

Information Brochure

*Extraordinary General Meeting
of Roche Holding Ltd to be held on 26.11.2021*

Dear Shareholders

Dear Sir or Madam

On 4 November 2021 we announced that we entered into an agreement regarding the repurchase of the equity stake held by Novartis Holding AG (**Novartis**) in Roche Holding Ltd (**Roche**).

The Board of Directors proposes that an Extraordinary General Meeting of Shareholders be held on 26 November 2021, at which a capital reduction by cancellation of the 53.3 million shares to be repurchased from Novartis and the interim financial statements prepared for the purpose of the transaction be approved.

The agreement to repurchase the Novartis equity stake is conditional upon the approval of the capital reduction and of the interim financial statements by the Extraordinary General Meeting and will only be closed if the Extraordinary General Meeting approves these proposals.

Background of the transaction:

Novartis has been holding an equity stake in Roche since 2001, and since 2003 holds an equity stake in Roche representing approximately 33.33% of all shares and voting rights. The equity stake corresponds to approximately 6.2% of all dividend-bearing equity securities. At the beginning of September 2021, Novartis informed us of its intention to sell its stake in Roche in the short term. Novartis also inquired whether Roche was interested in repurchasing the stake held by Novartis in Roche.

Since then, the Board of Directors and the Executive Committee of Roche have reviewed, with the assistance of internal and external experts, the possibility of a repurchase transaction, together with possible alternatives. Based on an extensive assessment made in various meetings, the Board of Directors has come to the following conclusions:

1. A repurchase of the equity stake held by Novartis has the desired effect that the two companies that are direct competitors on various global markets become disentangled.
2. With this repurchase, we regain full strategic flexibility with regard to resolutions of our annual general meeting. We eliminate the influence of our competitor Novartis as a major shareholder, in particular with regard to resolutions that would require a qualified majority, including strategically relevant resolutions on potential equity financing transactions, such as resolutions on authorized capital or capital increases against contribution in kind or where preferential subscription rights of shareholders are to be excluded.

3. The Board of Directors has considered and assessed alternative transactions with the assistance of internal and external experts. In doing so, it concluded that, in particular due to the market situation and the limited liquidity of the shares, a sell-down of the equity stake by Novartis in the market or through a placement could likely not be done in a way that would be in the interests of Roche and the holders of Roche equity securities. Ultimately, it could not be excluded that any such alternative transactions would lead to a significant, possibly enduring pressure on the price of Roche's equity securities and cause uncertainty for market participants. Based on its assessment, the Board of Directors has therefore concluded that none of the reviewed other forms of transactions would be a better alternative to the repurchase of the stake held by Novartis from the perspective of Roche and its stakeholders.
4. The voting power of the pool formed by shareholders of the founding families will increase to approx. 67.5% of the voting rights upon completion of the transaction without any involvement or participation of the pool in the transaction. Based on a request of the family pool, the Swiss Takeover Board has exempted the pool from the obligation to submit a mandatory offer based on the applicable statutory provisions. The family pool is not involved in the repurchase transaction. The representatives of the family pool did not participate in the deliberations and the vote of the Board of Directors and thus recused themselves and abstained from voting. The transaction does not result in a change of control, as the pool formed by shareholders of the founding families has held the majority of the votes represented at the general meetings of Roche previously.
5. Although Roche will use significant funds for the repurchase, we will be able to continue our operating activities, our research and development projects, in-licensing and collaborations as well as our M&A activities to the same extent as before. We retain our strategic financial and operational flexibility. The necessary resources to do so continue to be available and we can maintain our high quality ratings even taking into account the repurchase. We were able to negotiate a reasonable repurchase price with Novartis. Roche's financial advisor is Credit Suisse (Switzerland) Ltd. Citi delivered a fairness opinion to the Board of Directors dated 3 November 2021 that – based upon and subject to the considerations, qualifications and assumptions set forth therein – the price of CHF 356.9341 per share in cash to be paid by Roche in connection with the transaction was fair, from a financial point of view, to the company.

6. On the basis of an unchanged dividend policy, all holders of Roche equity securities will benefit from the repurchase and the proposed capital reduction by cancellation of the repurchased shares and the earnings accretion resulting therefrom. The percentage of shares held by the public (so-called free float) will exceed 20%. This will allow the shares to be included in the Swiss Performance Index (SPI) and possibly in other indices.
7. The transaction does not change the communicated outlook for the full year. We expect a mid-single-digit sales growth at constant exchange rates. Core EPS growth at constant exchange rates is targeted to be broadly in line with sales growth. Furthermore, Roche is aiming to increase the dividend in Swiss francs also for 2021.

Based on its considerations, the Board of Directors believes that the repurchase of the equity stake held by Novartis is in the best interest of Roche and accordingly submits its proposals for approval at the Extraordinary General Meeting. We are convinced that with this transaction, Roche is even better equipped to take on the challenges of the coming years and to continue to develop, free from entanglements, in the interest of all stakeholders.

Sincerely

Roche Holding Ltd
On behalf of the Board of Directors:



Dr. Christoph Franz,
Chairman



Roche Holding Ltd, Basel

Report of the Independent Auditor
on the Interim Financial Statements
to the extraordinary General Meeting

Interim Financial Statements 31 October 2021

**KPMG AG**

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Report of the Independent Auditor on the Interim Financial Statements to the extraordinary General Meeting of Roche Holding Ltd, Basel

We have audited the accompanying interim financial statements of Roche Holding Ltd, which comprise the balance sheet as of 31 October 2021, the income statement and the cash flow statement for the period from 1 January 2021 to 31 October 2021 and notes.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the interim financial statements in accordance with the accounting, presentation and valuation principles of Swiss law and the company's articles of incorporation that are applicable to the preparation of annual financial statements. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these interim financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the interim financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the interim financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Roche Holding Ltd, Basel

Report of the Independent Auditor
on the Interim Financial Statements
to the extraordinary General Meeting

Opinion

In our opinion, the interim financial statements comply with the accounting, presentation and valuation principles of Swiss law and the company's articles of incorporation that are applicable to the preparation of annual financial statements.

KPMG AG

A blue ink signature of Marc Ziegler, written in a cursive style.

Marc Ziegler
Licensed Audit Expert

A blue ink signature of Stefan Duerscheid, written in a cursive style.

Stefan Duerscheid
Licensed Audit Expert

Basel, 3 November 2021

Enclosure:

- Interim Financial statements (balance sheet, income statement, cash flow statement and notes)

Roche Holding Ltd, Basel

Interim Financial Statements 31 October 2021

Balance sheet in millions of CHF

	31 October 2021	31 December 2020
Current assets		
Cash and cash equivalents	1,692	1,287
Marketable securities	915	1,700
Accounts receivable from Group companies	14	4,079
Short-term loans to Group companies	1,400	3,000
Total current assets	4,021	10,066
Non-current assets		
Long-term loans to Group companies	13,453	525
Investments	8,869	8,869
Total non-current assets	22,322	9,394
Total assets	26,343	19,460
Short-term liabilities		
Accounts payable to Group companies	11	6
Interest-bearing liabilities to Group companies	1,246	1,716
Other short-term liabilities	24	77
Total short-term liabilities	1,281	1,799
Long-term liabilities		
Provisions	35	35
Total long-term liabilities	35	35
Total liabilities	1,316	1,834
Shareholders' equity		
Share capital	160	160
Non-voting equity securities (<i>Genussscheine</i>)	p.m.	p.m.
Legal retained earnings:		
- General legal retained earnings	300	300
Voluntary reserves and retained earnings:		
- Free reserve	6,000	6,000
- Special reserve	2,152	2,152
- Available earnings		
- Balance brought forward from previous period	1,165	1,142
- Net income	15,250	7,872
Total shareholders' equity	25,027	17,626
Total shareholders' equity and liabilities	26,343	19,460

p.m. = pro memoria. Non-voting equity securities (*Genussscheine*) have no nominal value.

Income statement in millions of CHF

	1 January 2021 to 31 October 2021	1 January 2020 to 31 December 2020
Income		
Income from investments (dividend income)	15,216	7,978
Other financial income		
- Interest income from loans to Group companies	24	32
- Income from marketable securities and other	33	6
Guarantee fee income from Group companies	41	58
Other income	0	2
Total income	15,314	8,076
Expenses		
Administration expenses	(31)	(35)
Other expenses	(0)	(67)
Financial expenses	(14)	(96)
Direct taxes	(19)	(6)
Total expenses	(64)	(204)
Net income	15,250	7,872

Statement of cash flows in millions of CHF

	1 January 2021 to 31 October 2021
Cash flows from operating activities	
Net income	15,250
Add back non-operating (income) expenses	
- Income from marketable securities and other	(33)
- Financial expenses	14
Movement in accounts receivable from Group companies	4,065
Movement in accounts payable to Group companies	5
Movement in other short-term liabilities	(52)
Issue of short-term loans to Group companies	(1,400)
Issue of long-term loans to Group companies	(12,900)
Proceeds from repayments of short-term loans to Group companies	3,000
Total cash flows from operating activities	7,949
Cash flows from investing activities	
Sales (purchases) of marketable securities, net	785
Interest paid for marketable securities	(9)
Total cash flows from investing activities	776
Cash flows from financing activities	
Increase (decrease) in interest-bearing liabilities to Group companies	(470)
Interest paid on interest-bearing liabilities to Group companies	(1)
Dividends paid	(7,849)
Total cash flows from financing activities	(8,320)
Increase (decrease) in cash and cash equivalents	405
Cash and cash equivalents at 1 January 2021	1,287
Cash and cash equivalents at 31 October 2021	1,692

Notes to the Interim Financial Statements

1. Accounting policies

Basis of preparation

These financial statements are the interim financial statements (hereafter 'the Interim Financial Statements') of Roche Holding Ltd, Basel (the 'Company') for the period from 1 January 2021 to 31 October 2021, with comparative information for the period from 1 January 2020 to 31 December 2020 except for the statement of cash flows. These Interim Financial Statements should be read in conjunction with the financial statements for the year ended 31 December 2020 (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 3 November 2021.

Statement of compliance

The Interim Financial Statements have been prepared in accordance with the accounting, valuation and presentation principles of Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations, 'CO') that are applicable to the preparation of annual financial statements. They do not include all of the information required for annual financial statements as per the CO. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company since the Annual Financial Statements.

Significant accounting, valuation and presentation principles

The accounting, valuation and presentation principles applied in these Interim Financial Statements are the same as those applied in the Annual Financial Statements.

2. Shareholders' equity

Share capital

As in the previous period, share capital amounts to CHF 160 million. The share capital consists of 160,000,000 bearer shares with a nominal value of CHF 1.00 each. Included in equity are 702,562,700 non-voting equity securities (*Genussscheine*). They are not part of the share capital and confer no voting rights. However, each non-voting equity security confers the same rights as any of the shares to participate in the available earnings and in any remaining proceeds from liquidation following repayment of the nominal value of the share capital and, if any, participation certificates.

Own equity instruments

At 31 October 2021 the Company did not hold any Roche shares or non-voting equity securities (31 December 2020: none). During the periods from 1 January 2021 to 31 October 2021 and from 1 January 2020 to 31 December 2020 the Company neither purchased nor sold Roche shares or non-voting equity securities.

Movement in recognised amounts in millions of CHF

	Share capital	Legal retained earnings	Voluntary reserves and retained earnings			Own equity instruments	Total equity
			Free reserve	Special reserve	Available earnings		
At 1 January 2019	160	300	6,000	2,152	8,572	0	17,184
Net income	-	-	-	-	7,837	-	7,837
Dividends	-	-	-	-	(7,504)	-	(7,504)
Transactions in own equity instruments	-	-	-	-	-	0	0
At 31 December 2019	160	300	6,000	2,152	8,905	0	17,517
Net income	-	-	-	-	7,872	-	7,872
Dividends	-	-	-	-	(7,763)	-	(7,763)
Transactions in own equity instruments	-	-	-	-	-	0	0
At 31 December 2020	160	300	6,000	2,152	9,014	0	17,626
Net income	-	-	-	-	15,250	-	15,250
Dividends	-	-	-	-	(7,849)	-	(7,849)
Transactions in own equity instruments	-	-	-	-	-	0	0
At 31 October 2021	160	300	6,000	2,152	16,415	0	25,027

3. Contingent liabilities**Guarantees**

The Company has issued guarantees for certain bonds and notes, commercial paper notes and credit facilities of Roche Group companies. The nominal amount outstanding at 31 October 2021 was CHF 12.1 billion (31 December 2020: CHF 13.4 billion). These are described in Note 21 to the Roche Group consolidated financial statements for the year ended 31 December 2020 and in Note 11 to the Roche Group condensed interim consolidated financial statements for the six months ended 30 June 2021.

4. Significant shareholders

All shares in the Company are bearer shares, and for this reason the Company does not keep a register of shareholders. The following figures are based on information from shareholders, the shareholder validation check at the Annual General Meeting of 16 March 2021 and on other information available to the Company.

Controlling shareholders

At 31 October 2021 and 31 December 2020, based on information supplied to the Roche Group, a shareholder group with pooled voting rights owned 72,018,000 shares, which represented 45.01% of the issued shares. On 5 December 2019 the shareholder group announced that it would continue the shareholder pooling agreement with a modified shareholder composition. This group consists now of Mr André Hoffmann, Ms Marie-Anne Hoffmann, Ms Vera Michalski, Mr Alexander Hoffmann, Mr Frederic Hoffmann, Ms Isabel Hoffmann, Mr Lucas Hoffmann, Ms Marina Hoffmann, Ms Kasia Barbotin-Larrieu, Ms Tatiana Fabre, Mr Andreas Oeri, Ms Catherine Oeri, Ms Sabine Duschmalé, Mr Jörg Duschmalé, Mr Lukas Duschmalé, the charitable Foundation Wolf and Artuma Holding Ltd. The shareholder pooling agreement has existed since 1948. The duration of the pool was extended for an indefinite period in 2009. The figures above do not include any shares without pooled voting rights that are held outside this group by individual members of the group. Ms Maja Oeri, formerly a member of the pool, holds 8,091,900 shares representing 5.057% of the voting rights independently of the pool.

At 31 October 2021, based on information supplied to the Roche Group, 53,332,863 shares (31 December 2020: 53,332,863 shares) are owned by Novartis Holding AG, Basel (participation below 33 $\frac{1}{3}$ %).

5. Subsidiaries

The direct and indirect investments of the Company at 31 December 2020 are listed in Note 33 to the Roche Group consolidated financial statements for the year ended 31 December 2020. This listing excludes Chugai's subsidiaries as well as companies that are not material, notably companies that are inactive, dormant or in liquidation. Ownership interests equal voting rights.

On 22 April 2021 the Roche Group acquired a 100% controlling interest in GenMark Diagnostics, Inc. ('GenMark'), a publicly owned US company based in Carlsbad, California, that had been listed on Nasdaq. With this, the Company holds a 100% indirect investment in GenMark, including indirect investments into GenMark's fully owned subsidiaries in the US and in Europe. This is the only material change to the listing of direct and indirect investments held by the Company during the period from 1 January 2021 to 31 October 2021.

On 9 September 2021 the Roche Group announced that it has signed a definitive share purchase agreement to acquire 100% of the outstanding shares of the TIB Molbiol Group ('TIB Molbiol'). TIB Molbiol is privately owned, headquartered in Berlin, Germany, and has local representations in Australia, Colombia, Italy, Spain and the US. Closing of the transaction is subject to customary conditions and is expected in the fourth quarter of 2021.



Roche Holding Ltd, Basel

Auditor's Report related to
the Reduction of Share Capital
to the extraordinary General Meeting

**KPMG AG**

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

We have audited in accordance with article 732 para. 2 CO whether the claims of the creditors of Roche Holding Ltd are fully covered despite the proposed reduction of the share capital.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the interim balance sheet as of 31 October 2021 and for executing the capital reduction in accordance with the legal requirements.

Board of Directors' Proposal

CHF

The board of directors proposes to reduce the current share capital of 160,000,000

divided into *160,000,000* bearer shares with a nominal value of CHF *1.00* each,

by means of cancellation of *53,309,000* own shares to be repurchased with a nominal value of CHF *1.00* per share or in total of 53,309,000

resulting at *106,691,000* bearer shares, with a nominal value of CHF *1.00* per share or in total of 106,691,000

The share capital will be reduced by the cancellation of *53,309,000* own shares to be repurchased.

Auditor's Responsibility

Our responsibility is to express an opinion based on our audit as to whether the claims of the creditors are fully covered despite the reduction of the share capital. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the claims of the creditors are fully covered despite the reduction of the share capital.

An audit involves performing procedures to obtain audit evidence about the disclosures in the board of directors' proposal. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the proposal, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Roche Holding Ltd, Basel

Auditor's Report related to
the Reduction of Share Capital
to the extraordinary General Meeting

Opinion

In our opinion, the claims of the creditors of Roche Holding Ltd are fully covered despite the proposed reduction of the share capital.

KPMG AG

A blue ink signature of Marc Ziegler, written in a cursive style.

Marc Ziegler
Licensed Audit Expert

A blue ink signature of Stefan Duerscheid, written in a cursive style.

Stefan Duerscheid
Licensed Audit Expert

Basel, 3 November 2021

Enclosure:

- Interim balance sheets as of 31 October 2021 (as reported, after the repurchase of own shares as decided by the Board of Directors, and after the capital reduction)

Roche Holding Ltd, Basel
Auditor's Report related to
the Reduction of Share Capital
to the extraordinary General Meeting

Balance sheet in millions of CHF

	31 October 2021	After repurchase of own shares	After capital reduction
Current assets			
Cash and cash equivalents	1'692	1'692	1'692
Marketable securities	915	915	915
Accounts receivable from Group companies	14	14	14
Short-term loans to Group companies	1'400	1'400	1'400
Total current assets	4'021	4'021	4'021
Non-current assets			
Long-term loans to Group companies	13'453	13'453	13'453
Investments	8'869	8'869	8'869
Total non-current assets	22'322	22'322	22'322
Total assets	26'343	26'343	26'343
Short-term liabilities			
Accounts payable to Group companies	11	11	11
Interest-bearing liabilities to Group companies	1'246	1'246	1'246
Other short-term liabilities	24	24	24
Total short-term liabilities	1'281	1'281	1'281
Long-term liabilities			
Transaction loan	-	19'028	19'028
Provisions	35	35	35
Total long-term liabilities	35	19'063	19'063
Total liabilities	1'316	20'344	20'344
Shareholders' equity			
Share capital	160	160	107
Non-voting equity securities (<i>Genussscheine</i>)	p.m.	p.m.	p.m.
Legal retained earnings:			
- General legal retained earnings	300	300	300
Own shares to be repurchased	-	-19'028	-
Voluntary reserves and retained earnings:			
- Free reserve	6'000	6'000	-
- Special reserve	2'152	2'152	-
- Available earnings	16'415	16'415	5'592
Total shareholders' equity	25'027	5'999	5'999
Total shareholders' equity and liabilities	26'343	26'343	26'343

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