



*Roche Finance Europe B.V. -
Interim Financial Statements 2012*

Interim Management Report

1. Review of the first six months ended 30 June 2012

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

On 23 March 2012 the Company issued EUR denominated fixed rate 2.0% notes due 25 June 2018 with a principal amount of 1,000 million EUR. The net proceeds were 996 million EUR and the effective interest rate is 2.07%. These notes are guaranteed by Roche Holding Ltd, the parent company of the Roche Group. On the same date the Company granted loans to related parties in the aggregate amount of 1,000 million EUR and all due 25 June 2018. The effective interest rate is 3.50%.

Financial position and performance

Besides the issuance of notes and loans as described in the important events section above, the financial performance and the financial position of the Company did not change materially. Net income in the first half of 2012 is -21 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 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 more detail in Note 13 to the Annual Financial Statements for the year ended 31 December 2011.

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 situation development or 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 condensed interim financial statements as at 30 June 2012:

- the condensed interim financial statements as at 30 June 2012, 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, 24 July, 2012

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

Reference numbers indicate the corresponding Notes to the Financial Statements. The interim Financial Statements are unaudited. The interim Financial Statements have been reviewed by Roche Finance Europe B.V.'s auditors and their review report is presented on page 9.

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

	Six months ended 30 June	
	2012	2011
Income		
Financial income – related parties ^{2,7}	16	7
Total income	16	7
Expenses		
Financing costs ²	(12)	(7)
Financing costs – related parties ²	(4)	-
Total expenses	(16)	(7)
Profit before taxes	-	-
Income tax	-	-
Net Income	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-

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

	30 June 2012	31 December 2011
Assets		
Non-current assets ^{3,7}	1,244	233
Current assets ⁷	21	17
Total assets	1,265	250
Liabilities		
Non-current liabilities ⁴	(1,242)	(235)
Current liabilities	(12)	(4)
Total liabilities	(1,254)	(239)
Total net assets	11	11
Equity		
Share capital ⁵	2	2
Retained earnings	9	9
Unappropriated result	-	-
Total equity	11	11

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

	Six months ended 30 June	
	2012	2011
Cash flows from operating activities, before income taxes paid	-	-
Income taxes paid	-	-
Cash flows from operating activities	-	-
Cash flows from investing activities	(995)	-
Cash flows from financing activities	995	-
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 2011				
At 1 January 2011	2	9	-	11
Net income	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	-
Appropriation of result	-	-	-	-
At 30 June 2011	2	9	-	11
Six months ended 30 June 2012				
At 1 January 2012	2	9	-	11
Net income	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	-
Appropriation of result	-	-	-	-
At 30 June 2012	2	9	-	11

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

Reference numbers indicate the corresponding Notes to the Financial Statements. The interim Financial Statements are unaudited. The interim Financial Statements have been reviewed by Roche Finance Europe B.V.'s auditors and their review report is presented on page 9.

1. Accounting policies

Basis of preparation of the Financial Statements

These financial statements are the Financial Statements of Roche Finance Europe B.V., a company incorporated in the Netherlands ('the Company') for the six-months period ended 30 June 2012 ('the interim period'). 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.

The Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards 34 (IAS 34) 'Interim Financial Reporting'. They should be read in conjunction with the Financial Statements for the year ended 31 December 2011 ('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 2012.

The Interim Financial Statements have been prepared in accordance with the accounting policies set out in the Annual Financial Statements, except for accounting policy changes made after date of the Annual Financial Statements. The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements.

The preparation of the Interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the Financial Statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the Financial Statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

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.

Income tax expense is recognised based upon the best estimate of the income tax rate expected to the full financial year.

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

In 2012 the Roche Group, and consequently the Company, implemented various minor amendments to existing standards and interpretations, which have no 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 effective from 1 January 2013 and beyond, and which the Group has not early adopted. 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	
	2012	2011
Interest income – related parties	16	7
Income from early repayment of loans – related parties	-	-
Total financial income – related parties	16	7

Financing costs in millions of EUR

	Six months ended 30 June	
	2012	2011
Interest expense on debt instruments	(12)	(7)
Loss on redemption and repurchase of bonds and notes	-	-
Amortisation of debt discount	-	-
Guarantee fees – related parties	(4)	-
Total financing costs	(16)	(7)

3. Loans receivable – related parties

GBP denominated loans

Loans receivable – related parties in millions of EUR

	30 June 2012	31 December 2011
Roche Deutschland Holding GmbH, Germany, due 29 August 2023, outstanding principal 125 million GBP (2011: 125 million GBP), interest rate 5.67%	156	149
Roche Products Limited, United Kingdom, due 29 August 2023, outstanding principal 36 million GBP (2011: 36 million GBP), interest rate 5.67%	44	42
Roche Diagnostics Limited, United Kingdom, due 29 August 2023, outstanding principal 35 million GBP (2011: 35 million GBP), interest rate 5.67%	44	42
Total loans receivable – related parties	244	233

EUR denominated loans

Loans receivable – related parties in millions of EUR

	30 June 2012	31 December 2011
Roche Deutschland Holding GmbH, Germany, due 25 June 2018, outstanding principal 275 million EUR, interest rate 3,50%	275	-
Roche Diagnostics S.p.A., Italy, due 25 June 2018, outstanding principal 175 million EUR, interest rate 3,50%	175	-
Roche S.p.A., Italy, due 25 June 2018, outstanding principal 250 million EUR, interest rate 3,50%	250	-
Roche Diagnostics S.L., Spain, due 25 June 2018, outstanding principal 150 million EUR, interest rate 3,50%	150	-
Roche Farma S.A., Spain, due 25 June 2018, outstanding principal 100 million EUR, interest rate 3,50%	100	-
Roche Farmaceutica Quimica, Lda., Portugal, due 25 June 2018, outstanding principal 50 million EUR, interest rate 3,50%	50	-
Total loans receivable – related parties	1,000	-

4. Debt

Issuance of bonds and notes

On 23 March 2012 the Company issued EUR denominated fixed rate 2.0% notes due 25 June 2018 with a principal amount of 1,000 million EUR (ISIN: XS0760139773). The net proceeds were 996 million EUR and the effective interest rate is 2.07%. These notes are guaranteed by Roche Holding Ltd, the parent company of the Roche Group.

In 2011 the Company did not issue any bonds or notes during the interim period.

Outstanding bonds and notes

On 29 August 2003 the Company issued GBP denominated 5.375% notes due 2023 with a principal amount of 250 million GBP (ISIN: XS0175478873). The net proceeds were 245 million GBP and the effective interest rate is 5.46%. These notes are guaranteed by Roche Holding Ltd, the parent company of the Roche Group.

On 5 December 2011 the Company completed a tender offer for a partial repurchase of a nominal amount of 50 million GBP of the notes due 29 August 2023.

There are no pledges on the Company's assets in connection with the debt.

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 in the interim period 2012 (2011: none).

Own equity instruments

The Company holds none of its own shares (2011: none).

6. Contingent liabilities

The operations and earnings of the Company may, from time to time and in varying degrees, be affected by political, legislative, fiscal or regulatory developments, in the countries in which it operates. The nature and frequency of these developments and events, not all of which are covered by insurance, as well as their effect on future operations and earnings, are not predictable. As of 30 June 2012, the Company does not have any material contingent liabilities (2011: 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 2011.

Related party transactions *in millions of EUR*

	Six months ended 30 June	
	2012	2011
Interest income – related parties ²	12	7
Guarantee fees – related parties ²	(4)	-
Repayment of loans receivable - related parties	-	-
Income from early repayment of loans – related parties	-	-
(Increase) decrease of cash pool balance with related parties	4	-
Disbursement of long-term loans receivable – related parties ³	(1,000)	-

Related party balances *in millions of EUR*

	30 June 2012	31 December 2011
Long-term loans receivable – related parties ³	1,244	233
Short-term loans receivable – related parties ³	-	-
Accounts receivable – related parties	21	17
Accounts payable – related parties	-	-



Review Report

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

Introduction

We have reviewed the accompanying condensed company interim financial information for the six month period ended 30 June 2012, of Roche Finance Europe B.V., Woerden, which comprise the condensed balance sheet as at 30 June 2012, the condensed statements of comprehensive income, the condensed statement of cash flows, statement of changes in equity for period of six months ended 30 June 2012, and the notes. Management is responsible for the preparation and presentation of this condensed 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 condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with Dutch law including standard 2410 "Review of Interim Financial Information Performed by the 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 2012 is not prepared, in all material respects, in accordance IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Rotterdam, 24 July 2012

KPMG ACCOUNTANTS N.V.

A.A. Kuijpers RA

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