



*Roche Finance Europe B.V. -  
Interim Financial Statements 2017*

# Interim Management Report

## 1. Review of the six months ended 30 June 2017

### General

Roche Finance Europe B.V., a company registered in the Netherlands (hereafter 'the Company'), is 100% indirectly owned by Roche Holding Ltd, a public company registered in Switzerland and parent company of the Roche Group. The main activity of the Company is the provision of financing to other affiliates of the Roche Group. Refinancing takes place on the bond or loan markets.

### Important events

On 26 June 2017 the Company received early repayment of a loan receivable from a related party for a nominal amount of EUR 100 million of loans due on 25 June 2018. The cash inflow was EUR 100 million, plus accrued interest. The gain on early repayments of loans was EUR 3.4 million. On the same date the Company issued a loan to another related party for a nominal amount of EUR 100 million due 25 June 2018.

### Financial position and performance

Other than the partial, early repayment and re-lending in the amount of EUR 100 million, as described in the important events section above, the financial performance and the financial position of the Company did not change materially. Net Income for the same period of previous year included a gain of EUR 6 million on early repayment of loans receivable. In the period of six months ending 30 June 2017, the company made a loss of EUR 147 thousand (2016: Net Income EUR 3,151 thousand). Interest income on loans was EUR 32,972 thousand (2016: EUR 32,929 thousand), interest expense on debt instruments was EUR 21,805 thousand (2016: EUR 21,325 thousand) and guarantee fees to the parent company were EUR 13,556 thousand (2016: EUR 12,811 thousand).

No investments were made during the financial year 2017 (2016: none).

### Employees

The Company has no employees. Roche Pharmholding B.V., Woerden, performs all administrative activities on behalf of the Company.

## 2. Principal risks and uncertainties

### Risks

The Company is exposed to various financial risks arising from its financing activities.

#### Credit Risk

The Company is exposed to potential default of payment of any of its loans receivable from other affiliates of the Roche Group. Therefore the credit risk ultimately depends on the financial position of the Roche Group.

#### Market and Liquidity Risk

The exposure to interest rates and foreign exchange rates is limited, because interest rates, duration and terms of financial assets and liabilities as well as their currency are generally matching. Therefore, the liquidity risk is reduced as well. Moreover, the Company's obligations to third parties on the bond markets are guaranteed by Roche Holding Ltd, the parent company of the Roche Group and covered by loans receivable from other members of the Roche Group that have

the same maturity. In addition, the Company has access (jointly with other borrowers of the Roche Group) to a currently unused committed credit line with various financial institutions of USD 7.5 billion.

The Company's financial risk management is described in more detail in Note 14 to the Annual Financial Statements for the year ended 31 December 2016.

### **Uncertainties**

The main activity of the Company is to provide financing to other members of the Roche Group and to refinance this on the bond or loan markets. Depending on decisions of management, the Company may potentially issue new debt securities and/or borrow funds to finance other members of the Roche Group.

Various known and unknown risks, uncertainties and other factors could lead to substantial differences between the actual and future results, financial position and performance of the Company and the historical results given in the Interim Management Report and the Interim Financial Statements.

## **3. Responsibility statement**

The directors of Roche Finance Europe B.V. confirm that, to the best of their knowledge as of the date of their approval of the condensed interim financial statements as at 30 June 2017:

- the condensed interim financial statements as at 30 June 2017, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Roche Finance Europe B.V. taken as a whole; and
- the interim management report gives a true and fair view of the development and performance of the business and the position of Roche Finance Europe B.V. together with a description of the principal risks and uncertainties that it faces.

Woerden, 26 July 2017

The Board of Directors

Sheri L. Morin

Peter Eisenring

Dieter F. Heinis

Grégoire de Mierry

# Roche Finance Europe B.V. Interim Financial Statements

The Interim Financial Statements have been reviewed by the Roche Finance Europe B.V.'s auditor and their review report is presented on page 10.

## **Roche Finance Europe B.V., statement of comprehensive income** *in millions of EUR*

	Six months ended 30 June	
	2017	2016
<b>Income</b>		
Financial income – related parties <sup>2</sup>	<b>36</b>	39
<b>Total income</b>	<b>36</b>	39
<b>Expenses</b>		
Financing costs <sup>2</sup>	<b>(23)</b>	(22)
Guarantee fees – related parties <sup>2, 8</sup>	<b>(13)</b>	(13)
<b>Total expenses</b>	<b>(36)</b>	(35)
<b>Profit before taxes</b>	-	4
Income tax <sup>3</sup>	-	(1)
<b>Net income</b>	-	3
Other comprehensive income, net of tax	-	-
<b>Total comprehensive income</b>	-	3

## **Roche Finance Europe B.V., condensed balance sheet** *in millions of EUR*

	30 June 2017	31 December 2016
<b>Assets</b>		
Non-current assets <sup>4, 8</sup>	<b>1,873</b>	2,879
Current assets <sup>8</sup>	<b>1,033</b>	42
<b>Total assets</b>	<b>2,906</b>	2,921
<b>Liabilities</b>		
Non-current liabilities <sup>5</sup>	<b>(1,867)</b>	(2,871)
Current liabilities <sup>5</sup>	<b>(1,014)</b>	(25)
<b>Total liabilities</b>	<b>(2,881)</b>	(2,896)
<b>Total net assets</b>	<b>25</b>	25
<b>Equity</b>		
Share capital <sup>6</sup>	<b>2</b>	2
Retained earnings	<b>23</b>	22
Unappropriated result	-	1
<b>Total equity</b>	<b>25</b>	25

**Roche Finance Europe B.V., condensed statement of cash flows** *in millions of EUR*

	Six months ended 30 June	
	2017	2016
Cash flows from operating activities, before income taxes paid	-	-
Income taxes paid	-	-
Total cash flows from operating activities	-	-
Total cash flows from investing activities	<b>58</b>	(597)
Total cash flows from financing activities	<b>(58)</b>	597
<b>Increase (decrease) in cash and cash equivalents</b>	-	-
Cash and cash equivalents at beginning of period	-	-
<b>Cash and cash equivalents at end of period</b>	-	-

**Roche Finance Europe B.V., statement of changes in equity** *in millions of EUR*

	Share capital	Retained earnings	Unappropriated result	Total
<b>Six months ended 30 June 2016</b>				
At 1 January 2016	2	11	11	24
Net income	-	-	3	3
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	3	3
Appropriation of result	-	11	(11)	-
<b>At 30 June 2016</b>	<b>2</b>	<b>22</b>	<b>3</b>	<b>27</b>
<b>Six months ended 30 June 2017</b>				
At 1 January 2017	<b>2</b>	<b>22</b>	<b>1</b>	<b>25</b>
Net income	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	-
Appropriation of result	-	<b>1</b>	<b>(1)</b>	-
<b>At 30 June 2017</b>	<b>2</b>	<b>23</b>	<b>-</b>	<b>25</b>

# Notes to the Roche Finance Europe B.V. Interim Financial Statements

## 1. Accounting policies

### Basis of preparation

These financial statements are the unaudited condensed interim financial statements (hereafter 'the Interim Financial Statements') of Roche Finance Europe B.V., a company incorporated in the Netherlands ('the Company'), for the six months ended 30 June 2017. The Company is 100% indirectly owned by Roche Holding Ltd, a public company registered in Switzerland and parent company of the Roche Group, and therefore the Company is part of the Roche Group. The main activity of the Company is the provision of financing to other affiliates of the Roche Group. Refinancing takes place on bond or loan markets. These Interim Financial Statements should be read in conjunction with the financial statements for the year ended 31 December 2016 (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 26 July 2017.

### Statement of compliance

The Interim Financial Statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company 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 actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

There are currently no key assumptions about the future and no key source of estimation uncertainty that the Company's management believe have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next twelve months.

### Segment reporting

The Company has only one operating segment and undertakes its operations in the Netherlands. Therefore no segment reporting is included in these Interim Financial Statements.

### Significant 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. The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements.

### Changes in accounting policies adopted by the Roche Group and, consequently, by the Company

The Roche Group is currently assessing the potential impacts of the various new and revised standards that will be mandatory from 1 January 2018, notably IFRS 9 'Financial Instruments'. Based on the analysis to date, the Company does not anticipate that these will have a material impact on the Company's overall results and financial position.

**IFRS 9 'Financial Instruments'**. The Group plans to implement the new standard effective 1 January 2018 and will apply the exemption from full retrospective application for the classification and measurement requirements, including impairment, meaning that the comparative 2017 results will not be restated when the new standard is applied.

## 2. Financial income and financing costs

### Financial income – related parties *in millions of EUR*

	Six months ended 30 June	
	2017	2016
Interest income – related parties <sup>8</sup>	<b>33</b>	33
Income from early repayment of loans – related parties <sup>8</sup>	<b>3</b>	6
<b>Total financial income – related parties</b>	<b>36</b>	39

### Financing costs *in millions of EUR*

	Six months ended 30 June	
	2017	2016
Interest expense on debt instruments	<b>(22)</b>	(21)
Amortisation of debt discount	<b>(1)</b>	(1)
Guarantee fees – related parties <sup>8</sup>	<b>(13)</b>	(13)
<b>Total financing costs</b>	<b>(36)</b>	(35)

## 3. Income Taxes

The Company's local statutory tax rate is 25.0% (2016: 25.0%) which is also applied to these Interim Financial Statements. It is member of the fiscal unity led by the parent, Roche Pharmholding B.V.

## 4. Loans receivable – related parties

### GBP denominated loans

#### Loans receivable – related parties *in millions of EUR*

	30 June 2017	31 December 2016
<b>Due in more than 1 year</b>		
Roche Deutschland Holding GmbH, Germany, due 29 August 2023, outstanding principal GBP 125 million (2016: GBP 125 million), interest rate 5.67%	<b>143</b>	146
Roche Diagnostics Limited, United Kingdom, due 29 August 2023, outstanding principal GBP 71 million (2016: GBP 71 million), interest rate 5.67%	<b>80</b>	83
<b>Total loans receivable – related parties</b>	<b>223</b>	229

### EUR denominated loans

#### Loans receivable – related parties *in millions of EUR*

	30 June 2017	31 December 2016
<b>Due within 1 year</b>		
Roche Deutschland Holding GmbH, Germany, due 25 June 2018, outstanding principal EUR 225 million, interest rate 1.01%	<b>225</b>	225
Roche Deutschland Holding GmbH, Germany, due 25 June 2018, outstanding principal EUR 275 million, interest rate 3.50%	<b>275</b>	275

Roche Diagnostics S.p.A., Italy, due 25 June 2018, outstanding principal EUR 155 million, interest rate 3.50%	<b>155</b>	155
Roche Deutschland Holding GmbH, Germany, due 25 June 2018, outstanding principal EUR 100 million, interest rate 0.364%	<b>100</b>	100
Roche S.p.A., Italy, due 25 June 2018, outstanding principal EUR 50 million, interest rate 3.50%	<b>50</b>	150
Roche Diagnostics S.L., Spain, due 25 June 2018, outstanding principal EUR 75 million, interest rate 3.50%	<b>75</b>	75
Roche Farmaceutica Quimica, Lda., Portugal, due 25 June 2018, outstanding principal EUR 20 million, interest rate 3.50%	<b>20</b>	20
Roche Deutschland Holding GmbH, Germany, due 25 June 2018, outstanding principal EUR 100 million, interest rate 0.10%	<b>100</b>	-
<b>Due in more than 1 year</b>		
Roche Deutschland Holding GmbH, Germany, due 27 February 2023, outstanding principal EUR 650 million, interest rate 1.515%	<b>650</b>	650
Roche Deutschland Holding GmbH, Germany, due 25 February 2025, outstanding principal EUR 1.0 billion, interest rate 1.80%	<b>1,000</b>	1000
Total loans receivable – related parties	<b>2,650</b>	2,650
Thereof:		
- Short-term loans receivable – related parties <sup>8</sup>	<b>1,000</b>	-
- Long-term loans receivable – related parties <sup>8</sup>	<b>1,873</b>	2,879
Total loans receivable – related parties	<b>2,873</b>	2,879

## 5. Debt

### Outstanding notes

#### Recognised liabilities and effective interest rates of notes in millions of EUR

	Effective interest rate	30 June 2017	31 December 2016
<b>Due within 1 year</b>			
2.0% notes due 25 June 2018, principal EUR 1.0 billion (ISIN: XS0760139773)	<b>2.07%</b>	<b>999</b>	999
<b>Due in more than 1 year</b>			
0.5% notes due 27 February 2023, principal EUR 650 million (ISIN: XS1371715118)	<b>0.63%</b>	<b>645</b>	645
5.375% notes due 29 August 2023, principal GBP 250 million, outstanding GBP 200 million (ISIN: XS0175478873)	<b>5.46%</b>	<b>226</b>	231
0.875% notes due 25 February 2025, principal EUR 1.0 billion (ISIN: XS1195056079)	<b>0.93%</b>	<b>996</b>	996
Total		<b>2,866</b>	2,871

The fair value of the notes is EUR 2,967 million (31 December 2016: EUR 3,008 million). These are calculated based on observable market prices of the notes (Level 1 fair value hierarchy). There are no pledges on the Company's assets in connection with the debt. All issued notes are guaranteed by Roche Holding Ltd, the parent company of the Roche Group.



## Issuance of notes

In the first six months of 2017 the Company did not issue any new fixed rate notes.

On 26 February 2016 the Company issued 650 million fixed rate notes with a coupon of 0.5% under the Euro Medium Term Note programme. The notes will mature on 27 February 2023 and are listed on the Luxembourg Stock Exchange. The Company received approximately EUR 644 million aggregate net proceeds from the issuance and sale of these fixed notes.

## Redemption and repurchase of notes

The Company did not redeem or repurchase any notes during the six months ended 30 June 2017 or 30 June 2016.

## 6. Equity

### Share Capital

The authorised share capital of the Company consists of 100,000 shares with a nominal value of EUR 100 each of which 20,000 shares have been issued and fully paid in. Roche Pharmholding B.V., a company registered in the Netherlands is the sole shareholder.

### Dividends

There were no dividend payments during the six months ending 30 June 2017 (2016: none).

### Own equity instruments

The Company holds none of its own shares (2016: none).

## 7. Contingent liabilities

At 30 June 2017, the Company does not have any material contingent liabilities (2016: none).

## 8. Related parties

### Controlling shareholders

As a member of the Roche Group, all of the Company's related party transactions are with Roche Group affiliates. The transactions include interest on and disbursements/repayments of loans given by the Company. In addition, the Company has a current account with Roche Pharmholding B.V., the corporate cash pool leader, as described in Note 7 to the Annual Financial Statements.

### Related party transactions *in millions of EUR*

	Six months ended 30 June	
	2017	2016
Interest income – related parties <sup>2</sup>	<b>33</b>	33
Guarantee fees – related parties <sup>2</sup>	<b>(13)</b>	(13)
Repayment of loans receivable – related parties	<b>100</b>	100
Income from early repayment of loans – related parties <sup>2</sup>	<b>3</b>	6
(Increase) decrease of cash pool balance with related parties	<b>5</b>	6
Issue of long-term loans receivable – related parties <sup>4</sup>	<b>(100)</b>	(750)

**Related party balances in millions of EUR**

	30 June 2017	31 December 2016
Long-term loans receivable – related parties <sup>4</sup>	<b>1,873</b>	2,879
Short-term loans receivable – related parties <sup>4</sup>	<b>1,000</b>	-
Accounts receivable – related parties	<b>33</b>	42
Accounts payable – related parties	-	-

## 9. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in Note 14 to the Annual Financial Statements.

### Carrying value and fair value

The carrying values and fair values of financial assets at 30 June 2017 are stated below:

**Carrying value and fair value of financial assets in millions of EUR**

By line items in notes	Asset class	30 June 2017		31 December 2016	
		Carrying value	Fair value	Carrying value	Fair value
Long-term loans receivable – related parties <sup>4</sup>	Loans and receivables	<b>1,873</b>	<b>1,944</b>	2,879	2,973
Short-term loans receivable – related parties <sup>4</sup>	Loans and receivables	<b>1,000</b>	<b>1,013</b>	-	-
Accounts receivable – related parties <sup>8</sup>	Loans and receivables	<b>33</b>	<b>33</b>	42	42
<b>Total</b>		<b>2,906</b>	<b>2,990</b>	2,921	3,015

The fair value for long-term loans receivable – related parties disclosed in the above table was calculated based on the present value of the future cash flows of the loans, discounted at an adjusted market rate for instruments with similar credit status, maturity periods and currency. The counterparties to the Company's financial assets are members of the Roche Group and therefore the credit risk ultimately depends on the financial position of the Roche Group. The fair value of the long-term loans receivable would be Level 2 in the fair value hierarchy.

## Review report

To: the General Meeting and the Management of Roche Finance Europe B.V.

### *Engagement*

We have reviewed the accompanying interim financial information of Roche Finance Europe B.V., Woerden, which comprises the statement of financial position as at 1 January 2017 up to and including 30 June 2017, the statements of comprehensive income, changes in equity, and cash flows for the six-month period then ended, and the notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope*

We conducted our review in accordance with Dutch law including standard 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 Dutch 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 financial information for the six-month period ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amstelveen, 26 July 2017

For and on behalf of BDO Audit & Assurance B.V.,

sgd.  
drs. M F Meijer RA