhedged positions, were net losses of CHF 144 million (2023: net losses of CHF 139 million). Losses on the net monetary positions in hyperinflationary economies in Argentina and Türkiye were CHF 89 million (2023: losses of CHF 48 million). A full analysis of other financial income (expense) is given in Note 4 to the Interim Financial Statements.

Income taxes

The Group's effective core tax rate increased by 0.4 percentage points to 17.3% in the first half of 2024. The increase was due to the impact from Pillar Two top-up taxes, which have been effective from 1 January 2024 in various countries where the Group operates and increased the Group's effective core tax rate by 1.8 percentage points. This was in part offset by a higher percentage of profit contribution in the six months ended 30 June 2024 coming from tax jurisdictions with tax rates lower than the Group's average tax rate.

The effective tax rate on an IFRS basis increased to 18.6% compared to 17.6% in the first half of 2023 due to the same impacts mentioned above and due to the impairments of certain intangible assets that are not tax deductible.

Further details of the Group's income tax expenses are given in Note 5 to the Interim Financial Statements. The Group's implementation of the Pillar Two Model Rules is described in Note 5 to the Annual Financial Statements for 2023.

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

			2024			2023
	Profit before tax (CHF m)	Income taxes (CHF m)	Tax rate (%)	Profit before tax (CHF m)	Income taxes (CHF m)	Tax rate (%)
Group's effective tax rate – Core basis	**10,455**	**(1,804)**	**17.3**	**10,329**	**(1,742)**	**16.9**
Global restructuring plans	(762)	140	18.4	(678)	134	19.8
Goodwill and intangible assets	(1,406)	166	11.8	(618)	74	12.0
Mergers and acquisitions and alliance transactions	(37)	3	8.1	(4)	0	–
Legal and environmental cases	(27)	6	22.2	145	(46)	31.7
Normalisation of equity compensation plan tax benefit	0	(37)	–	0	(31)	–
Group's effective tax rate – IFRS basis	**8,223**	**(1,526)**	**18.6**	**9,174**	**(1,611)**	**17.6**

Financial position

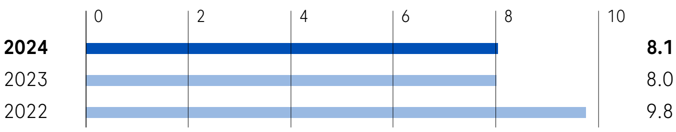
The increase in net debt was due to dividend payments of CHF 7.9 billion and the payments for the Carmot acquisition of CHF 2.5 billion, partly offset by the free cash flow of CHF 5.6 billion. Lease liabilities increased to CHF 1.7 billion due to a new property lease at Genentech in South San Francisco. The net pension liability was 11% lower at CER as a result of an increase in the fair value of plan assets. The net tax assets increased due to taxes paid exceeding the income tax expenses, partially offset by deferred tax impacts from the decrease in the net pension liability. At 30 June 2024 the Group held equity investments with a market value of CHF 0.7 billion, which consist mostly of holdings in biotechnology and other pharmaceuticals companies which were acquired as part of licensing transactions and scientific collaborations or as investments of the Roche Venture Fund. The net derivative liabilities increased to CHF 0.3 billion as a result of interest rate and exchange rate movements.

Free cash flow

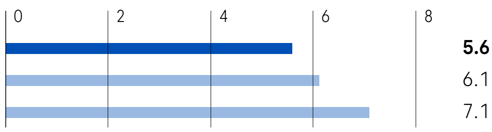
The net cash outflow from treasury activities was CHF 0.5 billion compared to an outflow of CHF 0.3 billion in the first half of 2023. This was due to increased interest payments as a result of the newly issued debt and higher interest rates. Total taxes paid in the first half of 2024 were CHF 2.0 billion compared to CHF 1.6 billion in the first half of 2023. The increase was due to the US Internal Revenue Service providing a tax payment extension in 2023, which deferred the provisional US federal tax payments into the second half of 2023 and was partially offset by lower tax payments in Japan driven by the underlying business results.

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)
2024				
Operating profit – IFRS basis	9,593	1,425	(1,947)	9,071
Operating profit cash adjustments	2,471	807	68	3,346
Operating profit, net of operating cash adjustments	**12,064**	**2,232**	**(1,879)**	**12,417**
(Increase) decrease in net working capital	(1,070)	(864)	(166)	(2,100)
Investments in property, plant and equipment	(919)	(770)	(35)	(1,724)
Principal portion of lease liabilities paid	(97)	(70)	(5)	(172)
Investments in intangible assets	(331)	(37)	0	(368)
Operating free cash flow	**9,647**	**491**	**(2,085)**	**8,053**
Treasury activities				(486)
Taxes paid				(1,976)
Free cash flow				**5,591**
2023				
Operating profit – IFRS basis	10,240	1,412	(1,888)	9,764
Operating profit cash adjustments	1,370	788	61	2,219
Operating profit, net of operating cash adjustments	**11,610**	**2,200**	**(1,827)**	**11,983**
(Increase) decrease in net working capital	(647)	(1,105)	(52)	(1,804)
Investments in property, plant and equipment	(900)	(792)	(48)	(1,740)
Principal portion of lease liabilities paid	(100)	(68)	(6)	(174)
Investments in intangible assets	(218)	(16)	0	(234)
Operating free cash flow	**9,745**	**219**	**(1,933)**	**8,031**
Treasury activities				(333)
Taxes paid				(1,570)
Free cash flow				**6,128**

See pages 80–82 for definition of free cash flow and a detailed breakdown.

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 results have been restated in the financial statements in 2024. Details are given on page 43.

The free cash flows expressed in Swiss francs were heavily impacted by the appreciation of the Swiss franc in the first half of 2024 relative to the first half of 2023 against many currencies. Both divisions reported a high level of cash generation from the underlying business. Net working capital for the Group increased more than in the prior half year, mainly due to the increase in sales and the extended payment terms for certain products in the Pharmaceuticals Division and the base effect from the collections of Ronapreve sales in 2023. Interest payments were higher, driven by the newly issued debt and higher interest rates. Tax payments increased due to a tax payment extension in 2023 which deferred US payments into the second half of 2023.

Net debt – Movement in carrying value in millions of CHF

At 1 January 2024	
Cash and cash equivalents	5,376
Marketable securities	5,134
Long-term debt	(24,809)
Short-term debt	(4,400)
Net debt at beginning of period	**(18,699)**
Change in net debt during interim period 2024	
Free cash flow	5,591
Dividend payments	(7,889)
Transactions in own equity instruments	(514)
Mergers and acquisitions, net of divestments of subsidiaries	(2,459)
Hedging and collateral arrangements	(108)
Currency translation, fair value and other movements	(1,549)
Change in net debt	**(6,928)**
At 30 June 2024	
Cash and cash equivalents	4,824
Marketable securities	3,990
Long-term debt	(28,420)
Short-term debt	(6,021)
Net debt at end of period	**(25,627)**

Net debt – Currency profile in millions of CHF

	Cash and marketable securities		Debt	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
US dollar	1,232	1,583	(23,688)	(20,072)
Euro	2,211	1,918	(5,035)	(3,489)
Swiss franc	417	2,098	(5,112)	(5,101)
Japanese yen	4,086	4,001	0	0
Other	868	910	(606)	(547)
Total	**8,814**	**10,510**	**(34,441)**	**(29,209)**

The net debt position of the Group at 30 June 2024 was CHF 25.6 billion, an increase of CHF 6.9 billion from 31 December 2023. The increase was primarily due to the dividend payments of CHF 7.9 billion and the CHF 2.5 billion payment for the Carmot acquisition, partly offset by the free cash flow of CHF 5.6 billion. The CHF 0.5 billion for transactions in own equity instruments related to purchases in connection with the Group's equity compensation plans. The negative currency translation effect was due to the depreciation of the Swiss franc against the US dollar during the first half of 2024, which increased the carrying value in Swiss francs of the Group's US dollar-denominated debt.

Pensions and other post-employment benefits

Funding status and balance sheet position in millions of CHF

	30 June 2024	31 December 2023
Funded plans		
– Fair value of plan assets	18,067	17,083
– Defined benefit obligation	(15,874)	(15,495)
Over (under) funding	**2,193**	**1,588**
Unfunded plans		
– Defined benefit obligation	(3,915)	(3,965)
Total funding status	**(1,722)**	**(2,377)**
Limit on asset recognition	(1,456)	(1,032)
Reimbursement rights	52	49
Net recognised asset (liability)	**(3,126)**	**(3,360)**

Overall the funding status on an IFRS basis of the Group's funded defined benefit plans increased to 114% compared to 110% at the start of the year. This was mainly due to an increase in the fair value of plan assets which was partly offset by an increase in the defined benefit obligation due to lower discount rates in Switzerland compared to the end of 2023. The limit on asset recognition was higher compared to the start of the year due to a larger portion of the surplus of certain Swiss pension plans being not recognisable under IFRS. The funding 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 affiliates' operations. The defined benefit obligations for unfunded plans decreased due to higher discount rates in the eurozone compared to the end of 2023, partly offset by the depreciation of the Swiss franc against the euro during the first half of 2024.

Full details of the Group's pensions and other post-employment benefits are given in Note 26 to the 2023 Annual Financial Statements.

Debt

Issuance of new debt

During the first half of 2024 the Group completed the following debt offerings:
- 8 March 2024: USD 875 million fixed rate notes with a coupon of 4.790% and maturing in March 2029.
- 8 March 2024: USD 750 million fixed rate notes with a coupon of 4.909% and maturing in March 2031.
- 8 March 2024: USD 1,250 million fixed rate notes with a coupon of 4.985% and maturing in March 2034.
- 8 March 2024: USD 1,000 million fixed rate notes with a coupon of 5.218% and maturing in March 2054.
- 3 May 2024: EUR 650 million fixed rate bonds with a coupon of 3.227% and maturing in May 2030.
- 3 May 2024: EUR 850 million fixed rate bonds with a coupon of 3.564% and maturing in May 2044.

The Group received total aggregate net proceeds of CHF 4.9 billion from these issuances.

Redemption of debt

During the first half of 2024 the Group redeemed the following debt at the due date:
- 5 March 2024: floating rate notes with an outstanding amount of USD 350 million and an effective interest rate of 2.85%.
- 5 March 2024: fixed rate notes with an outstanding amount of USD 500 million and an effective interest rate of 0.49%.
- 8 March 2024: fixed rate notes with an outstanding amount of USD 1,250 million and an effective interest rate of 1.95%.

The combined cash outflow was CHF 1.8 billion and there was no gain or loss recorded on these redemptions.

Bonds and notes: nominal amounts at 30 June 2024 by contractual maturity

	US dollar (USD m)	Euro (EUR m)	Swiss franc (CHF m)	Total[a] (USD m)	Total[a] (CHF m)
2024	589	0	750	1,424	1,280
2025	2,256	1,000	500	3,883	3,489
2026	3,050	0	425	3,523	3,166
2027	2,100	600	825	3,660	3,290
2028	3,900	0	140	4,056	3,645
2029–2033	6,475	1,400	1,940	10,132	9,106
2034 and beyond	6,304	2,250	530	9,302	8,360
Total	**24,674**	**5,250**	**5,110**	**35,980**	**32,336**

a) Total translated at 30 June 2024 exchange rates.

The Group plans to meet its debt obligations using existing liquid funds as well as cash generated from business operations. In the full year 2023 the free cash flow was CHF 11.3 billion, which included the cash generated from operations as well as the payment of interest and taxes. In the first half of 2024 the free cash flow was CHF 5.6 billion.

For short-term financing requirements, the Group has a commercial paper program 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. On 19 January 2024 the Group executed a short-term bridge facility agreement of USD 5.0 billion. On 26 January 2024 the Group utilised USD 2.85 billion of this bridge facility, of which USD 1.85 billion and USD 1.0 billion were repaid on 8 March 2024 and 3 May 2024, respectively. Commercial paper notes totalling USD 1.8 billion were outstanding as of 30 June 2024 (30 June 2023: USD 1.9 billion). For longer-term financing the Group maintains high long-term investment-grade credit ratings of AA by Standard & Poor's, Aa2 by Moody's and AA by Fitch which should facilitate efficient access to international capital markets.

Further information on the Group's debt is given in Note 11 to the Interim Financial Statements and Note 21 to the 2023 Annual Financial Statements.

Financial risks

As at 30 June 2024 the Group had a net debt position of CHF 25.6 billion (31 December 2023: CHF 18.7 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. 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

	30 June 2024 (CHF m)	30 June 2024 (% of total)	31 December 2023 (CHF m)	31 December 2023 (% of total)
Cash and cash equivalents	4,824	55	5,376	51
Money market instruments and time accounts over three months	3,451	39	4,621	44
Debt securities	538	6	512	5
Equity securities	1	0	1	0
Total cash and marketable securities	**8,814**	**100**	**10,510**	**100**

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 8.8 billion of cash and fixed income marketable securities remained high with 93% 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. Bad debt expenses and overdue receivables remained at a relatively low level.

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 high cash generation ability. Those future cash flows will be used to repay debt instruments in the coming years. Free cash flow was CHF 5.6 billion as compared to CHF 6.1 billion in the first half of 2023.

The Roche Group continues to enjoy high long-term investment-grade credit ratings of AA by Standard & Poor's, Aa2 by Moody's and AA by Fitch. At the same time Roche is rated at the highest available short-term ratings by those agencies. In the event of financing requirements, the credit ratings of the Roche Group 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 program. As at 30 June 2024 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 preset probability as a result of movements in market prices. The Group's VaR has increased since 31 December 2023 reflecting bond issuances during the first half of 2024.

Interest rate risk. Interest rate risk arises from movements in interest rates which could affect the Group's 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 31 to the 2023 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.

New and revised standards applied in 2024

In 2024 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.

See Note 1 to the Interim Financial Statements for further details.

Change in operating segments

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division, while retaining Foundation Medicine's independence in this new reporting set-up. Accordingly from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division. This represents a change for the Group's operating segments in its financial reporting, and consequently the comparative 2023 results have been restated in the financial statements in 2024.

These changes have no impact on sales, operating profit, net income and earnings per share of the Group as a whole, for both the IFRS and core basis. There is no change to the core results concept.

As a result of these restatements, Foundation Medicine sales of CHF 347 million for 2023 (interim period 2023: CHF 170 million) have been restated from the Pharmaceuticals Division to the Diagnostics Division. The restated core operating profit margin for 2023 of the Pharmaceuticals Division increased by 0.9 percentage points to 45.7% (interim period 2023: increased by 1.0 percentage points to 49.6%), while the corresponding margin for 2023 of the Diagnostics Division decreased by 2.2 percentage points to 16.7% (interim period 2023: decreased by 2.4 percentage points to 20.4%).

Comparative information for 2023 has been restated, and a reconciliation to the previously published interim results is provided in Note 1 to the Interim Financial Statements and on pages 85 to 88.

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 76.

Roche Group consolidated income statement for the six months ended 30 June 2024 in millions of CHF

	Pharmaceuticals	Diagnostics	Corporate	Group
Sales [2, 3]	22,637	7,211	–	29,848
Other revenue [2, 3]	886	22	–	908
Revenue [2, 3]	**23,523**	**7,233**	**–**	**30,756**
Cost of sales	(4,536)	(3,334)	–	(7,870)
Research and development [2]	(6,408)	(980)	–	(7,388)
Selling, general and administration	(3,400)	(1,510)	(1,942)	(6,852)
Other operating income (expense)	414	16	(5)	425
Operating profit [2]	**9,593**	**1,425**	**(1,947)**	**9,071**
Financing costs [4]				(708)
Other financial income (expense) [4]				(140)
Profit before taxes				**8,223**
Income taxes [5]				(1,526)
Net income				**6,697**
Attributable to				
– Roche shareholders				6,258
– Non-controlling interests				439
Earnings per share and non-voting equity security [14]				
Basic (CHF)				7.85
Diluted (CHF)				7.80

Roche Group consolidated income statement for the six months ended 30 June 2023 (restated)[a] in millions of CHF

	Pharmaceuticals	Diagnostics	Corporate	Group
Sales [2, 3]	22,511	7,268	–	29,779
Other revenue [2, 3]	798	39	–	837
Revenue [2, 3]	**23,309**	**7,307**	**–**	**30,616**
Cost of sales	(4,384)	(3,547)	–	(7,931)
Research and development [2]	(5,947)	(971)	–	(6,918)
Selling, general and administration	(3,448)	(1,521)	(1,881)	(6,850)
Other operating income (expense)	710	144	(7)	847
Operating profit [2]	**10,240**	**1,412**	**(1,888)**	**9,764**
Financing costs [4]				(490)
Other financial income (expense) [4]				(100)
Profit before taxes				**9,174**
Income taxes [5]				(1,611)
Net income				**7,563**
Attributable to				
– Roche shareholders				7,137
– Non-controlling interests				426
Earnings per share and non-voting equity security [14]				
Basic (CHF)				8.93
Diluted (CHF)				8.87

a) Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly, from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 information has been restated in these Interim Consolidated Financial Statements. Details and a reconciliation to the previously published income statement are disclosed in Note 1.

Roche Group consolidated statement of comprehensive income in millions of CHF

	Six months ended 30 June 2024	2023
Net income recognised in income statement	**6,697**	**7,563**
Other comprehensive income (OCI)		
Remeasurements of defined benefit plans	339	131
Fair value changes on equity investments at fair value through OCI	136	(25)
Items that will never be reclassified to the income statement	**475**	**106**
Fair value changes on debt securities at fair value through OCI	0	3
Cash flow hedges	(20)	(65)
Currency translation of foreign operations	430	(1,242)
Items that are or may be reclassified to the income statement	**410**	**(1,304)**
Other comprehensive income, net of tax	**885**	**(1,198)**
Total comprehensive income	**7,582**	**6,365**
Attributable to		
– Roche shareholders	7,388	6,387
– Non-controlling interests	194	(22)
Total	**7,582**	**6,365**

Roche Group consolidated balance sheet in millions of CHF

	30 June 2024	31 December 2023
Non-current assets		
Property, plant and equipment	22,526	21,724
Right-of-use assets	1,336	1,215
Goodwill [8]	10,995	9,390
Intangible assets [9]	16,309	14,828
Deferred tax assets	7,632	6,882
Defined benefit plan assets	1,222	1,019
Other non-current assets	2,137	1,964
Total non-current assets	**62,157**	**57,022**
Current assets		
Inventories	7,945	7,749
Accounts receivable	12,173	11,021
Current income tax assets	306	344
Other current assets	3,643	3,130
Marketable securities	3,990	5,134
Cash and cash equivalents	4,824	5,376
Assets held for sale [6]	748	692
Total current assets	**33,629**	**33,446**
Total assets	**95,786**	**90,468**
Non-current liabilities		
Long-term debt [11]	(28,420)	(24,809)
Deferred tax liabilities	(635)	(593)
Defined benefit plan liabilities	(4,348)	(4,379)
Provisions [10]	(1,169)	(1,059)
Other non-current liabilities	(1,739)	(1,541)
Total non-current liabilities	**(36,311)**	**(32,381)**
Current liabilities		
Short-term debt [11]	(6,021)	(4,400)
Current income tax liabilities	(2,596)	(2,257)
Provisions [10]	(1,774)	(1,684)
Accounts payable	(3,994)	(4,325)
Other current liabilities	(12,206)	(12,150)
Liabilities directly associated with assets held for sale [6]	(8)	(8)
Total current liabilities	**(26,599)**	**(24,824)**
Total liabilities	**(62,910)**	**(57,205)**
Total net assets	**32,876**	**33,263**
Equity		
Capital and reserves attributable to Roche shareholders	28,942	29,315
Equity attributable to non-controlling interests	3,934	3,948
Total equity	**32,876**	**33,263**

Roche Group consolidated statement of cash flows in millions of CHF

	Six months ended 30 June 2024	2023
Cash flows from operating activities		
Cash generated from operations [15]	12,772	12,091
(Increase) decrease in net working capital	(2,100)	(1,804)
Payments made for defined benefit plans	(313)	(314)
Utilisation of provisions	(469)	(505)
Other operating cash flows	0	0
Income taxes paid	(1,976)	(1,570)
Total cash flows from operating activities	**7,914**	**7,898**
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,724)	(1,740)
Purchase of intangible assets	(368)	(234)
Disposal of property, plant and equipment	19	33
Disposal of products	353	585
Business combinations [6]	(2,456)	0
Asset acquisitions [6]	0	0
Interest received (paid) and dividends received on marketable securities and other investments	106	57
Sales of equity securities and debt securities	130	65
Purchases of equity securities and debt securities	(78)	(82)
Sales (purchases) of money market instruments and time accounts over three months, net	1,168	782
Other investing cash flows	(15)	52
Total cash flows from investing activities	**(2,865)**	**(482)**
Cash flows from financing activities		
Proceeds from issue of bonds and notes [11]	4,852	1,238
Redemption and repurchase of bonds and notes [11]	(1,849)	(645)
Increase (decrease) in commercial paper [11]	713	(41)
Increase (decrease) in other debt [11]	40	(19)
Hedging and collateral arrangements	(108)	139
Interest paid	(521)	(368)
Principal portion of lease liabilities paid	(172)	(174)
Dividends paid [15]	(7,889)	(7,789)
Equity-settled equity compensation plans, net of transactions in own equity	(514)	(633)
Other financing cash flows	(1)	(1)
Total cash flows from financing activities	**(5,449)**	**(8,293)**
Net effect of currency translation on cash and cash equivalents	(152)	(394)
Increase (decrease) in cash and cash equivalents	**(552)**	**(1,271)**
Cash and cash equivalents at beginning of period	5,376	4,991
Cash and cash equivalents at end of period	**4,824**	**3,720**

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
Six months ended 30 June 2023								
At 1 January 2023	107	38,937	(59)	(92)	(10,901)	27,992	4,023	32,015
Net income recognised in income statement	–	7,137	–	–	–	7,137	426	7,563
Net change in fair value – financial assets at fair value through OCI	–	(8)	(14)	–	–	(22)	0	(22)
Cash flow hedges	–	–	–	(40)	–	(40)	(25)	(65)
Currency translation of foreign operations	–	–	1	10	(830)	(819)	(423)	(1,242)
Remeasurements of defined benefit plans	–	131	–	–	–	131	0	131
Total comprehensive income	**–**	**7,260**	**(13)**	**(30)**	**(830)**	**6,387**	**(22)**	**6,365**
Dividends	–	(7,590)	–	–	–	(7,590)	(173)	(7,763)
Equity compensation plans, net of transactions in own equity	–	(274)	–	–	–	(274)	1	(273)
Changes in non-controlling interests	–	0	–	–	–	0	0	–
At 30 June 2023	**107**	**38,333**	**(72)**	**(122)**	**(11,731)**	**26,515**	**3,829**	**30,344**
Six months ended 30 June 2024								
At 1 January 2024	107	42,347	(97)	(90)	(12,952)	29,315	3,948	33,263
Net income recognised in income statement	–	6,258	–	–	–	6,258	439	6,697
Net change in fair value – financial assets at fair value through OCI	–	7	129	–	–	136	0	136
Cash flow hedges	–	–	–	(12)	–	(12)	(8)	(20)
Currency translation of foreign operations	–	–	1	4	662	667	(237)	430
Remeasurements of defined benefit plans	–	339	–	–	–	339	0	339
Total comprehensive income	**–**	**6,604**	**130**	**(8)**	**662**	**7,388**	**194**	**7,582**
Dividends	–	(7,650)	–	–	–	(7,650)	(208)	(7,858)
Equity compensation plans, net of transactions in own equity	–	(111)	–	–	–	(111)	0	(111)
Changes in non-controlling interests	–	0	–	–	–	0	0	–
At 30 June 2024	**107**	**41,190**	**33**	**(98)**	**(12,290)**	**28,942**	**3,934**	**32,876**

Notes to the Roche Group Interim Consolidated Financial Statements

1. General accounting principles

Basis of preparation

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 2024 (hereafter 'the interim period'). These Interim Financial Statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2023 (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 23 July 2024.

Statement of compliance

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 financial statements prepared in accordance with IFRS Accounting Standards. 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

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

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

Accounting policies

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 also be reflected in the Group's Consolidated Financial Statements for the year ending 31 December 2024.

Changes in accounting policies

In 2024 the Group has implemented various minor amendments to existing accounting standards and interpretations, which have no material impact on the Group's overall results and financial position.

Change in operating segments

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division, while retaining Foundation Medicine's independence in this new reporting set-up. Accordingly, from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division. This represents a change in the Group's operating segments in its financial reporting, and consequently the comparative 2023 results have been restated in these Interim Financial Statements.

These changes have no impact on sales, operating profit, net income and earnings per share and non-voting equity security of the Group as a whole. The operating results of the two divisions, Pharmaceuticals and Diagnostics, have changed, while there has been no change to Corporate.

Comparative 2023 information has been restated, and a reconciliation to the previously published interim results is provided below.

Restated Roche Group consolidated income statement (selected items) in millions of CHF

	Six months ended 30 June 2023		
	As originally published	Change in operating segments	Restated
Pharmaceuticals			
Sales	22,681	(170)	22,511
Other revenue	806	(8)	798
Cost of sales	(4,457)	73	(4,384)
Research and development	(6,065)	118	(5,947)
Selling, general and administration	(3,588)	140	(3,448)
Other operating income (expense)	708	2	710
Operating profit	**10,085**	**155**	**10,240**
Diagnostics			
Sales	7,098	170	7,268
Other revenue	31	8	39
Cost of sales	(3,474)	(73)	(3,547)
Research and development	(853)	(118)	(971)
Selling, general and administration	(1,381)	(140)	(1,521)
Other operating income (expense)	146	(2)	144
Operating profit	**1,567**	**(155)**	**1,412**

Restated operating segment information on capital expenditure (selected items) in millions of CHF

	Six months ended 30 June 2023		
	As originally published	Change in operating segments	Restated
Pharmaceuticals – capital expenditure			
Business combinations	0	0	0
Asset acquisitions	0	0	0
Additions to property, plant and equipment	922	(80)	842
Additions to right-of-use assets	103	(1)	102
Additions to intangible assets	222	0	222
Total	**1,247**	**(81)**	**1,166**
Diagnostics – capital expenditure			
Business combinations	0	0	0
Asset acquisitions	0	0	0
Additions to property, plant and equipment	701	80	781
Additions to right-of-use assets	97	1	98
Additions to intangible assets	16	0	16
Total	**814**	**81**	**895**

Restated operating segment information on other segment information (selected items) in millions of CHF

	Six months ended 30 June 2023		
	As originally published	Change in operating segments	Restated
Pharmaceuticals – other segment information			
Depreciation of property, plant and equipment	654	(19)	635
Depreciation of right-of-use assets	95	(8)	87
Amortisation of intangible assets	280	(1)	279
Impairment (reversal) of property, plant and equipment	31	0	31
Impairment (reversal) of right-of-use assets	2	0	2
Impairment of goodwill	0	0	0
Impairment of intangible assets	260	0	260
Equity compensation plan expenses	294	(24)	270
Diagnostics – other segment information			
Depreciation of property, plant and equipment	540	19	559
Depreciation of right-of-use assets	60	8	68
Amortisation of intangible assets	81	1	82
Impairment (reversal) of property, plant and equipment	9	0	9
Impairment (reversal) of right-of-use assets	0	0	0
Impairment of goodwill	0	0	0
Impairment of intangible assets	0	0	0
Equity compensation plan expenses	51	24	75

Restated operating segment information on net operating assets (selected items) in millions of CHF

	31 December 2023		
	As originally published	Change in operating segments	Restated
Pharmaceuticals Division – net operating assets			
Assets	49,640	(444)	49,196
Liabilities	(13,134)	165	(12,969)
Net operating assets	**36,506**	**(279)**	**36,227**
Roche Pharmaceuticals – net operating assets			
Assets	46,077	(444)	45,633
Liabilities	(13,269)	165	(13,104)
Net operating assets	**32,808**	**(279)**	**32,529**
Diagnostics – net operating assets			
Assets	20,484	444	20,928
Liabilities	(4,546)	(165)	(4,711)
Net operating assets	**15,938**	**279**	**16,217**

Future new and revised accounting standards

The Group is currently assessing the potential impacts of the various new and revised accounting standards and interpretations that will be mandatory from 1 January 2025 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 accounting standards which are not mandatory until after 2025, including IFRS 18 'Presentation and Disclosure in Financial Statements'.

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 informatics, communications, human resources, finance (including treasury and taxation), legal, safety and environmental services. Subdivisional information is also presented for the Roche Pharmaceuticals and Chugai operating segments within the Pharmaceuticals Division.

Divisional information in millions of CHF

Six months ended 30 June	Pharmaceuticals 2024	Pharmaceuticals 2023	Diagnostics 2024	Diagnostics 2023	Corporate 2024	Corporate 2023	Group 2024	Group 2023
Revenue from external customers								
Sales	22,637	22,511	7,211	7,268	–	–	29,848	29,779
Other revenue	886	798	22	39	–	–	908	837
Total	**23,523**	**23,309**	**7,233**	**7,307**	**–**	**–**	**30,756**	**30,616**
Revenue from other operating segments								
Sales	–	–	57	55	–	–	57	55
Other revenue	–	–	1	2	–	–	1	2
Elimination of interdivisional revenue							(58)	(57)
Total	**–**	**–**	**58**	**57**	**–**	**–**	**–**	**–**
Segment results								
Operating profit	9,593	10,240	1,425	1,412	(1,947)	(1,888)	9,071	9,764
Capital expenditure								
Business combinations	2,808	0	0	0	–	–	2,808	0
Asset acquisitions	0	0	0	0	–	–	0	0
Additions to property, plant and equipment	800	842	765	781	35	49	1,600	1,672
Additions to right-of-use assets	211	102	64	98	7	3	282	203
Additions to intangible assets	243	222	37	16	–	–	280	238
Total	**4,062**	**1,166**	**866**	**895**	**42**	**52**	**4,970**	**2,113**
Research and development								
Research and development costs	6,408	5,947	980	971	–	–	7,388	6,918
Other segment information								
Depreciation of property, plant and equipment	546	635	557	559	31	34	1,134	1,228
Depreciation of right-of-use assets	88	87	69	68	5	6	162	161
Amortisation of intangible assets	279	279	79	82	–	–	358	361
Impairment (reversal) of property, plant and equipment	38	31	13	9	3	0	54	40
Impairment (reversal) of right-of-use assets	26	2	0	0	0	0	26	2
Impairment of goodwill	0	0	0	0	–	–	0	0
Impairment of intangible assets	1,051	260	0	0	–	–	1,051	260
Equity compensation plan expenses	291	270	75	75	41	38	407	383

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly, from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 information has been restated in these Interim Financial Statements. Details and a reconciliation to the previously published income statement (including research and development costs), capital expenditure and other segment information are disclosed in Note 1.

Pharmaceuticals subdivisional information in millions of CHF

Six months ended 30 June	Roche Pharmaceuticals 2024	2023	Chugai 2024	2023	Pharmaceuticals Division 2024	2023
Revenue from external customers						
Sales	21,271	20,301	1,366	2,210	22,637	22,511
Other revenue	827	745	59	53	886	798
Total	**22,098**	**21,046**	**1,425**	**2,263**	**23,523**	**23,309**
Revenue from other operating segments						
Sales	652	1,174	1,472	1,330	2,124	2,504
Other revenue	10	22	372	355	382	377
Elimination of income within division					(2,506)	(2,881)
Total	**662**	**1,196**	**1,844**	**1,685**	**–**	**–**
Segment results						
Operating profit	8,173	8,497	1,536	1,461	9,709	9,958
Elimination of results within division					(116)	282
Operating profit	**8,173**	**8,497**	**1,536**	**1,461**	**9,593**	**10,240**
Capital expenditure						
Business combinations	2,808	0	0	0	2,808	0
Asset acquisitions	0	0	0	0	0	0
Additions to property, plant and equipment	653	588	147	254	800	842
Additions to right-of-use assets	193	81	18	21	211	102
Additions to intangible assets	238	221	5	1	243	222
Total	**3,892**	**890**	**170**	**276**	**4,062**	**1,166**
Research and development						
Research and development costs	5,937	5,371	496	589	6,433	5,960
Elimination of costs within division					(25)	(13)
Total	**5,937**	**5,371**	**496**	**589**	**6,408**	**5,947**
Other segment information						
Depreciation of property, plant and equipment	476	550	70	85	546	635
Depreciation of right-of-use assets	73	71	15	16	88	87
Amortisation of intangible assets	276	273	3	6	279	279
Impairment (reversal) of property, plant and equipment	38	23	0	8	38	31
Impairment (reversal) of right-of-use assets	26	2	0	0	26	2
Impairment of goodwill	0	0	0	0	0	0
Impairment of intangible assets	1,051	239	0	21	1,051	260
Equity compensation plan expenses	290	269	1	1	291	270

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly, from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 information has been restated in these Interim Financial Statements. Details and a reconciliation to the previously published income statement (including research and development costs), capital expenditure and other segment information are disclosed in Note 1.

Net assets in millions of CHF

	Assets 30 June 2024	Assets 31 December 2023	Liabilities 30 June 2024	Liabilities 31 December 2023	Net assets 30 June 2024	Net assets 31 December 2023
Net operating assets						
Pharmaceuticals	53,704	49,196	(13,266)	(12,969)	40,438	36,227
Diagnostics	22,187	20,928	(4,314)	(4,711)	17,873	16,217
Corporate	635	555	(781)	(884)	(146)	(329)
Total	**76,526**	**70,679**	**(18,361)**	**(18,564)**	**58,165**	**52,115**
Current income tax net assets (liabilities)					(2,290)	(1,913)
Deferred tax net assets (liabilities)					6,997	6,289
Defined benefit plan net assets (liabilities)					(3,126)	(3,360)
Lease liabilities					(1,734)	(1,573)
Marketable securities					3,990	5,134
Cash and cash equivalents					4,824	5,376
Debt					(34,441)	(29,209)
Other net assets (liabilities)					491	404
Total net assets					**32,876**	**33,263**

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly, from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 information has been restated in these Interim Financial Statements. Details and a reconciliation to the previously published net assets are disclosed in Note 1.

Net operating assets – Pharmaceuticals subdivisional information in millions of CHF

	Assets 30 June 2024	Assets 31 December 2023	Liabilities 30 June 2024	Liabilities 31 December 2023	Net assets 30 June 2024	Net assets 31 December 2023
Roche Pharmaceuticals	50,586	45,633	(13,904)	(13,104)	36,682	32,529
Chugai	6,396	6,589	(824)	(1,157)	5,572	5,432
Elimination within division	(3,278)	(3,026)	1,462	1,292	(1,816)	(1,734)
Pharmaceuticals Division	**53,704**	**49,196**	**(13,266)**	**(12,969)**	**40,438**	**36,227**

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly, from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 information has been restated in these Interim Financial Statements. Details and a reconciliation to the previously published net operating assets are disclosed in Note 1.

3. Revenue

Disaggregated revenue information

Disaggregation of revenue in millions of CHF

	Six months ended 30 June 2024 Revenue from contracts with customers	Revenue from other sources	Total	Six months ended 30 June 2023 Revenue from contracts with customers	Revenue from other sources	Total
Pharmaceuticals Division						
Sales by therapeutic area						
Oncology	9,619	–	9,619	9,775	–	9,775
Neuroscience	4,586	–	4,586	4,229	–	4,229
Immunology	3,015	–	3,015	3,095	–	3,095
Haemophilia A	2,143	–	2,143	2,087	–	2,087
Ophthalmology	1,891	–	1,891	1,265	–	1,265
Infectious diseases	255	–	255	819	–	819
Other therapeutic areas[a]	1,128	–	1,128	1,241	–	1,241
Sales[a]	**22,637**	**–**	**22,637**	**22,511**	**–**	**22,511**
Royalty income	229	157	386	266	129	395
Profit-share income[a]	0	380	380	0	328	328
Other income from collaboration and out-licensing agreements	114	0	114	71	0	71
Other	6	0	6	4	0	4
Other revenue[a]	**349**	**537**	**886**	**341**	**457**	**798**
Diagnostics Division						
Sales by customer area						
Core Lab	3,779	290	4,069	3,669	266	3,935
Molecular Lab[a]	1,224	51	1,275	1,238	50	1,288
Near Patient Care[b]	1,085	12	1,097	1,342	16	1,358
Pathology Lab	723	47	770	649	38	687
Sales[a]	**6,811**	**400**	**7,211**	**6,898**	**370**	**7,268**
Royalty income	19	0	19	21	0	21
Profit-share income[a]	0	0	0	8	0	8
Other income from collaboration and out-licensing agreements	0	0	0	0	0	0
Other	0	3	3	7	3	10
Other revenue[a]	**19**	**3**	**22**	**36**	**3**	**39**
Total[a]	**29,816**	**940**	**30,756**	**29,786**	**830**	**30,616**

a) Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly, from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 information has been restated in these Interim Financial Statements. Details and a reconciliation to the previously published income statement are disclosed in Note 1.

b) Additionally effective 1 January 2024, the Diagnostics Division has changed its internal customer areas. Consequently the comparative 2023 sales by customer areas information has also been restated in these Interim Financial Statements. Near Patient Care provides diagnostics solutions in decentralised settings such as in emergency rooms, general practitioners' practices and directly with patients, and includes integrated personalised diabetes management solutions.

Revenue from other sources primarily relates to lease revenue in the Diagnostics Division and collaboration revenue for which the counterparty is not considered a customer, such as income from profit-sharing agreements with collaboration partners in the Pharmaceuticals Division.

Gross-to-net sales reconciliation for the Pharmaceuticals Division

The gross-to-net sales reconciliation for the Pharmaceuticals Division is shown in the table below. The companies in the Diagnostics Division have similar reconciling items, but at much lower amounts.

Pharmaceuticals Division sales gross-to-net reconciliation in millions of CHF

	Six months ended 30 June 2024	2023
Gross sales	29,546	28,908
Government and regulatory mandatory price reductions	(3,507)	(3,357)
Contractual price reductions	(2,666)	(2,358)
Cash discounts	(170)	(159)
Customer returns reserves	(171)	(143)
Others	(395)	(380)
Net sales	**22,637**	**22,511**

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly, from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 information has been restated in these Interim Financial Statements.

Government and regulatory mandatory price reductions. These consist of mandatory price reductions. The major elements are the 340B Drug Discount Program, Medicaid and other plans in the US, which totalled USD 3.0 billion equivalent to CHF 2.7 billion (six months ended 30 June 2023: USD 2.8 billion equivalent to CHF 2.5 billion).

Contractual price reductions. These include rebates and chargebacks that are the result of contractual agreements that are primarily volume based and performance based.

Cash discounts. These include credits offered to wholesalers for remitting payment on their purchases within contractually defined incentive periods.

Customer returns reserves. These are allowances established for expected product returns.

Sales reductions that are expected to be withheld by the customer upon settlement, such as contractual price reductions and cash discounts, are recorded in the balance sheet as a deduction from trade receivables. Sales reductions that are separately payable to customers, governmental health authorities or healthcare regulatory authorities are recorded in the balance sheet as accrued liabilities. Provisions for sales returns are recorded in the balance sheet as other provisions.

4. Net financial expense

Financing costs in millions of CHF

	Six months ended 30 June 2024	2023
Interest expense	(601)	(393)
Amortisation of debt discount [11]	(5)	(4)
Fair value loss on treasury locks designated as cash flow hedges – transferred from OCI	(1)	(1)
Net gains (losses) on debt derivatives	(1)	0
Net gains (losses) on redemption and repurchase of bonds and notes [11]	0	0
Discount unwind	(12)	(8)
Net interest cost of defined benefit plans	(69)	(76)
Interest expense on lease liabilities	(19)	(8)
Total financing costs	**(708)**	**(490)**

Other financial income (expense) in millions of CHF

	Six months ended 30 June 2024	2023
Net gains (losses) on equity investments/securities at fair value through profit or loss	9	34
Net income (expense) from equity investments/securities	**9**	**34**
Interest income (expense) from debt securities at fair value through OCI and at amortised cost	112	66
Net gains (losses) on sale of debt securities at fair value through OCI	0	0
Net gains (losses) on debt investments/securities at fair value through profit or loss	0	3
Net gains (losses) on fund investments at fair value through profit or loss	2	0
Net interest income (expense) and income from debt investments/securities and fund investments	**114**	**69**
Net foreign exchange gains (losses)	(20)	(273)
Net gains (losses) on foreign currency derivatives	(124)	134
Foreign exchange gains (losses)	**(144)**	**(139)**
Gains (losses) on net monetary position in hyperinflationary economies	(89)	(48)
Net other financial income (expense)	(2)	(2)
Associates	(28)	(14)
Total other financial income (expense)	**(140)**	**(100)**

Net financial expense in millions of CHF

	Six months ended 30 June 2024	2023
Financing costs	(708)	(490)
Other financial income (expense)	(140)	(100)
Net financial expense	**(848)**	**(590)**
Financial result from treasury management	(751)	(500)
Financial result from pension management	(69)	(76)
Associates	(28)	(14)
Net financial expense	**(848)**	**(590)**

5. 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 2024.

Income tax expense in millions of CHF

	Six months ended 30 June	
	2024	2023
Current income taxes	(2,160)	(2,112)
Pillar Two income taxes	(186)	–
Deferred taxes	820	501
Total income tax (expense)	**(1,526)**	**(1,611)**

The Group's effective tax rate for the six months ended 30 June 2024 increased to 18.6% (six months ended 30 June 2023: 17.6%). The increase was mainly due to the impact from Pillar Two top-up taxes, which have been effective from 1 January 2024 in various countries where the Group operates. The impairments of certain intangible assets that are not tax deductible further increased the Group's effective tax rate. This was in part offset by a higher percentage of profit contribution in the six months ended 30 June 2024 coming from tax jurisdictions with tax rates lower than the Group's average tax rate.

6. Mergers and acquisitions

Business combinations – 2024

Carmot Therapeutics, Inc. On 26 January 2024 the Group acquired a 100% controlling interest in Carmot Therapeutics, Inc. ('Carmot'), a privately owned US company based in Berkeley, California. With the acquisition, the Group obtained access to Carmot's current research and development portfolio, which includes three clinical-stage product candidates to treat obesity and diabetes, as well as a number of preclinical programmes. Carmot's lead product candidate, CT-388, is a phase II-ready dual GLP-1/GIP receptor agonist for the treatment of overweight and obese patients with comorbidities. Carmot is reported in the Pharmaceuticals Division. The total consideration was USD 3,094 million, of which USD 2,913 million was paid in cash and USD 181 million arose from a contingent consideration arrangement. The contingent payments are based on the achievement of predetermined performance-related milestones, and the range of undiscounted outcomes is between zero and USD 400 million.

The identifiable assets acquired and liabilities assumed are set out in the table below. The amounts are provisional based on preliminary information and valuations of the assets and liabilities and are subject to adjustment during the second half of 2024.

Business combinations – 2024: net assets acquired in millions of CHF

	Carmot
Property, plant and equipment	2
Right-of-use assets	5
Intangible assets	
– Product intangibles: in use[9]	23
– Product intangibles: not available for use[9]	1,757
Deferred tax assets	89
Cash and cash equivalents	70
Marketable securities	114
Lease liabilities	(5)
Deferred tax liabilities	(392)
Other net assets (liabilities)	(1)
Net identifiable assets	**1,662**
Goodwill[8]	1,021
Total consideration	**2,683**
Cash	2,526
Contingent consideration[16]	157
Total consideration	**2,683**

The intangible assets not available for use also include Carmot's CT-868, a dual GLP-1/GIP receptor agonist in phase II intended for the treatment of type 1 diabetes patients with overweight or obesity, and CT-996, a small-molecule GLP-1 receptor agonist currently in phase I intended to treat obesity in patients with and without type 2 diabetes. The fair value of Carmot's product intangible assets not available for use was determined using an excess earning method that is based on management forecasts and observable market data for discount rates, tax rates and foreign exchange rates. The present value was calculated using a risk-adjusted discount rate of 10.0%. The valuations were performed by an independent valuer.

Goodwill represents the synergistic opportunity for combinations of the acquired assets with the Group's existing research and development pipeline, including those focused on other benefits, such as preserving muscle mass. Carmot's incretin-based portfolio could also be expanded to other indications where incretins play a role including cardiovascular, retinal and neurodegenerative diseases. Goodwill also represents a control premium and a number of preclinical programmes that do not qualify for separate recognition of intangible assets. None of the goodwill is expected to be deductible for income tax purposes.

Directly attributable transaction costs of CHF 2 million were reported in the Pharmaceuticals operating segment within other operating income (expense).

In the five months to 30 June 2024 Carmot contributed no material revenue and a net loss (after tax) of CHF 27 million to the results reported for the Pharmaceuticals Division and the Group. If the acquisition had occurred on 1 January 2024, management estimates that it would have contributed no material revenue and a net loss (after tax) of CHF 34 million during the six months ended 30 June 2024. This information is provided for illustrative purposes only and is not necessarily indicative of the results of the Group that would have occurred had Carmot actually been acquired at the beginning of the year, or indicative of the future results of the Group.

Business combinations – 2023

The Group did not complete any business combinations during the six months ended 30 June 2023.

Cash flows from business combinations

Business combinations: net cash outflows in millions of CHF

	Six months ended 30 June 2024			Six months ended 30 June 2023		
	Pharmaceuticals	Diagnostics	Total	Pharmaceuticals	Diagnostics	Total
Cash consideration paid	(2,526)	0	(2,526)	0	0	0
Deferred consideration paid	0	0	0	0	0	0
Contingent consideration paid	0	0	0	0	0	0
Cash in acquired company	70	0	70	0	0	0
Total net cash outflows	**(2,456)**	**0**	**(2,456)**	**0**	**0**	**0**

Asset acquisitions – 2024

The Group did not complete any asset acquisitions during the six months ended 30 June 2024.

Asset acquisitions – 2023

The Group did not complete any asset acquisitions during the six months ended 30 June 2023.

Cash flows from asset acquisitions

Asset acquisitions: net cash outflows in millions of CHF

	Six months ended 30 June 2024			Six months ended 30 June 2023		
	Pharmaceuticals	Diagnostics	Total	Pharmaceuticals	Diagnostics	Total
Cash consideration paid	0	0	0	0	0	0
Cash in acquired company	0	0	0	0	0	0
Contingent payments related to previous acquisitions	0	0	0	0	0	0
Total net cash outflows	**0**	**0**	**0**	**0**	**0**	**0**

For asset acquisitions previously closed, during the six months ended 30 June 2024 the Group did not record any additions to product intangible assets related to contingent payments for the achievement of performance-related milestones (six months ended 30 June 2023: none).

Future business combinations

LumiraDx. On 29 December 2023 the Group announced the entry into a definitive agreement to acquire a 100% controlling interest in selected subsidiaries of LumiraDx Limited ('LumiraDx'), a company incorporated under the laws of the Cayman Islands, as part of a pre-packaged UK administration sale. With the acquisition, the Group will obtain access to LumiraDx's point-of-care technology which combines multiple diagnostic modalities on a single platform. The transaction is subject to certain conditions including antitrust and regulatory approvals. The closing of the transaction is currently expected to take place in the second half of 2024. LumiraDx will be reported in the Diagnostics Division. The cash consideration to be paid at the acquisition date will be USD 295 million (subject to customary closing adjustments) and an additional payment of up to USD 69 million for the reimbursement of amounts to fund the point-of-care technology platform business until the closing of the acquisition.

Future divestments

Divestment of Vacaville facility. In May 2023 the Group announced plans to exit its legacy Genentech manufacturing facility in Vacaville, California, as part of a broader strategy to evolve its manufacturing capabilities in line with future pipeline requirements. On 20 March 2024 the Group announced a definitive agreement with Lonza Group AG ('Lonza') under which Lonza will acquire this facility for USD 1.2 billion in conjunction with a manufacturing agreement and related quality services and warehousing. Subject to the completion of applicable regulatory approvals and transition preparations, the transaction is expected to close in the second half of 2024. As of 30 June 2024 and 31 December 2023 the assets and certain liabilities directly associated with the Vacaville manufacturing plant were classified as held for sale.

Assets held for sale and liabilities directly associated with assets held for sale in millions of CHF

	30 June 2024	31 December 2023
Property, plant and equipment	738	684
Right-of-use assets	8	8
Other assets	2	0
Assets held for sale	**748**	**692**
Lease liabilities	(8)	(8)
Liabilities directly associated with assets held for sale	**(8)**	**(8)**
Net assets held for sale	**740**	**684**

7. Global restructuring plans

During the six months ended 30 June 2024 the Group continued the implementation of various global restructuring plans initiated in 2024 and prior years.

Global restructuring plans: costs incurred in millions of CHF

	Six months ended 30 June 2024	2023
Global restructuring costs		
– Employee-related costs	269	236
– Site closure and other costs related to physical assets	142	279
– Divestment of products and businesses	0	0
– Other reorganisation expenses	351	163
Total global restructuring costs	**762**	**678**
Additional costs		
– Impairment of goodwill	0	0
– Impairment of intangible assets	0	0
– Legal and environmental cases	0	0
Total costs	**762**	**678**

The Pharmaceuticals Division incurred restructuring costs of CHF 454 million, primarily for research and development optimisation initiatives, manufacturing network strategy and a business process transformation programme to simplify the systems landscape. The Diagnostics Division incurred costs of CHF 60 million for research and development productivity initiatives, manufacturing and supply chain optimisations and business transformations to drive organisational and commercial effectiveness. This was partly offset by reversals of unused restructuring provisions following the completion of certain optimisation plans within the division. Corporate costs were CHF 248 million and included a business process transformation to simplify the systems landscape and reduce process complexity. This transformation is a multi-year cross-divisional programme to drive efficiency gains through system and process optimisation.

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

	Six months ended 30 June 2024	2023
Termination costs	157	174
Defined benefit plans	0	0
Other employee-related costs	112	62
Total employee-related costs	**269**	**236**
Impairment of property, plant and equipment and right-of-use assets	45	18
Accelerated depreciation of property, plant and equipment and right-of-use assets	22	35
(Gains) losses on disposal of property, plant and equipment and right-of-use assets	4	9
Other site closure costs	71	217
Total site closure and other costs related to physical assets	**142**	**279**
Divestment of products and businesses		
– (Gains) losses on divestment of subsidiaries	0	0
– Other (gains) losses on divestment of products and businesses	0	0
Total costs on divestment of products and businesses	**0**	**0**
Other reorganisation expenses	351	163
Total global restructuring costs	**762**	**678**
Additional costs		
– Impairment of goodwill	0	0
– Impairment of intangible assets	0	0
– Legal and environmental cases	0	0
Total costs	**762**	**678**

Global restructuring plans: classification of costs in millions of CHF

	Six months ended 30 June 2024			Six months ended 30 June 2023		
	Depreciation, amortisation and impairment	Other costs	Total	Depreciation, amortisation and impairment	Other costs	Total
Cost of sales						
– Pharmaceuticals	2	80	82	26	201	227
– Diagnostics	7	(9)	(2)	8	52	60
Research and development						
– Pharmaceuticals	27	144	171	14	15	29
– Diagnostics	2	42	44	0	25	25
Selling, general and administration						
– Pharmaceuticals	19	181	200	5	130	135
– Diagnostics	7	10	17	0	33	33
– Corporate	3	245	248	0	162	162
Other operating income (expense)						
– Pharmaceuticals	0	1	1	0	1	1
– Diagnostics	0	1	1	0	6	6
– Corporate	0	0	0	0	0	0
Total costs	**67**	**695**	**762**	**53**	**625**	**678**
Total by operating segment						
– Roche Pharmaceuticals	48	384	432	40	248	288
– Chugai	0	22	22	5	99	104
– Diagnostics	16	44	60	8	116	124
– Corporate	3	245	248	0	162	162
Total costs	**67**	**695**	**762**	**53**	**625**	**678**

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly, from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 information has been restated in these Interim Financial Statements.

8. Goodwill

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

Six months ended 30 June 2024	
At 1 January 2024	9,390
Business combinations [6]	1,021
Currency translation effects	584
At 30 June 2024	**10,995**
Allocated by operating segment	
Roche Pharmaceuticals	6,051
Chugai	62
Diagnostics	4,882
Total Group	**10,995**

Impairment charges – 2024

There were no impairments of goodwill during the six months ended 30 June 2024.

Impairment charges – 2023

There were no impairments of goodwill during the six months ended 30 June 2023.

9. Intangible assets

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

	Product intangibles: in use	Product intangibles: not available for use	Other intangibles	Total
Six months ended 30 June 2024				
At 1 January 2024	3,435	10,803	590	14,828
Business combinations [6]	23	1,757	0	1,780
Additions	67	187	26	280
Transfers	2	(2)	0	–
Amortisation charge	(311)	–	(47)	(358)
Impairment charge	(444)	(561)	(46)	(1,051)
Currency translation effects	162	638	30	830
At 30 June 2024	**2,934**	**12,822**	**553**	**16,309**
Allocated by operating segment				
Roche Pharmaceuticals	1,797	12,415	427	14,639
Chugai	7	16	3	26
Diagnostics	1,130	391	123	1,644
Total Group	**2,934**	**12,822**	**553**	**16,309**

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

	Amortisation		Impairment	
Six months ended 30 June	2024	2023	2024	2023
Cost of sales				
– Pharmaceuticals	(107)	(123)	(318)	0
– Diagnostics	(68)	(68)	0	0
Research and development				
– Pharmaceuticals	(169)	(151)	(733)	(260)
– Diagnostics	(3)	(4)	0	0
Selling, general and administration				
– Pharmaceuticals	(3)	(5)	0	0
– Diagnostics	(8)	(10)	0	0
Total	**(358)**	**(361)**	**(1,051)**	**(260)**

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly, from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 information has been restated in these Interim Financial Statements.

Impairment charges – 2024

Pharmaceuticals Division. Impairment charges totalling CHF 1,051 million were recorded. The major items related to:

- A charge of CHF 354 million for three separate assets following decisions to stop the development of these compounds with the respective alliance partners. The assets concerned, which were not yet being amortised, were fully written down.
- A charge of CHF 318 million for the partial impairment of the product intangible asset for Rozlytrek, acquired as part of the Ignyta acquisition, due to reduced sales expectations. The asset concerned was written down to its estimated recoverable amount of CHF 222 million. The intangible asset in use continues to be amortised over its remaining estimated useful life of seven and a half years.
- A charge of CHF 152 million following the decision to terminate the development of a compound and the collaboration with an alliance partner. The asset concerned, which was not yet being amortised, was fully written down.
- A charge of CHF 120 million following the decision to terminate the development of a programme and the collaboration with an alliance partner. The asset concerned, which was being amortised, was fully written down.

Impairment charges – 2023

Pharmaceuticals Division. Impairment charges totalling CHF 260 million were recorded. The major items related to:

- A charge of CHF 87 million following a delay in clinical trials and revised sales expectations of a compound purchased separately. The asset concerned, which was not yet being amortised, was fully written down.
- A charge of CHF 82 million following a clinical data assessment and the decision to stop part of the development of a compound with an alliance partner. The asset concerned, which was not yet being amortised, was fully written down.
- A charge of CHF 65 million following a clinical data assessment and the decision to stop part of the development of a compound with an alliance partner. The asset concerned, which was not yet being amortised, was written down to its estimated recoverable amount of CHF 141 million.

10. Provisions and contingent liabilities

Provisions in millions of CHF

	30 June 2024	31 December 2023
Legal provisions	149	126
Environmental provisions	360	361
Restructuring provisions	818	851
Contingent consideration provisions [16]	281	95
Other provisions	1,335	1,310
Total provisions	**2,943**	**2,743**
Current	1,774	1,684
Non-current	1,169	1,059
Total provisions	**2,943**	**2,743**

During the six months ended 30 June 2024 CHF 469 million of provisions were utilised (six months ended 30 June 2023: CHF 505 million), which are included in the cash flow from operating activities and mainly related to the utilisation of restructuring and other provisions.

As part of the regular review of litigation matters, management has reassessed the provisions recorded for certain litigation matters. Based on the development of the various litigations, there was a net increase in legal provisions of CHF 22 million during the six months ended 30 June 2024.

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

Avastin/Lucentis investigations. The matters related to the Avastin/Lucentis investigations are described in Note 20 to the Annual Financial Statements. In September 2021 Roche received an administrative fine letter from the Turkish Competition Authority ('TCA'). In its investigation the TCA alleges that Roche and Novartis entered into a cartel aiming at preventing off-label applications of Avastin in order to foster on-label applications of Lucentis. In October 2021 the fine of TRY 85 million was paid under protest to avoid additional penalty fees. Roche filed an appeal against the decision. On 30 January 2023 the Ankara Administrative Court issued its ruling in the Group's favour. As a result, the TCA reimbursed the fine and an income of TRY 85 million was recorded in other operating income (expense) in 2023. In April 2023 the TCA appealed this decision. This appeal was partially granted by the Objection Court on 14 June 2024. On 18 July 2024 Roche received TCA's summary decision about the new fine to be imposed. Roche will appeal this decision. The Group is vigorously defending itself in these matters. The outcome of these matters cannot be determined at this time.

Iraqi Ministry of Health. The litigation related to the Iraqi Ministry of Health is described in Note 20 to the Annual Financial Statements. On 30 June 2023 defendants filed a petition for certiorari to the US Supreme Court on the merits asking the US Supreme Court to grant, vacate and remand for further proceedings as a result of another of its recent decisions on the US Anti-Terrorism Act, which was granted on 24 June 2024. The judgment is vacated and the case is remanded to the US Court of Appeals for the District of Columbia Circuit for further consideration. The Group is vigorously defending itself in this matter. The outcome of this matter cannot be determined at this time.

University of Pennsylvania litigation. The litigation related to the patent litigation action filed by the University of Pennsylvania against Genentech, Inc. ('Genentech') is described in Note 20 to the Annual Financial Statements. A jury trial is scheduled for March 2025. The Group is vigorously defending itself in this matter. The outcome of this matter cannot be determined at this time.

There have been certain procedural developments in the significant litigation matters described in Note 20 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.

11. Debt

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

Six months ended 30 June 2024	
At 1 January 2024	29,209
Proceeds from issue of bonds and notes	4,852
Redemption and repurchase of bonds and notes	(1,849)
Increase (decrease) in commercial paper	713
Increase (decrease) in other debt	40
Changes from financing cash flows	**3,756**
Net (gains) losses on redemption and repurchase of bonds and notes [4]	0
Amortisation of debt discount [4]	5
Financing costs	**5**
Net foreign currency transaction (gains) losses	0
Currency translation effects	1,453
Changes in foreign exchange rates	**1,453**
Changes in fair values of hedging instruments	18
Other changes	0
At 30 June 2024	**34,441**
Bonds and notes	32,210
Commercial paper	1,624
Amounts due to banks and other financial institutions	606
Other borrowings	1
Total debt	**34,441**
Long-term debt	28,420
Short-term debt	6,021
Total debt	**34,441**

Unamortised discount included in the carrying value of bonds and notes at 30 June 2024 was CHF 78 million (30 June 2023: CHF 59 million).

Issuance of bonds and notes – 2024

On 8 March 2024 the Group completed an offering of USD 0.875 billion fixed rate notes with a coupon of 4.790%, USD 0.75 billion fixed rate notes with a coupon of 4.909%, USD 1.25 billion fixed rate notes with a coupon of 4.985% and USD 1.0 billion fixed rate notes with a coupon of 5.218%. The notes will mature on 8 March 2029, 8 March 2031, 8 March 2034 and 8 March 2054, respectively. The Group received CHF 3,392 million aggregate net proceeds from the issuance and sale of these fixed rate notes.

On 3 May 2024 the Group completed an offering of EUR 0.65 billion fixed rate bonds with a coupon of 3.227% and EUR 0.85 billion fixed rate bonds with a coupon of 3.564%. The bonds will mature on 3 May 2030 and 3 May 2044, respectively. These bonds have a primary listing at the SIX Swiss Exchange. The Group received CHF 1,460 million aggregate net proceeds from the issuance and sale of these fixed rate bonds.

Issuance of bonds and notes – 2023

On 27 February 2023 the Group completed an offering of EUR 0.75 billion fixed rate bonds with a coupon of 3.204% and EUR 0.5 billion fixed rate bonds with a coupon of 3.355%. The bonds will mature on 27 August 2029 and 27 February 2035, respectively. These bonds have a primary listing at the SIX Swiss Exchange. The Group received CHF 1,238 million aggregate net proceeds from the issuance and sale of these fixed rate bonds.

Redemption and repurchase of bonds and notes – 2024

On the due date of 5 March 2024 the Group redeemed floating rate notes with a principal amount of USD 0.35 billion. The cash outflow was CHF 310 million, plus accrued interest. The effective interest rate of these notes was 2.85%.

Also on the due date of 5 March 2024 the Group redeemed the 0.45% fixed rate notes with a principal amount of USD 0.5 billion. The cash outflow was CHF 442 million, plus accrued interest. The effective interest rate of these notes was 0.49%.

On the due date of 8 March 2024 the Group redeemed the 1.882% fixed rate notes with a principal amount of USD 1.25 billion. The cash outflow was CHF 1,097 million, plus accrued interest. The effective interest rate of these notes was 1.95%.

Redemption and repurchase of bonds and notes – 2023

On the due date of 27 February 2023 the Group redeemed the 0.5% fixed rate notes with a principal amount of EUR 0.65 billion. The cash outflow was CHF 645 million, plus accrued interest. The effective interest rate of these notes was 0.63%.

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. The committed credit line that is available as a back-stop supporting the commercial paper program is USD 7.5 billion at 30 June 2024. The maturity of the notes under the program cannot exceed 365 days from the date of issuance. At 30 June 2024 unsecured commercial paper notes with a principal amount of USD 1.8 billion and an average interest rate of 5.33% were outstanding.

Movements in commercial paper obligations in millions of CHF

Six months ended 30 June 2024	
At 1 January 2024	848
Net cash proceeds (payments)	713
Currency translation effects	63
At 30 June 2024	**1,624**

Amounts due to banks and other financial institutions

On 19 January 2024 the Group executed a short-term bridge facility agreement of USD 5.0 billion with banks for general corporate purposes including but not limited to mergers and acquisitions and repayments of maturing debts. The bridge facility had an initial maturity of six months and two extension options for three months each. On 26 January 2024 the Group utilised USD 2.85 billion of this bridge facility, of which USD 1.85 billion and USD 1.0 billion were repaid on 8 March 2024 and 3 May 2024, respectively.

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 six months ended 30 June 2024. The weighted average number of shares and non-voting equity securities in issue during the six months ended 30 June 2024 was 797 million (six months ended 30 June 2023: 799 million).

Dividends

On 12 March 2024 the shareholders approved the distribution of a dividend of CHF 9.60 per share and non-voting equity security (2023: CHF 9.50) in respect of the 2023 business year. The distribution to holders of outstanding shares and non-voting equity securities totalled CHF 7,650 million (2023: CHF 7,590 million), which was recorded against retained earnings in the six months ended 30 June 2024.

Own equity instruments

Holdings of own equity instruments in number of shares and non-voting equity securities

	30 June 2024 (millions)	31 December 2023 (millions)
Shares	0.5	0.5
Non-voting equity securities	12.0	11.5
Total	**12.5**	**12.0**

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 27 to the Annual Financial Statements).

Retained earnings

In addition to net income attributable to Roche shareholders of CHF 6,258 million (six months ended 30 June 2023: CHF 7,137 million) and the dividend payments described above, retained earnings also include net gains on remeasurements of defined benefit plans of CHF 339 million, after tax (six months ended 30 June 2023: gains of CHF 131 million, after tax). These were based on updated actuarial calculations for major plans, and the net gains were mainly due to a positive performance of plan assets in Switzerland and higher discount rates for plans in the eurozone and the US compared to the start of the interim period. For the Swiss plans, the higher fair value of plan assets was partially offset by an increase of the defined benefit obligation due to lower discount rates compared to the end of 2023. The resulting increase in the limit on asset recognition on the surplus in certain defined benefit plans in Switzerland reduced the net gains on remeasurements of defined benefit plans recorded in the six months ended 30 June 2024.

13. Subsidiaries and associates

Chugai

Chugai is a fully consolidated subsidiary of the Group and at 30 June 2024 the Group's interest in Chugai was 61.1% (31 December 2023: 61.1%). 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 IFRS Accounting Standards 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 2024 totalled CHF 150 million (six months ended 30 June 2023: CHF 173 million) and were recorded against non-controlling interests. Dividends paid by Chugai to Roche are eliminated on consolidation as intercompany items.

14. Earnings per share and non-voting equity security

Basic earnings per share and non-voting equity security

	Six months ended 30 June 2024	2023
Net income attributable to Roche shareholders (CHF millions)	**6,258**	**7,137**
Number of outstanding shares (millions)	107	107
Number of outstanding non-voting equity securities (millions)	703	703
Weighted average number of own shares and non-voting equity securities held (millions)	(13)	(11)
Weighted average number of outstanding shares and non-voting equity securities used to calculate basic earnings per share (millions)	**797**	**799**
Basic earnings per share and non-voting equity security (CHF)	**7.85**	**8.93**

Diluted earnings per share and non-voting equity security

	Six months ended 30 June 2024	2023
Net income attributable to Roche shareholders (CHF millions)	6,258	7,137
Increase in non-controlling interests' share of Group net income, assuming all outstanding Chugai stock options exercised (CHF millions)	0	0
Net income used to calculate diluted earnings per share (CHF millions)	**6,258**	**7,137**
Weighted average number of outstanding shares and non-voting equity securities (millions)	797	799
Adjustment for assumed exercise of equity compensation plans, where dilutive (millions)	5	5
Weighted average number of outstanding shares and non-voting equity securities used to calculate diluted earnings per share (millions)	**802**	**804**
Diluted earnings per share and non-voting equity security (CHF)	**7.80**	**8.87**

15. Statement of cash flows

Cash generated from operations in millions of CHF

	Six months ended 30 June 2024	2023
Net income	6,697	7,563
Add back non-operating (income) expense		
– Financing costs [4]	708	490
– Other financial (income) expense [4]	140	100
– Income taxes [5]	1,526	1,611
Operating profit	**9,071**	**9,764**
Depreciation of property, plant and equipment [2]	1,134	1,228
Depreciation of right-of-use assets [2]	162	161
Amortisation of intangible assets [2]	358	361
Impairment of goodwill [2]	0	0
Impairment of intangible assets [2]	1,051	260
Impairment (reversal) of property, plant and equipment [2]	54	40
Impairment (reversal) of right-of-use assets [2]	26	2
Operating (income) expense for defined benefit plans	261	240
Operating expense for equity-settled equity compensation plans	407	383
Net (income) expense for provisions	397	(56)
Bad debt (reversal) expense	10	9
Inventory write-downs	194	283
Net (gain) loss on disposal of products	(353)	(585)
Other adjustments	0	1
Cash generated from operations	**12,772**	**12,091**

Dividends paid in millions of CHF

	Six months ended 30 June 2024	2023
Dividends to Roche shareholders	(7,650)	(7,590)
Dividends to non-controlling shareholders		
– Chugai	(150)	(173)
– Other non-controlling interests	(58)	0
Increase (decrease) in dividends payable	2	1
Dividend withholding tax	(33)	(27)
Total	**(7,889)**	**(7,789)**

16. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in Note 31 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
At 30 June 2024				
Marketable securities:				
– Equity securities at fair value through profit or loss	1	–	–	1
– Debt securities at fair value through OCI	533	5	–	538
– Money market instruments at fair value through OCI	27	3,369	–	3,396
Derivative financial instruments	–	164	–	164
Equity investments at fair value through OCI	362	7	–	369
Equity, debt and fund investments at fair value through profit or loss	95	186	36	317
Financial assets recognised at fair value	**1,018**	**3,731**	**36**	**4,785**
Derivative financial instruments	–	(489)	–	(489)
Contingent consideration	–	–	(281)	(281)
Financial liabilities recognised at fair value	**–**	**(489)**	**(281)**	**(770)**

At 30 June 2024 Level 1 financial assets consisted of bonds, treasury bills and quoted shares. Level 2 financial assets consisted 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.
- Equity and debt investments at fair value through OCI and at fair value through profit or loss are based on a valuation model that uses the most recently published observable market data.

The Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer occurred. There were no significant transfers between Level 1 and Level 2 during the six months ended 30 June 2024.

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

Six months ended 30 June 2024	
At 1 January 2024	(95)
Arising from business combinations [6]	(157)
Utilised for settlements [6]	0
Total gains and losses included in the income statement	
– Unused amounts reversed – recorded within other operating income (expense)	0
– Additional amounts created – recorded within other operating income (expense)	(15)
– Discount unwind included in financing costs	(5)
Total gains and losses included in other comprehensive income	
– Currency translation effects	(9)
At 30 June 2024	**(281)**

Contingent consideration arrangements

The Group is party to certain contingent consideration arrangements, including those from business combinations. The fair values of contingent consideration from business combinations are determined considering the expected payments and, where payments are expected to be made beyond the next 12 months, discounted to present value using a risk-adjusted average discount rate of 4.9% at 30 June 2024 (31 December 2023: 4.9%). 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 2024 the total potential payments under contingent consideration arrangements arising from business combinations could be up to CHF 0.7 billion (31 December 2023: CHF 0.3 billion).

Carrying value and fair value

At 30 June 2024 the carrying value of bonds and notes was CHF 32.2 billion compared to a fair value of CHF 30.9 billion and the carrying value of total debt was CHF 34.4 billion compared to a fair value of CHF 33.2 billion. The carrying values of financial assets are a reasonable approximation of the fair values at 30 June 2024.

KPMG

Independent Auditor's Report on the Review of Interim Consolidated Financial Statements

to the Board of Directors of Roche Holding Ltd, Basel

Introduction

We have been engaged to review the accompanying consolidated income statement and consolidated statement of comprehensive income of Roche Holding Ltd for the six-month period ended 30 June 2024, the related consolidated balance sheet as at 30 June 2024, the consolidated statements of cash flows and changes in equity for the six-month period then ended, and selected explanatory notes (the interim consolidated financial statements) on pages 44 to 75. 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 the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information 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 2024 are not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

KPMG AG

Paul Nichols

François Rouiller
Licensed Audit Expert

Paul Nichols

Basel, 23 July 2024

KPMG AG, Grosspeteranlage 5, CH-4002 Basel

Supplementary Information

Alternative Performance Measures

The financial information included in the Financial Review includes certain Alternative Performance Measures (APMs) which are not accounting measures as defined by IFRS Accounting Standards, in particular the core results, net working capital, net operating assets, free cash flow and constant exchange rates. These APMs should not be used instead of, or considered as alternatives to, the Group's consolidated interim financial results based on IFRS Accounting Standards. These APMs may not be comparable to similarly titled measures disclosed by other companies. All APMs presented in the Financial Review relate to the performance of the current reported period and comparative periods.

Core results

Core results allow for an assessment of both the Group's actual results as defined by IFRS Accounting Standards and the underlying performance of the business. 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 7) are excluded.
- Amortisation and impairment of intangible assets (see Note 9), with the exception of commercial software intangible assets, and impairment of goodwill (see Note 8) are excluded.
- Acquisition accounting and other impacts from the accounting for mergers and acquisitions (M&A) and alliance transactions (see Financial Review) are excluded.
- Discontinued operations (currently none) are excluded.
- Legal and environmental cases (see Financial Review) are excluded.
- Global issues outside the healthcare sector beyond the Group's control are excluded.
- Material treasury items such as major debt restructurings (currently none) are excluded.
- Pension plan settlements are excluded.
- The tax benefit recorded under IFRS Accounting Standards 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 5).

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 2024 in millions of CHF

	IFRS results	Global restructuring	Intangibles amortisation	Intangibles impairment	M&A and alliance transactions	Legal and environmental	Pension plan settlements	Global issues	Normalisation of ECP tax benefit	Core results
Sales	29,848	–	–	–	–	–	–	–	–	29,848
Other revenue	908	0	–	–	–	–	–	–	–	908
Cost of sales	(7,870)	80	172	318	0	–	–	–	–	(7,300)
Research and development	(7,388)	215	172	733	–	–	–	–	–	(6,268)
Selling, general and administration	(6,852)	465	11	0	–	–	–	–	–	(6,376)
Other operating income (expense)	425	2	–	0	32	22	0	–	–	481
Operating profit	**9,071**	**762**	**355**	**1,051**	**32**	**22**	**0**	**–**	**–**	**11,293**
Financing costs	(708)	0	–	–	5	5	–	–	–	(698)
Other financial income (expense)	(140)	–	–	–	0	–	–	–	–	(140)
Profit before taxes	**8,223**	**762**	**355**	**1,051**	**37**	**27**	**0**	**–**	**–**	**10,455**
Income taxes	(1,526)	(140)	(23)	(143)	(3)	(6)	0	0	37	(1,804)
Net income	**6,697**	**622**	**332**	**908**	**34**	**21**	**0**	**0**	**37**	**8,651**
Attributable to										
– Roche shareholders	6,258	616	331	908	34	21	0	0	37	8,205
– Non-controlling interests	439	6	1	0	–	0	0	0	–	446

Core results reconciliation – Six months ended 30 June 2023 in millions of CHF

	IFRS results	Global restructuring	Intangibles amortisation	Intangibles impairment	M&A and alliance transactions	Legal and environmental	Pension plan settlements	Global issues	Normalisation of ECP tax benefit	Core results
Sales	29,779	–	–	–	–	–	–	–	–	29,779
Other revenue	837	0	–	–	–	–	–	–	–	837
Cost of sales	(7,931)	287	188	0	0	–	–	–	–	(7,456)
Research and development	(6,918)	54	155	260	–	–	–	–	–	(6,449)
Selling, general and administration	(6,850)	330	15	0	–	–	–	–	–	(6,505)
Other operating income (expense)	847	7	–	0	1	(150)	0	–	–	705
Operating profit	**9,764**	**678**	**358**	**260**	**1**	**(150)**	**0**	**–**	**–**	**10,911**
Financing costs	(490)	0	–	–	3	5	–	–	–	(482)
Other financial income (expense)	(100)	–	–	–	0	–	–	–	–	(100)
Profit before taxes	**9,174**	**678**	**358**	**260**	**4**	**(145)**	**0**	**–**	**–**	**10,329**
Income taxes	(1,611)	(134)	(22)	(52)	0	46	0	0	31	(1,742)
Net income	**7,563**	**544**	**336**	**208**	**4**	**(99)**	**0**	**0**	**31**	**8,587**
Attributable to										
– Roche shareholders	7,137	515	334	202	4	(99)	0	0	31	8,124
– Non-controlling interests	426	29	2	6	–	0	0	0	–	463

Divisional core results reconciliation – Six months ended 30 June 2024 in millions of CHF

	IFRS results	Global restruc-turing	Intan-gibles amort-isation	Intan-gibles impair-ment	M&A and alliance trans-actions	Legal and environ-mental	Pension plan settle-ments	Core results
Pharmaceuticals								
Sales	22,637	–	–	–	–	–	–	22,637
Other revenue	886	0	–	–	–	–	–	886
Cost of sales	(4,536)	82	105	318	0	–	–	(4,031)
Research and development	(6,408)	171	169	733	–	–	–	(5,335)
Selling, general and administration	(3,400)	200	3	0	–	–	–	(3,197)
Other operating income (expense)	414	1	–	0	32	2	0	449
Operating profit	**9,593**	**454**	**277**	**1,051**	**32**	**2**	**0**	**11,409**
Diagnostics								
Sales	7,211	–	–	–	–	–	–	7,211
Other revenue	22	0	–	–	–	–	–	22
Cost of sales	(3,334)	(2)	67	0	0	–	–	(3,269)
Research and development	(980)	44	3	0	–	–	–	(933)
Selling, general and administration	(1,510)	17	8	0	–	–	–	(1,485)
Other operating income (expense)	16	1	–	0	0	20	0	37
Operating profit	**1,425**	**60**	**78**	**0**	**0**	**20**	**0**	**1,583**
Corporate								
Selling, general and administration	(1,942)	248	–	–	–	–	–	(1,694)
Other operating income (expense)	(5)	0	–	–	0	0	0	(5)
Operating profit	**(1,947)**	**248**	**–**	**–**	**0**	**0**	**0**	**(1,699)**

Divisional core results reconciliation – Six months ended 30 June 2023 (restated) [a)] in millions of CHF

	IFRS results	Global restruc-turing	Intan-gibles amort-isation	Intan-gibles impair-ment	M&A and alliance trans-actions	Legal and environ-mental	Pension plan settle-ments	Core results
Pharmaceuticals								
Sales	22,511	–	–	–	–	–	–	22,511
Other revenue	798	0	–	–	–	–	–	798
Cost of sales	(4,384)	227	121	0	0	–	–	(4,036)
Research and development	(5,947)	29	151	260	–	–	–	(5,507)
Selling, general and administration	(3,448)	135	5	0	–	–	–	(3,308)
Other operating income (expense)	710	1	–	0	(4)	(8)	0	699
Operating profit	**10,240**	**392**	**277**	**260**	**(4)**	**(8)**	**0**	**11,157**
Diagnostics								
Sales	7,268	–	–	–	–	–	–	7,268
Other revenue	39	0	–	–	–	–	–	39
Cost of sales	(3,547)	60	67	0	0	–	–	(3,420)
Research and development	(971)	25	4	0	–	–	–	(942)
Selling, general and administration	(1,521)	33	10	0	–	–	–	(1,478)
Other operating income (expense)	144	6	–	0	5	(142)	0	13
Operating profit	**1,412**	**124**	**81**	**0**	**5**	**(142)**	**0**	**1,480**
Corporate								
Selling, general and administration	(1,881)	162	–	–	–	–	–	(1,719)
Other operating income (expense)	(7)	0	–	–	0	0	0	(7)
Operating profit	**(1,888)**	**162**	**–**	**–**	**0**	**0**	**0**	**(1,726)**

a) Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly, from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 information has been restated in the Interim Financial Statements for the six months ended 30 June 2024. A reconciliation to the previously published divisional core results is disclosed on pages 85–88 below.

Core EPS (basic)

	Six months ended 30 June 2024	2023
Core net income attributable to Roche shareholders (CHF millions)	8,205	8,124
Weighted average number of outstanding shares and non-voting equity securities used to calculate basic earnings per share (millions) [14]	797	799
Core earnings per share (basic) (CHF)	**10.29**	**10.17**

Core EPS (diluted)

	Six months ended 30 June 2024	2023
Core net income attributable to Roche shareholders (CHF millions)	8,205	8,124
Increase in non-controlling interests' share of core net income, assuming all outstanding Chugai stock options exercised (CHF millions)	0	0
Net income used to calculate diluted earnings per share (CHF millions)	**8,205**	**8,124**
Weighted average number of outstanding shares and non-voting equity securities used to calculate diluted earnings per share (millions) [14]	**802**	**804**
Core earnings per share (diluted) (CHF)	**10.23**	**10.10**

Free cash flow

Free cash flow is used to assess the Group's ability to generate the cash required to conduct and maintain its operations. It also indicates the Group's ability to generate cash to finance dividend payments, repay debt and to undertake merger and acquisition activities. The free cash flow concept is used in the internal management of the business.

Operating free cash flow is calculated based on the IFRS operating profit and adjusted for certain non-cash items, movements in net working capital and capital expenditures (investments in property, plant and equipment and intangible assets as well as the principal portion of lease liabilities paid for leased assets). Operating free cash flow is different from cash flows from operating activities as defined by IAS 7 in that it includes capital expenditures (which are within the responsibility of divisional management) and excludes income taxes paid (which are not within the responsibility of divisional management). Cash outflows from defined benefit plans are allocated to the operating free cash flow based on the current service cost with the residual allocated to treasury activities.

Free cash flow is calculated as the operating free cash flow adjusted for treasury activities and taxes paid. Free cash flow is different from total cash flows as defined by IAS 7 in that it excludes dividend payments, cash inflows/outflows from financing activities such as issuance/repayment of debt, purchase/sale of marketable securities and cash inflows/outflows from mergers, acquisitions and divestments.

Operating free cash flow and free cash flow are calculated as shown in the tables below. Additional commentary to the adjustment items is given in the Financial Review.

Operating free cash flow reconciliation in millions of CHF

	Six months ended 30 June 2024	2023
Cash flows from operating activities (IFRS basis in accordance with IAS 7)	**7,914**	**7,898**
Add back		
– Income taxes paid	1,976	1,570
Deduct		
– Investments in property, plant and equipment	(1,724)	(1,740)
– Principal portion of lease liabilities paid	(172)	(174)
– Investments in intangible assets	(368)	(234)
– Disposal of property, plant and equipment	19	33
– Disposal of products	353	585
Pensions and other post-employment benefits		
– Add back total payments for defined benefit plans	313	314
– Deduct allocation of payments to operating free cash flow	(261)	(240)
Acquisition-related items, including transaction costs	3	19
Other operating items	0	0
Operating free cash flow	**8,053**	**8,031**

Free cash flow reconciliation in millions of CHF

	Six months ended 30 June 2024	2023
Cash flows from operating activities (IFRS basis in accordance with IAS 7)	**7,914**	**7,898**
Deduct		
– Investments in property, plant and equipment	(1,724)	(1,740)
– Principal portion of lease liabilities paid	(172)	(174)
– Investments in intangible assets	(368)	(234)
– Disposal of property, plant and equipment	19	33
– Disposal of products	353	585
– Interest paid	(521)	(368)
Other operating items, including acquisition-related items	3	19
Other treasury items	87	109
Free cash flow	**5,591**	**6,128**

Supplementary information used to calculate the divisional operating free cash flow is shown in the table below.

Divisional operating free cash flow information (restated)[a] in millions of CHF

Six months ended 30 June	Pharmaceuticals 2024	2023	Diagnostics 2024	2023	Corporate 2024	2023	Group 2024	2023
Depreciation, amortisation and impairments								
Depreciation of property, plant and equipment	546	635	557	559	31	34	1,134	1,228
Depreciation of right-of-use assets	88	87	69	68	5	6	162	161
Amortisation of intangible assets	279	279	79	82	–	–	358	361
Impairment (reversal) of property, plant and equipment	38	31	13	9	3	0	54	40
Impairment (reversal) of right-of-use assets	26	2	0	0	0	0	26	2
Impairment of goodwill	0	0	0	0	–	–	0	0
Impairment of intangible assets	1,051	260	0	0	–	–	1,051	260
Total	**2,028**	**1,294**	**718**	**718**	**39**	**40**	**2,785**	**2,052**
Other adjustments								
Add back								
– Expenses for equity-settled equity compensation plans	291	270	75	75	41	38	407	383
– Net (income) expense for provisions	372	(35)	9	(22)	16	1	397	(56)
– Net (gain) loss from disposals	(350)	(584)	3	7	0	0	(347)	(577)
– Non-cash working capital and other items	99	177	102	108	0	0	201	285
Deduct								
– Utilisation of provisions	(323)	(355)	(118)	(113)	(28)	(18)	(469)	(486)
– Proceeds from disposals	354	603	18	15	0	0	372	618
Total	**443**	**76**	**89**	**70**	**29**	**21**	**561**	**167**
Operating profit cash adjustments	**2,471**	**1,370**	**807**	**788**	**68**	**61**	**3,346**	**2,219**

a) Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly, from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 information has been restated in the Interim Financial Statements for the six months ended 30 June 2024. Details and a reconciliation to the previously published divisional operating free cash flow information are provided on pages 85–88 below.

EBITDA

The Group does not use Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) in either its internal management reporting or its external communications. In the opinion of the Group's management, operating free cash flow gives a more useful and consistent measurement of 'cash earnings' than EBITDA, which includes many non-cash items such as provisions, allowances for trade receivables and inventories, and certain non-cash entries arising from acquisition accounting and pension accounting. Operating free cash flow also includes the cash used for investments in property, plant and equipment, leased assets and intangible assets, whereas EBITDA excludes all costs and cash outflows for these items.

For the convenience of those readers who do use EBITDA, this is provided in the table below. As the starting point this uses the core results, which already exclude the amortisation and impairment of goodwill and intangible assets.

EBITDA (using core results) in millions of CHF

	Pharmaceuticals		Diagnostics		Corporate		Group	
Six months ended 30 June	2024	2023	2024	2023	2024	2023	2024	2023
EBITDA								
Core operating profit	11,409	11,157	1,583	1,480	(1,699)	(1,726)	11,293	10,911
Depreciation and impairment of property, plant and equipment – Core basis	549	623	554	560	31	34	1,134	1,217
Depreciation and impairment of right-of-use assets – Core basis	101	87	69	68	5	6	175	161
Amortisation and impairment of commercial software intangible assets – Core basis	2	2	1	1	–	–	3	3
EBITDA	**12,061**	**11,869**	**2,207**	**2,109**	**(1,663)**	**(1,686)**	**12,605**	**12,292**
– Margin, % of sales	53.3	52.7	30.6	29.0	–	–	42.2	41.3

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division. Accordingly, from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division, and the comparative 2023 information has been restated in the Interim Financial Statements for the six months ended 30 June 2024. Details and a reconciliation to the previously published income statement are disclosed in Note 1 of the Interim Financial Statements. A reconciliation to the previously published divisional core results is disclosed on pages 85–88 below.

Net operating assets

Net operating assets allow for an assessment of the Group's operating performance of the business independently from financing and tax activities. Net operating assets are calculated as property, plant and equipment, leased assets ('right-of-use assets'), goodwill, intangible assets, net working capital and long-term net operating assets minus provisions.

The calculation of the net operating assets disclosed in Note 2 is shown in the table below.

Net operating assets reconciliation – 30 June 2024 in millions of CHF

	Pharmaceuticals	Diagnostics	Corporate	Treasury and taxation	Group
Property, plant and equipment	14,753	7,459	314	–	22,526
Right-of-use assets	759	541	36	–	1,336
Goodwill	6,113	4,882	–	–	10,995
Intangible assets	14,665	1,644	–	–	16,309
Inventories	4,670	3,275	–	–	7,945
Provisions	(2,095)	(682)	(166)	–	(2,943)
Current income tax net liabilities	–	–	–	(2,290)	(2,290)
Deferred tax net assets	–	–	–	6,997	6,997
Defined benefit plan net liabilities	–	–	–	(3,126)	(3,126)
Lease liabilities	–	–	–	(1,734)	(1,734)
Marketable securities	–	–	–	3,990	3,990
Cash and cash equivalents	–	–	–	4,824	4,824
Debt	–	–	–	(34,441)	(34,441)
Other net assets (liabilities)					
– Net working capital	(17)	880	(328)	–	535
– Other net operating assets	1,590	(126)	(2)	–	1,462
– Other	–	–	–	491	491
Total net assets	**40,438**	**17,873**	**(146)**	**(25,289)**	**32,876**

Net debt

Net debt is used to monitor the Group's overall short-term and long-term liquidity. Net debt is calculated as the sum of total long-term and short-term debt less marketable securities, cash and cash equivalents.

Net debt calculations, including details of movements during the current reported period, are shown in the table on page 39 in the Financial Review.

Net working capital

Net working capital is used to assess the Group's efficiency in utilising assets and short-term liquidity. Net trade working capital is calculated as trade receivables and inventories minus trade payables. Net working capital is calculated as net trade working capital adjusted for other receivables and other payables.

Net working capital and net trade working capital calculations are shown in the tables on page 25 (Pharmaceuticals Division), page 31 (Diagnostics Division) and page 33 (Corporate) in the Financial Review.

Constant exchange rates

Certain percentage changes in the Financial Review have been calculated using constant exchange rates (CER) which allow for an assessment of the Group's financial performance with the effects of exchange rate fluctuations eliminated. The percentage changes at constant exchange rates are calculated using simulations by reconsolidating both the current reported period and the prior period numbers at constant currency exchange rates, equalling the average exchange rates for the prior year. For example, a CER change between a 2024 line item and its 2023 equivalent is calculated using the average exchange rate for the year ended 31 December 2023 for both the 2024 line item and the 2023 line item and subsequently calculating the percentage change with respect to the two recalculated numbers.

Foreign exchange gains and losses and the gains (losses) on the net monetary positions in hyperinflationary economies are excluded from the calculation of CER growth rates in the earnings per share disclosures. In countries where there is a significant devaluation in the local currency in the current reported period, the simulations use the average exchange rate of the current reported period instead of the prior period to avoid that CER growth rates are artificially inflated.

Change in operating segments

Effective 1 January 2024, the operational responsibility for the Foundation Medicine business was moved to the Diagnostics Division from the Pharmaceuticals Division, while retaining Foundation Medicine's independence in this new reporting set-up. Accordingly, from 1 January 2024 the results of the Foundation Medicine business are reported as part of the Diagnostics Division. This represents a change in the Group's operating segments in its financial reporting, and consequently the comparative 2023 results have been restated in the Interim Financial Statements for the six months ended 30 June 2024.

These changes have no impact on sales, operating profit, net income and earnings per share and non-voting equity security of the Group as a whole. The operating results of the two divisions, Pharmaceuticals and Diagnostics, have changed, while there has been no change to Corporate.

Comparative 2023 information has been restated. Details and a reconciliation to the previously published income statement are disclosed in Note 1 of the Interim Financial Statements. In addition, a reconciliation to the previously published divisional core results, divisional net operating assets and divisional operating free cash flow information is provided below.

Restated divisional core results (selected items) in millions of CHF

	Six months ended 30 June 2023		
	As originally published	Change in operating segments	Restated
Pharmaceuticals			
Sales	22,681	(170)	22,511
Other revenue	806	(8)	798
Cost of sales	(4,107)	71	(4,036)
Research and development	(5,617)	110	(5,507)
Selling, general and administration	(3,444)	136	(3,308)
Other operating income (expense)	699	0	699
Core operating profit	**11,018**	**139**	**11,157**
Diagnostics			
Sales	7,098	170	7,268
Other revenue	31	8	39
Cost of sales	(3,349)	(71)	(3,420)
Research and development	(832)	(110)	(942)
Selling, general and administration	(1,342)	(136)	(1,478)
Other operating income (expense)	13	0	13
Core operating profit	**1,619**	**(139)**	**1,480**

Restated divisional net operating assets (selected items) in millions of CHF

	As originally published	Change in operating segments	31 December 2023 Restated
Pharmaceuticals			
Trade receivables	8,009	(61)	7,948
Inventories	4,849	(36)	4,813
Trade payables	(2,110)	38	(2,072)
Net trade working capital	**10,748**	**(59)**	**10,689**
Other receivables (payables)	(7,302)	53	(7,249)
Net working capital	**3,446**	**(6)**	**3,440**
Property, plant and equipment	14,423	(42)	14,381
Right-of-use assets	882	(232)	650
Goodwill and intangible assets	18,025	(33)	17,992
Provisions	(1,799)	0	(1,799)
Other assets (liabilities), net	1,529	34	1,563
Other net operating assets	**33,060**	**(273)**	**32,787**
Net operating assets	**36,506**	**(279)**	**36,227**
Diagnostics			
Trade receivables	3,118	61	3,179
Inventories	2,900	36	2,936
Trade payables	(1,097)	(38)	(1,135)
Net trade working capital	**4,921**	**59**	**4,980**
Other receivables (payables)	(1,673)	(53)	(1,726)
Net working capital	**3,248**	**6**	**3,254**
Property, plant and equipment	6,997	42	7,039
Right-of-use assets	299	232	531
Goodwill and intangible assets	6,193	33	6,226
Provisions	(766)	0	(766)
Other assets (liabilities), net	(33)	(34)	(67)
Other net operating assets	**12,690**	**273**	**12,963**
Net operating assets	**15,938**	**279**	**16,217**

Restated divisional operating free cash flow information (selected items) in millions of CHF

	Six months ended 30 June 2023		
	As originally published	Change in operating segments	Restated
Pharmaceuticals			
Operating profit	**10,085**	**155**	**10,240**
Depreciation of property, plant and equipment	654	(19)	635
Depreciation of right-of-use assets	95	(8)	87
Amortisation of intangible assets	280	(1)	279
Impairment (reversal) of property, plant and equipment	31	0	31
Impairment (reversal) of right-of-use assets	2	0	2
Impairment of goodwill	0	0	0
Impairment of intangible assets	260	0	260
Total depreciation, amortisation and impairments	**1,322**	**(28)**	**1,294**
Add back			
– Expenses for equity-settled equity compensation plans	294	(24)	270
– Net (income) expense for provisions	(35)	0	(35)
– Net (gain) loss from disposals	(584)	0	(584)
– Non-cash working capital and other items	177	0	177
Deduct			
– Utilisation of provisions	(355)	0	(355)
– Proceeds from disposals	603	0	603
Total other adjustments	**100**	**(24)**	**76**
Operating profit cash adjustments	**1,422**	**(52)**	**1,370**
Operating profit, net of operating cash adjustments	**11,507**	**103**	**11,610**
(Increase) decrease in net working capital	(638)	(9)	(647)
Investments in property, plant and equipment	(979)	79	(900)
Principal portion of lease liabilities paid	(110)	10	(100)
Investments in intangible assets	(218)	0	(218)
Operating free cash flow	**9,562**	**183**	**9,745**

Restated divisional operating free cash flow information (selected items) in millions of CHF (*continued*)

	Six months ended 30 June 2023		
	As originally published	Change in operating segments	Restated
Diagnostics			
Operating profit	**1,567**	**(155)**	**1,412**
Depreciation of property, plant and equipment	540	19	559
Depreciation of right-of-use assets	60	8	68
Amortisation of intangible assets	81	1	82
Impairment (reversal) of property, plant and equipment	9	0	9
Impairment (reversal) of right-of-use assets	0	0	0
Impairment of goodwill	0	0	0
Impairment of intangible assets	0	0	0
Total depreciation, amortisation and impairments	**690**	**28**	**718**
Add back			
– Expenses for equity-settled equity compensation plans	51	24	75
– Net (income) expense for provisions	(22)	0	(22)
– Net (gain) loss from disposals	7	0	7
– Non-cash working capital and other items	108	0	108
Deduct			
– Utilisation of provisions	(113)	0	(113)
– Proceeds from disposals	15	0	15
Total other adjustments	**46**	**24**	**70**
Operating profit cash adjustments	**736**	**52**	**788**
Operating profit, net of operating cash adjustments	**2,303**	**(103)**	**2,200**
(Increase) decrease in net working capital	(1,114)	9	(1,105)
Investments in property, plant and equipment	(713)	(79)	(792)
Principal portion of lease liabilities paid	(58)	(10)	(68)
Investments in intangible assets	(16)	0	(16)
Operating free cash flow	**402**	**(183)**	**219**

Roche Securities

Number of shares and non-voting equity securities [a]

	30 June 2024	31 December 2023
Number of shares (nominal value: CHF 1.00)	106,691,000	106,691,000
Number of non-voting equity securities (*Genussscheine*) (no nominal value)	702,562,700	702,562,700
Total issued	**809,253,700**	**809,253,700**
Number of own shares and non-voting equity securities (*Genussscheine*) held	(12,464,571)	(12,011,755)
Total outstanding	**796,789,129**	**797,241,945**

Data per share and non-voting equity security in CHF

		Six months ended 30 June 2024	2023
Earnings (basic)		7.85	8.93
Earnings (diluted)		7.80	8.87
Core earnings (basic)		10.29	10.17
Core earnings (diluted)		10.23	10.10
Stock price of share [b]	Opening	261.40	358.40
	High	279.00	362.20
	Low	231.60	268.00
	Period end	273.80	293.60
Stock price of non-voting equity security (*Genussschein*) [b]	Opening	244.50	290.50
	High	255.40	297.80
	Low	214.10	256.90
	Period end	249.50	273.50

Market capitalisation in millions of CHF

	30 June 2024	31 December 2023	30 June 2023
Period end	201,380	196,720	220,565

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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The statement regarding earnings per share growth is not a profit forecast and should not be interpreted to mean that Roche's earnings or earnings per share for 2024 or any subsequent period will necessarily match or exceed the historical published earnings or earnings per share of Roche.

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