Roche Holdings, Inc.
Half-Year Report 2009

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Interim Management Report and

Interim Consolidated Financial Statements

for the first six months ended on June 30, 2009

Management Report

1. Review of the first six months 2009

Important events

Effective March 26, 2009 the Roche Holdings, Inc. (RHI) Group completed the transaction to take full ownership of Genentech, Inc., a biotechnology company in the United States. The RHI Group financed the Genentech transaction by using its own funds and by raising net proceeds of $40.3 billion from a series of debt offerings. In the first six months of 2009, RHI further made significant progress on the related integration and restructuring activities of the U.S. pharmaceuticals business. Further details are given in Note 3 and 5 to the Interim Financial Statements.

At the beginning of January 2009 the RHI Group completed the acquisition of Memory Pharmaceuticals Corp. ('Memory'), a publicly owned U.S. company based in Montvale, New Jersey. Memory develops innovative drug candidates for the treatment of debilitating central nervous system (CNS) disorders such as Alzheimer's disease and schizophrenia. The total investment was $50 million.

On January 1, 2009, the shareholder of Roche Holdings, Inc. contributed the Roche Group's shares in IGEN and BioVeris to the RHI Group. Their combined recognized net assets at January 1, 2009 were $292 million and this is reported as a capital contribution. They are part of the Immunodiagnostics business in the Diagnostics operation segment.

The financial and economic crisis has not had a significant impact on the RHI Group's operations during the first six months of 2009. The RHI Group continues to actively monitor the situation, including its credit risk, mainly resulting from three major wholesalers.

Financial performance

In the first six months of 2009 the RHI Group's total sales were $8 billion, increasing by 3%, with the Pharmaceuticals Division representing 84% of RHI total sales and the Diagnostics Division contributing 16%. The growth continued to be primarily driven in Pharmaceuticals by key products in the oncology portfolio. An additional major growth driver in Pharmaceuticals was Lucentis in ophthalmology. These increased sales were partly offset by the decline in CellCept in transplantation due to the patent expiry in the United States in May 2009. In Diagnostics sales growth driver was the Tissue Diagnostics business. Tissue Diagnostics contained six months of operations compared with five months' sales consolidated in 2008 due to the timing of the Ventana acquisition.

The RHI Group's operating profit before exceptional items increased by 21% to $3.2 billion, well above sales growth of 3%, reflecting the RHI Group's focus on cost management as well as top line growth. The corresponding operating profit margin before exceptional items increased by 5.7 percentage points to reach 38.3%. The Pharmaceuticals Division increased its operating profit before exceptional items by 10% to $3.1 billion, driven by higher revenues and control of costs. These more than compensated for increased investments in research and development and for the costs of withdrawal of Raptiva. Operating profit in the Diagnostics Division was $100 million recovering from the accounting impact of last year's acquisition of Ventana and other one-time expenses in the 2008 interim results.

The Pharmaceuticals Division incurred exceptional operating expenses of $1.9 billion relating to the Genentech transaction, restructuring of Pharmaceuticals manufacturing operations and an increase in its provisions for major legal cases, whereas the comparative period contained exceptional income of $310 million from the settlement of litigation. This swing of over $2.2 billion led to a decline of the RHI Group's operating profit to $1.2 billion. Of the exceptional operating expenses $1.0 billion are non-cash items which relate mainly to impairments of manufacturing sites.

The RHI Group financed the Genentech transaction by a combination of own funds, bonds, notes and commercial paper. The RHI Group raised net proceeds of $40.3 billion through a series of debt offerings. All newly issued debt is senior, unsecured and has been guaranteed by Roche Holding Ltd, the parent of the RHI Group. As a consequence, the underlying dynamics of the RHI Group's treasury results changed significantly during the interim period, with a substantial increase in interest expenses. Additionally the RHI Group entered into derivative contracts with related parties to hedge the foreign exchange risk arising from bonds and notes issued in currencies other than U.S. dollars.

The net foreign exchange result of these derivative contracts was not material. The financing costs from related parties were $399 million, an increase of $182 million mainly arising from interest on the additional related-party debt taken out to fund the Genentech transaction. Various favorable tax impacts contributed to the decline of the RHI Group's effective tax rate before exceptional items to 32.8% compared to 42.7% in the comparative period.

Overall net income decreased by $1.3 billion to $360 million due to the exceptional items. Excluding these, net income increased by 6% to $1.5 billion.

In the first six months of 2009, the underlying business continued to show good cash generation, partly leveraged by income tax reimbursements. As a result, the cash flow from operating activities increased by $2.2 billion to $4.0 billion compared to the interim period 2008. Cash flow from investing activities increased by $7.8 billion to $5.8 billion, with the main driver being the liquidation of certain debt securities to fund the Genentech transaction. The cash flow from financing activities decreased by $13.7 billion, where a total of $47.0 billion was used to acquire full ownership of Genentech, which was funded by a $40.3 billion increase in third party debt. In addition, a further $6.8 billion was deposited with the Roche Group's cash pool and is included in the receivables from Roche Pharmholding Ltd. in the balance sheet. The total decrease in cash was $2.6 billion.

Financial position

The slight increase in total assets mainly results from an increase in related party receivables, offset by the decrease in marketable securities to fund partially the Genentech transaction. In addition, the acquisition of Memory as well as the capital contribution of IGEN and BioVeris to RHI increased net assets. Debt increased by $44.7 billion to finance the Genentech transaction. This transaction was accounted for in full as an equity transaction. As a consequence, the carrying amount of the consolidated equity of the RHI Group's was significantly reduced. At June 30, 2009, RHI had a negative equity of $31.0 billion. The capacity of the RHI Group to generate positive cash flows and operating profit is not affected by this accounting treatment. In addition, bonds and notes with a carrying value of $45.1 billion are guaranteed by Roche Holding Ltd, the parent company of the Roche Group.

2. Principal risks and uncertainties

Risks

The RHI Group is exposed to various financial risks arising from its underlying operations and corporate finance activities. The RHI Group's financial risk exposures are predominantly related to changes in interest rates, equity prices and to an extent, foreign exchange rates, as well as the creditworthiness and the solvency of the RHI Group's counterparties. The RHI Group's financial risk management is described in Note 30 to the Consolidated Financial Statements for the year ended December 31, 2008.

Uncertainties

As well as being the holding company for the Roche Group's U.S. operations, a further activity of Roche Holdings, Inc. is to provide finance to other members of the RHI Group and to refinance this on the bond or loan markets. Depending on the decisions of management during the second half of 2009, the company could potentially issue new debt securities and/or borrow funds to finance other members of the RHI Group.

The RHI Group's provisions and contingent liabilities are described in Note 24 to the Financial Statements ended December 31, 2008. In addition, key assumptions and sources of estimation uncertainty in the preparation of the financial statements are described in Note 1 to the Financial Statements for the year ended December 31, 2008.

The difficulties in the financial markets and the economy have not translated in any significant impact on the RHI Group's businesses so far. However, the developments are being closely monitored and if the situation continues or worsens through the second half of 2009, then the risk of negative impacts becomes more likely.

Various known and unknown risks, uncertainties and other factors could lead to substantial differences between the actual future results, financial situation development or performance of the RHI Group and the historical results given in the Management Report and the Financial Statements for the six months ended 2009.

3. Responsibility statement

The consolidated financial statements of the RHI Group have been prepared in accordance with International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting'. They should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2008, as they provide an update of previously reported information. They were approved for issue by the Board of Directors on July 23, 2009. The directors confirm that this Interim Management Report includes a fair review of the information required.

Franz B. Humer Chairman of the Board	Erich Hunziker Vice Chairman of the Board	Severin Schwan Member of the Board

Frank J. D'Angelo Member of the Board	Frederick C. Kentz III Member of the Board	David P. McDede Member of the Board	Bruce Resnick Member of the Board

Roche Holdings, Inc. Interim Consolidated Financial Statements

Roche Holdings, Inc. consolidated income statement *in millions of USD*

	Six months ended June 30, 2009	Six months ended June 30, 2008
Sales [2]	**8,267**	8,009
Royalties and other operating income [2]	**1,822**	1,501
Cost of sales	**(3,215)**	(3,177)
Marketing and distribution	**(1,468)**	(1,432)
Research and development	**(1,892)**	(1,833)
General and administration	**(347)**	(459)
Operating profit before exceptional items [2]	**3,167**	2,609
Major legal cases [9]	**(372)**	310
Changes in RHI Group organization [5]	**(1,548)**	-
Operating profit [2]	**1,247**	2,919
Associates	**-**	-
Financial income [6]	**(431)**	295
Financing costs	**(676)**	(170)
Financial income – related parties [12]	**632**	26
Financing costs – related parties [12]	**(399)**	(217)
Exceptional financing costs [5]	**(150)**	-
Profit before taxes	**223**	2,853
Income taxes [7]	**(752)**	(1,087)
Income taxes on exceptional items [5,7]	**889**	(121)
Net income	**360**	1,645
Attributable to		
- Roche Holdings, Inc. shareholder	**(15)**	880
- Non-controlling interests	**375**	765

Roche Holdings, Inc. consolidated statement of comprehensive income *in millions of USD*

	Six months ended June 30, 2009	Six months ended June 30, 2008
Net income recognized in income statement	**360**	1,645
Other comprehensive income		
Available-for-sale investments	**(11)**	(60)
Cash flow hedges	**(8)**	(38)
Defined benefit post-employment plans	**153**	-
Other comprehensive income, net of tax	**134**	(98)
Total comprehensive income	**494**	1,547
Attributable to		
- Roche Holdings, Inc. shareholder	**104**	824
- Non-controlling interests	**390**	723
Total	**494**	1,547

Reference numbers indicate the corresponding Notes to the Interim Consolidated Financial Statements. The Interim Consolidated Financial Statements are unaudited. The Interim Consolidated Financial Statements have been reviewed by Roche Holdings, Inc.'s auditors and their review report is presented on page 20.

Roche Holdings, Inc. consolidated condensed balance sheet *in millions of USD*

	June 30, 2009	December 31, 2008
Non-current assets	**17,587**	17,151
Current assets	**15,838**	15,843
Total assets	**33,425**	32,994
Non-current liabilities	**(44,404)**	(12,189)
Current liabilities	**(20,054)**	(6,614)
Total liabilities	**(64,458)**	(18,803)
Total net assets / (liabilities)	**(31,033)**	14,191
Equity [11]		
Capital and reserves attributable to Roche Holdings, Inc. shareholder	**(31,033)**	7,200
Equity attributable to non-controlling interests	**-**	6,991
Total equity	**(31,033)**	14,191

Roche Holdings, Inc. consolidated condensed statement of cash flows *in millions of USD*

	Six months ended June 30,	
	2009	2008
Cash flows from operating activities, before income taxes paid	**3,767**	2,969
Income taxes reimbursed (paid)	**221**	(1,151)
Cash flows from operating activities	**3,988**	1,818
Cash flows from investing activities	**5,776**	(2,065)
Cash flows from financing activities	**(12,348)**	1,344
Increase (decrease) in cash and cash equivalents	**(2,584)**	1,097
Cash and cash equivalents at beginning of period	**2,910**	1,042
Cash and cash equivalents at end of period	**326**	2,139

Roche Holdings, Inc. consolidated statement of changes in equity *in millions of USD*

	Share capital	Retained earnings	Fair value reserve	Hedging reserve	Total	Non-controlling interests	Total equity
Six months ended June 30, 2008							
At January 1, 2008	1	6,473	116	(1)	6,589	5,265	11,.854
Net income	-	880	-	-	880	765	1,645
Available-for-sale investments	-	-	(34)	-	(34)	(26)	(60)
Cash flow hedges	-	-	-	(22)	(22)	(16)	(38)
Defined benefit post-employment plans	-	-	-	-	-	-	-
Total comprehensive income	-	880	(34)	(22)	824	723	1,547
Business combinations [4]	-	-	-	-	-	291	291
Dividends paid [11]	-	-	-	-	-	-	-
Equity compensation plans	-	347	-	-	347	224	571
Genentech share repurchases [3]	-	(423)	-	-	(423)	(333)	(756)
Changes in ownership interests in subsidiaries							
- Ventana [4]	-	(879)	-	-	(879)	(291)	(1,170)
Changes in non-controlling interests	-	31	-	-	31	(31)	-
At June 30, 2008	1	6,429	82	(23)	6,489	5,848	12,337
Six months ended June 30, 2009							
At January 1, 2009	**1**	**7,127**	**65**	**7**	**7,200**	**6,991**	**14,191**
Net income	**-**	**(15)**	**-**	**-**	**(15)**	**375**	**360**
Available-for-sale investments	**-**	**-**	**(13)**	**-**	**(13)**	**2**	**(11)**
Cash flow hedges	**-**	**-**	**-**	**(21)**	**(21)**	**13**	**(8)**
Defined benefit post-employment plans	**-**	**153**	**-**	**-**	**153**	**-**	**153**
Total comprehensive income	**-**	**138**	**(13)**	**(21)**	**104**	**390**	**494**
Business combinations [4]	**-**	**-**	**-**	**-**	**-**	**4**	**4**
IGEN capital contribution [11]	-	**292**	-	-	**292**	-	**292**
Dividends paid [11]	**-**	**-**	**-**	**-**	**-**	**-**	-
Equity compensation plans	**-**	**437**	**-**	**-**	**437**	**154**	**591**
Genentech share repurchases [3]	**-**	**-**	**-**	**-**	**-**	**-**	-
Changes in ownership interests in subsidiaries							
- Genentech [3]	**-**	**(39,050)**	**-**	**-**	**(39,050)**	**(7,550)**	**(46,600)**
- Memory [4]	**-**	**(1)**	**-**	**-**	**(1)**	**(4)**	**(5)**
Changes in non-controlling interests	**-**	**(15)**	**-**	**-**	**(15)**	**15**	-
At June 30, 2009	**1**	**(31,072)**	**52**	**(14)**	**(31,033)**	**-**	**(31,033)**

Notes to the Roche Holdings, Inc. Interim Consolidated Financial Statements

Reference numbers indicate the corresponding Notes to the Interim Consolidated Financial Statements. The Interim Consolidated Financial Statements are unaudited. The Interim Consolidated Financial Statements have been reviewed by Roche Holdings, Inc.'s auditors and their review report is presented on page 20.

1. Accounting policies

Basis of preparation of financial statements

These financial statements are the unaudited interim consolidated financial statements (hereafter 'the Interim Financial Statements') of Roche Holdings, Inc., a company incorporated in the State of Delaware, and its subsidiaries (hereafter 'RHI' or 'the RHI Group') for the six-month period ended June 30, 2009 (hereafter 'the interim period'). RHI is 100% indirectly owned by Roche Holding Ltd, a public company registered in Switzerland and parent company of the Roche Group. Roche Holdings, Inc. and its subsidiaries are therefore members of the Roche Group.

The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting'. They should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2008 (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 July 23, 2009.

The Interim Financial Statements have been prepared in accordance with the accounting policies and methods of computation set out in the Annual Financial Statements, except for the accounting policy changes described below made after the date of the Annual Financial Statements. The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements, except where noted below. Where necessary, comparative information has been reclassified or expanded from the previously reported Interim Financial Statements to take into account any presentational changes made in the Annual Financial Statements or in these Interim Financial Statements.

The preparation of the Interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities at the date of the Interim Financial Statements. If in the future such estimates and assumptions, which are based on management's best judgments 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.

Effective March 26, 2009, the purchase of the non-controlling interests in Genentech was completed (see Note 3). Based on the revised International Accounting Standard 27 'Consolidated and Separate Financial Statements' (IAS 27), which was adopted by RHI in 2008, this transaction was accounted for in full as an equity transaction. As a consequence, the carrying amount of the consolidated equity of the RHI Group was reduced by approximately $47 billion and at June 30, 2009 the RHI Group had a negative equity of $31.0 billion. The capacity of the RHI Group to generate positive cash flows and operating profit is not affected by this accounting treatment. In addition, bonds, notes and commercial paper with a carrying value of $45.1 billion are guaranteed by Roche Holding Ltd, the parent company of the Roche Group. Accordingly, management has assessed that it remains appropriate to prepare the RHI Group's financial statements on a going concern basis. In the interim period of 2009, the RHI Group generated an operating profit of $1,247 million and a positive operating cash flow of $4.0 billion.

The RHI Group operates in industries where significant seasonal or cyclical variations in total sales are not experienced during the financial year. Income tax expense is recognized based upon the best estimate of the weighted average income tax rate expected for the full financial year.

The RHI 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 revenue from the sale or licensing of products or technology to third parties. Certain headquarter activities are reported as 'Corporate'. Previously within the Pharmaceuticals Division there had been two sub-divisions, Roche Pharmaceuticals and Genentech. Following the completion of the Genentech transaction (see Note 3), the Genentech sub-division was merged into the Roche Pharmaceuticals Division in these Interim Financial Statements.

Changes in accounting policies

In 2007 the RHI Group early adopted IFRS 8 'Operating Segments' and IAS 23 (revised) 'Borrowing Costs' which were required to be implemented from January 1, 2009 at the latest. In 2008 the RHI Group early adopted the revised versions of IFRS 3 'Business Combinations' and IAS 27 'Consolidated and Separate Financial Statements' which are required to be implemented from January 1, 2010 at the latest.

In 2009 the RHI Group has implemented revisions to IAS 1 'Presentation of Financial Statements', the effects of which are described below. The RHI Group has also implemented various other amendments to existing standards and interpretations, which have no material impact on the RHI Group's overall results and financial position.

IAS 1 (revised) 'Presentation of Financial Statements': Amongst other matters, the revised standard requires some changes to the format of the statement of comprehensive income, the statement of changes in equity and requires some additional disclosures in the notes to the Annual Financial Statements, notably disclosing the pre-tax and tax impact of items of other comprehensive income. The changes from the implementation of the revised standard are purely presentational and have no impact on the RHI Group's overall results and financial position.

The RHI Group is currently assessing the potential impacts of the other new and revised standards and interpretations that will be effective from January 1, 2010 and beyond, and which the RHI Group has not early adopted. The RHI Group does not anticipate that these will have a material impact on the RHI Group's overall results and financial position.

2. Operating segment information

Divisional information *in millions of USD*

	Pharmaceuticals		Diagnostics		Corporate		RHI Group	
Six months ended June 30,	2009	2008	2009	2008	2009	2008	2009	2008
Revenues from external customers and related parties	**8,640**	8,147	**1,449**	1,363	**-**	-	**10,089**	9,510
Revenues from other operating segments	**-**	-	**-**	-	**-**	-	**-**	-
Segment results								
Operating profit before exceptional items	**3,067**	2,791	**100**	(180)	**-**	(2)	**3,167**	2,609
Major legal cases	**(372)**	310	**-**	-	**-**	-	**(372)**	310
Changes in RHI Group organization	**(1,548)**	-	**-**	-	**-**	-	**(1,548)**	-
Operating profit	**1,147**	3,101	**100**	(180)	**-**	(2)	**1,247**	2,919

3. Genentech

Effective September 7, 1990 the RHI Group acquired a majority interest of approximately 60% of Genentech, Inc., a biotechnology company in the United States. On June 13, 1999 RHI exercised its option to acquire the remaining shares of Genentech on June 30, 1999, at which point Genentech became a 100% owned subsidiary of RHI. On July 23, 1999, October 26, 1999 and March 29, 2000 RHI completed public offerings of Genentech's common stock, which reduced RHI's majority interest to 60%. The common stock of Genentech became publicly traded and was listed on the New York Stock Exchange, under the symbol 'DNA'. During 2004 RHI's ownership of Genentech decreased by 2.45% due to the conversion and redemption of the 'LYONs IV' U.S. dollar exchangeable notes. At December 31, 2008 RHI's interest in Genentech was 55.8%.

Genentech transaction

On July 21, 2008 the Group announced a proposal to purchase all of the outstanding shares of Genentech common stock not owned by Roche at a price of $89.00 in cash per share, equivalent to a total cash payment of approximately $43.7 billion (the 'Roche Proposal'). On July 24, 2008 Genentech announced that a special committee of its Board of Directors composed of its independent directors (the 'Special Committee') had been formed to review, evaluate, and, at the Special Committee's discretion, negotiate and recommend or not recommend the acceptance of the Roche Proposal. On August 13, 2008 Genentech announced that the Special Committee did not support the proposal.

On February 9, 2009 Roche Investments USA Inc., a wholly owned subsidiary of the RHI Group, commenced a cash tender offer for the publicly-held Genentech shares at $86.50 per share. On March 12, 2009, Roche entered into a merger agreement with Genentech pursuant to which the Group made a successful tender offer to purchase all of the shares of Genentech not already owned by the Group for $95.00 per share in cash (the 'Genentech transaction'). As a result, Genentech became a wholly-owned subsidiary of the RHI Group, effective March 26, 2009.

The cash consideration for the purchase of all public shares, including shares issuable under Genentech's outstanding employee stock options and payment of related fees and expenses, amounted to approximately $47 billion, as set out in the table below. These amounts have been recorded to equity as a change in ownership interest in subsidiaries.

Genentech transaction *in millions of USD*

	Six months ended June 30, 2009
Purchase of publicly held shares	**44,400**
Settlement of outstanding employee stock options	**2,412**
Directly attributable transaction costs	**205**
Total cash consideration	**47,017**
Income tax effects	**(417)**
Change in ownership interest in subsidiaries	**46,600**

Genentech share repurchases and equity compensation plans

On April 15, 2008 Genentech's Board of Directors approved an extension of the existing stock repurchase program authorising Genentech to repurchase up to 150 million shares of Genentech's common stock for a total of $10 billion through June 30, 2009. Since the program's inception through December 31, 2008, Genentech had repurchased approximately 89 million shares for a total of approximately $6.5 billion. During the interim period of 2008 the net cash outflow from repurchases of Genentech common stock was $756 million. No repurchases were made during 2009.

During the interim period exercises from Genentech's equity compensation plans resulted in a cash inflow equivalent to $99 million (2008: $228 million).

4. Business combinations

Acquisitions – 2009

Effective January 1, 2009 the RHI Group acquired an 89.6% controlling interest in Memory Pharmaceuticals Corp. ('Memory'), a publicly owned U.S. company based in Montvale, New Jersey, that had been listed on the NASDAQ under the symbol 'MEMY'. Memory develops innovative drug candidates for the treatment of debilitating central nervous system (CNS) disorders such as Alzheimer's disease and schizophrenia. Memory is reported as part of the Pharmaceuticals operating segment. The acquisition will further strengthen the RHI Group's research and development pipeline in areas such as Alzheimer's disease. The purchase consideration was $45 million, paid in cash.

The purchase consideration has been allocated as follows:

Memory acquisition: net assets acquired *in millions of USD*

	Carrying value prior to acquisition	Fair value adjustments	Carrying value upon acquisition
Intangible assets			
- Product intangibles: not available for use	-	44	44
Deferred income taxes	1	4	5
Cash	15	-	15
Other net assets (liabilities)	(25)	-	(25)
Net identifiable assets (liabilities)	(9)	48	39
Non-controlling interests			(4)
Goodwill			10
Purchase consideration			45

Subsequent to the effective date of the acquisition on January 1, 2009, the RHI Group purchased the remaining shares in Memory held by third parties to give the RHI Group a 100% interest in Memory. The cash consideration was $5 million, which has been recorded to equity as a change in ownership interest in subsidiaries.

Goodwill represents a control premium and synergies that can be obtained from the RHI Group's existing business. None of the goodwill recognized is expected to be deductible for income tax purposes.

The fair value of other net assets (liabilities) includes receivables with a fair value of $1 million which is expected to be fully collectable.

Directly attributable acquisition-related costs of $1 million were incurred in this acquisition. These are reported within the operating result of the Pharmaceuticals operating segment.

Acquisitions – 2009: impact on results *in millions of USD*

	Revenues from external customers	Inventory fair value adjustment	Amortization of intangible assets	Operating profit	Net income
Impact on reported results					
Memory [a]	**-**	**-**	**-**	**(7)**	**(5)**
Estimated impact on results if acquisition assumed effective 1 January 2009					
Memory [a]	**-**	**-**	**-**	**(7)**	**(5)**

The above figures exclude directly attributable transaction costs of $1 million related to the acquisition of Memory by the Pharmaceutical Division. Corresponding tax impacts are also excluded.

a) The above figures exclude integration costs of $16 million related to Memory. Corresponding tax impacts are also excluded.

Memory Acquisition – 2009: net cash outflow *in millions of USD*

	Cash consideration paid	Cash in acquired company	Net cash outflow
Memory	**(45)**	**15**	**(30)**

The above cash consideration paid does not include the subsequent payment of $5 million to purchase the remaining shares in Memory held by third parties to give the RHI Group a 100% interest in Memory.

Acquisitions – 2008

In the interim period of 2008, the RHI Group acquired a 70.9% controlling interest in Ventana Medical Systems, Inc. ('Ventana'), for a cash consideration of $2,294 million. Subsequent to the effective date of the acquisition on February 8, 2008, the Group purchased the remaining shares in Ventana held by third parties to give the Group a 100% interest in Ventana. The additional cash consideration was $1,170 million, which has been recorded to equity as a change in ownership interest in subsidiaries. This transaction is fully described in Note 6 to the Annual Financial Statements.

Acquisitions – 2008: net cash outflow *in millions of USD*

	Cash consideration paid	Cash in acquired company	Net cash outflow
Ventana	(2,294)	41	(2,253)

The above cash consideration paid for Ventana does not include the subsequent payment of $1,170 million to purchase the remaining shares in Ventana held by third parties to give the RHI Group a 100% interest in Ventana.

5. Changes in RHI Group organization

As described in Note 3, on July 21, 2008 the Roche Group announced an offer to purchase all outstanding shares of Genentech. Following the closing of a transaction, Genentech's South San Francisco site would become the headquarters of the RHI Group's combined pharmaceuticals operations in the United States. On July 21, 2008 the Roche Group also announced that the Roche's pharmaceuticals business in the U.S. would close manufacturing operations at its site in Nutley, New Jersey, and commercial operations would be moved to Genentech. The research site at Palo Alto, California, would be closed with the research activities being transferred to Nutley and to Genentech. Subsequent to these announcements, initial restructuring activities started at the Nutley and Palo Alto sites in 2008.

The Genentech transaction was completed effective March 26, 2009. Following this the Pharmaceuticals Division initiated a detailed integration program to align the Genentech business and the rest of the Roche's pharmaceuticals business. Genentech's South San Francisco site is being established as the headquarters of the pharmaceuticals business in the U.S., including commercial operations for the U.S. market. Genentech Research and Early Development is being set up as an autonomous unit while Genentech's late-stage development activities are being integrated with the global Pharmaceuticals Division network. The integration program includes prioritizing projects within the shared portfolio and eliminating activities that are either duplicated or no longer required, notably in the administration function.

Following the completion of the transaction, the Pharmaceuticals Division carried out a detailed reassessment of its global manufacturing network, with particular emphasis on its biotech manufacturing facilities. As a result several manufacturing facilities and construction projects are being discontinued, notably a bulk drug production unit on part of the site at Vacaville in California.

Changes in RHI Group organization: During the interim period significant costs were incurred as described below. These are disclosed separately in the income statement due to the materiality of the amounts and in order to fairly present the RHI Group's results. Costs of other restructuring programs that are less material and do not fundamentally change the RHI Group's organization are expensed in the current period and reported within general and administration expenses.

Changes in RHI Group organization *in millions of USD*

	Six months ended June 30, 2009	2008
Employee-related costs		
- Termination costs	**107**	-
- Pensions and other post-employment benefits	**(27)**	-
- Genentech Employee Retention Program expenses	**18**	-
- Genentech stock options: accelerated vesting expenses	**209**	-
- Other retention plans and other employee benefits	**25**	-
- Other employee-related costs	**27**	-
Total employee-related costs	**359**	-
Site closure costs		
- Impairment of property, plant and equipment	**830**	-
- Accelerated depreciation of property, plant and equipment	**27**	-
- Other site closure costs	**130**	-
Total site closure costs	**987**	-
Impairment of intangible assets	**154**	-
Other reorganization expenses	**48**	-
Total	**1,548**	-

The total income tax benefit recorded in respect of changes in RHI Group organization was $690 million (see below).

Genentech Employee Retention Program: On August 18, 2008 Genentech announced a broad-based employee retention program, consisting of two retention plans that together cover substantially all employees of the company. The program was estimated to cost approximately $375 million payable in cash and has been implemented in lieu of Genentech's 2008 annual stock option grant. Total expenses for the retention program in the interim period were $115 million. If Genentech had granted an annual stock option award, as in previous years, with the same total value as the retention program then the costs would have been expensed over the four-year vesting period and the amount expensed in the interim period would have been approximately $97 million. Accordingly the additional incremental costs incurred for the retention plan are reported as part of changes in the RHI Group organization, since these are directly attributable to the Genentech transaction.

Genentech Employee Retention Program expenses *in millions of USD*

	Six months ended June 30, 2009	2008
Marketing and distribution	**25**	-
Research and development	**46**	-
General and administration	**26**	-
Total included in operating profit before exceptional items	**97**	-
Changes in RHI Group organization	**18**	-
Total Genentech Employee Retention Program expenses	**115**	-

Genentech stock options: As part of the merger agreement of March 12, 2009 between Roche and Genentech, upon the successful completion of the tender offer on March 26, 2009, the remaining Genentech outstanding employee stock options were fully redeemed for cash. For accounting purposes the remaining fair value was expensed for the options that were were not fully vested at that time.

Genentech stock options: accelerated vesting expenses *in millions of USD*

	Six months ended June 30, 2009	2008
Genentech Stock Option Plan	**192**	-
Genentech Employee Stock Purchase Program	**17**	-
Total Genentech stock options: accelerated vesting expenses	**209**	-

Exceptional financing costs for the Genentech transaction: As described in Note 3, effective March 26, 2009 the RHI Group purchased all publicly owned shares of Genentech for $95.00 per share in cash, with the total cash consideration of the transaction, including shares issuable under Genentech's outstanding employee stock option plans and payment of related fees and expenses, being approximately $46.6 billion.

In order to execute this transaction, Roche's Treasury operations liquidated certain debt securities into cash. This resulted in a net loss on these transactions of $26 million. Furthermore, due to the prevailing financial conditions, the RHI Group issued bonds and notes in advance of the transaction totaling $40.3 billion through a series of debt offerings, as described in Note 10. The interest expense on these instruments for the bridging period between their issue and the completion of the Genentech transaction on March 26, 2009 was $124 million.

These amounts are disclosed separately in the income statement in order to fairly present the RHI Group's results in the overall context of the Genentech transaction and related reorganizations in the RHI Group's Pharmaceuticals Division. The total income tax benefit recorded in respect of exceptional financing costs was $55 million.

Exceptional financing costs *in millions of USD*

	Six months ended June 30, 2009	2008
Gain (loss) on liquidation of debt securities	**(26)**	-
Interest expense incurred on newly issued bonds and notes during bridging period	**(124)**	-
Total income (expense)	**(150)**	-

Exceptional income taxes: As described above, the RHI Group incurred exceptional expenses totaling $1,548 million in connection with the Genentech transaction and the related reorganizations in the RHI Group's pharmaceuticals business. Furthermore, as described above, the RHI Group incurred exceptional financing costs totaling $150 million in connection with the financing of the Genentech transaction. As disclosed in Note 9, expenses incurred in respect of major legal cases were $372 million (2008: income of $310 million). The income tax effects of these items in 2009, as shown in the table below and in Note 7, are disclosed separately in the income statement in order to fairly present the RHI Group's results in the overall context of the Genentech transaction and related reorganizations in the RHI Group's Pharmaceuticals Division.

An income tax benefit of $183 million was recorded in respect of Genentech's stock options plans in 2009 following the increase in Genentech's share price in 2009 prior to the completion of the Genentech transaction. The operating expense for these plans over the same period was $93 million. Of this income tax benefit, approximately $130 million are clearly attributable to the Genentech transaction, and therefore have been allocated as part of exceptional income taxes. This amount has been calculated as the difference between the income tax benefit calculated at a share price of $86.50, being the price per share of Roche's tender offer of February 9, 2009, and the income tax benefit calculated at the final agreed tender offer price in the merger agreement at $95.00 per share.

Exceptional income tax expenses *in millions of USD*

	Six months ended June 30, 2009	2008
Current income taxes	**101**	-
Deferred income taxes	**788**	(121)
Total income tax (expense)/benefit	**889**	(121)

6. Financial income

Financial income *in millions of USD*

	Six months ended June 30,	
	2009	2008
Net income from equity securities	**25**	44
Net interest income and income from debt securities	**55**	119
Net foreign exchange gains/(losses)	**(608)**	5
Net other financial income/(expense)	**97**	127
Total financial income	**(431)**	295

Net foreign exchange losses of $608 million were largely offset by a net gain of $603 million made on foreign exchange forward contracts with related parties (see Note 12).

7. Income taxes

Reconciliation of the RHI Group's effective tax rate

Six months ended June 30,			2009			2008
	Profit before tax (mUSD)	Income taxes (mUSD)	Tax rate (%)	Profit before tax (mUSD)	Income taxes (mUSD)	Tax rate (%)
RHI Group's effective tax rate before exceptional items	**2,293**	**(752)**	**32.8**	2,543	(1,087)	42.7
Major legal cases [9]	**(372)**	**144**	**38.7**	310	(121)	39.0
Changes in RHI Group organization [5]	**(1,548)**	**690**	**44.6**	-	-	-
Exceptional financing costs [5]	**(150)**	**55**	**36.7**	-	-	-
RHI Group's effective tax rate	**223**	**137**	**-61.4**	2,853	(1,208)	42.3

8. Goodwill

Goodwill: movements in carrying value of assets *in millions of USD*

	Six months ended June 30, 2009
At January 1, 2009	**4,096**
Business combinations [4]	**10**
IGEN capital contribution [11]	**1,431**
Impairment charge	**-**
At June 30, 2009	**5,537**

There are no accumulated impairment losses in goodwill.

9. Provisions and contingent liabilities

Provisions *in millions of USD*

	June 30, 2009	December 31, 2008
Current portion	**1,018**	427
Non-current portion	**233**	275
Total provisions	**1,251**	702

Payments in the interim period from previously recorded provisions totalled $167 million (2008: $607 million). Included in these amounts are $14 million (2008: $477 million) relating to legal provisions.

Major legal cases

Income (expense) from major legal cases is disclosed separately in the income statement due to the materiality of the amounts and in order to fairly present the RHI Group's results. In the interim period provisions for major legal cases were increased by $372 million, based on management's current estimates of the ultimate liabilities that are expected to arise, taking into account the development of the various litigation and arbitration processes and any negotiations to resolve these cases. In 2008 income of $310 million was recorded in the interim period following the April 24, 2008 California Supreme Court decision in the City of Hope litigation (see below).

On March 31, 2009 Genentech and the City of Hope National Medical Center ('City of Hope') resolved all remaining issues regarding additional royalties and other amounts that Genentech owes to City of Hope under the 1976 agreement for third-party product sales and settlement of a third-party patent litigation, including those that occurred after the 2002 judgment by a Los Angeles County Superior Court jury. In the interim period of 2008, as a result of the April 24, 2008 California Supreme Court decision, provisions totaling $310 million were released to income as a favorable litigation settlement. On May 9, 2008 Genentech paid $476 million to the City of Hope, reflecting the amount of compensatory damages awarded, plus interest thereon from the date of the original decision on June 10, 2002.

On October 4, 2004 Genentech received a subpoena from the United States Department of Justice, requesting documents related to the promotion of Rituxan. Genentech is co-operating with the associated investigation. Through counsel Genentech are having discussions with government representatives about the status of their investigation and Genentech's views on this matter, including potential resolution. Previously the investigation had been both civil and criminal in nature. Genentech was informed in August 2008 by the criminal prosecutor who handled this matter that the government has declined to prosecute Genentech criminally in connection with this investigation. The civil matter is still ongoing. The outcome of this matter cannot be determined at this time.

On May 13, 2005 a request was filed by a third party for re-examination of U.S. Patent No. 6,331,415 ('the Cabilly patent') that is co-owned by Genentech and the City of Hope National Medical Center and under which other companies have been licensed and are paying royalties. On July 7, 2005 the U.S. Patent and Trademark Office ('The Patent Office') ordered a re-examination of this patent. On February 25, 2008 the Patent Office mailed a final Patent Office action rejecting all the claims of the Cabilly patent. Genentech filed a notice of appeal challenging the rejection on August 22, 2008. Genentech's opening appeal brief was filed on December 9, 2008. On February 12, and 13, 2009 Genentech filed further responses with the Patent Office that included proposed amendments to three claims of the patent (claims 21, 27, and 32) and the claims that depend on these three claims. On February 23, 2009 the Patent Office issued a Notice of Intent to Issue a Re-examination Certificate ('NIRC'), confirming the patentability of all claims of the Cabilly patent as amended. None of the amendments have a commercial impact on the Cabilly patent. The NIRC is final and non-appealable. A re-examination certificate was issued on May 19, 2009 reflecting the formal termination of these proceedings in Genentech's favor.

On May 30, 2008 Centocor, Inc. filed a patent lawsuit against Genentech and City of Hope in the U.S. District Court for the Central District of California. The lawsuit relates to the Cabilly patent, among other issues, and seeks a declaratory judgment of patent invalidity and unenforceability with regard to the Cabilly patent and of patent non-infringement with regard to certain of Centocor's products. Discovery is ongoing in the lawsuit.

In 2006 Genentech made development decisions involving its humanized anti-CD20 program, and its collaborator, Biogen Idec Inc., disagreed with certain of Genentech's development decisions related to humanized anti-CD20 products. The disputed issues were submitted to arbitration. On June 15, 2009 Genentech received the decision from the arbitrators, which included certain favorable and certain adverse rulings relating to some of Genentech's development decisions and programs. The decision denied all monetary damages sought by both parties and did not change the collaboration profit split arrangement.

Hoffmann-La Roche Inc. ('HLR') and various other Roche affiliates have been named as defendants in numerous legal actions in the United States relating to the acne medication Accutane. The litigation alleges that Accutane caused certain serious conditions, including, but not limited to, inflammatory bowel disease ('IBD'), birth defects and psychiatric disorders. As of June 30, 2009 HLR is defending approximately 600 actions brought in various federal and state courts throughout the United States for personal injuries allegedly resulting from patients' use of Accutane. Most of the actions allege IBD as a result of Accutane use. On June 26, 2009 HLR announced that, following a re-evaluation of its portfolio of medicines that are now available from generic manufacturers, rapidly declining brand sales in the U.S. and high costs from personal-injury lawsuits that it continues to defend vigorously, it had decided to immediately discontinue the manufacture and distribution of the product in the United States.

On November 19, 2007 Novartis Vaccines & Diagnostics, Inc. (the former Chiron affiliate of Novartis) filed a lawsuit against Trimeris, Inc. and four Roche Group companies: Hoffmann-La Roche Inc., F. Hoffmann-La Roche Ltd, Roche Laboratories Inc. and Roche Colorado Corp., in the U.S. District Court for the Eastern District of Texas. The complaint seeks an injunction and damages for the manufacture and sale of Roche's anti-AIDS drug Fuzeon in the United States. Novartis alleges these activities infringe the claims of U.S. Patent No. 7,285,271. The outcome of this matter cannot be determined at this time.

On May 8, June 11, August 8, and September 29, of 2008, Genentech was named as a defendant, along with InterMune, Inc. and its former chief executive officer, W. Scott Harkonen, in four separate class-action complaints filed in the U.S. District Court for the Northern District of California on behalf of plaintiffs who allegedly paid part or all of the purchase price for a product that was licensed by Genentech to Connectics Corporation and was subsequently assigned to InterMune. Genentech responded to these complaints with a motion to dismiss these matters, which was granted on April 28, 2009. Plaintiffs filed amended complaints including only state law claims on May 28, 2009. Genentech responded to these complaints with another motion to dismiss, which is currently scheduled to be heard on August 24, 2009. The outcome of these matters cannot be determined at this time.

Subsequent to the announcement of the Roche Proposal to purchase all of the outstanding shares of Genentech common stock not owned by Roche (see Note 3), more than thirty shareholder lawsuits have been filed against Genentech and/or the members of its Board of Directors, and various Roche entities including Roche Holdings, Inc. (RHI) and Roche Holding Ltd (Roche Holding AG). The cases have been settled in principle and on July 9, 2009 the settlement was approved by the Delaware Court of Chancery.

On October 27, 2008 Genentech and Biogen Idec Inc. filed a complaint against Sanofi-Aventis Deutschland GmbH ('Sanofi'), Sanofi-Aventis U.S. LLC and Sanofi-Aventis U.S. Inc. in the Northern District of California seeking a declaratory judgment that certain Genentech products, including Rituxan, do not infringe Sanofi's U.S. Patents 5,849,522 ('the '522 patent') and 6,218,140 ('the '140 patent') and a declaratory judgment that the '522 and '140 patents are invalid. Also on October 27, 2008 Sanofi filed suit against Genentech and Biogen Idec in the Eastern District of Texas, Lufkin Division, claiming that Rituxan and at least eight other Genentech products infringe the '522 and '140 patents. Sanofi is seeking preliminary and permanent injunctions, compensatory and exemplary damages, and other relief. In addition on October 24, 2008 Hoechst GmbH filed with the ICC International Court of Arbitration (Paris) a request for arbitration with Genentech, relating to a terminated agreement between Hoechst's predecessors and Genentech that pertained to the above patents and related patents outside the United States. Hoechst is seeking payments on royalties on sales of Genentech products, damages for breach of contract, and other relief. Genentech intends to vigorously defend itself. The outcome of these matters cannot be determined at this time.

Other than the matters noted above, no significant changes in the RHI Group's contingent liabilities have occurred since the approval of the Annual Financial Statements by the Board of Directors.

10. Debt

Debt: recognized liabilities *in millions of USD*	June 30, 2009	December 31, 2008
Bonds and notes	**45,052**	2,512
Commercial paper	**560**	500
Amounts due do related parties	**10,000**	7,817
Leasing obligations	**269**	319
Other borrowings	**-**	80
Total debt	**55,881**	11,228
Reported as		
- Long-term debt	**42,545**	10,030
- Short-term debt	**13,336**	1,198
Total debt	**55,881**	11,228

Bonds and notes: maturities *in millions of USD*	June 30, 2009	December 31, 2008
Within one year	**11,787**	493
Between one and two years	**1,763**	519
Between two and three years	**4,779**	-
Between three and four years	**7,342**	-
Between four and five years	**2,722**	-
More than five years	**16,659**	1,500
Total bonds and notes	**45,052**	2,512

Issuance of bonds and notes - 2009

The RHI Group financed the Genentech transaction (see Note 3) by a combination of the RHI Group's own funds, bonds, notes and commercial paper. The RHI Group raised net proceeds of $40.3 billion through a series of debt offerings, as described below. All newly issued debt is senior, unsecured and has been guaranteed by Roche Holding Ltd., the parent company of the Roche Group.

U.S. dollar-denominated notes: On February 25, 2009 the RHI Group completed an offering of U.S. dollar-denominated notes to qualified institutional buyers in the United States under Rule 144A and to persons other than U.S. persons outside the United States under Regulation S of the U.S. Securities Act of 1933. The RHI Group received approximately $16.3 billion aggregate net proceeds from the issuance and sale of these fixed and floating rate notes. On March 20, 2009 the RHI Group completed a further offering of U.S. dollar-denominated notes under Rule 144A of the U.S. Securities Act of 1933. Roche received approximately $2.5 billion in aggregate net proceeds from the issuance and sale of these fixed rate notes. The terms and proceeds of the notes were as follows:

Issuance of U.S. dollar-denominated notes	Effective interest rate	Principal amount USD millions	Net proceeds USD millions
Floating rate notes due 2010	3 months LIBOR + 1.13%	3,000	2,996
Floating rate notes due 2011	3 months LIBOR + 2.10%	1,250	1,248
Fixed rate 1.95% notes due 2009	1.98%	2,500	2,500
Fixed rate 4.50% notes due 2012	4.84%	2,500	2,481
Fixed rate 5.00% notes due 2014	5.31%	2,750	2,720
Fixed rate 6.00% notes due 2019	6.37%	4,500	4,409
Fixed rate 7.00% notes due 2039	7.43%	2,500	2,410
Total		19,000	18,764

European Medium Term Note programme: On March 4, 2009 the RHI Group issued euro- and sterling-denominated fixed- and floating rate notes. The terms and proceeds of the notes were as follows:

Issuance of European Medium Term Notes

	Effective interest rate		Principal amount		Net proceeds USD
	as issued	hedged	EUR millions	GBP millions	millions
Floating rate EUR notes due 2010	3 months EURIBOR + 1.05%	3 months EURIBOR + 1.24%	1,500	-	1,883
Fixed rate 4.625% EUR notes due 2013	4.82%	5.53%	5,250	-	6,551
Fixed rate 5.5% GBP notes due 2015	5.70%	5.92%	-	1,250	1,740
Fixed rate 5.625% EUR notes due 2016	5.70%	6.37%	2,750		3,441
Fixed rate 6.5% EUR notes due 2021	6.66%	6.99%	1,750	-	2,170
Total			11,250	1,250	15,785

Subsequent to the debt issuances, the proceeds of all notes were swapped into U.S. dollars by entering into derivative contracts with related parties. As a result, in these financial statements, the notes have economic characteristics similar to U.S. dollar-denominated notes. The higher effective interest rates for the hedged notes reflect the higher interest rates in U.S. dollars compared to euros and sterling.

Swiss franc-denominated bonds and notes: On March 23, 2009 the RHI Group completed an offering of Swiss franc-denominated fixed-rate bonds. The terms and proceeds of the bonds were as follows:

Issuance of Swiss franc-denominated bonds and notes

	Effective interest rate		Principal amount	Net proceeds
	as issued	hedged	CHF millions	USD millions
Fixed rate 1.2% bonds due 2009	1.30%	2.20%	4,000	3,548
Fixed rate 2.5% bonds due 2012	2.68%	3.18%	2,500	2,207
Total			6,500	5,755

Subsequent to the debt issuances, the proceeds of all Swiss franc-denominated bonds were swapped into U.S. dollars by entering into derivative contracts with related parties. As a result, in these financial statements, the bonds have economic characteristics similar to U.S. dollar-denominated bonds. The higher effective interest rates for the hedged bonds reflect the higher interest rates in U.S. dollars compared to Swiss francs.

Cash inflows from issuance of bonds and notes *in millions of USD*

	Six months ended June 30,	
	2009	2008
U.S. dollar-denominated notes	**18,764**	-
European Medium Term Note programme euro- and sterling-denominated notes	**15,785**	-
Swiss franc-denominated bonds	**5,755**	-
Total	**40,304**	-

Repayment and redemption of bonds and notes – 2009

There were no repayments or redemptions of bonds and notes during the interim period. Subsequent to the end of the interim period, the RHI Group redeemed the remaining outstanding 'Chameleon' U.S. dollar bonds with a due date of July 6, 2009 at the original issue amount plus accrued original issue discount ('OID'). The effective interest rate of these bonds was 6.77%. The cash outflow was $487 million and there was no gain or loss recorded on the redemption.

Repayment and redemption of bonds and notes – 2008

There were no repayments or redemptions of third party bonds and notes in the interim period.

Commercial paper

Redemption of Genentech commercial paper notes: During the first six months of 2009 the RHI Group fully redeemed these notes at maturity at their principal value. The effective interest rate of these notes was 0.80%. The cash outflow was $500 million and there was no gain or loss recorded on the redemption.

Roche Holdings, Inc., commercial paper program: In March 2009 the RHI Group established a commercial paper program under which it can issue up to $7.5 billion of unsecured commercial paper notes guaranteed by Roche Holding Ltd. Committed credit lines of 2.5 billion euro and $950 million are available as back-stop lines. Maturity of the notes under the program cannot exceed 365 days from the date of issuance. The net cash inflow during the interim period was $560 million. At June 30, 2009 unsecured commercial paper notes with a principal of $560 million and an interest rate of 0.21% were outstanding.

Movements in obligations under commercial paper programs: *in millions of USD*

	2009	2008
At January 1,	**500**	599
Net cash proceeds (payments)	**60**	-
At June 30,	**560**	599
Of which		
- Genentech commercial paper program	-	599
- Roche Holdings, Inc. commercial paper program	**560**	-
Total	**560**	599

Debt - related parties

The movements of the amounts due to related parties are shown in the table below:

Movements in debt - related parties *in millions of USD*

	2009	2008
At January 1,	**7,817**	4,664
Cash inflows from debt issued by related parties	**963**	3,817
Cash outflows from debt repayments to related parties	**(205)**	(504)
IGEN capital contribution [11]	**1,425**	-
At June 30,	**10,000**	7,977

Debt - issues from related parties: Issues of new term notes from related parties are shown in the table below:

Cash inflows from debt issues from related parties *in millions of USD*

	Six months ended June 30,	
	2009	2008
Term note 5.80% issued February 12, 2008	**-**	2,700
Term note 5.80% issued February 12, 2008	**-**	300
Term note 2.25% issued March 13, 2008	**-**	22
Term note 2.40% issued April 25, 2008	**-**	500
Term note 2.10% issued May 5, 2008	**-**	30
Term note 2.10% issued May 5, 2008	**-**	55
Term note 2.10% issued May 9, 2008	**-**	175
Term note 2.10% issued June 23, 2008	**-**	10
Term note 2.10% issued June 27, 2008	**-**	25
Term note 5.52% issued March 14, 2009	**800**	-
Term note 2.25% issued March 16, 2009	**10**	-
Term note 2.25% issued March 16, 2009	**78**	-
Term note 0.85% issued June 29, 2009	**75**	-
Total	**963**	3,817

Debt – Repayments to related parties: Repayments of term notes to related parties are shown in the table below:

Cash outflows from repayment of related party debt *in millions of USD*

	Six months ended June 30, 2009	2008
Term note 5.00% due January 4, 2008, principal $3 million	-	3
Term note 5.00% due January 4, 2008, principal $18 million	-	18
Term note 5.30% due January 4, 2008, principal $13 million	-	13
Term note 5.05% due February 7, 2008, principal $100 million	-	100
Term note 6.25% due March 25, 2008, principal $250 million	-	250
Term note 3.79% due September 18, 2008, principal $800 million	-	100
Term note 5.05% due June 6, 2008, principal $20 million	-	20
Term note 1.75% due January 19, 2009, principal $150million	**150**	-
Term note 2.10% due May 5, 2009, principal $55 million	**55**	-
Total	**205**	504

11. Equity

The RHI Group completed the purchase of the non-controlling interests in Genentech effective March 26, 2009, as described in Note 3. Based on the revised International Accounting Standard 27 'Consolidated and Separate Financial Statements' (IAS 27), which was adopted by RHI in 2008, this transaction was accounted for in full as an equity transaction. As a consequence, the carrying amount of the consolidated equity of the RHI Group was reduced by $46.6 billion, of which $7.6 billion was allocated to eliminate the book value of Genentech non-controlling interests. This accounting effect significantly impacts the RHI Group's net equity, but has no effect on the RHI Group's business. At June 30, 2009 the RHI Group had a negative equity of $31.0 billion.

Share capital

The share capital of Roche Holdings, Inc., which is the RHI Group's parent company, consisted of 1,000 shares with a nominal value of $1,000 each has not changed during the interim period. All the shares are indirectly owned by Roche Holding Ltd, a public company registered in Switzerland.

Dividends

There were no dividend payments in the interim period (2008: none).

Own equity instruments

RHI holds none of its own equity shares.

IGEN capital contribution

On January 1, 2009 the shareholder of Roche Holdings, Inc., contributed the Roche Group's investment in IGEN International, Inc. to RHI as a capital contribution. As a result, RHI obtained a 100% controlling interest in IGEN International, Inc. and its subsidiary BioVeris Corporation effective January 1, 2009. The contributed goodwill was $1,431 million, intangible assets $444 million, recognized liabilities due to related parties $1,425 million and other net liabilities of $158 million. Their combined recognized net assets at January 1, 2009 were $292 million, which are reported as an addition of retained earnings in equity. These two companies are reported as part of the Diagnostics operating segment.

12. Related parties

Controlling shareholders

Roche Finance Ltd (Roche Finanz AG), a Swiss corporation, owns all of the issued and outstanding shares of Roche Holdings, Inc. - Roche Finance Ltd is a wholly owned, direct subsidiary of Roche Holding Ltd, a public company in Switzerland.

As a member of the Roche Group, all of the RHI Group's related party transactions are with Roche Group affiliates. The transactions include purchases of inventory and other materials, sales of inventory and other materials, allocation of research and development costs under cost-sharing agreements and collaborations, allocation of marketing and distribution costs under cost-sharing agreements, allocations of other expenses attributable to the U.S. business, and the payment and receipt of royalties.

Related party transactions *in millions of USD*

	Six months ended June 30,	
	2009	2008
Sales	**540**	651
Royalty income	**881**	828
Contract income	**206**	24
Purchases of inventory and other materials	**(358)**	(404)
Reimbursements received under research and development cost sharing and collaboration agreements	**228**	184
Other operating transactions, net	**(119)**	(174)
Financial income – related parties		
Gains (losses) on foreign currency derivatives, net	**603**	-
Other financial income	**29**	26
Total	**632**	26
Financing costs – related parties		
Interest expense	**(293)**	(201)
Guarantee fees	**(102)**	-
Other financial expense	**(4)**	(16)
Total	**(399)**	(217)

A net gain of $603 million was made on foreign exchange forward contracts with related parties that were entered to hedge some of the foreign currency transaction exposure arising from bonds and notes issued in euro and Swiss francs. No hedge accounting was applied on those foreign exchange forward contracts. The foreign exchange revaluation losses on the hedged bonds and notes are included in financial income (see Note 6).

Related party balances *in millions of USD*

	June 30, 2009	December 31, 2008
Accounts and loans receivable	**10,808**	2,085
Accounts and loans payable	**(11,365)**	(8,564)

The RHI Group deposits surplus funds with Roche Pharmholding B.V. in its function as corporate cash pool leader for numerous Roche affiliates. Amounts deposited of $7.9 billion are immediately available and bear variable interest referenced to one month LIBOR. In May 2009, after the completion of the purchase of the non-controlling interest of Genentech, Genentech also became member of this cash pool.

Subsidiaries

On May 25, 2009, Genentech, Inc. sold Genentech Bermuda Ltd., together with its fully-controlled subsidiary, Genentech Singapore, Pte. Ltd., to F. Hoffmann-La Roche AG, Basel, a subsidiary of Roche Holding Ltd for $35 million in cash. As a result of the sale these entities are no longer part of the RHI Group. A loss of $4 million was recognized from this disposal and is included in the other financial expense in the related party transactions reported above.

Review Report of the Group Auditors

To the Board of Directors of
Roche Holdings, Inc., Wilmington, Delaware

Introduction

We have been engaged to review the accompanying consolidated condensed balance sheet of Roche Holdings, Inc., as at June 30, 2009 and the related consolidated statements of income, comprehensive income, condensed statement of cash flows and statement of changes in equity for the six-month period then ended, and selected explanatory notes (the consolidated interim financial statements) on pages 5 to 23. The Board of Directors is responsible for the preparation and presentation of these consolidated interim financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements as at June 30, 2009 are not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

KPMG

KPMG AG

John A. Morris

François Rouiller

Basel, July 23, 2009