



*Roche Capital Market Ltd –
Half-Year Report 2018*

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	
	2018	2017
Income		
Financial income – related parties ²	11	29
Total income	11	29
Expenses		
Financing costs ²	(7)	(24)
Financing costs – related parties ²	(3)	(5)
Total expenses	(10)	(29)
Profit before taxes	1	-
Income taxes	-	-
Net income	1	-
Other comprehensive income, net of tax	-	-
Total comprehensive income	1	-

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

	30 June 2018	31 December 2017
Assets		
Non-current assets ^{3,7}	1,600	1,600
Current assets ^{3,7}	1,040	1,037
Total assets	2,640	2,637
Liabilities		
Non-current liabilities ⁴	(1,599)	(1,599)
Current liabilities	(1,012)	(1,010)
Total liabilities	(2,611)	(2,609)
Total net assets	29	28
Equity		
Share capital ⁵	1	1
Retained earnings	28	27
Total equity	29	28

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

	Six months ended 30 June	
	2018	2017
Cash flows from operating activities		
Net income	1	-
Add back non-operating (income) expense		
- Financial income – related parties	(11)	(29)
- Financing costs	7	24
- Financing costs – related parties	3	5
- (Increase) decrease in net working capital – related parties	-	(1)
Income taxes paid	-	(1)
Issue of loans receivable – related parties ³	-	(1,500)
Proceeds from repayment of loans receivable – related parties ³	30	1,565
Interest received – related parties	2	36
Total cash flows from operating activities	32	99
Cash flows from investing activities	-	-
Cash flows from financing activities		
Proceeds from issue of bonds ⁴	-	1,502
Repayment and redemption of bonds ⁴	-	(1,500)
(Increase) decrease of cash pool balance with related parties	(28)	(26)
Interest paid	(4)	(66)
Dividends paid	-	(10)
Other financing cash flows	-	1
Total cash flows from financing activities	(32)	(99)
Increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	-	-
Cash and cash equivalents at 30 June	-	-

The Company has changed the presentation of the loans receivables, previously shown as investing activities. The comparative period information has been restated accordingly.

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

	Share capital	Retained earnings	Total
Six months ended 30 June 2017			
At 1 January 2017	1	36	37
Net income	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Dividends	-	(10)	(10)
At 30 June 2017	1	26	27
Six months ended 30 June 2018			
At 1 January 2018	1	27	28
Net income	-	1	1
Other comprehensive income	-	-	-
Total comprehensive income	1	28	29
Dividends	-	-	-
At 30 June 2018	1	28	29

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 2018 (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 2017 (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 24 July 2018.

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 2018 the Group implemented the following new standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2018.

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'

The Group has also implemented various other 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.

IFRS 9 'Financial Instruments'. Effective 1 January 2018 the Company has implemented IFRS 9 'Financial Instruments'. The new standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 deals with the classification, recognition and measurement (including impairment) of financial instruments and also introduces a new hedge accounting model. The new standard does not have a material impact on the Company's overall results and financial position. Under the new standard, the classification and measurement of the financial assets remains unchanged. No impairment is deemed required under the expected credit loss model (used in IFRS 9).

2. Financial income and financing costs

Financial income *in millions of CHF*

	Six months ended 30 June	
	2018	2017
Interest income – related parties	11	29
Total financial income – related parties	11	29

Financing costs *in millions of CHF*

	Six months ended 30 June	
	2018	2017
Interest expense	(8)	(24)
Amortisation of debt discount	1	-
Guarantee fees – related parties	(3)	(5)
Total financing costs	(10)	(29)

3. Loans receivable – related parties

On 21 March 2018 the Company received a loan repayment of 30 million Swiss francs from F. Hoffmann-La Roche Ltd, Basel.

Loans receivable – related parties *in millions of CHF*

	30 June 2018	31 December 2017
Outstanding principal CHF 30 million, due 21 March 2018, interest rate 0.30%	-	30
Outstanding principal CHF 600 million, due 21 September 2018, interest rate 1.37%	600	600
Outstanding principal CHF 400 million, due 23 September 2018, at a yield of negative 0.1870%	400	400
Outstanding principal CHF 500 million, due 23 September 2022, interest rate 1.97%	500	500
Outstanding principal CHF 750 million, due 23 September 2024, interest rate 0.3725%	750	750
Outstanding principal CHF 350 million, due 23 March 2029, interest rate 0.7211%	350	350
Total loans receivable – related parties	2,600	2,630
Thereof:		
- Long-term loans receivable	1,600	1,600
- Short-term loans receivable	1,000	1,030
Total loans receivable – related parties	2,600	2,630

4. Debt

Outstanding bonds

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

	Effective interest rate	30 June 2018	31 December 2017
1% bonds due 21 September 2018, principal CHF 0.6 billion (ISIN: CH0180513068)	1.04%	600	600
Zero coupon bonds due 23 September 2018, principal CHF 0.4 billion (ISIN: CH0358654967)	-0.45%	400	401
1.625% bonds due 23 September 2022, principal CHF 0.5 billion (ISIN: CH0180513183)	1.64%	499	499
0.1% bonds due 23 September 2024, principal CHF 0.750 billion (ISIN: CH0358654975)	0.11%	750	750
0.45% bonds due 23 March 2029, principal CHF 0.350 billion (ISIN: CH0359915409)	0.46%	350	350
Total		2,599	2,600
Thereof:			
- Long-term debt		1,599	1,599
- Short-term debt		1,000	1,001
Total debt		2,599	2,600

The fair value of the bonds is CHF 2,633 million (31 December 2017: CHF 2,650 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 2018 (2017: CHF 1,500 million).

Redemption of bonds or notes

The Company did not redeem any bonds or notes during the six months ended 30 June 2018 (2017: CHF 1,500 million).

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 2018 (2017: CHF 10 million).

Own equity instruments

The Company holds none of its own shares (2017: none).

6. Contingent liabilities

As of 30 June 2018, the Company does not have any material contingent liabilities (2017: 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	
	2018	2017
Interest income – related parties ²	11	29
Guarantee fees – related parties	(3)	(5)
(Increase) decrease of cash pool balance with related parties	(28)	(26)
Repayment of short-term loans receivable – related parties ³	30	1,565
Disbursement of long-term loans receivable – related parties ³	-	(1,500)

Related party balances in millions of CHF

	30 June	31 December
	2018	2017
Long-term loans receivable – related parties ³	1,600	1,600
Short-term loans receivable – related parties ³	1,000	1,030
Accounts receivable – related parties ⁸	40	7
Accounts payable – related parties	-	(4)

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 2018 are stated below:

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

By line items in notes	Asset class	30 June 2018		31 December 2017	
		Carrying value	Fair value	Carrying value	Fair value
Long-term loans receivable – related parties ³	Loans and receivables	1,600	1,623	1,600	1,630
Short-term loans receivable – related parties ³	Loans and receivables	1,000	1,002	1,030	1,036
Accounts receivable – related parties ⁷	Loans and receivables	40	40	7	7
Total		2,640	2,665	2,637	2,673

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.



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 2018 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 1 to 8. 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 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

KPMG AG

Mark Baillache
Licensed Audit Expert
Auditor in Charge

Marc Ziegler
Licensed Audit Expert

Basel, 24 July 2018