Roche Holdings, Inc.
Interim Financial Statements 2016

Roche Holdings, Inc. Interim Financial Statements

Contents

Interim Management Report

1. Review of the first six months ended June 30, 2016

Principal activities

Roche Holdings, Inc. (RHI) is the holding company for the Roche Group's U.S. operations and performs financing activities for other members of the RHI Group.

RHI Group results

During the first half of 2016 the RHI Group had sales growth of 3% to USD 11.8 billion, and a stable operating profit of USD 4.8 billion. The RHI Group had a positive cash flow from operating activities of USD 3.6 billion. Sales in the Pharmaceuticals Division rose by 2% to USD 10.1 billion, mainly driven by growth in oncology and immunology products. The key growth drivers were the following products: Herceptin, Perjeta, Rituxan, Xolair and Actemra. Sales of Activase/TNKase also increased. Growth was negatively impacted by a decline in Tamiflu, Lucentis and Tarceva. Sales in the Diagnostics Division increased by 6% to USD 1.8 billion with growth in Molecular Diagnostics, Tissue Diagnostics and Professional Diagnostics, being partially offset by a decline in Diabetes Care. The RHI Group's operating profit remained stable mainly due to the increase in sales and non-recurring costs related to the Seragon acquisition in the first half of 2015 being offset by a decrease in out-licensing income and an increase in research and development costs. The RHI Group's operating profit margin remained relatively stable at 40.4% of sales. The RHI Group's net income increased by 4% to USD 2.4 billion driven by the operating result explained above.

<u>Pharmaceuticals Division</u>

Pharmaceuticals Division sales increased by 2% to USD 10.1 billion. The leading products were the oncology medicines Rituxan, Herceptin and Perjeta with sales of USD 2.1 billion (+2%), USD 1.5 billion (+5%) and USD 0.5 billion (+16%), respectively. In addition sales in immunology increased due to demand for Xolair and Actemra with combined sales of USD 1.1 billion (+19%). Growth was negatively impacted by a decline of Tamiflu (-26%) due to a relatively weak influenza season and Lucentis (-12%) as well as Tarceva (-16%) due to competitive pressures.

In oncology, the HER2 franchise benefited from increased demand for Herceptin and Perjeta. Herceptin sales grew primarily due to longer duration of treatment in combination with Perjeta. Perjeta sales grew with neoadjuvant and continued first-line treatment for HER2-positive advanced breast cancer. Rituxan sales continued with growth primarily in the immunology segment. In immunology, there was also a strong demand for Xolair with volume growth across both of its indications and Actemra driven by the uptake of the subcutaneous (SC) formulation.

Royalties and other operating income decreased by 9% to USD 2.0 billion, due to lower net royalty income and lower income from out-licensing agreements. The decrease in royalty income was mainly due to non-recurring royalty income in 2015, partially offset by a net increase in sales across the royalty portfolio. The decrease in out-licensing income was mainly due to upfront and milestone payments in 2015 from the exclusive license agreement with Galenica for the commercialisation of Mircera and from a collaboration partner for a de-blocking amendment.

Cost of sales decreased by 5% to USD 3.5 billion, mainly driven by the release of the InterMune inventory fair value adjustment in 2015 and lower inventory write-offs, partially offset by an increase in costs from biologics manufacturing facilities coming on-line after considerable investments in recent years. Expenses from collaboration and profit-sharing agreements increased mainly driven by higher co-promotion expenses due to growing sales of Xolair. As a percentage of sales, cost of sales decreased by 2.7 percentage points to 34.7%.

Marketing and distribution costs remained stable at USD 1.2 billion. Investments made to support the launch efforts of Tecentriq and Ocrevus and marketing efforts to support already established and launched products were offset by an increase in reimbursements received under related party cost sharing agreements.

Research and development costs increased by 13% to USD 2.2 billion. Intangible asset impairment charges of USD 56 million were higher in the first half of 2016 resulting from a delay in the development of a compound and a decision to stop development of one other compound (six months ended June 30, 2015: USD 14 million).

The oncology franchise remained the primary area of research and development, and in late stage development there was growth in spending mainly for the oncology and central nervous system areas. Early stage research and development spending increased in areas related to immunology and inflammation. The Pharmaceuticals Division spent USD 296 million on the in-licensing of pipeline compounds and technologies, which are capitalised as intangible assets.

General and administration costs decreased by 31% to USD 0.4 billion, mainly driven by business combination costs in 2015 from the additional contingent consideration provisions recorded in respect of the Seragon acquisition.

The Pharmaceuticals Division's operating profit increased by 3% to USD 4.7 billion, mainly driven by growth in the underlying operating performance and non-recurring costs related to the Seragon acquisition in the first half of 2015. This was partially offset by lower out-licensing income and higher research and development costs.

Diagnostics Division

Diagnostics Division sales increased by 6% to USD 1.8 billion. Professional Diagnostics sales increased by 7% to USD 0.7 billion with growth mainly driven by the immunodiagnostics business. Molecular Diagnostics sales increased by 15% to USD 0.5 billion, mainly due to sales from the sequencing business, driven by the Ariosa and Kapa acquisitions in 2015. In addition there was growth in the underlying molecular businesses of 6%, with the major contributions coming from the virology, the HPV (cervical cancer screening) and the oncology businesses. Tissue Diagnostics sales increased by 16% to USD 0.3 billion, driven by growth in the advanced staining portfolio and companion diagnostics. This performance was partially offset by Diabetes Care sales which decreased by 17% to USD 0.2 billion, due to a continued spillover of Medicare prices to commercial plans for the blood glucose monitoring portfolio.

Royalties and other operating income decreased by 23% to USD 0.1 billion driven by lower royalty income, notably in Molecular Diagnostics, due to the base effect of back royalty payments in 2015 as well as expiry of a PCR technology patent.

Costs of sales increased by 10% to USD 1.0 billion mainly due to unfavourable product mix, higher technical service costs and higher costs from external suppliers. As a percentage of sales, cost of sales increased by 1.7 percentage points to 57.1%.

Marketing and distribution costs were stable at USD 0.4 billion, mainly due to higher spending in the sequencing business, offset by cost containment in Diabetes Care.

Research and development costs increased by 38% to USD 0.3 billion, mainly due to investments in the sequencing and Molecular Diagnostics businesses.

General and administration costs remained stable at USD 0.1 billion, with an increase in administration costs due to the ramp-up of the sequencing business, offset by a site closure and a decrease in business taxes resulting from the suspension of the Medical Device Excise Tax in the US.

Restructuring plans

The RHI Group continued with the implementation of several major restructuring plans initiated in prior years with a total cost of USD 58 million in the first half of 2016, compared to USD 76 million in the first half of 2015. The decrease in restructuring costs was mainly due to the 2015 divestment of the wholly owned subsidiary Marcadia Biotech, Inc. to a third party with a loss on disposal of USD 25 million. This was partially offset by higher restructuring costs due to the strategic realignment of the Pharmaceuticals Division manufacturing network including exiting from the manufacturing site at Florence.

Impairment of goodwill and intangible assets

In the Pharmaceuticals Division impairment charges totalled USD 56 million relating to a delay in the development of one compound following regulatory feedback (USD 28 million) and a decision to stop development of one compound (USD 28 million). There were no impairments in the Diagnostics Division.

Treasury and taxation results

The RHI Group financed the Genentech transaction in 2009 by a combination of own funds, bonds, notes and commercial paper raising net proceeds of USD 40.3 billion through a series of debt offerings. All debt issued in 2009 is senior, unsecured and has been guaranteed by Roche Holding Ltd, the parent of the RHI Group.

Financing costs increased by 6% to USD 0.5 billion in the first half of 2016, mainly due to USD 102 million of losses on the redemption of bonds and notes. This was partially offset by a decrease of USD 78 million in interest expenses compared to the first half of 2015 due to the refinancing of debt at lower interest rates. At June 30, 2016 debt was USD 42.5 billion compared to USD 41.2 billion at the end of 2015. This increase was mainly due to the issuing of commercial paper notes of USD 2.9 billion and fixed rate notes of USD 1.0 billion during the first half of 2016, partially offset by the redemption of euro and US dollar notes. A full analysis of financing costs is given in Note 3 to the Interim Financial Statements.

The RHI Group's effective tax rate for the six months ended June 30, 2016 decreased to 36.3% (six months ended June 30, 2015: 39.0%). This was mainly due to the contingent consideration expense in 2015 that was not tax deductible and the U.S. research and development tax credits which were only enacted in the second half of 2015.

Cash flow

The cash inflows from operating activities decreased by USD 1.5 billion to USD 3.6 billion in the first half of 2016. This was mainly due to a net increase in working capital, decreased cash generated from operations and increased payments for defined benefit plans. The cash outflows from investing activities decreased by USD 0.9 billion to USD 0.8 billion mainly due to the acquisitions of Foundation Medicine, Inc., Ariosa and CAPP Medical, Inc. during the first half of 2015. The cash outflows from financing activities of USD 2.8 billion were mainly due to the repayment of bonds and notes of USD 3.0 billion, dividends paid to related parties of USD 1.7 billion and cash pool contributions to related parties of USD 0.6 billion, partially offset by issuances of commercial paper notes of USD 2.9 billion.

Financial position

In 2009 the Genentech transaction was accounted for in full as an equity transaction and as a consequence, the carrying amount of the consolidated equity of the RHI Group was significantly reduced (see Note 1 to the RHI Interim Financial Statements). At June 30, 2016 the RHI Group had a negative equity of USD 21.4 billion (December 31, 2015: USD 21.7 billion). The capacity of the RHI Group to generate positive cash flows and operating profit is not affected by this accounting treatment. In addition RHI has bonds, notes and commercial paper outstanding with a carrying value of USD 18.4 billion which are guaranteed by Roche Holding Ltd, the parent company of the Roche Group.

Total assets increased by USD 0.8 billion to USD 36.5 billion at June 30, 2016 mainly due to increases in accounts receivables and property, plant and equipment and inventories partially offset by decreases in intangible assets. Total liabilities increased by USD 0.5 billion to USD 57.9 billion at June 30, 2016 mainly due to an increase in debt offset by a decrease in accounts payables and other current liabilities. At June 30, 2016 the carrying value of debt was USD 42.5 billion (December 31, 2015: USD 41.2 billion), of which USD 23.8 billion (December 31, 2015: USD 23.6 billion) is due to related parties.

2. Principal risks and uncertainties

Risks

The RHI Group is exposed to various financial risks arising from its underlying operations and corporate finance activities. The RHI Group's financial risk exposures are predominantly related to changes in interest rates, equity prices and to an extent, foreign exchange rates, as well as the creditworthiness and the solvency of RHI's counterparties. The RHI Group's financial risk management is described in Note 28 to the RHI Annual Financial Statements.

Uncertainties

Key accounting judgements, estimates and assumptions are described in Note 1 to the RHI Interim Financial Statements. Provisions and contingent liabilities are described in Note 19 to the RHI Annual Financial Statements and these are updated, where appropriate, in Note 9 to the RHI Interim Financial Statements.

3. Responsibility statement

The directors of Roche Holdings, Inc. confirm that, to the best of their knowledge as of the date of their approval of the Interim Consolidated Financial statements at July 22, 2016:

- the Interim Consolidated Financial Statements at June 30, 2016, 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 Holdings, Inc. and the undertakings included in the consolidation taken as a whole; and that
- the Management Report gives a true and fair view of the development and performance of the business and the position of Roche Holdings, Inc. and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Severin Schwan Chairman of the Board	Alan Hippe Vice Chairman of the Board	Bruce Resnick Member of the Board
Roger Brown Member of the Board	Frederick C. Kentz III Member of the Board	David P. McDede Member of the Board

Roche Holdings, Inc. Interim Consolidated Financial Statements

The Interim Consolidated Financial Statements have been reviewed by Roche Holdings, Inc.'s auditor and their review report is presented on page 23.

Roche Holdings, Inc. consolidated income statement *in millions of USD*

	Six months ended June 30, 2016	2015
Sales [2]	**11,846**	**11,499**
Royalties and other operating income [2]	2,066	2,279
Cost of sales	(4,506)	(4,597)
Marketing and distribution	(1,593)	(1,548)
Research and development	(2,517)	(2,183)
General and administration	(508)	(695)
Operating profit [2]	**4,788**	4,755
Financing costs [3]	(456)	(432)
Financing costs – related parties [14]	(523)	(538)
Other financial income (expense) [3]	(11)	102
Other financial income (expense) – related parties [14]	10	(56)
Profit before taxes	**3,808**	3,831
Income taxes [4]	(1,384)	(1,494)
Net income	**2,424**	**2,337**
Attributable to		
- Roche Holdings, Inc. shareholder	2,449	2,347
- Non-controlling interests	(25)	(10)

Roche Holdings, Inc. consolidated statement of comprehensive income *in millions of USD*

	Six months ended June 30, 2016	2015
Net income recognised in income statement	**2,424**	**2,337**
Other comprehensive income		
Remeasurements of defined benefits plans	(136)	178
Items that will never be reclassified to the income statement	**(136)**	**178**
Available-for-sale investments	(4)	18
Cash flow hedges	(7)	(40)
Currency translation of foreign operations	3	53
Items that are or may be reclassified to the income statement	**(8)**	**31**
Other comprehensive income, net of tax	**(144)**	**209**
Total comprehensive income	**2,280**	**2,546**
Attributable to		
- Roche Holdings, Inc. shareholder	2,305	2,556
- Non-controlling interests	(25)	(10)
Total	**2,280**	**2,546**

Roche Holdings, Inc. consolidated condensed balance sheet *in millions of USD*

	June 30, 2016	December 31, 2015
Non-current assets	27,282	27,687
Current assets	9,238	8,047
Total assets	**36,520**	**35,734**
Non-current liabilities	(38,854)	(39,863)
Current liabilities	(19,090)	(17,574)
Total liabilities	**(57,944)**	**(57,437)**
Total net liabilities	**(21,424)**	**(21,703)**
Equity		
Capital and reserves attributable to Roche Holdings, Inc. shareholder	(21,636)	(21,934)
Equity attributable to non-controlling interests	212	231
Total equity	**(21,424)**	**(21,703)**

Roche Holdings, Inc. consolidated condensed statement of cash flows *in millions of USD*

	Six months ended June 30,	
	2016	2015
Cash flows from operating activities, before income taxes paid	4,624	6,003
Income taxes paid	(1,052)	(976)
Cash flows from operating activities	3,572	5,027
Cash flows from investing activities	(838)	(1,787)
Cash flows from financing activities	(2,758)	(3,022)
Net effect of currency translation on cash and cash equivalents	8	28
Increase (decrease) in cash and cash equivalents	**(16)**	**246**
Cash and cash equivalents at beginning of period	46	(35)
Cash and cash equivalents at end of period	**30**	**211**

Roche Holdings, Inc. consolidated statement of changes in equity *in millions of USD*

	Share capital	Retained earnings	Fair value reserves	Hedging reserves	Translation reserves	Total	Non-controlling interests	Total equity
Six months ended June 30, 2015								
At January 1, 2015	**1**	**(23,780)**	**96**	**78**	**-**	**(23,605)**	**-**	**(23,605)**
Net income recognised in income statement	-	2,347	-	-	-	2,347	(10)	2,337
Available-for-sale investments	-	-	18	-	-	18	-	18
Cash flow hedges	-	-	-	(40)	-	(40)	-	(40)
Currency translation of foreign operations	-	-	-	-	53	53	-	53
Remeasurements of defined benefit		-						
plans	-	178	-	-	-	178	-	178
Total comprehensive income	**-**	**2,525**	**18**	**(40)**	**53**	**2,556**	**(10)**	**2,546**
Dividends	-	(1,100)	-	-	-	(1,100)	-	(1,100)
Equity compensation plans	-	163	-	-	-	163	-	163
Business combinations [5]	-	-	-	-	-	-	257	257
Other movements	-	17	-	-	-	17	-	17
At June 30, 2015	**1**	**(22,175)**	**114**	**38**	**53**	**(21,969)**	**247**	**(21,722)**
Six months ended June 30, 2016								
At January 1, 2016	**1**	**(22,025)**	**53**	**35**	**2**	**(21,934)**	**231**	**(21,703)**
Net income recognised in income statement	-	2,449	-	-	-	2,449	(25)	2,424
Available-for-sale investments	-	-	(4)	-	-	(4)	-	(4)
Cash flow hedges	-	-	-	(7)	-	(7)	-	(7)
Currency translation of foreign operations	-	-	-	-	3	3	-	3
Remeasurements of defined benefit plans	-	(136)	-	-	-	(136)	-	(136)
Total comprehensive income	**-**	**2,313**	**(4)**	**(7)**	**3**	**2,305**	**(25)**	**2,280**
Dividends	-	(2,250)	-	-	-	(2,250)	-	(2,250)
Equity compensation plans	-	246	-	-	-	246	3	249
Changes in non-controlling interest	-	(3)	-	-	-	(3)	3	-
At June 30, 2016	**1**	**(21,719)**	**49**	**28**	**5**	**(21,636)**	**212**	**(21,424)**

Notes to the Roche Holdings, Inc. Interim Consolidated Financial Statements

1. Accounting policies

Basis of preparation

These financial statements are the unaudited condensed interim consolidated financial statements (hereafter 'the Interim Financial Statements') of Roche Holdings, Inc., a company incorporated in the State of Delaware, and its subsidiaries (hereafter 'RHI' or 'the RHI Group') for the six months ended June 30, 2016 (hereafter 'the interim period'). RHI is 100% indirectly owned by Roche Holding Ltd, a public company registered in Switzerland and parent company of the Roche Group. The RHI Group is therefore a member of the Roche Group. These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2015 (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 July 22, 2016.

Statement of compliance

The Interim Financial Statements have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU. 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 RHI Group since the Annual Financial Statements.

Going concern

The RHI Group completed the purchase of the non-controlling interests in Genentech, effective March 26, 2009. Based on the International Accounting Standard 27 'Consolidated and Separate Financial Statements' (IAS 27) and consistent with the International Financial Reporting Standard 10 'Consolidated Financial Statements' (IFRS 10), this transaction was accounted for in full as an equity transaction. As a consequence, the carrying amount of the consolidated equity of the RHI Group at that time was reduced by USD 46.6 billion, of which USD 7.6 billion was allocated to eliminate the book value of Genentech non-controlling interests. At June 30, 2016 the RHI Group had a negative equity of USD 21.4 billion (December 31, 2015: USD 21.7 billion). The capacity of the RHI Group to generate positive cash flows and operating profit is not affected by this accounting treatment. In addition, RHI has bonds, notes and commercial paper outstanding with a carrying value of USD 18.4 billion which are guaranteed by Roche Holding Ltd. Management has assessed that it remains appropriate to prepare the RHI Group's financial statements on a going concern basis. In the 2016 interim period, the RHI Group generated an operating profit of USD 4.8 billion and a positive operating cash flow of USD 3.6 billion.

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 the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The significant judgements made by management in applying the RHI Group's accounting policies and the key sources of estimation uncertainty are the same as those applied in the Annual Financial Statements.

Seasonality

The RHI Group operates in industries where significant seasonal or cyclical variations in total sales are not experienced during the financial year.

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. Changes in accounting policies will be reflected in the RHI Group's Consolidated Financial Statements for the year ended December 31, 2016.

Changes in accounting policies

In 2016 the RHI Group has implemented various minor amendments to existing standards and interpretations, which have no material impact on the RHI Group's overall results and financial position.

Future new and revised standards

The RHI Group is currently assessing the potential impacts of the various new and revised standards and interpretations that will be mandatory from January 1, 2017 and which the RHI Group has not yet applied. Based on the analysis to date, the RHI Group does not anticipate that these will have a material impact on the RHI Group's overall results and financial position. The RHI Group is also assessing other new and revised standards which are not mandatory until after 2017, notably IFRS 9 'Financial Instruments', IFRS 15 'Revenues from Contracts with Customers' and IFRS 16 'Leases' which all have not yet been endorsed by the EU.

2. Operating segment information

The RHI Group has two Divisions, Pharmaceuticals and Diagnostics. Revenues are primarily generated from the sale of prescription pharmaceutical products and diagnostic instruments, reagents and consumables, respectively. Both Divisions also derive revenues from the sale or licensing of products or technology to third parties. Certain corporate activities that cannot be reasonably allocated to the other reportable business segments based on RHI's management and organisational structure are reported as 'Corporate'. These include certain functions for communications, human resources, finance (including treasury, taxes and pension fund management), legal, safety and environmental services.

Divisional information *in millions of USD*

	Pharmaceuticals		Diagnostics		Corporate		RHI Group	
Six months ended June 30,	2016	2015	2016	2015	2016	2015	2016	2015
Revenues from external customers and related parties								
Sales	10,081	9,837	1,765	1,662	-	-	11,846	11,499
Royalties and other operating income	1,999	2,192	67	87	-	-	2,066	2,279
Total	**12,080**	**12,029**	**1,832**	**1,749**	**-**	**-**	**13,912**	**13,778**
Segment results								
Operating profit	4,742	4,616	63	151	(17)	(12)	4,788	4,755

Net operating assets *in millions of USD*

	Assets		Liabilities		Net assets	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Pharmaceuticals	25,035	24,883	(5,909)	(6,489)	19,126	18,394
Diagnostics	9,024	8,965	(1,632)	(1,750)	7,392	7,215
Corporate	29	31	(140)	(163)	(111)	(132)
Total operating	**34,088**	**33,879**	**(7,681)**	**(8,402)**	**26,407**	**25,477**
Non-operating	2,432	1,855	(50,263)	(49,035)	(47,831)	(47,180)
RHI Group	**36,520**	**35,734**	**(57,944)**	**(57,437)**	**(21,424)**	**(21,703)**

3. Net financial expense

Financing costs *in millions of USD*		
	Six months ended June 30,	
	2016	2015
Interest expense	(290)	(368)
Amortisation of debt discount [10]	(7)	(8)
Net gains (losses) on debt derivatives	-	-
Net gains (losses) on redemption and repurchase of bonds and notes [10]	(102)	(7)
Discount unwind	(19)	(15)
Net interest cost of defined benefit plans	(38)	(34)
Total financing costs	**(456)**	**(432)**

Other financial income (expense) *in millions of USD*		
	Six months ended June 30,	
	2016	2015
Net gains (losses) on sale of equity securities	1	4
Write-downs and impairments of equity securities	(1)	-
Net income from equity securities	**-**	**4**
Net interest income	1	1
Foreign exchange gains (losses)	(9)	98
Net other financial income (expense)	(3)	(1)
Total other financial income (expense)	**(11)**	**102**

Net financial expense *in millions of USD*		
	Six months ended June 30,	
	2016	2015
Financing costs	(456)	(432)
Other financial income (expense)	(11)	102
Net financial expense	**(467)**	**(330)**
Financial result from Treasury management	(429)	(296)
Financial result from Pension management	(38)	(34)
Net financial expense	**(467)**	**(330)**

4. Income taxes

Income tax expense is recognised based upon management's best estimate of the weighted average annual income tax rate expected for the full financial year multiplied by the pre-tax income for the six months ended June 30, 2016.

Income tax expenses *in millions of USD*		
	Six months ended June 30,	
	2016	2015
Current income taxes	(1,647)	(1,700)
Deferred taxes	263	206
Total income tax (expense)	**(1,384)**	**(1,494)**

The RHI Group's effective tax rate for the six months ended June 30, 2016 decreased to 36.3% (six months ended June 30, 2015: 39.0%). This was mainly due to the contingent consideration expense in 2015 that was not tax deductible and the U.S. research and development tax credits which were only enacted in the second half of 2015.

5. Business combinations

Acquisitions – 2016

There were no business combinations during the six months ended June 30, 2016.

Acquisitions – 2015

Acquisitions – June 30, 2015: net assets acquired in *millions of USD*

	Pharmaceuticals	Diagnostics	Total
Intangible assets			
- Product intangibles: in use	533	518	1,051
- Product intangibles: not available for use	-	115	115
Cash and cash equivalents	312	16	328
Deferred tax liabilities	(197)	(253)	(450)
Other net assets (liabilities)	(5)	15	10
Net identifiable assets	**643**	**411**	**1,054**
Non-controlling interests	(257)	-	(257)
Goodwill	644	258	902
Total consideration	**1,030**	**669**	**1,699**
Cash	1,030	481	1,511
Contingent consideration	-	188	188
Total consideration	**1,030**	**669**	**1,699**

Pharmaceuticals

Foundation Medicine, Inc. On April 7, 2015 the RHI Group acquired a 60.1% controlling interest in Foundation Medicine, Inc. ('FMI'), a publicly owned US company based in Cambridge, Massachusetts. FMI is listed on Nasdaq under the stock code 'FMI'. FMI is reported in the Pharmaceuticals Division. The total cash consideration was USD 1.0 billion.

Diagnostics

Ariosa Diagnostics, Inc. On January 12, 2015 the RHI Group acquired a 100% controlling interest in Ariosa Diagnostics, Inc. ('Ariosa'), a US privately owned company based in San Jose, California. Ariosa is reported in the Diagnostics operating segment as part of the Sequencing business. The total consideration was USD 565 million, of which USD 411 million was paid in cash and USD 154 million arose from a contingent consideration arrangement.

CAPP Medical, Inc. On April 9, 2015 the RHI Group acquired a 100% controlling interest in CAPP Medical, Inc. ('CAPP') a US privately owned company based in Palo Alto, California. CAPP is reported in the Diagnostics operating segment as part of the Sequencing business. The total consideration was USD 104 million, of which USD 70 million was paid in cash and USD 34 million arose from a contingent consideration arrangement.

Cash flows from business combinations

Acquisitions: net cash outflow *in millions of USD*

	Six months ended June 30, 2016			Six months ended June 30, 2015		
	Pharmaceuticals	Diagnostics	Total	Pharmaceuticals	Diagnostics	Total
Cash consideration paid	-	-	-	(1,030)	(481)	(1,511)
Deferred consideration paid	-	-	-	(54)	-	(54)
Contingent consideration paid [13]	-	(71)	(71)	(2)	(35)	(37)
Cash in acquired company	-	-	-	312	16	328
Transaction costs	-	-	-	(8)	(1)	(9)
Total net cash outflow	**-**	**(71)**	**(71)**	**(782)**	**(501)**	**(1,283)**

6. Restructuring plans

During the six months ended June 30, 2016 the RHI Group continued with the implementation of several major restructuring plans initiated in prior years.

Restructuring plans: costs incurred *in millions of USD*

	Diagnostics	Site consolidation	Other Plans	Total
Six months ended June 30, 2016				
Restructuring costs				
- Employee-related costs	3	(2)	7	8
- Site closure costs	-	37	-	37
- Divestment of products and businesses	-	-	-	-
- Other reorganisation expenses	4	2	7	13
Total restructuring costs	**7**	**37**	**14**	**58**
Six months ended June 30, 2015				
Restructuring costs				
- Employee related costs	4	-	7	11
- Site closure costs	-	14	-	14
- Divestment of products and businesses	-	-	25	25
- Other reorganisation expenses	11	-	15	26
Total restructuring costs	**15**	**14**	**47**	**76**

Diagnostics Division

During the six months ended June 30, 2016 total costs were USD 7 million, mainly for the restructuring initiatives in Diabetes Care.

Site consolidation

On November 12, 2015 the Pharmaceuticals Division announced a strategic realignment of its manufacturing network including exiting from the manufacturing site at Florence. Costs from this plan during the six months ended June 30, 2016 were USD 37 million, of which USD 25 million were non-cash impairment and accelerated depreciation of property, plant and equipment. The divestment plans for the Nutley site are on track.

Other restructuring plans

During the six months ended June 30, 2016 total costs were USD 14 million, with the major items being USD 6 million for outsourcing of IT functions to shared service centres and external providers and USD 3 million from the Pharmaceuticals Division research and development strategic realignment.

Restructuring plans: summary of costs incurred *in millions of USD*

	Six months ended June 30, 2016	2015
Employee-related costs		
- Termination costs	9	7
- Other employee-related costs	(1)	4
Total employee-related costs	**8**	**11**
Site closure costs		
- Impairment of property, plant and equipment	10	-
- Accelerated depreciation of property, plant and equipment	15	14
- Other site closure costs	12	-
Total site closure costs	**37**	**14**
Loss on divestment of subsidiary	-	25
Total costs on divestment of products and businesses	**-**	**25**
Other reorganisation expenses	13	26
Total restructuring costs	**58**	**76**

Restructuring plans: classification of costs *in millions of USD*

	Six months ended June 30, 2016			Six months ended June 30, 2015		
	Depreciation, amortisation and impairment	Other costs	Total	Depreciation, amortisation and impairment	Other costs	Total
Cost of sales						
- Pharmaceuticals	25	13	38	14	1	15
- Diagnostics	-	1	1	-	8	8
Marketing and distribution						
- Pharmaceuticals	-	-	-	-	8	8
- Diagnostics	-	4	4	-	4	4
Research and development						
- Pharmaceuticals	-	1	1	-	6	6
- Diagnostics	-	1	1	-	-	-
General and administration						
- Pharmaceuticals	-	9	9	-	32	32
- Diagnostics	-	2	2	-	3	3
- Corporate	-	2	2	-	-	-
Total	**25**	**33**	**58**	**14**	**62**	**76**
Total by operating segment						
- Pharmaceuticals	25	23	48	14	47	61
- Diagnostics	-	8	8	-	15	15
- Corporate	-	2	2	-	-	-
Total	**25**	**33**	**58**	**14**	**62**	**76**

7. Goodwill

Goodwill: movements in carrying value of assets: *in millions of USD*

Six months ended June 30, 2016	
At January 1, 2016	8,871
At June 30, 2016	**8,871**
Allocated by operating segment	
Pharmaceuticals	4,921
Diagnostics	3,950
Total RHI Group	**8,871**

8. Intangible assets

Intangible assets: movements in carrying value of assets *in millions of USD*

	Product intangibles: in use	Product intangibles: not available for use	Marketing intangibles: in use	Technology intangibles: in use	Total
Six months ended June 30, 2016					
At January 1, 2016	9,083	2,607	14	123	11,827
Additions	38	263	-	-	301
Disposals	(1)	(10)	-	-	(11)
Transfers	113	(113)	-	-	-
Amortisation charge	(772)	-	(1)	(17)	(790)
Impairment charge	-	(56)	-	-	(56)
Currency translation effects	14	-	-	-	14
At June 30, 2016	**8,475**	**2,691**	**13**	**106**	**11,285**
Allocated by operating segment					
Pharmaceuticals	7,246	1,549	-	105	8,900
Diagnostics	1,229	1,142	13	1	2,385
Total RHI Group	**8,475**	**2,691**	**13**	**106**	**11,285**

Classification of intangible asset amortisation and impairment expenses *in millions of USD*

	Amortisation		Impairment	
Six months ended June 30,	2016	2015	2016	2015
Cost of sales				
- Pharmaceuticals	(648)	(596)	-	-
- Diagnostics	(102)	(94)	-	-
Marketing and distribution				
- Pharmaceuticals	-	-	-	
- Diagnostics	(1)	-	-	
Research and development				
- Pharmaceuticals	(39)	(16)	(56)	(14)
- Diagnostics	-	-	-	-
Total	**(790)**	**(706)**	**(56)**	**(14)**

Impairment charges – 2016

Pharmaceuticals Division. Impairment charges totalling USD 56 million were recorded which related to:

- A delay in the development of one compound following regulatory feedback (USD 28 million). The asset concerned, which was not yet being amortised, was partially written down.
- A decision to stop development of one compound (USD 28 million). The asset concerned, which was not yet being amortised, was fully written down.

Impairment charges – 2015

Pharmaceuticals Division. Impairment charges totalling USD 14 million were recorded which related to a decision to stop development of a compound with an alliance partner. The asset concerned, which was not yet being amortised, was fully written down.

9. Provisions and contingent liabilities

Provisions *in millions of USD*

	June 30, 2016	December 31, 2015
Legal provisions	600	607
Environmental provisions	186	227
Restructuring provisions	50	80
Employee provisions	177	165
Other provisions	1,496	1,606
Total provisions	**2,509**	**2,685**
Current	1,637	1,740
Non-current	872	945
Total provisions	**2,509**	**2,685**

During the six months ended June 30, 2016 a total of USD 243 million of provisions were utilised (six months ended June 30, 2015: USD 324 million), mainly related to the utilisation of restructuring, environmental and other provisions.

Other than as described below, no significant changes in the RHI Group's contingent liabilities have occurred since the approval of the Annual Financial Statements by the Board of Directors.

Tarceva subpoena. The government subpoena related to Tarceva is described in Note 19 to the Annual Financial Statements. On June 6, 2016 Genentech executed settlement agreements with the US Department of Justice and all of the States resolving the civil investigation. The matter with the Federal Government and all of the States is now concluded.

Rituxan arbitration. The Rituxan arbitration is described in Note 19 to the Annual Financial Statements. On July 7, 2016 the EU Court of Justice provided a judgment against Genentech on a specific legal question relating to the arbitral award's non-compliance under EU competitive laws. The case will now return to the Paris Court of Appeal and a hearing is expected in the second half of 2016. The outcome of this matter cannot be determined at this time.

There have been certain procedural developments in the other significant litigation matters described in Note 19 to the Annual Financial Statements. These do not significantly affect the assessment of the RHI Group's management concerning the adequacy of the total provisions recorded for legal matters.

10. Debt

Debt: movements in carrying value of recognised liabilities *in millions of USD*	
Six months ended June 30, 2016	
At January 1, 2016	41,202
Proceeds from issue of bonds and notes	988
Redemption and repurchase of bonds and notes	(2,978)
Increase (decrease) in commercial paper	2,905
Increase (decrease) in amounts due to related parties	250
Increase (decrease) in other debt	1
Net (gains) losses on redemption and repurchase of bonds and notes [3]	102
Amortisation of debt discount [3]	7
Net foreign exchange (gains) losses	30
Currency translation effects and other	5
At June 30, 2016	**42,512**
Bonds and notes	13,260
Commercial paper	5,435
Amounts due to related parties [14]	23,817
Total debt	**42,512**
Long-term debt	34,444
Short-term debt	8,068
Total debt	**42,512**

Issuance of bonds and notes - 2016

On March 1, 2016 the RHI Group completed an offering of USD 1.0 billion fixed rate notes with a coupon of 2.625%. The notes will mature on May 15, 2026. The RHI Group received USD 988 million aggregate net proceeds from the issuance and sale of these fixed notes.

Issuance of bonds and notes – 2015

During the six months ended June 30, 2015 the RHI Group issued USD 600 million fixed rate notes with a coupon of 2.00% under the Euro Medium Term Note programme. The notes will mature on March 13, 2020 and are listed on the Luxembourg Stock Exchange. The RHI Group received approximately USD 597 million aggregate net proceeds from the issuance and sale of these fixed notes.

Redemption and repurchase of bonds and notes – 2016

Partial redemption of US dollar-denominated notes. On December 30, 2015 the RHI Group resolved to exercise its option to call for early partial redemption of the 6.0% fixed rate notes due March 1, 2019. On March 24, 2016 the RHI Group redeemed an outstanding principal of USD 600 million at an amount equal to the sum of the present values of the remaining scheduled payments of these notes discounted to the redemption date at the US Treasury rate plus 0.50%, together with accrued and unpaid interest on the principal. The cash outflow was USD 677 million, plus accrued interest and there was an additional USD 4 million loss recorded on redemption. The effective interest rate of these notes was 6.37%.

Redemption of euro notes. On the due date of March 4, 2016 the RHI Group redeemed the 5.625% fixed rate notes with a principal of EUR 2.1 billion. The cash outflow was USD 2,301 million, plus accrued interest. The effective interest rate of these notes was 5.70%.

Early redemption of US dollar-denominated notes in August 2016. On June 22, 2016 the RHI Group resolved to exercise its option to call for early redemption of the 6.0% fixed rate notes due March 1, 2019. The RHI Group will redeem an outstanding principal of USD 857 million on August 25, 2016 at an amount equal to the sum of the present values of the remaining scheduled payments of these notes discounted to the redemption date at the US Treasury rate plus 0.50%, together with accrued and unpaid interest on the principal. A cash outflow of approximately USD 958 million, plus accrued interest, is expected on redemption. The RHI Group has revised the carrying value of these notes to take into account the changes to the amounts and timings of the estimated cash flows. The revised carrying value of these notes at June 30, 2016 is USD 958 million. The increase in carrying value of USD 98 million is recorded within financing costs (see Note 3) as a loss on redemption. The effective interest rate of these notes is 6.37%.

Redemption and repurchase of bonds and notes – 2015

During the six months ended June 30, 2015 the RHI Group completed the early partial redemption of USD 600 million fixed rate notes and completed the redemption of GBP 481 million of fixed rate notes (USD 739 million).

Cash flows from issuance, redemption and repurchase of bonds and notes

Cash inflows from issuance of bonds and notes *in millions of USD*

	Six months ended June 30,	
	2016	2015
Euro Medium Term Note programme - US dollar notes	-	597
US dollar notes	988	-
Total cash inflows from issuance of bonds and notes	**988**	**597**

Cash outflows from redemption and repurchase of bonds and notes *in millions of USD*

	Six months ended June 30,	
	2016	2015
Euro Medium Term Note programme - Pound sterling notes	-	(739)
Euro Medium Term Note programme – Euro notes	(2,301)	-
US dollar notes	(677)	(697)
Total cash outflows from redemption and repurchase of bonds and notes	**(2,978)**	**(1,436)**

Commercial paper

Roche Holdings, Inc. commercial paper program. Roche Holdings, Inc. has an established commercial paper program under which it can issue up to USD 7.5 billion of unsecured commercial paper notes guaranteed by Roche Holding Ltd. A committed credit line of USD 7.5 billion is available as a back-stop line. The maturity of the notes under the program cannot exceed 365 days from the date of issuance. At June 30, 2016 unsecured commercial paper notes with a principal amount of USD 5.4 billion and an average interest rate of 0.4% were outstanding.

Movements in commercial paper obligations *in millions of USD*

Six months ended June 30, 2016	
At January 1, 2016	2,530
Net cash proceeds (payments)	2,905
At June 30, 2016	**5,435**

Recognised liabilities due to related parties

The movements of the amounts due to related parties are shown in the table below:

Recognised liabilities due to related parties *in millions of USD*

Six months ended June 30, 2016	
At January 1, 2016	23,564
Cash inflows from related parties	750
Cash outflows to related parties	(500)
Currency translation of foreign operations	3
At June 30, 2016	**23,817**

Issues from related parties. Issues of new term notes from related parties are shown in the table below:

Cash inflows from related parties *in millions of USD*

	Six months ended June 30,	
	2016	2015
Term note 3.14% issued February 27, 2015	-	750
Term note 3.14% issued February 27, 2015	-	750
Term note 3.14% issued February 27, 2015	-	800
Term note 3.48% issued January 30, 2015	-	1,000
Term note 3.48% issued January 30, 2015	-	1,000
Term note 1.91% issued March 2, 2015	-	50
Term note 3.41% issued February 26, 2016	750	-
Total	**750**	**4,350**

Payments to related parties. Payments of term notes to related parties are shown in the table below:

Cash outflows to related party issues *in millions of USD*

	Six months ended June 30,	
	2016	2015
Term note 1.66% due June 19, 2015	-	(250)
Term note 2.12% due March 19, 2015	-	(1,300)
Term note 1.56% due June 5, 2015	-	(1,750)
Term note 1.66% due April 16, 2015	-	(1,000)
Term note 1.39% due January 14, 2016	(500)	-
Total	**(500)**	**(4,300)**

11. Equity attributable to RHI shareholder

Genentech transaction

The RHI Group completed the purchase of the non-controlling interest in Genentech effective March 26, 2009. Based on the International Accounting Standard 27 'Consolidated and Separate Financial Statements' (IAS 27) and consistent with the International Financial Reporting Standard 10 'Consolidated Financial Statements' (IFRS 10), this transaction was accounted for in full as an equity transaction. As a consequence, the carrying amount of the consolidated equity of the RHI Group at that time was reduced by USD 46.6 billion, of which USD 7.6 billion was allocated to eliminate the book value of Genentech non-controlling interest. At June 30, 2016 the RHI Group had a negative equity of USD 21.4 billion (December 31, 2015: USD 21.7 billion). The capacity of the RHI Group to generate positive cash flows and operating profit is not affected by this accounting treatment.

Share capital

At June 30, 2016 the share capital of Roche Holdings, Inc., which is the RHI Group's parent company, consisted of 1,000 shares with a nominal value of USD 1,000 each and has not changed during the first half of 2016. All shares are indirectly owned by Roche Holding Ltd., a public company registered in Switzerland.

Dividends

During the six months ended June, 30 2016 the RHI Board of Directors resolved to declare the following dividends to RHI's sole stockholder, Roche Finance Ltd., of which USD 1.65 billion were paid in the first half of 2016.

Date declared	Dividend per share (USD per share)	Total cash distribution (USD million)
January 15, 2016	750,000	750
March 2, 2016	750,000	750
June 22, 2016	750,000	150
Total	**2,250,000**	**1,650**

At June 30, 2016 a dividend payable of USD 600 million was recorded relating to the dividend declared on June 22, 2016. On July 12, 2016 USD 150 million of the dividend payable was paid to Roche Finance Ltd. In addition, RHI intends to distribute a dividend of up to USD 1.0 billion not later than the end of June 2017.

Own equity instruments

The RHI Group holds none of its own equity shares.

Retained earnings

In addition to net income attributable to the RHI shareholder of USD 2,424 million (six months ended June 30, 2015: USD 2,337 million) and the dividend payments described above, retained earnings also includes losses on remeasurements of defined benefit plans of USD 136 million, after tax (six months ended June 30, 2015: gains of USD 178 million, after tax). These were based on updated actuarial calculations for major plans and the losses were mainly due to a decrease in discount rates since the end of 2015.

12. Subsidiaries

Foundation Medicine, Inc.

Foundation Medicine, Inc. ('FMI') is a fully consolidated subsidiary of the RHI Group and at June 30, 2016 the RHI Group's interest in FMI was 59.10% (December 31, 2015: 59.68%). The common stock of FMI is publicly traded and is listed on the Nasdaq under the stock code 'FMI'. FMI prepares financial statements in accordance with US GAAP that are filed on a quarterly basis with the SEC.

13. Financial risk management

The RHI Group's financial risk management objectives and policies are consistent with those disclosed in Note 28 to the Annual Financial Statements.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 – observable inputs other than quoted prices in active markets for identical assets and liabilities.
- Level 3 – unobservable inputs.

Fair value hierarchy of financial instruments *in millions of USD*

	Level 1	Level 2	Level 3	Total
At June 30, 2016				
Marketable securities				
- Equity securities	77	-	-	77
- Debt securities	-	133	-	133
Derivative financial instruments – related parties [14]	-	-	-	-
Available-for-sale investments – held at fair value	-	7	-	7
Financial assets recognised at fair value	**77**	**140**	**-**	**217**
Derivative financial instruments	-	-	-	-
Derivative financial instruments – related parties [14]	-	(166)	-	(166)
Contingent consideration	-	-	(920)	(920)
Financial liabilities recognised at fair value	**-**	**(166)**	**(920)**	**(1,086)**

At June 30, 2016 Level 1 financial assets consist of treasury bills, bonds and quoted shares. Level 2 financial assets consist primarily of commercial paper, certificates of deposit and derivative financial instruments.

The RHI Group determines Level 2 fair values using the following valuation techniques:

- Marketable securities and derivative financial instruments are based on valuation models that use observable market data for interest rates, yield curves, foreign exchange rates and implied volatilities for similar instruments at the measurement date.
- Available-for-sale investments using a valuation model derived from the most recently published observable financial prices.

The RHI Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no significant transfers between Level 1 and Level 2 during the six months ended June 30, 2016.

Level 3 fair values

Details of the determination of Level 3 fair value measurements are set out below.

Contingent consideration arrangements *in millions of USD*	
Six months ended June 30, 2016	
At January 1, 2016	(970)
Utilised [5]	71
Total unrealised gains and losses included in the income statement	
- Unused amounts reversed	-
- Additional amounts created	(5)
- Discount unwind	(16)
At June 30, 2016	**(920)**

During the six months ended June 30, 2016 contingent consideration provisions decreased mainly due to the payment of milestones related to the IQuum and Ariosa acquisitions.

Contingent consideration arrangements

The RHI Group is party to certain contingent consideration arrangements arising from business combinations. The fair values are determined considering the expected payments, discounted to present value using risk-adjusted average discount rate of 4.3% at June 30, 2016 (December 31, 2015: 4.3%). The expected payments are determined by considering the possible scenarios of forecast sales and other performance criteria, the amount to be paid under each scenario, and the probability of each scenario. The significant unobservable inputs are the forecast sales, other performance criteria and the risk-adjusted discount rate. The estimated fair value would increase if the forecast sales or other performance criteria rates were higher or the risk-adjusted discount rate was lower. At June 30, 2016 the total payments under contingent consideration arrangements could be up to USD 1.9 billion (December 31, 2015: USD 1.9 billion).

Carrying value and fair value

At June 30, 2016 the carrying value of bonds and notes is USD 13.3 billion compared to a fair value of USD 15.1 billion and the carrying value of total debt is USD 42.5 billion compared to a fair value of USD 44.4 billion. The carrying values of financial assets are a reasonable approximation of the fair values at June 30, 2016.

14. Related parties

Controlling shareholder

Roche Finance Ltd (Roche Finanz AG), a Swiss corporation, owns all of the issued and outstanding shares of Roche Holdings, Inc. Roche Finance Ltd is a wholly owned, direct subsidiary of Roche Holding Ltd, a public company in Switzerland.

As a member of the Roche Group, all of the RHI Group's related party transactions are with Roche Group affiliates. The transactions include purchases of inventory and other materials, sales of inventory and other materials, allocation of research and development costs under cost-sharing agreements and collaborations, allocation of marketing and distribution costs under cost-sharing agreements, allocation of other expenses attributable to the US business and the payment and receipt of royalties.

Related party transactions *in millions of USD*

	Six months ended June 30, 2016	2015
Sales	980	1,012
Royalty income	1,162	1,105
Contract revenue	19	-
Purchases of inventory and other materials	(300)	(263)
Reimbursements received under research and development cost-sharing and collaboration agreements	463	429
Payments issued under research and development cost-sharing and collaboration agreements	(704)	(559)
Reimbursements received under marketing and distribution cost-sharing and collaboration agreements	185	-
Services rendered	63	41
Services received	(85)	(51)
Other income (expense)	8	-
Financing costs – related parties		
Interest expense	(491)	(495)
Guarantee fees	(32)	(43)
Total financing costs – related parties	**(523)**	**(538)**
Other financial income (expense) – related parties		
Net gains (losses) on foreign currency derivatives	6	(58)
Other financial income (expense)	4	2
Total other financial income (expense) – related parties	**10**	**(56)**

Related party balances *in millions of USD*

	June 30,2016	December 31, 2015
Other non-current assets	-	-
Other current assets	-	-
Accounts receivable	3,227	2,406
- of which derivative financial assets [13]	-	-
Total receivable – related parties	**3,227**	**2,406**
Long-term debt	(22,142)	(23,064)
Short-term debt	(1,675)	(500)
Total debt – related parties	**(23,817)**	**(23,564)**
Other non-current liabilities	(136)	(209)
Other current liabilities	(1,688)	(2,074)
Accounts payable	(1,335)	(1,302)
- of which derivative financial liabilities [13]	*(166)*	*(585)*
Total payable – related parties	**(3,159)**	**(3,585)**

The RHI Group deposits surplus funds with Roche Pharmholding B.V. in its function as corporate cash pool leader for numerous Roche affiliates. Amounts deposited of USD 2.0 billion are immediately available and bear variable interest referenced to one month LIBOR.

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Review Report of the Independent Auditor on the Consolidated Financial Statements to the Board of Directors of

Roche Holdings, Inc., Wilmington, Delaware

Introduction
We have been engaged to review the accompanying consolidated condensed balance sheet of Roche Holdings, Inc., as at 30 June 2016 and the related consolidated statements of income and 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 consolidated financial statements) on pages 6 to 22. The Board of Directors is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the EU. Our responsibility is to express a conclusion on these interim consolidated 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 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 consolidated financial statements as at 30 June 2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the EU.

KPMG AG

Ian Starkey
Licensed Audit Expert
Auditor in Charge

Marc Ziegler
Licensed Audit Expert

Basel, 22 July 2016