

**Interim Report**

**30 June 2008**

**Roche Finance Europe B.V.**

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## **Interim Directors' Report**

### **General**

Roche Finance Europe B.V. was incorporated on 31 January 2003. The paid up capital is EUR 2,000,000. Roche Pharmholding B.V. is the sole shareholder.

### **Principal activities**

The main activity of the Company is the provision of financing to other Roche Group affiliates. Refinancing takes place on bond or credit markets. During the first half of 2008 no new bonds have been issued by the Company.

### **Employees**

According to a cost-sharing agreement Roche Pharmholding manages the activities of the Company. The company has no employees.

### **Result of the year**

The total profit of the first half of 2008 is EUR 1,064,000. This profit mainly relates to the result on interest, reduced by income tax.

### **Financial position**

The liquidity and solvency of the Company is satisfactory. The Company has a cash-pooling agreement with its shareholder Roche Pharmholding B.V. based on zero balancing, in which Roche Pharmholding B.V. is the cash-pool leader.

### **Future prospects**

The Company is constantly assessing its financing needs and evaluating financing opportunities as part of its ordinary course of business. The maturity date of the issued 750 Mio EUR-bond and the related loans to affiliates is 9 October 2008. As of the date of this report, there are no specific plans to raise capital or debt and no decision has been taken with respect to such financing activities.

### **Principal risks and uncertainties**

The company is exposed to various financial risks arising from its underlying operations and activities, predominantly related to credit risk, liquidity risk and market risk. The company's financial risk management is described in Note 5.10 to the Financial Statements for the year ended 31 December 2007. The company's contingencies and commitments are described in Note 3.6 to the Interim Financial Statements.

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 company and the historical results given in the Interim Directors' Report and the Interim Financial Statements.

### 3. Responsibility statement

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 Financial Statements for the year ended 31 December 2007, as they provide an update of previously reported information. They were approved for issue by the Board of Directors on 12 August 2008. The directors confirm that this Interim Directors' Report includes a fair review of the information required.

Woerden, August 12, 2008

The Board of Directors




N.S. de Boer



B.R. Lieberherr



J.W. van den Broek



P. Eisenring

## **Interim Financial Statements**

## Roche Finance Europe B.V. Balance sheet

		<u>30 June 2008</u>		<u>31 December 2007</u>	
		EUR '000	EUR '000	EUR '000	EUR '000
<i>Assets</i>					
<b>Non-current assets</b>					
Loans to affiliates	3.1		309,743		332,151
<b>Current assets</b>					
Receivables from shareholder	3.2	4,377		5,080	
Loans to affiliates	3.1	758,000		758,000	
Receivables from affiliates	3.3	35,892		13,023	
			<u>798,269</u>		<u>776,103</u>
			<u>1,108,012</u>		<u>1,108,254</u>

		<b>30 June 2008</b>		<b>31 December 2007</b>	
		EUR'000	EUR '000	EUR '000	EUR '000
<i>Shareholders' equity and liabilities</i>					
<b>Shareholders' equity</b>	3.4				
Share capital		2,000		2,000	
Retained earnings		7,055		4,903	
Unappropriated profit		1,064		2,152	
			10,119		9,055
<b>Long-term liabilities</b>					
Debt instruments	3.5	310,621		332,975	
Deferred taxes		147		160	
			310,768		333,135
<b>Current liabilities</b>					
Debt instruments	3.5	749,561		748,798	
Corporate income tax payable		377		744	
Accrued interest on debt instruments		35,911		12,969	
Interest received in advance		1,268		3,542	
Other creditors and accrued liabilities		8		11	
			787,125		766,064
			1,108,012		1,108,254

## Roche Finance Europe B.V. Income statement

	Six months ended 30 June 2008		Six months ended 30 June 2007	
	EUR '000	EUR '000	EUR '000	EUR '000
<b>Net interest revenues</b>				
Interest revenue on loans to affiliates	25,257		27,128	
Interest expense on debt instruments	(22,942)		(24,794)	
Amortisation of debt discount	(873)		(854)	
		1,442		1,480
<b>Expenses</b>				
General and administrative expenses		(64)		(65)
<b>Financial expenses</b>				
Withholding tax on interest	(115)		(115)	
Foreign exchange loss	(22,407)		(613)	
Interest expenses to shareholder	—		—	
		(22,522)		(728)
<b>Financial income</b>				
Foreign exchange gain	22,465		613	
Interest income from shareholder	108		99	
		22,573		712
<b>Profit before tax</b>		1,429		1,399
Income tax		(365)		(357)
<b>Profit for the period</b>		1,064		1,042

## Roche Finance Europe B.V. Statement of cash flows

	Six months ended 30 June 2008	Six months ended 30 June 2007
	EUR '000	EUR '000
<b>Cash flows from financing activities</b>		
Interest received on loans to affiliates	-	-
Interest received on bank accounts	-	-
Payment of transaction costs	-	-
Payment of ongoing expenses	(66)	(73)
Interest paid on debt instruments	-	-
Income taxes paid	(744)	(771)
Net settlement (to)from cash-pool shareholder	810	844
	-	-
<b>Net cash from financing activities</b>	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	-	-
Net effect of currency translation on cash and cash equivalents	-	-
	-	-
<b>Cash and cash equivalents at 30 June</b>	-	-

**Roche Finance Europe B.V. Statement of recognised income and expenses**

	<b>Six months ended</b> 30 June 2008	<b>Six months ended</b> 30 June 2007
	EUR '000	EUR '000
<b>Total recognised income and expenses for the period</b>	<b>1,064</b>	<b>1,042</b>

## Notes to the Roche Finance Europe B.V. interim financial statements

### 1 General

#### *Activities*

Roche Finance Europe B.V. (“the Company”) is a limited liability Company with its legal residence in Woerden, the Netherlands. The Company acts as a finance company and was incorporated on 31 January 2003.

#### *Group structure*

The Company is a wholly owned subsidiary of Roche Pharmholding B.V. The Company forms a taxable group with Roche Pharmholding B.V. and Roche Diagnostics Nederland B.V.

The ultimate parent Company of Roche Finance Europe B.V. is Roche Holding Ltd, Basel, Switzerland.

#### *Cash flow statement*

In the statement of cash flows the cash flows are presented using the direct method. As from 2005 the company participates in a corporate cash-pool. Roche Pharmholding B.V. is head of this cash-pool.

## **2 Significant accounting policies**

### *Basis of preparation of financial statements*

These financial statements are the unaudited interim financial statements (hereafter the 'the Interim Financial Statements') of Roche Pharmholding B.V., a company incorporated in The Netherlands, for the six-month period ended 30 June 2008 (hereafter "the interim period").

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 Financial Statements for the year ended 31 December 2007 (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 12 August 2008.

The Interim Financial Statements have been prepared in accordance with the accounting policies set out in the Annual Financial Statements, except for accounting policy changes 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.

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 judgement at the date of the Interim Financial Statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

### *Changes in accounting policies*

In 2007 the Company early adopted IFRS 8 'Operating Segments' and IAS 23 (revised) 'Borrowing Costs' which are required to be implemented from 1 January 2009 at the latest. In 2008 the Company early adopted the revised versions of IFRS 3 'Business Combinations', IAS 27 'Consolidated and Separate Financial Statements' that were published in early 2008 and which are required to be implemented from 1 January 2010 at the latest. The implementation of these new and revised standards had no impact on the current results or financial position of the Company. The Company is currently assessing the potential impacts of the other new and revised standards that will be effective from January 2009, notable the revisions to IFRS 2 'Share-based Payment'.

### 3 Notes to the balance sheet and income statement

#### 3.1 Loans to affiliates

	<b>30 June 2008</b>	<b>31 December 2007</b>
	<u>EUR '000</u>	<u>EUR '000</u>
<i>Roche Deutschland Holding GmbH, Germany</i>		
GBP 125,232,500, interest rate 5.67%, maturity date 29 August 2023	158,176	169,619
<i>Roche Farma S.A., Spain</i>		
EUR 200,000,000, interest rate 4.3%, maturity date 9 October 2008	200,000	200,000
EUR 100,000,000, interest rate 3.48%, maturity date 9 October 2008	100,000	100,000
<i>Roche Products Limited, United Kingdom</i>		
GBP 120,000,000, interest rate 5.67%, maturity date 29 August 2023	151,567	162,532
<i>Roche Farmacêutica Química Lda, Amadora, Portugal</i>		
EUR 48,000,000, interest rate 3.86667%, maturity date 9 October 2008	48,000	48,000
<i>Roche Sistemas De Diagnosticos Lda, Amadora, Portugal</i>		
EUR 12,000,000, interest rate 3.86667%, maturity date 9 October 2008	12,000	12,000
<i>Roche S.p.a., Monza, Italy</i>		
EUR 398,000,000, interest rate 3.80%, maturity date 9 October 2008	398,000	398,000
	<u>1,067,743</u>	<u>1,090,151</u>

All loans are fully payable on the maturity date, with no intermediate redemption.

	<b>30 June 2008</b>
	<u>EUR '000</u>
<b>Long-term loans receivable</b>	
Balance at 1 January	332,151
Reclassification to short-term	–
Currency translation effects	(22,408)
	<u>309,743</u>
Balance at 30 June 2008	<u>309,743</u>
	<b>30 June 2008</b>
	<u>EUR</u>
<b>Short-term loans receivable</b>	
Balance at 1 January	758,000
Reclassification from long-term	–
	<u>758,000</u>
Balance at 30 June 2008	<u>758,000</u>

### 3.2 *Receivables from shareholder*

As of 2005 the Company participates in a corporate cash-pool. As per 30 June 2008 there is a receivable of EUR 4,377,000 from Roche Pharmholding B.V., the head of this cash-pool.

### 3.3 *Receivables from affiliates*

Receivables from affiliates of EUR 35,892,000 relate to accrued interest on the outstanding loans.

### 3.4 Shareholders' equity

#### *Share capital*

The Company's authorised share capital is EUR 10,000,000 and is divided into 100,000 shares of EUR 100 each of which 20,000 shares have been issued and fully paid up at 30 June 2008.

### 3.5 Debt instruments

The Company issued two bonds in 2003. The breakdown of the bonds is as follows:

	<b>30 June 2008</b>
	<u>GBP '000</u>
<b>5.375% bonds due 29 August 2003, principal 250 million pounds sterling</b>	
Initial recognition	245,184
Amortisation of debt discount	
- 2003	45
- 2004	141
- 2005	149
- 2006	157
- 2007	165
- 2008 (through 30 June)	86
	<u>245,927</u>
Total	<u>245,927</u>

	<b>30 June 2008</b>
	<u>EUR '000</u>
<b>4% bonds due 9 October 2009, principal 750 million euros</b>	
Initial recognition	742,225
Amortisation of debt discount	
- 2003	934
- 2004	1,327
- 2005	1,380
- 2006	1,437
- 2007	1,495
- 2008 (through 30 June)	763
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Total	749,561
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Movements during the year were as follows:

	<b>2008</b>
	<u>EUR '000</u>
<b>Long-term</b>	
Balance at 1 January	332,975
Amortisation of debt discount	110
Reclassification to short-term	-
Currency translation effects	(22,464)
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Balance at 30 June	310,621
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	<b>2008</b>
	<u>EUR '000</u>
<b>Short-term</b>	
Balance at 1 January	748,798
Reclassification from long-term	-
Amortisation of debt discount	763
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Balance at 30 June	749,561
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Roche Holding Ltd. unconditionally and irrevocably guaranteed the payments of all amounts due in respect of the bonds issued by the Company.

All bonds are fully payable on the maturity date, with no intermediate redemption.

### *3.6 Contingencies and commitments*

As at balance sheet date the Company has no significant contingencies or commitments, which were not recognized in the balance sheet.