



*Roche Capital Market Ltd –  
Interim Financial Statements 2015*

# 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	
	2015	2014
<b>Income</b>		
Financial income – related parties <sup>2</sup>	<b>51</b>	<b>51</b>
<b>Total income</b>	<b>51</b>	<b>51</b>
<b>Expenses</b>		
Financing costs <sup>2</sup>	<b>(43)</b>	<b>(42)</b>
Financing costs – related parties <sup>2</sup>	<b>(7)</b>	<b>(7)</b>
<b>Total expenses</b>	<b>(50)</b>	<b>(49)</b>
<b>Profit before taxes</b>	<b>1</b>	<b>2</b>
Income taxes	-	-
<b>Net income</b>	<b>1</b>	<b>2</b>
Other comprehensive income, net of tax	-	-
<b>Total comprehensive income</b>	<b>1</b>	<b>2</b>

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

	30 June 2015	31 December 2014
<b>Assets</b>		
Non-current assets <sup>3,7</sup>	<b>2,600</b>	2,600
Current assets <sup>7</sup>	<b>55</b>	79
<b>Total assets</b>	<b>2,655</b>	2,679
<b>Liabilities</b>		
Non-current liabilities <sup>4</sup>	<b>(2,593)</b>	(2,591)
Current liabilities	<b>(30)</b>	(57)
<b>Total liabilities</b>	<b>(2,623)</b>	(2,648)
<b>Total net assets</b>	<b>32</b>	31
<b>Equity</b>		
Share capital <sup>5</sup>	<b>1</b>	1
Retained earnings	<b>31</b>	30
<b>Total equity</b>	<b>32</b>	31

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

	Six months ended 30 June	
	2015	2014
Cash flows from operating activities, before income taxes paid	-	-
Income taxes paid	<b>(1)</b>	<b>(1)</b>
Cash flows from operating activities	<b>(1)</b>	<b>(1)</b>
Cash flows from investing activities	<b>42</b>	<b>42</b>
Cash flows from financing activities	<b>(41)</b>	<b>(41)</b>
<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 Capital Market Ltd, statement of changes in equity** *in millions of CHF*

	Share capital	Retained earnings	Total
<b>Six months ended 30 June 2014</b>			
At 1 January 2014	1	26	27
Net income	-	2	2
Other comprehensive income	-	-	-
Total comprehensive income	-	2	2
Dividends	-	-	-
At 30 June 2014	1	28	29
<b>Six months ended 30 June 2015</b>			
At 1 January 2015	<b>1</b>	<b>30</b>	<b>31</b>
Net income	-	<b>1</b>	<b>1</b>
Other comprehensive income	-	-	-
Total comprehensive income	-	<b>1</b>	<b>1</b>
Dividends	-	-	-
At 30 June 2015	<b>1</b>	<b>31</b>	<b>32</b>

# Notes to the Roche Capital Market Ltd Interim Financial Statements

## 1. Accounting policies

### **Basis of preparation**

These financial statements are the unaudited 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 2015 (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. Refinancing 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 2014 (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 2015.

### **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.

### **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 2015, the Roche Group, and consequently the Company, implemented various amendments to existing standards and interpretations, which have no material impact on the Company's overall results and financial position.

The Roche Group is currently assessing the potential impacts of new and revised standards and interpretations that will be mandatory from 2016 which the Roche Group has not yet applied. 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.

## 2. Financial income and financing costs

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

	Six months ended 30 June	
	2015	2014
Interest income – related parties	<b>51</b>	51
Total financial income – related parties	<b>51</b>	51

### Financing costs *in millions of CHF*

	Six months ended 30 June	
	2015	2014
Interest expense	<b>(41)</b>	<b>(41)</b>
Amortisation of debt discount	<b>(2)</b>	<b>(1)</b>
Guarantee fees – related parties	<b>(7)</b>	<b>(7)</b>
Total financing costs	<b>(50)</b>	<b>(49)</b>

## 3. Loans receivable – related parties

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

	30 June 2015	31 December 2014
Outstanding principal 1,500 million CHF, due 23 March 2017, effective interest rate 5.63%	<b>1,500</b>	1,500
Outstanding principal 600 million CHF, due 21 September 2018, effective interest rate 1.37%	<b>600</b>	600
Outstanding principal 500 million CHF, due 23 September 2022, effective interest rate 1.97%	<b>500</b>	500
Total loans receivable – related parties	<b>2,600</b>	2,600
Reported as		
- Long-term loans receivable	<b>2,600</b>	2,600
- Short-term loans receivable	-	-
Total loans receivable – related parties	<b>2,600</b>	2,600

## 4. Debt

### Outstanding bonds

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

	Effective interest rate	30 June 2015	31 December 2014
4.5% bonds due 23 March 2017, principal 1,500 million CHF (ISIN: CH0039139263)	4.77%	<b>1,494</b>	1,492
1% bonds due 21 September 2018, principal 600 million CHF (ISIN: CH0180513068)	1.04%	<b>600</b>	600
1.625% bonds due 23 September 2022, principal 500 million CHF (ISIN: CH0180513183)	1.64%	<b>499</b>	499
Total		<b>2,593</b>	2,591

The fair value of the bonds is 2,792 million Swiss Francs (31 December 2014: 2,811 million Swiss Francs). 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 2015 or 30 June 2014.

### Redemption of bonds or notes

No redemption was made during the six months ended 30 June 2015 or June 2014.

## 5. Equity

### Share capital

The authorised and issued share capital of the Company consists of 1,000 shares with a nominal value of 1,000 Swiss francs 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

There were no dividend payments during the six months ended 30 June 2015 (2014: none).

### Own equity instruments

The Company holds none of its own shares (2014: none).

## 6. Contingent liabilities

As of 30 June 2015, the Company does not have any material contingent liabilities (2014: none).

## 7. 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 6 to the Annual Financial Statements.

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

	Six months ended 30 June	
	2015	2014
Interest income – related parties <sup>2</sup>	<b>51</b>	<b>51</b>
Guarantee fees – related parties	<b>(7)</b>	<b>(7)</b>
(Increase) decrease of cash pool balance with related parties	<b>33</b>	<b>34</b>

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

	30 June 2015	31 December 2014
Loans receivable – related parties <sup>3</sup>	<b>2,600</b>	2,600
Accounts receivable – related parties <sup>8</sup>	<b>55</b>	79

## 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 2015 are stated below:

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

By line items in notes	Asset class	30 June 2015		31 December 2014	
		Carrying value	Fair value	Carrying value	Fair value
Loans receivable – related parties <sup>3</sup>	Loans and receivables	<b>2,600</b>	<b>2,741</b>	2,600	2,727
Accounts receivable – related parties <sup>7</sup>	Loans and receivables	<b>55</b>	<b>55</b>	79	79
Total		<b>2,655</b>	<b>2,796</b>	2,679	2,806

The fair values for loan 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.

# Review Report of the Statutory Auditor


## 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 2015 and the related statement of 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 interim financial statements) on pages 1 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 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 interim financial statements as at 30 June 2015 are not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

KPMG AG



Ian Starkey  
*Licensed Audit Expert*  
*Auditor in Charge*



Marc Ziegler  
*Licensed Audit Expert*

Basel, 21 July 2015