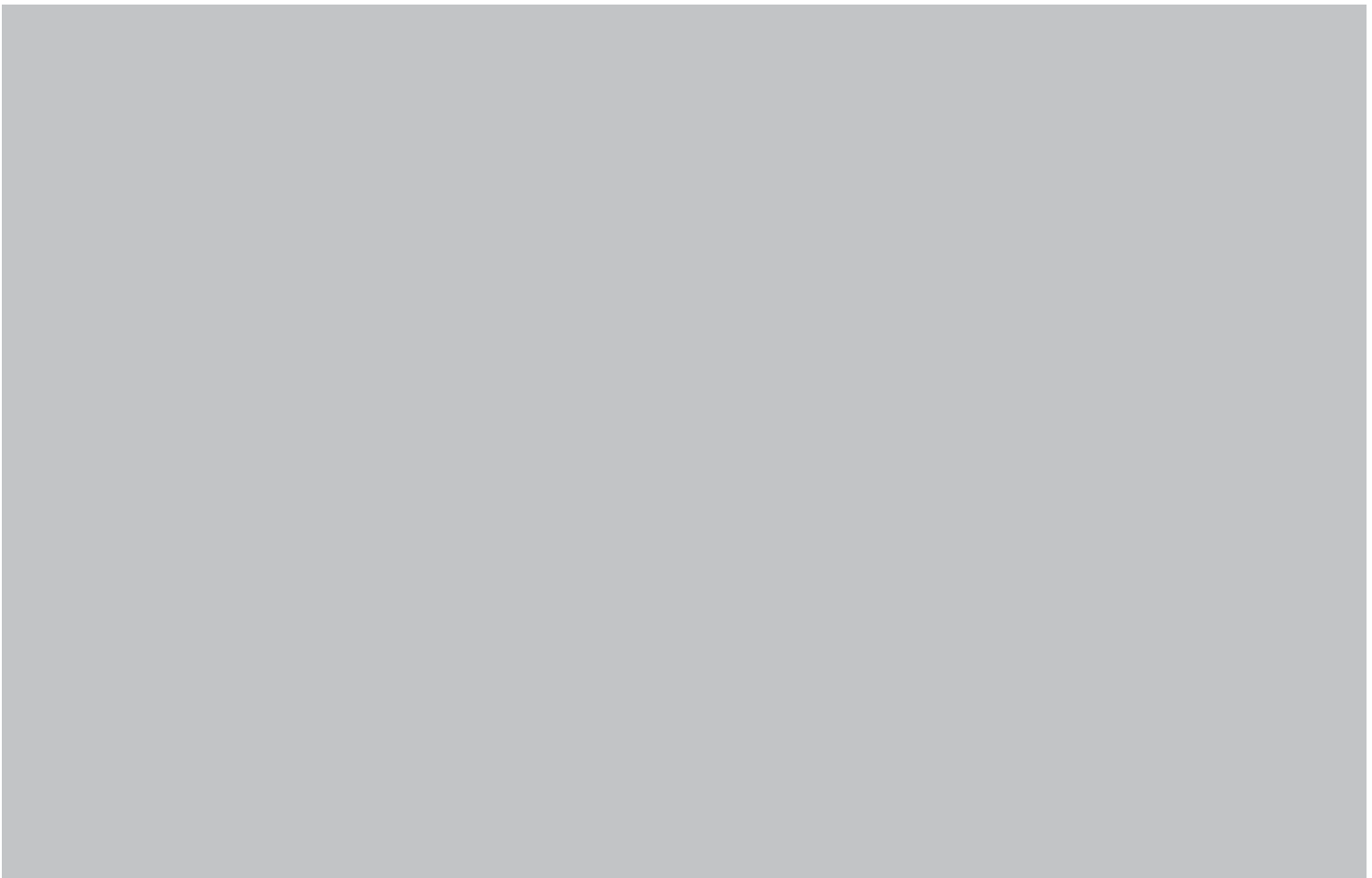




*Roche Finance Europe B.V. -
Financial Statements 2014*



Management Report

1. Review of the year ended 31 December 2014

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.

Important events

No important events have occurred during the year ended 31 December 2014.

Financial position and performance

The financial performance and the financial position of the Company did not change materially. Net Income of the financial year 2014 was 446 thousand EUR (2013: 521 thousand EUR). Interest income on loans was 49,483 thousand EUR (2013: 48,032 thousand EUR), interest expense on debt instruments was 33,836 thousand EUR (2013: 32,408 thousand EUR) and guarantee fees to the parent company were 13,797 thousand EUR (2013: 13,762 thousand EUR).

No investments were made during the financial year 2014 (2013: none).

Employees

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

The Company has taken notice of article 276 Book 2 of the Civil Code which requires the Company to consider the balanced composition between male and female Directors within a Board. It is policy of the shareholder to appoint directors in senior management positions at Roche Finance Europe B.V. who are employed by the Roche Group and have the relevant competencies and skills. As such the universe of candidates is limited. Nevertheless, this requirement will be taken into consideration in every new appointment.

Future outlook

The Company will continue its current activities in 2015. No changes in the activities of the Company are expected.

2. Principal risks and uncertainties

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 and solvency 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 loan receivables 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 3.9 billion EUR.

The Company's financial risk management is described in the Note 14 to the Annual Financial Statements in more detail.

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 actual and future results, financial position and performance of the Company and the historical results given in the Management Report and the 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 audited financial statements as at 31 December 2014:

- the audited financial statements as at 31 December 2014, 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 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 January 2015

The Board of Directors

B.L.A. Vanhauwere

J.W. van den Broek

P. Eisenring

D.F. Heinis

Roche Finance Europe B.V. Financial Statements

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

| | Year ended 31 December | |
|---|------------------------|------|
| | 2014 | 2013 |
| Income | | |
| Financial income – related parties ² | 50 | 48 |
| Total Income | 50 | 48 |
| Expenses | | |
| Financing costs ² | (35) | (33) |
| Guarantee fees – related parties ² | (14) | (14) |
| Total expenses | (49) | (47) |
| Profit before taxes | 1 | 1 |
| Income tax ⁴ | - | - |
| Net income | 1 | 1 |
| Other comprehensive income, net of tax | - | - |
| Total comprehensive income | 1 | 1 |

Roche Finance Europe B.V., balance sheet in millions of EUR

| | 31 December 2014 | 31 December 2013 | 31 December 2012 |
|--|------------------|------------------|------------------|
| Non-current assets | | | |
| Long-term loans receivable – related parties ⁶ | 1,251 | 1,234 | 1,240 |
| Total non-current assets | 1,251 | 1,234 | 1,240 |
| Current assets | | | |
| Short-term loans receivable – related parties ⁶ | - | - | - |
| Accounts receivable – related parties ⁷ | 28 | 26 | 25 |
| Cash and cash equivalents ⁸ | - | - | - |
| Total current assets | 28 | 26 | 25 |
| Total assets | 1,279 | 1,260 | 1,265 |
| Non-current liabilities | | | |
| Long-term debt ¹⁰ | (1,251) | (1,233) | (1,238) |
| Deferred income tax liabilities ⁴ | - | - | - |
| Total non-current liabilities | (1,251) | (1,233) | (1,238) |
| Current liabilities | | | |
| Short-term debt ¹⁰ | - | - | - |
| Current income tax liabilities ⁴ | - | - | - |
| Accounts payable – related parties | - | - | - |
| Accrued interest on debt instruments ⁹ | (15) | (15) | (16) |
| Total current liabilities | (15) | (15) | (16) |
| Total liabilities | (1,266) | (1,248) | (1,254) |
| Total net assets | 13 | 12 | 11 |
| Equity | | | |
| Share capital ¹¹ | 2 | 2 | 2 |
| Retained earnings | 10 | 9 | 9 |
| Unappropriated result | 1 | 1 | - |
| Total equity | 13 | 12 | 11 |

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

| | Year ended 31 December | |
|--|------------------------|------|
| | 2014 | 2013 |
| Cash flows from operating activities | | |
| Net income | 1 | 1 |
| Add back non-operating (income) expense | | |
| - Financial income – related parties ² | (50) | (48) |
| - Financing costs ² | 35 | 33 |
| - Guarantee fees – related parties ² | 14 | 14 |
| Total cash flow from operating activities | - | - |
| Cash flows from investing activities | | |
| Issue of long-term loans receivable – related parties ⁶ | - | - |
| Proceeds from repayment of loans receivable – related parties ⁶ | - | - |
| Interest received – related parties | 50 | 48 |
| Total cash flow from investing activities | 50 | 48 |
| Cash flows from financing activities | | |
| Proceeds from issue of bonds and notes ¹⁰ | - | - |
| Repayment and redemption of bonds and notes ¹⁰ | - | - |
| (Increase) decrease of cash pool balance with related parties | (1) | (1) |
| Guarantee fees paid – related parties | (14) | (14) |
| Interest paid | (35) | (33) |
| Total cash flow from financing activities | (50) | (48) |
| Net effect of currency translation on cash and cash equivalents | - | - |
| Increase (decrease) in cash and cash equivalents | - | - |
| Cash and cash equivalents at 1 January | - | - |
| Cash and cash equivalents at 31 December ⁸ | - | - |

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

| | Share capital | Retained earnings | Unappropriated result | Total |
|-------------------------------------|---------------|-------------------|-----------------------|-------|
| Year ended 31 December 2013 | | | | |
| At 1 January 2013 | 2 | 9 | - | 11 |
| Net income | - | - | 1 | 1 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | - | 1 | 1 |
| Appropriation of result | - | - | - | - |
| At 31 December 2013 | 2 | 9 | 1 | 12 |
| Years ended 31 December 2014 | | | | |
| At 1 January 2014 | 2 | 9 | 1 | 12 |
| Net income | - | - | 1 | 1 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | - | 1 | 1 |
| Appropriation of result | - | 1 | (1) | - |
| At 31 December 2014 | 2 | 10 | 1 | 13 |

Notes to the Roche Finance Europe B.V. Financial Statements

1. Summary of significant accounting policies

Basis of preparation

These financial statements are the audited annual financial statements (hereafter 'the Annual Financial Statements') of Roche Finance Europe B.V., a company incorporated in the Netherlands ('the Company'). 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 the bond or loan markets.

Statement of compliance

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code. They have been prepared using the historical cost convention except for items that are required to be accounted for at fair value. They were approved for issue by the Board of Directors on 23 January 2015.

Key accounting judgements, estimates and assumptions

The preparation of the Annual Financial Statements requires management to make judgements, estimates and assumptions that affect 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.

Segment reporting

The Company has only one operating segment and undertakes its operations in the Netherlands. Therefore no segment reporting is included in these Annual Financial Statements.

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. Assets and liabilities in currencies other than euros have been translated into euros at year-end market rate. Gains and losses from the settlement of such transactions and gains and losses on translation of monetary assets and liabilities denominated in other currencies than euros are included in income.

Accounts receivable

Accounts receivable are carried at the original invoice amount less allowances made for doubtful accounts. An allowance for doubtful accounts is recorded where there is objective evidence that the Company will not be able to collect all amounts due.

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 to sell 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 Annual Financial Statements.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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.

Loans and receivables are assessed individually for possible impairment at each reporting date. An impairment charge is recorded where there is objective evidence of impairment, such as where the issuer is in bankruptcy, default or other significant financial difficulty. An impairment charge is the difference between the carrying value and the recoverable amount, calculated using estimated future cash flows discounted using the original effective interest rate.

A financial asset is derecognised when the contractual cash flows from the asset expire or when the Company transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Debt instruments

Debt instruments are initially recorded at cost, which is the proceeds received, net of transaction costs. 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.

Finance income and finance costs

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

Finance costs comprise interest expense on borrowings and impairment losses recognized on financial assets.

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.

Changes in accounting policies adopted by the Roche Group and, consequently, by the Company

In 2014 the Roche Group implemented various minor amendments to existing standards and interpretations, these amendments have no impact on the Company's accounting policies and 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 1 January 2015 and beyond. 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. The Roche Group is also assessing other new and revised standards which are not mandatory until after 2015, notably IFRS 9 'Financial Instruments'.

2. Financial income and financing costs

Financial income – related parties *in millions of EUR*

| | Year ended 31 December | |
|--|------------------------|------|
| | 2014 | 2013 |
| Interest income – related parties | 50 | 48 |
| Total financial income – related parties | 50 | 48 |

Financing costs *in millions of EUR*

| | Year ended 31 December | |
|---|------------------------|------|
| | 2014 | 2013 |
| Interest expense on debt instruments | (34) | (32) |
| Amortisation of debt discount ¹⁰ | (1) | (1) |
| Guarantee fees – related parties | (14) | (14) |
| Total financing costs | (49) | (47) |

3. Auditors remuneration

For the financial year KPMG Accountants N.V. charged net 22 thousand EUR to the Company for the audit of statutory financial statements and review of the Interim Financial Statements.

4. Income taxes

Income tax expenses *in millions of EUR*

| | Year ended 31 December | |
|------------------------|------------------------|------|
| | 2014 | 2013 |
| Current income taxes | - | - |
| Deferred income taxes | - | - |
| Total income (expense) | - | - |

The Company's local statutory tax rate is 25.0% (2013: 25.0%) and this is also the effective tax rate in these Annual Financial Statements.

Income tax assets (liabilities) *in millions of EUR*

| | 31 December 2014 | 31 December 2013 | 31 December 2012 |
|--|------------------|------------------|------------------|
| Current income taxes | | | |
| - Assets | - | - | - |
| - Liabilities | - | - | - |
| Net current income tax assets (liabilities) | - | - | - |
| Deferred income taxes | | | |
| - Assets | - | - | - |
| - Liabilities | - | - | - |
| Net deferred income tax assets (liabilities) | - | - | - |

5. Employee benefits

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

6. Loans receivable – related parties

GBP denominated loans

Loans receivable – related parties in millions of EUR

| | 31 December 2014 | 31 December 2013 | 31 December 2012 |
|--|---------------------|---------------------|---------------------|
| Roche Deutschland Holding GmbH, Germany, due 29 August 2023, outstanding principal 125 million GBP (2013: 125 million GBP; 2012: 125 million GBP), interest rate 5.67% | 160 | 150 | 153 |
| Roche Diagnostics Limited, United Kingdom, due 29 August 2023, outstanding principal 71 million GBP (2013: 71 million GBP; 2012: 71 million GBP), interest rate 5.67% | 91 | 84 | 87 |
| Total loans receivable – related parties | 251 | 234 | 240 |

EUR denominated loans

Loans receivable – related parties in millions of EUR

| | 31 December 2014 | 31 December 2013 | 31 December 2012 |
|---|---------------------|---------------------|---------------------|
| Roche Deutschland Holding GmbH, Germany, due 25 June 2018, outstanding principal 275 million EUR, interest rate 3.50% | 275 | 275 | 275 |
| Roche Diagnostics S.p.A., Italy, due 25 June 2018, outstanding principal 175 million EUR, interest rate 3.50% | 175 | 175 | 175 |
| Roche S.p.A., Italy, due 25 June 2018, outstanding principal 250 million EUR, interest rate 3.50% | 250 | 250 | 250 |
| Roche Diagnostics S.L., Spain, due 25 June 2018, outstanding principal 150 million EUR, interest rate 3.50% | 150 | 150 | 150 |
| Roche Farma S.A., Spain, due 25 June 2018, outstanding principal 100 million EUR, interest rate 3.50% | 100 | 100 | 100 |
| Roche Farmaceutica Quimica, Lda., Portugal, due 25 June 2018, outstanding principal 50 million EUR, interest rate 3.50% | 50 | 50 | 50 |
| Total loans receivable – related parties | 1,000 | 1,000 | 1,000 |
| Reported as | | | |
| - Long-term loans receivable – related parties ¹³ | 1,251 | 1,234 | 1,240 |
| - Short-term loans receivable – related parties ¹³ | - | - | - |
| Total loans receivable – related parties | 1,251 | 1,234 | 1,240 |

7. Accounts receivable - related parties

The Company deposits surplus funds with Roche Pharmholding B.V. in its function as corporate cash pool leader for numerous Roche affiliates. Amounts deposited are immediately available and bear variable interest referenced to one month LIBOR. At 31 December 2014 the Company also had interest receivables from Roche affiliates in respect of the loans given (see Note 6).

Accounts receivable – related parties in millions of EUR

| | 31 December 2014 | 31 December 2013 | 31 December 2012 |
|---|------------------|------------------|------------------|
| Accounts receivable with cash pool leader | 5 | 4 | 3 |
| Interest receivables – related parties | 23 | 22 | 22 |
| Total accounts receivable – related parties | 28 | 26 | 25 |

8. Cash and cash equivalents

At 31 December 2014 the Company had no cash in its bank account (2013: zero EUR).

9. Accrued interest

| Accrued interest <i>in millions of EUR</i> | | | |
|---|------------------|------------------|------------------|
| | 31 December 2014 | 31 December 2013 | 31 December 2012 |
| Interest payable | 15 | 15 | 16 |
| Total accrued interest | 15 | 15 | 16 |

10. Debt

| Debt: movements in carrying value of recognised liabilities <i>in millions of EUR</i> | | |
|--|--------------|-------|
| | 2014 | 2013 |
| At 1 January | 1,233 | 1,233 |
| Proceeds from issue of notes | - | - |
| Repayment and redemption of notes | - | - |
| Amortisation of debt discount ² | 1 | 1 |
| Currency translation effects | 17 | (6) |
| At 31 December | 1,251 | 1,233 |
| Consisting of | | |
| - Notes | 1,251 | 1,233 |
| Total debt | 1,251 | 1,233 |
| Reported as | | |
| - Long-term debt | 1,251 | 1,233 |
| - Short-term debt | - | - |
| Total debt | 1,251 | 1,233 |

| Recognised liabilities and effective interest rates of bonds and notes <i>in millions of EUR</i> | | | | |
|--|-------------------------|------------------|------------------|------------------|
| | Effective interest rate | 31 December 2014 | 31 December 2013 | 31 December 2012 |
| 5.375% notes due 29 August 2023, principal 250 million pounds sterling, outstanding 200 million pounds sterling (ISIN: XS0175478873) | 5.46% | 253 | 236 | 242 |
| 2.0% notes due 25 June 2018, principal 1.0 billion euros (ISIN: XS0760139773) | 2.07% | 998 | 997 | 996 |
| Total | | 1,251 | 1,233 | 1,238 |

The fair value of the notes is 1,378 million EUR (2013: 1,308 million EUR). These are calculated based on observable market prices of the notes (Level 1 fair value hierarchy). There are no pledges on the Company's assets in connection with the debt. All issued notes are guaranteed by Roche Holding Ltd, the parent company of the Roche Group.

Issuance of notes - 2014

In 2014 the Company did not issue any bonds or notes.

Issuance of notes - 2013

In 2013 the Company did not issue any bonds or notes.

11. Equity

Share Capital

The authorised share capital of the Company consists of 100,000 shares with a nominal value of 100 EUR each of which 20,000 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 in 2014 (2013: none).

Own equity instruments

The Company holds none of its own shares (2013: none).

12. Contingent liabilities

As of 31 December 2014, the Company does not have any material contingent liabilities (2013: none).

13. 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 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, as described in Note 7.

Related party transactions *in millions of EUR*

| | Year ended 31 December | |
|--|------------------------|------|
| | 2014 | 2013 |
| Interest income – related parties ² | 50 | 48 |
| Guarantee fees – related parties ² | (14) | (14) |
| Repayment of loans receivable – related parties | - | - |
| (Increase) decrease of cash pool balance with related parties ⁷ | (1) | (1) |
| Issue of long-term loans receivable – related parties ⁶ | - | - |

Related party balances *in millions of EUR*

| | 31 December 2014 | 31 December 2013 | 31 December 2012 |
|--|------------------|------------------|------------------|
| Long-term loans receivable – related parties ⁶ | 1,251 | 1,234 | 1,240 |
| Short-term loans receivable – related parties ⁶ | - | - | - |
| Accounts receivable – related parties ⁷ | 28 | 26 | 25 |
| Accounts payable – related parties | - | - | - |

Subsidiaries and associates

The Company has no subsidiaries or associates.

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

| | | |
|---------------------------|---------------------|---------------------------|
| Bart L.A. Vanhauwere | Chairman | Appointed 1 December 2010 |
| Peter Eisenring | Member of the Board | Appointed 31 January 2003 |
| Johannes W. van den Broek | Member of the Board | Appointed 31 January 2003 |
| Dieter F. Heinis | Member of the Board | Appointed 1 November 2009 |

The directors did not receive remuneration or payment from the Company for their time and expenses related to their services during 2014 and 2013.

14. Risk management

Roche Group risk management

Risk management is a fundamental element of the Roche Group's business practice on all levels and encompasses different types of risks. At a group level risk management is an integral part of the business planning and controlling processes. Material risks are monitored and regularly discussed with the Corporate Executive Committee and the Audit Committee of the Board of Directors.

Financial risk management

The Company is exposed to financial risks arising from its corporate finance activities of providing financing to other affiliates of the Roche Group and obtaining refinancing on the bond markets. The Company's financial risk exposures are related to changes in interest rates and the creditworthiness and solvency of the Company's counterparties.

Financial risk management within the Roche Group is governed by policies reviewed by the Board of Directors. These policies cover credit risk, liquidity risk and market risk and are also applicable to the Company. These policies provide guidance on risk limits, type of authorised financial instruments and monitoring procedures. As a general principle, the policies prohibit the use of derivative financial instruments for speculative trading purposes. Policy implementation and day-to-day risk management are carried out by the relevant treasury functions and regular reporting on these risks is performed by the relevant accounting and controlling functions within Roche.

Credit risk

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Company. The objective of managing counterparty credit risk is to prevent losses of liquid funds deposited with or invested in such counterparties. The maximum exposure to credit risk resulting from financial activities, without considering netting agreements and without taking account of any collateral held or other credit enhancements, is equal to the carrying value of the Company's financial assets.

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

| By line items in notes | Asset class | 31 December 2014 | | 31 December 2013 | |
|--|-----------------------|------------------|--------------|------------------|------------|
| | | Carrying value | Fair value | Carrying value | Fair value |
| Long-term loan receivable – related parties ⁶ | Loans and receivables | 1,251 | 1,365 | 1,234 | 1,301 |
| Accounts receivable – related parties ⁷ | Loans and receivables | 28 | 28 | 26 | 26 |
| Total | | 1,279 | 1,393 | 1,260 | 1,327 |

The fair value for loan 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 loan receivables would be Level 2 in the fair value hierarchy.

At 31 December 2014 the Company has no financial assets which are past due but not impaired (2013: none) and no financial assets whose terms have been renegotiated (2013: none).

Liquidity risk

Liquidity risk arises through a surplus of financial obligations over available financial assets due at any point in time. 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 loan receivables from other members of the Roche Group that have the same maturities. 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 3.9 billion EUR.

As described in Note 10, at 31 December 2014 the Company had financial liabilities with a principal amount of 200 million GBP due 29 August 2023 (2013: 200 million GBP) and with a principal amount of 1,000 million EUR due 25 June 2018. Interest coupons of 10.7 million GBP are payable annually on 29 August for the GBP denominated notes and 20.0 million EUR are payable annually on 25 June for the EUR denominated notes. There are no other contractual cash flows from financial liabilities.

Market risk

Market risk arises from changing market prices, mainly foreign exchange rates and interest rates, of the Company's financial assets or financial liabilities which affect the Company's financial result and equity.

At 31 December 2014 the Company's exposure to interest rate risk was insignificant, as the outstanding principal amount on the Company's debt (see Note 10) and the loans receivable from related parties (see Note 6) are both at fixed interest rates. The Company's only variable interest-bearing financial asset/liability referenced to one month LIBOR was the receivable balance of 5 million EUR (2013: 4 million EUR) with the corporate cash pool leader (see Note 7).

The foreign exchange risk was also insignificant as the terms of financial assets and liabilities as well as the currency are matching.

Capital

The capital management of the Company is managed within the Roche Group. The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide financing activities on behalf of the Roche Group.
- To maintain sufficient financial resources to mitigate against risks and unforeseen events.

Capital is monitored on the basis of the capitalisation, which is calculated as being debt plus equity. Information on the Company's debt and equity is reported to senior management as part of the Roche Group's regular internal management reporting. The Company's capitalisation is shown in the table below.

Capital in millions of EUR

| | 2014 | 2013 | 2012 |
|--------------------|--------------|-------|-------|
| Debt ¹⁰ | 1,251 | 1,233 | 1,238 |
| Equity | 13 | 12 | 11 |
| Capitalisation | 1,264 | 1,245 | 1,249 |

The Company is not subject to regulatory capital adequacy requirements as known in the financial services industry.

Woerden, 23 January 2015

The Board of Directors

B.L.A. Vanhauwere

J.W. van den Broek

P. Eisenring

D.F. Heinis



Other information

Independent auditor's report

To: the General Meeting of Roche Finance Europe B.V.

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of Roche Finance Europe B.V. ("the Company"), based in Woerden.

In our opinion the financial statements give a true and fair view of the financial position of Roche Finance Europe B.V. as at 31 December 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- 1 the statement of financial position as at 31 December 2014;
- 2 the following statements for 2014: the statements of comprehensive income, changes in equity and cash flows; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Roche Finance Europe B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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KPMG Accountants N.V., ingeschreven bij het handelsregister in Nederland onder nummer 33263683, is lid van het KPMG-netwerk van zelfstandige ondernemingen die verbonden zijn aan KPMG International Cooperative ('KPMG International'), een Zwitserse entiteit.

Materiality

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 6.4 million. The materiality is based on 0.5% of the total assets. As the Company is not a profit driven but an asset driven company we consider total assets to be an appropriate benchmark. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Board of Directors that misstatements in excess of EUR 320 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as its determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Report on other legal and regulatory requirements

Report on the management report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management report and other information),:

- We have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the management report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the Board of Directors as auditor of Roche Finance Europe B.V. in 2004 and have operated as statutory auditor ever since that date. We have been re-engaged for the audit for the year 2014 on July 14th, 2014. Based on the requirements of the Audit Firms Supervision Act (Wta) as of 1 January 2016 we can no longer act as statutory auditors of Roche Finance Europe B.V.

Rotterdam, 23 January 2015

KPMG Accountants N.V.

A.A. Kuijpers RA

Appropriation of results for the year 2014

In accordance with Article 21 of the Articles of Association the result for the year is at the disposal of the shareholder.

Proposed profit appropriation

The directors recommend that the entire profit for the financial year of 445,788 EUR is to be taken to reserves. The proposal has been included in the Company's 2014 Annual Financial Statements.