



*Roche Finance Europe B.V. -
Interim Financial Statements 2019*

Interim Management Report

1. Review of the six months ended 30 June 2019

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.

Financial position and performance

In the period of six months ending 30 June 2019, the company made a profit of EUR 226 thousand (2018: Net Loss of EUR 3,291 thousand). Interest income on loans was EUR 16,028 thousand (2018: EUR 27,113 thousand), interest expense on debt instruments was EUR 8,238 thousand (2018: EUR 17,860 thousand) and guarantee fees to the parent company were EUR 6,750 thousand (2018: EUR 13,367 thousand).

No investments were made during the six month period ended 30 June 2019 (2018: none).

The credit rating of Roche Holding Ltd is AA (Standard & Poor's), based on the most recent available ratings. The present value of the future cash flows of the intercompany loans should be suffice in order to meet the future obligations of the Company.

Employees

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

Male and female split of the Board of Directors

With the Act on Management and Supervision ('Wet Bestuur en Toezicht') statutory provisions were introduced to ensure a balanced representation of women and men in Management Boards of companies governed by this Act. Balanced representation of women and men is deemed to exist if at least 30% of the seats are occupied by women and at least 30% by men.

With the resignation of Mr Grégoire de Mierry on 1 May 2019 and the appointment Ms. Hafsa Shamsie on the same date, the Roche Finance Europe B.V. board consists now of 4 members, of which 2 are male (50%) and 2 are female (50%) and, as such, the Company met the gender representation target as of 30 June 2019. The Management Board recognises the benefits of diversity, including gender balance. The Management Board will continue to be selected on the basis of wide-ranging experience, backgrounds, skills, knowledge and insights and the gender diversity objectives will always be taken into account as much as possible.

2. Principal risks and uncertainties

Strategy

The financing activities of the Company will develop in line with the strategy of the Roche Group. Depending on the future financing needs of the Roche Group, the Management Board of the Company may decide to issue new debt securities and/or borrow funds to finance other members of the Roche Group. Consequently, the Management Board is responsible for the long term strategy of the Company. The Company meets all of the requirements with respect to Corporate Governance by complying with requirements as set out in the relevant regulation, including these of the Luxembourg Stock Exchange.

Operational activities

The Company has no employees. Roche Pharmholding B.V., Woerden, performs all administrative activities on behalf of the Company. The Board of Directors is responsible to ensure all activities, including the ones performed outside the IT infrastructure, are performed considering adequate segregation of duties. This is also in order to mitigate the risk of fraudulent activities. Managing the interest, liquidity and credit risks resides as well with the Board of Directors of the Company. Whenever the Company is unable to manage these risks adequately, or is unable to meet compliance with applicable regulation, this would directly have effect on the reputation of the Company and the Roche Group.

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 Group) to a currently unused committed credit line with various financial institutions of USD 7.5 billion until 3 July 2019.

The Company's financial risk management is described in more detail in Note 15 to the Annual Financial Statements for the year ended 31 December 2018.

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 current 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 2019:

- the condensed interim financial statements as at 30 June 2019, 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, 23 July 2019

The Board of Directors

Sheri L. Morin

Peter Eisenring

Mark Ekelschot

Hafsa Shamsie

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 15.

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

| | Six months ended 30 June | |
|---|--------------------------|------|
| | 2019 | 2018 |
| Income | | |
| Financial income – related parties ³ | 16 | 27 |
| Total income | 16 | 27 |
| Expenses | | |
| Financing costs ³ | (9) | (18) |
| Guarantee fees – related parties ^{3, 10} | (7) | (13) |
| Total expenses | (16) | (31) |
| Profit before taxes | - | (4) |
| Income tax ⁴ | - | 1 |
| Net income | - | (3) |
| Other comprehensive income, net of tax | - | - |
| Total comprehensive income | - | (3) |

Roche Finance Europe B.V., condensed balance sheet (before profit appropriation) *in millions of EUR*

| | 30 June 2019 | 31 December 2018 |
|--------------------------------------|----------------|------------------|
| Assets | | |
| Non-current assets ^{5, 10} | 1,727 | 1,728 |
| Current assets ¹⁰ | 26 | 25 |
| Total assets | 1,753 | 1,753 |
| Liabilities | | |
| Non-current liabilities ⁶ | (1,729) | (1,729) |
| Current liabilities ⁶ | (8) | (8) |
| Total liabilities | (1,737) | (1,737) |
| Total net assets | 16 | 16 |
| Equity | | |
| Share capital ⁷ | 2 | 2 |
| Retained earnings | 14 | 17 |
| Unappropriated result | - | (3) |
| Total equity | 16 | 16 |

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

| | Six months ended 30 June | |
|---|--------------------------|---------|
| | 2019 | 2018 |
| Cash flows from operating activities, before income taxes | 18 | 1,045 |
| Income taxes received | 1 | 1 |
| Total cash flows from operating activities | 19 | 1,046 |
| Total cash flows from investing activities | - | - |
| Total cash flows from financing activities | (19) | (1,046) |
| Increase (decrease) in cash and cash equivalents | - | - |
| Cash and cash equivalents at beginning of period | - | - |
| Cash and cash equivalents at end of period | - | - |

The Company has changed the presentation of some items in the statement of cash flows. The comparative period information has been restated accordingly.

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

| | Share capital | Retained earnings | Unappropriated result | Total |
|--------------------------------------|---------------|-------------------|-----------------------|-----------|
| Six months ended 30 June 2018 | | | | |
| At 1 January 2018 | 2 | 23 | (3) | 22 |
| Expected credit loss – IFRS 9 | - | (2) | - | (2) |
| At 1 January 2018 (revised) | 2 | 21 | (3) | 20 |
| Net income | - | - | (3) | (3) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | - | (3) | (3) |
| Appropriation of result | - | (3) | 3 | - |
| At 30 June 2018 | 2 | 17 | (3) | 16 |
| Six months ended 30 June 2019 | | | | |
| At 1 January 2019 | 2 | 17 | (3) | 16 |
| Net income | - | - | - | - |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | - | - | - |
| Appropriation of result | - | (3) | 3 | - |
| At 30 June 2019 | 2 | 14 | - | 16 |

The retained earnings represent the Company's cumulative net result at the beginning of the period after accounting for dividend payments. Unappropriated result represents the Company's net result for the period.

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., Chamber of Commerce Number 30186306, a company incorporated in the Netherlands ('the Company'), for the six months ended 30 June 2019. 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 annual financial statements for the year ended 31 December 2018 (hereafter 'the Annual Financial Statements'), as they provide an update of previously reported information.

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. The Interim Financial Statements were approved for issue by the Board of Directors on 23 July 2019.

Key accounting judgements, estimates and assumptions

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. Actual outcomes could differ from those management estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors. Revisions to estimates are recognised in the period in which the estimate is revised.

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.

Impairment of financial assets. At 30 June 2019 the Company had EUR 2 million in allowance for doubtful accounts for loans receivables (31 December 2018: 2 million) (see Note 5). The allowance for doubtful accounts is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the calculation of the allowance for doubtful accounts, based on the company's past experience, existing market conditions as well as forward-looking estimates at the end of each reporting period.

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

In 2019 the Group has adopted IFRS 16 'Leases', including any consequential amendments to other standards, effective 1 January 2019. The application of IFRS 16 has no impact on the Company since the Company has no outstanding leases.

The Group has also implemented various minor amendments to existing standards and interpretations, which have no material impact on the Group's overall results and financial position. None of these new and revised standards and interpretations has a material impact on the Company's overall results and financial position.

Foreign currency translation

The functional currency of the Company is Euro (EUR). Transactions in other currencies are initially reported using the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. The exchange differences arising from the translation of the unsettled monetary assets and liabilities or upon their settlement are recognised in profit or loss.

Accounting policies for assets and liabilities

Accounts receivable

Accounts receivable are carried at the original invoice amount less allowances made for doubtful accounts. The Company applies the simplified approach prescribed by IFRS 9, which requires the use of the lifetime expected loss provision from initial recognition of the receivables. The Company measures an allowance for doubtful accounts equal to the credit losses expected over the lifetime of accounts receivable.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and time, call and current balances with banks and similar institutions. Such balances are only reported as cash equivalents if they are readily convertible to known amounts of cash, are subject to insignificant risk of changes in their fair value and have a maturity of three months or less from the date of acquisition.

Fair values

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is determined by reference to quoted market prices or by the use of established valuation techniques such as the discounted cash flow method if quoted prices in an active market are not available ('Fair value hierarchy'). Valuation techniques will incorporate observable market data about market conditions and other factors that are likely to affect the fair value of a financial instrument. The fair values of financial assets and liabilities at the reporting date are not materially different from their reported carrying values unless specifically mentioned in the Notes to the Interim Financial Statements.

Financial assets at amortised cost

Financial assets are measured at amortised costs.

Loans and receivables are non-derivative financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Loans and receivables are initially recorded at fair value and subsequently carried at amortised cost using the effective interest rate method, less any impairment losses.

For loans to related parties carried at amortised cost, the Company applies the general expected credit loss model.

Allowances for expected credit losses for loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the allowance is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. The Company uses the 30 days past due criteria as a backstop rather than a primary driver to considering exposures to have significantly increased credit risk since the initial recognition.

For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased

significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The following indicators are incorporated: internal credit rating, significant increases in credit risk on other financial instruments of the same borrower, actual or expected significant adverse changes in business, financial and economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations.

Debt instruments

Debt instruments are initially recognised at fair value, net of transaction costs incurred, which is equal to the net proceeds received. Subsequently they are reported at amortised cost. Any discount between the net proceeds received and the principal value due on redemption is amortised over the duration of the debt instrument and is recognised as part of financing costs using the effective interest rate method. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Accounting policies for profit or loss

Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets. Interest expenses are recognised using the effective interest method.

Taxation

Income taxes include all taxes based upon the taxable profits of the Company, including withholding taxes payable on the distribution of retained earnings within the Roche Group. Other taxes not based on income, such as property and capital taxes, are included within other expenses.

Deferred tax assets and liabilities are recognised on temporary differences between the tax bases of assets and liabilities and their carrying values. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Current and deferred tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them. Deferred taxes are determined based on the currently enacted tax rates applicable in each tax jurisdiction where the Company operates.

Classification of cash flows

The Company has elected to present cash flow from operating activities using the indirect method, by adjusting the Company's operating profit for any operating income and expenses that are not operating cash flows in order to derive the cash generated from operations. The Company classifies the cash flows from the issuance of, or proceeds from, loans receivables and the interest received to 'operating activities'. In the Annual Financial Statements, the Company has changed the presentation of cash pool balances, from investing activities to operating activities. The Company believes that, for a finance entity, presenting the aforementioned items within operating activities provides more relevant information. Comparative information has been restated accordingly. The change only affects the classification of items

in the cash flow statement and has no other impact on the Company's financial statements. The cash flows from interest paid and repayment or redemption of bonds and notes and guaranteed fees paid are classified as financing activities.

2. Operating segment information

The Company has only one operating segment and undertakes its operations in the Netherlands. The vast majority of income relates to interest on loans received from related parties⁵.

External financial income by locations of debtors *in millions of EUR*

| | Six months ended 30 June | |
|--------------|--------------------------|------|
| | 2019 | 2018 |
| Germany | 14 | 20 |
| UK | 2 | 2 |
| Italy | - | 3 |
| Spain | - | 1 |
| Portugal | - | 1 |
| Total | 16 | 27 |

3. Financial income and financing costs

Financial income *in millions of EUR*

| | Six months ended 30 June | |
|--|--------------------------|------|
| | 2019 | 2018 |
| Interest income – related parties ¹⁰ | 16 | 27 |
| Income from early repayment of loans – related parties ¹⁰ | - | - |
| Total financial income – related parties | 16 | 27 |

Financing costs *in millions of EUR*

| | Six months ended 30 June | |
|--|--------------------------|------|
| | 2019 | 2018 |
| Interest expense on debt instruments | (8) | (18) |
| Amortisation of debt discount | (1) | (1) |
| (Increase)/decrease in expected loss on loans | - | 1 |
| Guarantee fees – related parties ¹⁰ | (7) | (13) |
| Total financing costs | (16) | (31) |

4. Income Taxes

The Company's local statutory tax rate is 25.0% (2018: 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. There is one permanent tax item for withholding taxes on interest income which is not considered material for the Company.

5. Loans receivable – related parties

Loans receivables: movements in carrying value in millions of EUR

| | 30 June 2019 | 31 December 2018 |
|---|--------------|------------------|
| At 1 January | 1,726 | 2,727 |
| Proceeds from repayments of loans receivables – related parties | - | (1,000) |
| Issuance of long-term loans receivables – related parties | - | - |
| Expected credit loss allowance | - | 1 |
| Currency translation effects | 1 | (2) |
| At the end of period | 1,727 | 1,726 |
| Reported as | | |
| - Long-term loans receivables | 1,727 | 1,726 |
| - Short-term loans receivables | - | - |
| Total loans receivables | 1,727 | 1,726 |

GBP denominated loans

Loans receivable – related parties in millions of EUR

| | 30 June 2019 | 31 December 2018 |
|---|--------------|------------------|
| Long-term loans | | |
| Roche Diagnostics Limited, United Kingdom, due 29 August 2023, outstanding principal GBP 71 million (2018: GBP 71 million; 2017: GBP 71 million), interest rate 5.67% | 79 | 78 |
| Total loans receivable – related parties | 79 | 78 |

EUR denominated loans

Loans receivable – related parties in millions of EUR

| | 30 June 2019 | 31 December 2018 |
|--|--------------|------------------|
| Long-term loans | | |
| Roche Deutschland Holding GmbH, Germany, due 27 February 2023, outstanding principal EUR 650 million, interest rate 1.515% | 650 | 650 |
| Roche Deutschland Holding GmbH, Germany, due 25 February 2025, outstanding principal EUR 1.0 billion, interest rate 1.80% | 1,000 | 1,000 |
| Total loans receivable due in more than 1 year – related parties | 1,650 | 1,650 |
| Reported as | | |
| - Long-term loans receivable – related parties ¹⁰ | 1,729 | 1,728 |
| - Short-term loans receivable – related parties ¹⁰ | - | - |
| Total loans receivable – related parties | 1,729 | 1,728 |
| Expected credit loss – IFRS 9 | (2) | (2) |
| Total loans receivable – related parties (Net) | 1,727 | 1,726 |

6. Debt

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

| | 30 June 2019 | 31 December 2018 |
|---|--------------|------------------|
| At 1 January | 1,728 | 2,728 |
| Proceeds from issue of bonds and notes | - | - |
| Repayment and redemption of bonds and notes | - | (1,000) |
| Amortisation of debt discount ³ | 1 | 2 |
| Currency translation effects | - | (2) |
| At the end of period | 1,729 | 1,728 |

| | | |
|-------------------|--------------|-------|
| Consisting of | | |
| - Bonds | 1,729 | 1,728 |
| Total debt | 1,729 | 1,728 |
| Reported as | | |
| - Long-term debt | 1,729 | 1,728 |
| - Short-term debt | - | - |
| Total debt | 1,729 | 1,728 |

Recognised liabilities and effective interest rates of bonds *in millions of EUR*

| | Effective interest rate | 30 June 2019 | 31 December 2018 |
|---|-------------------------|--------------|------------------|
| Long-term debts | | | |
| 0.5% bonds due 27 February 2023, principal EUR 650 million (ISIN: XS1371715118) | 0.63% | 647 | 646 |
| 5.375% bonds due 29 August 2023, principal GBP 250 million, outstanding GBP 76 million (ISIN: XS0175478873) | 5.46% | 85 | 85 |
| 0.875% bonds due 25 February 2025, principal EUR 1.0 billion (ISIN: XS1195056079) | 0.93% | 997 | 997 |
| Total | | 1,729 | 1,728 |

The fair value of the bonds is EUR 1,816 million (31 December 2018: EUR 1,782 million). These are calculated based on observable market prices of the bonds (Level 1 fair value hierarchy). There are no pledges on the Company's assets in connection with the debt. All issued bonds are guaranteed by Roche Holding Ltd, the parent company of the Roche Group.

Issuance of bonds and notes

The Company did not issue any new fixed rate bonds or notes during the six months ended 30 June 2019 and during 2018.

Redemption and repurchase of bonds and notes

The Company did not redeem or repurchase any bonds or notes during the six months ended 30 June 2019.

Liabilities arising from financing activities

Movements in carrying value of recognised liabilities *in millions of EUR*

| | At 1 January | Cash flows Inflow (Outflow) | Financing Costs | Foreign Exchange Adjustments | At the end of period |
|---|--------------|--------------------------------|-----------------|---------------------------------|-------------------------|
| 31 December 2018 | | | | | |
| Debt | 2,728 | (1,000) | 2 | (2) | 1,728 |
| Interest payable | 22 | (36) | 26 | - | 12 |
| Total liabilities arising from financing activities | 2,750 | (1,036) | 28 | (2) | 1,740 |
| 30 June 2019 | | | | | |
| Debt | 1,728 | - | 1 | - | 1,729 |
| Interest payable | 12 | (12) | 8 | - | 8 |
| Total liabilities arising from financing activities | 1,740 | (12) | 9 | - | 1,737 |

7. Equity

Share Capital

The authorised share capital of the Company amounts to EUR 10 million, consists of 100,000 shares with a nominal value of EUR 100 each of which 20,000 ordinary, voting 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 2019 (2018: none).

Retained earnings and unappropriated result

The retained earnings represent the Company's cumulative net result at the beginning of the period after accounting for dividend payments. Unappropriated result represents the Company's net result for the period.

Own equity instruments

As of 30 June 2019, the Company holds none of its own shares (31 December 2018: none).

8. Contingent liabilities

The Company is a member of the fiscal unity for corporate income tax led by the parent, Roche Pharmholding B.V. Based on the Tax Collection Act, the Company and the parent are jointly and severally liable for the taxes payable of the fiscal unity.

The income corporate tax as recognized in the financial statement of the Company is based on the statutory result of the company. The Company settles the corporate income tax through its current account with the parent.

At 30 June 2019, the Company does not have any other material contingent liabilities (2018: none).

9. Subsequent events

No subsequent events.

10. Related parties

Parent and other related parties

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 issues/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.

Subsidiaries and associates

The Company has no subsidiaries or associates.

Related party transactions in millions of EUR

| | Six months ended 30 June | |
|--|--------------------------|-------|
| | 2019 | 2018 |
| Interest income – related parties ³ | 16 | 27 |
| Guarantee fees – related parties ³ | (7) | (13) |
| Repayment of loans receivable – related parties | - | 1,000 |
| (Increase) decrease of cash pool balance with related parties | (10) | (6) |
| Issue of long-term loans receivable – related parties ⁵ | - | - |

Related party balances in millions of EUR

| | 30 June 2019 | 31 December 2018 |
|--|--------------|------------------|
| Long-term loans receivable – related parties ⁵ | 1,729 | 1,728 |
| Short-term loans receivable – related parties ⁵ | - | - |
| Accounts receivable – related parties | 26 | 28 |
| Accounts payable – related parties | - | - |

Key management personnel

The purpose of the Company is to act as a financing company for the operations of the Roche Group. The members of the Company's Board of Directors act as the chief operating decision-maker.

Board of Directors of Roche Finance Europe

| | | |
|--------------------|---------------------|--|
| Peter Eisenring | Member of the Board | Appointed 31 January 2003 |
| Sheri L. Morin | Member of the Board | Appointed 15 August 2016 |
| Grégoire de Mierry | Member of the Board | Appointed 1 December 2016 Resigned 1 May 2019 |
| Mark Ekelschot | Member of the Board | Appointed 15 June 2018 |
| Hafsa Shamsie | Member of the Board | Appointed 1 May 2019 |

The directors did not receive remuneration or payment from the Company for their time and expenses related to their services during the first six month ended on 30 June 2019 (2018: none).

11. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in Note 15 to the Annual Financial Statements.

Carrying value and fair value

The carrying values and fair values of financial assets at 30 June 2019 are stated below:

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

| By line items in notes | Asset class | 30 June 2019 | | 31 December 2018 | |
|---|----------------|-----------------|--------------|------------------|------------|
| | | Carrying amount | Fair value | Carrying amount | Fair value |
| Long-term loan receivable – related parties ⁵ | Amortised cost | 1,729 | 1,801 | 1,728 | 1,763 |
| Short-term loan receivable – related parties ⁵ | Amortised cost | - | - | - | - |
| Accounts receivable – related parties ¹⁰ | Amortised cost | 26 | 26 | 28 | 28 |
| Total | | 1,755 | 1,827 | 1,756 | 1,791 |

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.

Woerden, 23 July 2019

The Board of Directors

Sheri L. Morin

Peter Eisenring

Mark Ekelschot

Hafsa Shamsie

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 condensed balance sheet as at 30 June 2019, the condensed statement of comprehensive income, condensed statement of changes in equity, and the condensed statement of 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 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amstelveen, 23 July 2019

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

sgd.

drs. M.F. Meijer RA
