



*Roche Capital Market Ltd –  
Half-Year Report 2020*

# Roche Capital Market Ltd Interim Financial Statements

The Interim Financial Statements have been reviewed by Roche Capital Market Ltd's auditor and their review report is presented on page 8.

## **Roche Capital Market Ltd, statement of comprehensive income** *in millions of CHF*

	Six months ended 30 June	
	2020	2019
<b>Income</b>		
Financial income – related parties <sup>2,7</sup>	<b>11</b>	11
<b>Total income</b>	<b>11</b>	11
<b>Expenses</b>		
Financing costs <sup>2</sup>	<b>(8)</b>	(7)
Financing costs – related parties <sup>2,7</sup>	<b>(2)</b>	(3)
<b>Total expenses</b>	<b>(10)</b>	(10)
<b>Profit before taxes</b>	<b>1</b>	1
Income taxes	<b>0</b>	0
<b>Net income</b>	<b>1</b>	1
Other comprehensive income, net of tax	-	-
<b>Total comprehensive income</b>	<b>1</b>	1

## **Roche Capital Market Ltd, condensed balance sheet** *in millions of CHF*

	30 June 2020	31 December 2019
<b>Assets</b>		
Non-current assets <sup>3,7</sup>	<b>2,500</b>	2,500
Current assets <sup>3,7</sup>	<b>37</b>	32
<b>Total assets</b>	<b>2,537</b>	2,532
<b>Liabilities</b>		
Non-current liabilities <sup>4</sup>	<b>(2,500)</b>	(2,500)
Current liabilities	<b>(11)</b>	(7)
<b>Total liabilities</b>	<b>(2,511)</b>	(2,507)
<b>Total net assets</b>	<b>26</b>	25
<b>Equity</b>		
Share capital <sup>5</sup>	<b>1</b>	1
Retained earnings	<b>25</b>	24
<b>Total equity</b>	<b>26</b>	25

**Roche Capital Market Ltd, statement of cash flows in millions of CHF**

	Six months ended 30 June	
	2020	2019
<b>Cash flows from operating activities</b>		
Net income	1	1
Add back non-operating (income) expense		
- Financial income – related parties <sup>2,7</sup>	(11)	(11)
- Financing costs <sup>2</sup>	8	7
- Financing costs – related parties <sup>2,7</sup>	2	3
Income taxes paid	0	(1)
Proceeds from repayment of loans receivable – related parties <sup>3,7</sup>	25	28
Interest received – related parties	3	3
<b>Total cash flows from operating activities</b>	<b>28</b>	<b>30</b>
<b>Cash flows from investing activities</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
(Increase) decrease of cash pool balance with related parties <sup>7</sup>	(24)	(21)
Interest paid	(4)	(4)
Dividends paid <sup>5,7</sup>	-	(5)
<b>Total cash flows from financing activities</b>	<b>(28)</b>	<b>(30)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at 1 January	-	-
<b>Cash and cash equivalents at 30 June</b>	<b>-</b>	<b>-</b>

**Roche Capital Market Ltd, statement of changes in equity in millions of CHF**

	Share capital	Retained earnings	Total
<b>Six months ended 30 June 2019</b>			
At 1 January 2019	1	28	29
Net income	-	1	1
Other comprehensive income	-	-	-
Total comprehensive income	1	29	30
Dividends <sup>5</sup>	-	(5)	(5)
At 30 June 2019	1	24	25
<b>Six months ended 30 June 2020</b>			
At 1 January 2020	1	24	25
Net income	-	1	1
Other comprehensive income	-	-	-
Total comprehensive income	1	25	26
Dividends <sup>5</sup>	-	-	-
At 30 June 2020	1	25	26

# Notes to the Roche Capital Market Ltd 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 Capital Market Ltd, (*Roche Kapitalmarkt AG*), a company registered in Basel, Switzerland (hereafter 'the Company') for the six months ended 30 June 2020 (hereafter 'the interim period'). The Company is 100% owned by Roche Holding Ltd, (*Roche Holding AG*), a public company registered in Switzerland. Roche Holding Ltd is the parent company of the Roche Group, and therefore the Company is a member of the Roche Group. The main activity of the Company is the provision of financing to other affiliates of the Roche Group. Financing takes place on the bond or loan markets.

These Interim Financial Statements should be read in conjunction with the Financial Statements for the year ended 31 December 2019 (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 21 July 2020.

### Statement of compliance

The Interim Financial Statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. 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 judgements 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 year in which the circumstances change.

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

### Impact of the COVID-19 pandemic

The Group has assessed certain accounting matters that generally require consideration of forecasted financial information taking into account the potential future impacts of the COVID-19 pandemic. The accounting matters assessed included, but were not limited to, the Company's financial assets. No impairment issues were noted for financial assets of the Company. At 30 June 2020 the Company has no financial assets which are past due.

While there was no significant impact from the areas assessed on the Company Interim Financial Statements, the Company will continue to monitor the areas of increased judgements and risk for material changes. Based on our current knowledge and available information, it is not expected that COVID-19 pandemic will have an impact on the ability of the Company to continue as a going concern.

### Segment reporting

The Company has only one operating segment and undertakes its operation in Switzerland. 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

In 2020 the Group has implemented various minor amendments to existing standards and interpretations. None of these new and revised standards and interpretations has a material impact on the Company's overall results and financial position.

### Future new and revised standards

The Group is currently assessing the potential impacts of the various new and revised standards and interpretations that will be mandatory from 1 January 2021 which the Group has not yet applied. Based on the analysis to date, the Group does not anticipate that these will have a material impact on the Group's overall results and financial position. The Group is also assessing other new and revised standards which are not mandatory until after 2021.

## 2. Financial income and financing costs

### Financial income in millions of CHF

	Six months ended 30 June	
	2020	2019
Interest income – related parties <sup>7</sup>	<b>11</b>	11
Total financial income – related parties	<b>11</b>	11

### Financing costs in millions of CHF

	Six months ended 30 June	
	2020	2019
Interest expense	<b>(8)</b>	(7)
Amortisation of debt discount	<b>0</b>	0
Guarantee fees – related parties <sup>7</sup>	<b>(2)</b>	(3)
Total financing costs	<b>(10)</b>	(10)

## 3. Loans receivable – related parties

On 19 March 2020 the Company received a loan repayment of 25 million Swiss francs from F. Hoffmann-La Roche Ltd, Basel.

### Loans receivable – related parties in millions of CHF

	30 June 2020	31 December 2019
Outstanding principal CHF 25 million, due 19 March 2020, interest rate 0.30 %	-	25
Outstanding principal CHF 500 million, due 23 September 2022, interest rate 1.97%	<b>500</b>	500
Outstanding principal CHF 750 million, due 23 September 2024, interest rate 0.3725%	<b>750</b>	750
Outstanding principal CHF 500 million, due 24 September 2025, interest rate 0.4615%	<b>500</b>	500
Outstanding principal CHF 350 million, due 23 March 2029, interest rate 0.7211%	<b>350</b>	350
Outstanding principal CHF 400 million, due 24 September 2030, interest rate 1.0065%	<b>400</b>	400
Total loans receivable – related parties	<b>2,500</b>	2,525
Thereof:		
- Long-term loans receivable	<b>2,500</b>	2,500
- Short-term loans receivable	-	25
Total loans receivable – related parties	<b>2,500</b>	2,525

## 4. Debt

### Outstanding bonds

#### Recognised liabilities and effective interest rates of bonds *in millions of CHF*

	Effective interest rate	30 June 2020	31 December 2019
1.625% bonds due 23 September 2022, principal CHF 0.5 billion (ISIN: CH0180513183)	1.64%	500	500
0.1% bonds due 23 September 2024, principal CHF 0.750 billion (ISIN: CH0358654975)	0.11%	750	750
0.25% bonds due 24 September 2025 principal CHF 0.5 billion (ISIN: CH0433761308)	0.25%	500	500
0.45% bonds due 23 March 2029, principal CHF 0.35 billion (ISIN: CH0359915409)	0.46%	350	350
0.75% bonds due 24 September 2030 principal CHF 0.4 billion (ISIN: CH0433761316)	0.74%	400	400
Total		<b>2,500</b>	2,500
Thereof:			
- Long-term debt		<b>2,500</b>	2,500
- Short-term debt		-	-
Total debt		<b>2,500</b>	2,500

The fair value of the bonds is CHF 2,579 million (31 December 2019: CHF 2,595 million). These are determined based on the 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 or notes

The Company did not issue any bonds or notes during the six months ended 30 June 2020 (2019: none).

#### Redemption of bonds or notes

The Company did not redeem any bonds or notes during the six months ended 30 June 2020 (2019: none).

## 5. Equity

#### Share capital

The authorised and issued share capital of the Company consists of 1,000 shares with a nominal value of CHF 1,000 each and has not changed during the interim period. All the shares are owned by Roche Holding Ltd, a public company registered in Switzerland.

#### Dividends

The Company paid no dividends in 2020 (2019: CHF 5 million).

#### Own equity instruments

The Company holds none of its own shares (2019: none).

## 6. Contingent liabilities

As of 30 June 2020, the Company does not have any material contingent liabilities (2019: none).

## 7. 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 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 6 to the Annual Financial Statements.

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

	Six months ended 30 June	
	2020	2019
Interest income – related parties <sup>2</sup>	<b>11</b>	11
Guarantee fees – related parties <sup>2</sup>	<b>(2)</b>	(3)
(Increase) decrease of cash pool balance with related parties	<b>(24)</b>	(21)
Repayment of short-term loans receivable – related parties <sup>3</sup>	<b>25</b>	28
Dividends paid – related parties <sup>5</sup>	-	(5)

#### **Related party balances in millions of CHF**

	30 June	31 December
	2020	2019
Long-term loans receivable – related parties <sup>3,7</sup>	<b>2,500</b>	2,500
Short-term loans receivable – related parties <sup>3,7</sup>	-	25
Accounts receivable – related parties <sup>8</sup>	<b>37</b>	7
Accounts payable – related parties	-	(2)

## **8. Financial risk management**

The Company's financial risk management objectives and policies are consistent with those disclosed in the Note 13 to the Annual Financial Statements.

### **Carrying value and fair value**

The carrying values and fair values of financial assets at 30 June 2020 are stated below:

#### **Carrying value and fair value of financial assets in millions of CHF**

By line items in notes	Asset class	30 June 2020		31 December 2019	
		Carrying value	Fair value	Carrying value	Fair value
Long-term loans receivable – related parties <sup>3,7</sup>	Financial assets at amortised cost	<b>2,500</b>	<b>2,618</b>	2,500	2,603
Short-term loans receivable – related parties <sup>3,7</sup>	Financial assets at amortised cost	-	-	25	25
Accounts receivable – related parties <sup>7</sup>	Financial assets at amortised cost	<b>37</b>	<b>37</b>	7	7
<b>Total</b>		<b>2,537</b>	<b>2,655</b>	2,532	2,635

The fair values for loans receivables – related parties disclosed in the above table were 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 Roche Group. The fair value of the loans receivable would be Level 2 in the fair value hierarchy.

At 30 June 2020 the Company has no financial assets which are past due but not impaired (2019: none) and no financial assets whose terms have been renegotiated (2019: none).

For financial assets at amortised cost, the Company applies the general expected credit loss model. 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.



# Independent Auditor's Report on the Review of Interim Financial Statements

To the Board of Directors of Roche Capital Market Ltd, Basel

## Introduction

We have been engaged to review the accompanying condensed balance sheet of Roche Capital Market Ltd as at 30 June 2020 and the related statement of comprehensive income, statement of cash flows and statement of changes in equity for the six-month period then ended, and selected explanatory notes (the interim financial statements) on pages 2 to 7. The Board of Directors is responsible for the preparation and presentation of these interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim financial statements based on our review.

## Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 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 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 interim financial statements as at 30 June 2020 are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

KPMG AG

Mark Baillache  
Licensed Audit Expert

Marc Ziegler  
Licensed Audit Expert

Basel, 21 July 2020