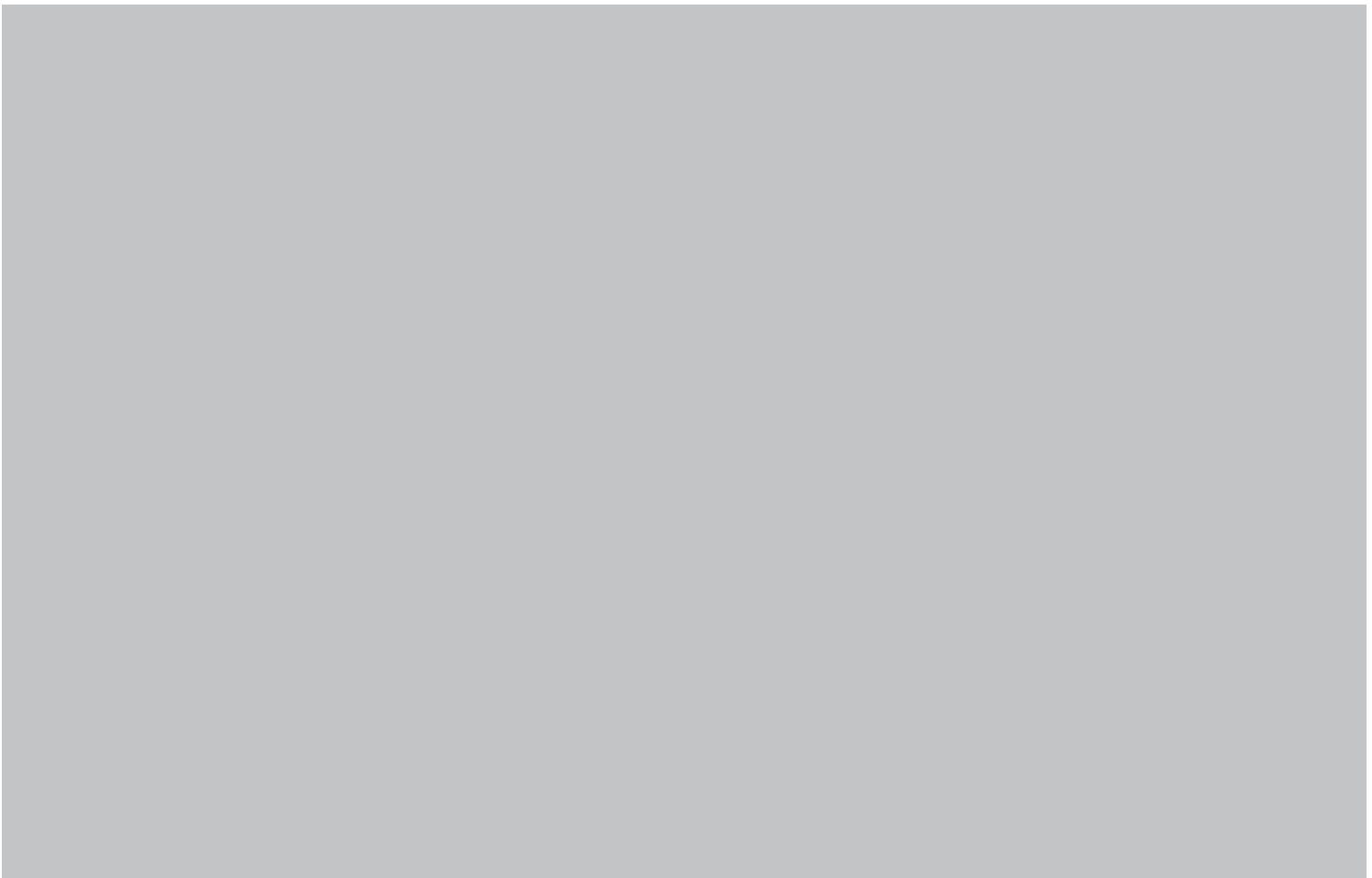




*Roche Finance Europe B.V. -
Interim Financial Statements 2014*



Interim Management Report

1. Review of the six months ended 30 June 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 six months ended 30 June 2014.

Financial position and performance

The financial performance and the financial position of the Company did not change materially. Net Income for the six months ended 30 June 2014 was 168 thousand EUR (2013: 229 thousand EUR).

Employees

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

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 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 loans receivable from other members of the Roche Group that have the same maturity. In addition, the Company has access (jointly with other borrowers of the Roche 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 more detail in Note 14 to the Annual Financial Statements for the year ended 31 December 2013.

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 Interim Management Report and the Interim 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 condensed interim financial statements as at 30 June 2014:

- the condensed interim financial statements as at 30 June 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 interim 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, 21 July 2014

The Board of Directors

B.L.A. Vanhauwere

J.W. van den Broek

P. Eisenring

D.F. Heinis

Roche Finance Europe B.V. Interim Financial Statements

The Interim Financial Statements have been reviewed by the Roche Finance Europe B.V.'s auditor and their review report is presented on page 9.

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

	Six months ended 30 June	
	2014	2013
Income		
Financial income – related parties ²	24	23
Total income	24	23
Expenses		
Financing costs ²	(17)	(16)
Financing costs – related parties ²	(7)	(7)
Total expenses	(24)	(23)
Profit before taxes	-	-
Income tax	-	-
Net income	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive income	-	-

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

	30 June 2014	31 December 2013
Assets		
Non-current assets ^{3,7}	1,244	1,234
Current assets ⁷	24	26
Total assets	1,268	1,260
Liabilities		
Non-current liabilities ⁴	(1,244)	(1,233)
Current liabilities	(12)	(15)
Total liabilities	(1,256)	(1,248)
Total net assets	12	12
Equity		
Share capital ⁵	2	2
Retained earnings	10	9
Unappropriated result	-	1
Total equity	12	12

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

	Six months ended 30 June	
	2014	2013
Cash flows from operating activities, before income taxes paid	-	-
Income taxes paid	-	-
Total cash flows from operating activities	-	-
Total cash flows from investing activities	35	35
Total cash flows from financing activities	(35)	(35)
Increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	-	-

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

	Share capital	Retained earnings	Unappropriated result	Total
Six months ended 30 June 2013				
At 1 January 2013	2	9	-	11
Net income	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	-
Appropriation of result	-	-	-	-
At 30 June 2013	2	9	-	11
Six months ended 30 June 2014				
At 1 January 2014	2	9	1	12
Net income	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	-
Appropriation of result	-	1	(1)	-
At 30 June 2014	2	10	-	12

Notes to the Roche Finance Europe B.V. 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 Finance Europe B.V., a company incorporated in the Netherlands ('the Company'), for the six months ended 30 June 2014. 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 bond or loan markets. These Interim Financial Statements should be read in conjunction with the financial statements for the year ended 31 December 2013 (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 2014.

Statement of compliance

The Interim Financial Statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. 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 judgement at the date of the Interim Financial Statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

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 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 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.

2. Financial income and financing costs

Financial income – related parties *in millions of EUR*

	Six months ended 30 June	
	2014	2013
Interest income – related parties ⁷	24	23
Income from early repayment of loans – related parties ⁷	-	-
Total financial income – related parties	24	23

Financing costs *in millions of EUR*

	Six months ended 30 June	
	2014	2013
Interest expense on debt instruments	(17)	(16)
Losses on redemption and repurchase of notes	-	-
Amortisation of debt discount	-	-
Guarantee fees – related parties ⁷	(7)	(7)
Total financing costs	(24)	(23)

3. Loans receivable – related parties

GBP denominated loans

Loans receivable – related parties *in millions of EUR*

	30 June 2014	31 December 2013
Roche Deutschland Holding GmbH, Germany, due 29 August 2023, outstanding principal 125 million GBP (2013: 125 million GBP), interest rate 5.67%	156	150
Roche Diagnostics Limited, United Kingdom, due 29 August 2023, outstanding principal 71 million GBP (2013: 71 million GBP), interest rate 5.67%	88	84
Total loans receivable – related parties	244	234

EUR denominated loans

Loans receivable – related parties *in millions of EUR*

	30 June 2014	31 December 2013
Roche Deutschland Holding GmbH, Germany, due 25 June 2018, outstanding principal 275 million EUR, interest rate 3.50%	275	275
Roche Diagnostics S.p.A., Italy, due 25 June 2018, outstanding principal 175 million EUR, interest rate 3.50%	175	175
Roche S.p.A., Italy, due 25 June 2018, outstanding principal 250 million EUR, interest rate 3.50%	250	250
Roche Diagnostics S.L., Spain, due 25 June 2018, outstanding principal 150 million EUR, interest rate 3.50%	150	150
Roche Farma S.A., Spain, due 25 June 2018, outstanding principal 100 million EUR, interest rate 3.50%	100	100
Roche Farmaceutica Quimica, Lda., Portugal, due 25 June 2018, outstanding principal 50 million EUR, interest rate 3.50%	50	50
Total loans receivable – related parties	1,000	1,000

Reported as		
- Long-term loans receivable – related parties ⁷	1,244	1,234
- Short-term loans receivable – related parties ⁷	-	-
Total loans receivable – related parties	1,244	1,234

4. Debt

Outstanding notes

Recognised liabilities and effective interest rates of notes *in millions of EUR*

	Effective interest rate	30 June 2014	31 December 2013
5.375% notes due 29 August 2023, principal 250 million pounds sterling, outstanding 200 million pounds sterling (ISIN: XS0175478873)	5.46%	247	236
2.0% notes due 25 June 2018, principal 1.0 billion euros (ISIN: XS0760139773)	2.07%	997	997
Total		1,244	1,233

The fair value of the notes is 1,347 million EUR (31 December 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

The Company did not issue any notes during the six months ended 30 June 2014 or 30 June 2013.

Redemption and repurchase of notes

The Company did not redeem or repurchase any notes during the six months ended 30 June 2014 or 30 June 2013.

5. 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 during the six months ended 30 June 2014 (2013: none).

Own equity instruments

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

6. Contingent liabilities

At 30 June 2014, the Company does not have any material contingent liabilities (2013: 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 7 to the Annual Financial Statements.

Related party transactions *in millions of EUR*

	Six months ended 30 June	
	2014	2013
Interest income – related parties ²	24	23
Guarantee fees – related parties ²	(7)	(7)
Repayment of loans receivable – related parties	-	-
Income from early repayment of loans – related parties ²	-	-
(Increase) decrease of cash pool balance with related parties	(8)	(8)
Issue of long-term loans receivable – related parties ³	-	-

Related party balances *in millions of EUR*

	30 June 2014	31 December 2013
Long-term loans receivable – related parties ³	1,244	1,234
Short-term loans receivable – related parties ³	-	-
Accounts receivable – related parties	24	26
Accounts payable – related parties	-	-

8. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in Note 14 to the Annual Financial Statements.

Carrying value and fair value

The carrying values and fair values of financial assets at 30 June 2014 are stated below:

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

By line items in notes	Asset class	30 June 2014		31 December 2013	
		Carrying value	Fair value	Carrying value	Fair value
Long-term loans receivable – related parties ⁷	Loans and receivables	1,244	1,337	1,234	1,301
Accounts receivable – related parties ⁷	Loans and receivables	24	24	26	26
Total		1,268	1,361	1,260	1,327

The fair value for long-term loans 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 loans receivable would be Level 2 in the fair value hierarchy.



Review report

To: the Board of Directors of Roche Finance Europe B.V.

Introduction

We have reviewed the accompanying condensed company interim financial information as at 30 June 2014 of Roche Finance Europe B.V., Woerden, which comprises the statement of financial position as at 30 June 2014, the statements of comprehensive income, changes in equity, and cash flows for the period of six months ended 30 June 2014, and the notes. The Board of Directors of the Company is responsible for the preparation and presentation of this company interim financial information in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 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 auditing standards 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 condensed company interim financial information as at 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union.

Rotterdam, 21 July 2014

KPMG Accountants N.V.

A.A. Kuijpers RA

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