



*Roche Capital Market Ltd –  
Interim Financial Statements 2011*

# Roche Capital Market Ltd, Interim Financial Statements

Reference numbers indicate the corresponding Notes to the Interim Financial Statements. The Interim Financial Statements are unaudited. The Interim Financial Statements have been reviewed by Roche Capital Market Ltd's auditors and their review report is presented on page 7.

## Roche Capital Market Ltd, statement of comprehensive income *in millions of CHF*

|   | Sixth months ended 30 June |      |
|---|----------------------------|------|
|   | 2011                       | 2010 |
| <b>Income</b>                                   |                            |      |
| Financial income – related parties <sup>2</sup> | <b>42</b>                  | 42   |
| Other income                                    | -                          | -    |
| <b>Total income</b>                             | <b>42</b>                  | 42   |
| <b>Expenses</b>                                 |                            |      |
| Financing costs <sup>2</sup>                    | <b>(35)</b>                | (35) |
| Financing costs – related parties <sup>2</sup>  | <b>(6)</b>                 | (6)  |
| Other expenses                                  | -                          | -    |
| <b>Total expenses</b>                           | <b>(41)</b>                | (41) |
| <b>Profit before taxes</b>                      | <b>1</b>                   | 1    |
| Income taxes                                    | -                          | -    |
| <b>Net income</b>                               | <b>1</b>                   | 1    |
| Other comprehensive income                      | -                          | -    |
| <b>Total comprehensive income</b>               | <b>1</b>                   | 1    |

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

|                                      | 30 June<br>2011 | 31 December<br>2010 |
|--------------------------------------|-----------------|---------------------|
| Non-current assets <sup>3,7</sup>    | <b>1,500</b>    | 1,500               |
| Current assets <sup>7</sup>          | <b>22</b>       | 74                  |
| <b>Total assets</b>                  | <b>1,522</b>    | 1,574               |
| Non-current liabilities <sup>4</sup> | <b>(1,481)</b>  | (1,480)             |
| Current liabilities                  | <b>(19)</b>     | (53)                |
| <b>Total liabilities</b>             | <b>(1,500)</b>  | (1,533)             |
| <b>Total net assets</b>              | <b>22</b>       | 41                  |
| <b>Equity</b>                        |                 |                     |
| Share capital <sup>5</sup>           | <b>1</b>        | 1                   |
| Retained earnings                    | <b>21</b>       | 40                  |
| <b>Total equity</b>                  | <b>22</b>       | 41                  |

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

|  | Six months ended 30 June |      |
|--|--------------------------|------|
|  | 2011                     | 2010 |
| Cash flows from operating activities, before income taxes paid | -                        | -    |
| Income taxes paid  | <b>(1)</b>               | -    |
| Cash flows from operating activities                           | <b>(1)</b>               | -    |
| Cash flows from investing activities                           | <b>42</b>                | 42   |
| Cash flows from financing activities                           | <b>(41)</b>              | (42) |
| <b>Increase (decrease) in cash and cash equivalents</b>        | -                        | -    |
| Cash and cash equivalents at beginning of period               | -                        | -    |
| <b>Cash and cash equivalents at end of period</b>              | -                        | -    |

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

|                                      | Share capital | Retained earnings | Total       |
|--------------------------------------|---------------|-------------------|-------------|
| <b>Six months ended 30 June 2010</b> |               |                   |             |
| At 1 January 2010                    | 1             | 38                | 39          |
| Net income                           | -             | 1                 | 1           |
| Other comprehensive income           | -             | -                 | -           |
| Total comprehensive income           | -             | 1                 | 1           |
| Dividends                            | -             | -                 | -           |
| At 30 June 2010                      | 1             | 39                | 40          |
| <b>Six months ended 30 June 2011</b> |               |                   |             |
| At 1 January 2011                    | <b>1</b>      | <b>40</b>         | <b>41</b>   |
| Net income                           | -             | 1                 | 1           |
| Other comprehensive income           | -             | -                 | -           |
| Total comprehensive income           | -             | 1                 | 1           |
| Dividends                            | -             | <b>(20)</b>       | <b>(20)</b> |
| At 30 June 2011                      | <b>1</b>      | <b>21</b>         | <b>22</b>   |

# Notes to the Roche Capital Market Ltd, Interim Financial Statements

Reference numbers indicate corresponding Notes to the Interim Financial Statements. The Interim Financial Statements are unaudited. The Interim Financial Statements have been reviewed by Roche Capital Market Ltd's auditors and their review report is presented on page 7.

## 1. Accounting policies

### **Basis of preparation of financial statements**

These financial statements are the unaudited interim financial statements (hereafter 'the Interim Financial Statements') of Roche Capital Market Ltd, (*Roche Kapitalmarkt AG*), a company registered in Switzerland (hereafter 'the Company') for the six-month period ended 30 June 2011 (hereafter 'the interim period'). The Company is 100% owned by Roche Holding Ltd, (*Roche Holding AG*), a public company registered in Switzerland. Roche Holding Ltd is the parent company of the Roche Group, and therefore the Company is a member of the Roche Group.

The main activity of the Company is the provision of financing to other affiliates of the Roche Group. Refinancing takes place on the bond or loan markets. During the first half of 2009 the Company resumed its financing activities on behalf of the Roche Group and issued bonds, which are guaranteed by Roche Holding Ltd, the parent company of the Roche Group (see Note 4). The Company subsequently entered into new financing arrangements with other members of the Roche Group (see Note 3).

The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting'. These Interim Financial Statements should be read in conjunction with the Financial Statements for the year ended 31 December 2010 (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 20 July 2011.

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

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 judgements at the date of the Interim Financial Statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

The Company has only one operating segment and undertakes its operation in Switzerland. Therefore no segment reporting is included in these financial statements.

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

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

In 2011 the Roche Group, and consequently the Company, implemented various 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 the other new and revised standards and interpretations that will be effective from 1 January 2012 and beyond, and which the Roche 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 CHF*

|  | Six months ended 30 June |      |
|--|--------------------------|------|
|  | 2011                     | 2010 |
| Interest income – related parties        | <b>42</b>                | 42   |
| Total financial income – related parties | <b>42</b>                | 42   |

### Financing costs *in millions of CHF*

|                                  | Six months ended 30 June |      |
|----------------------------------|--------------------------|------|
|                                  | 2011                     | 2010 |
| Interest expense                 | <b>(34)</b>              | (34) |
| Amortisation of debt discount    | <b>(1)</b>               | (1)  |
| Guarantee fees – related parties | <b>(6)</b>               | (6)  |
| Total financing costs            | <b>(41)</b>              | (41) |

## 3. Loans receivable – related parties

On 23 March 2009 the Company gave a loan to F. Hoffmann-La Roche Ltd, Basel for 1,500 million Swiss francs due 23 March 2017. The effective interest rate is 5.63%.

## 4. Debt

### Debt: movements in carrying value of recognised liabilities *in millions of CHF*

#### Six month ended 30 June 2011

|  |                |
|--|----------------|
| At 1 January 2011                          | <b>(1,480)</b> |
| Proceeds from issue of bonds               | -              |
| Repayment and redemption of bonds          | -              |
| Amortisation of debt discount <sup>2</sup> | <b>(1)</b>     |
| At 30 June 2011                            | <b>(1,481)</b> |
| Consisting of                              |                |
| - Bonds                                    | <b>(1,481)</b> |
| Total debt                                 | <b>(1,481)</b> |
| Reported as                                |                |
| - Long-term debt                           | <b>(1,481)</b> |
| - Short-term debt                          | -              |
| Total debt                                 | <b>(1,481)</b> |

### Outstanding bonds

On 23 March 2009 the Company issued Swiss franc fixed rate 4.5% bonds due 23 March 2017 with a principal amount of 1,500 million Swiss francs. The net proceeds were 1,475 million Swiss francs and the effective interest rate is 4.77%. These bonds are guaranteed by Roche Holding Ltd, the parent company of the Roche Group.

The fair value of the bonds at 30 June 2011 is 1,721 million Swiss francs (31 December 2010: 1,701 million Swiss francs; 31 December 2009: 1,684 million Swiss francs). This is calculated based on the observable market prices of the debt instruments. There are no pledges on the Company's assets in connection with the debt.

### Issuance of bonds and notes – 2011 and 2010

The Company did not issue any bonds or notes during the interim periods of 2011 and 2010.

## 5. Equity

### Share capital

The authorised and issued share capital of the Company consists of 1,000 shares with a nominal value of 1,000 Swiss francs each and has not changed during the interim period. All the shares are owned by Roche Holding Ltd, a public company registered in Switzerland.

### Dividends

On 1 April 2011 the Board of Directors of the Company approved the distribution of a dividend to Roche Holding Ltd of 20 million Swiss francs in respect of the 2010 business year and the Company's reserves (2010: none). The dividend distribution has been recorded against retained earnings in 2011.

### Own equity instruments

The Company holds none of its own shares (2010: none).

## 6. Contingent liabilities

As of 30 June 2011, the Company does not have any material contingent liabilities (2010: 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 repayments of loans given by the Company. In addition the Company has a current account with Roche Pharmholding B.V., the corporate cash pool leader, as described in Note 6 to the Annual Financial Statements.

### Related party transactions *in millions of CHF*

|   | Six months ended 30 June |      |
|---|--------------------------|------|
|   | 2011                     | 2010 |
| Interest income – related parties                             | <b>42</b>                | 42   |
| Guarantee fees - related parties                              | <b>(6)</b>               | (6)  |
| (Increase) decrease of cash pool balance with related parties | <b>52</b>                | 32   |

### Related party balances *in millions of CHF*

|   | 30 June<br>2011 | 31 December<br>2010 |
|---|-----------------|---------------------|
| Long-term loans receivable – related parties <sup>3</sup> | <b>1,500</b>    | 1,500               |
| Accounts receivable – related parties                     | <b>22</b>       | 74                  |

### Key management personnel

**Change in Board of Directors of Roche Capital Market Ltd:** Effective 31 March 2011 Dr Erich Hunziker, formerly Chairman of the Board of Directors of the Company, resigned from the Board. On 1 April 2011 Dr Alan Hippe was appointed to succeed Dr Erich Hunziker as Chairman of the Board.

# Review Report of the Statutory Auditor

## To the Board of Directors of Roche Capital Market Ltd, Basel

**Introduction** We have been engaged to review the accompanying condensed balance sheet of Roche Capital Market Ltd as at 30 June 2011 and the related statement of 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 financial statements) on pages 1 to 6. The Board of Directors is responsible for the preparation and presentation of these interim financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim financial statements based on our review.

**Scope of Review** We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion** Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements as at 30 June 2011 are not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

KPMG AG



Ian Starkey  
*Licensed Audit Expert*  
*Auditor in Charge*



François Rouiller  
*Licensed Audit Expert*

Basel, 20 July 2011