Roche Holdings, Inc.
Half-Year Report 2021

Roche Holdings, Inc. Interim Consolidated Financial Statements

Contents

Management Report

1. Review of the six months ended June 30, 2021

Principal activities

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

RHI Group results

In the first half of 2021 the RHI Group reported sales of USD 15.2 billion, a decrease of 4% compared to the first half of 2020, and an operating profit of USD 3.9 billion, a decrease of 30%. In the first six months of 2021 the COVID-19 pandemic continued to affect sales across the whole business as described in the following section on 'Impact of the COVID-19 pandemic'.

The 4% sales decrease was driven by the Pharmaceuticals Division, where sales decreased by 8% to USD 12.5 billion. Biosimilar competition continued to drive further erosion of sales of Rituxan, Herceptin and Avastin, although the continuing uptake of new medicines helped to compensate for this. Overall, the COVID-19 pandemic continued to have a negative impact on the Pharmaceuticals Division's sales due to reduced hospitalisations and outpatient visits. The Diagnostics Division reported a sales growth of 20% to USD 2.6 billion driven by sales of COVID-19-related products, notably the cobas SARS-CoV-2 PCR test. There was a rebound in routine testing, which had been greatly affected by the pandemic during the first half of 2020, and this also contributed to the sales growth in the first half of 2021.

The decrease of the RHI Group's operating profit by 30% to USD 3.9 billion is primarily driven by the Pharmaceuticals Division due to lower sales with increased cost of sales, higher research and development costs as well as an increase in general and administration expenses. The RHI Group's operating profit margin decreased to 25.6% of sales from 35.2% in the comparative period. Net income decreased by 39% to USD 2.5 billion, ahead of the operating profit decrease, driven by the base effect from the resolution of several tax disputes in the first half of 2020.

The RHI Group had a positive cash flow from operating activities of USD 2.9 billion, a decrease of 21% compared to the first half of 2020, due to lower cash generated from operations, measured by the operating profit, net of operating cash adjustments, and higher income tax payments, partly offset by net working capital movements.

Impact of the COVID-19 pandemic

Revenues. The COVID-19 pandemic had an impact on the RHI Group's revenues, both on the absolute amounts and in the phasing during 2020. The following factors affected sales across the whole portfolio in the Roche Group's Pharmaceuticals and Diagnostics Divisions, although the impact varied by product and by geography:

- The restrictions on local travel and public gatherings discouraged some patients from visiting physicians, health practices and hospitals. This especially affected elderly patients.
- Many hospitals and health practices experienced a certain level of disruption leading to delays or cancellations of patient visits, especially for non-critical procedures.
- There was a certain level of forward purchasing in the first quarter of 2020 as doctors wrote prescriptions for longer periods to minimise patient visits to pharmacies, and as patients and distributors stocked up in anticipation of restrictions and potential supply chain disruptions.

In the RHI Group these factors manifested in a higher level of sales prior to restrictions being imposed, followed by a lower level of sales during the second quarter of 2020 and then a slow recovery beginning at the end of the second quarter as restrictions were progressively eased.

In 2021 the pandemic continued to have a negative impact overall on the RHI Group's Pharmaceuticals Division's sales, especially for medicines where regular visits to hospitals or health practices are needed, for example for infusions or injections. This was partly compensated by additional sales of Actemra, which has received US FDA Emergency Use Authorization for the treatment of COVID-19 in hospitalised adults and children. The Diagnostics Division's sales growth was due to the comprehensive portfolio of COVID-19-related tests and a recovery in routine diagnostic testing.

Manufacturing and supply. Despite some of the supply and logistics challenges due to the COVID-19 pandemic, the Roche Group has been able to continue to deliver medicines and diagnostics wherever possible for patients across a broad range of other disease areas under exceptional conditions. To date there has been limited disruption and the Group is continually monitoring the situation.

Research and development. The Roche Group's planned drug launches, filings, pivotal phase III trial readouts and pivotal trial starts are largely on track. The Group is continuously monitoring all ongoing studies, both in terms of missed doses and overall data integrity.

Operating results. The major impact on the operating profit came from the above-mentioned factors for revenues. Overall operating expenses were impacted to some extent by the COVID-19 pandemic, but the various impacts were partly offsetting. While some additional costs were incurred for areas such as IT infrastructure and distribution costs, there was less spending on marketing activities, including lower travel costs and reduced attendance at congresses.

RHI Group results (continued)

Pharmaceuticals Division

Sales in the Pharmaceuticals Division decreased by USD 1.1 billion to USD 12.5 billion in the first half of 2021. The 8% sales decrease was driven by the combined 50% fall in total Rituxan, Herceptin and Avastin sales due to biosimilars as well as market contractions due to COVID-19 particularly for Rituxan. Sales of these three products fell by USD 2.0 billion to USD 2.0 billion in the first half of 2021. Despite this, the continuing uptake for new medicines helped to compensate for this biosimilar erosion.

There was growing demand for new medicines, including Ocrevus, Hemlibra, Evrysdi and Tecentriq. These four products together contributed an additional USD 0.8 billion of new sales. Ocrevus continued its growth development, with an 18% sales increase to USD 2.0 billion. Hemlibra continued to show high uptake with sales reaching USD 0.9 billion, an increase of 34%. Tecentriq sales grew by 16% to USD 0.9 billion, driven by new indications.

The COVID-19 pandemic continued to have an overall negative impact on the division's sales. Hospitalisations and outpatient visits remained lower than they would otherwise have been and this particularly impacted sales of Ocrevus, Lucentis and Rituxan. This was partly compensated by additional sales of Actemra, driven by the adoption in treatment guidelines for patients with severe COVID-19 pneumonia.

Sales in the oncology therapeutic area decreased by 25% due to the biosimilar competition for Herceptin, Rituxan and Avastin described above, partially compensated by growth of the new products Tecentriq and Phesgo, which was launched in 2020. Tecentriq sales grew 16% due to higher demand driven by the new indications for first-line non-small cell lung cancer (NSCLC) and unresectable or metastatic hepatocellular carcinoma (HCC).

Sales in immunology decreased by 12%, mainly driven by lower sales of Rituxan due to biosimilar entry and the impacts of the COVID-19 pandemic. The 4% increase in Actemra sales was mostly due to the use for hospitalised patients with severe COVID-19 pneumonia.

In neuroscience Ocrevus sales increased by 18% to USD 2.0 billion due to growing demand in both indications, with growth driven both by new and returning patients, with a higher proportion of sales coming from returning patients. Sales of Ocrevus were impacted by COVID-19 as the treatment is administered by intravenous infusion and requires hospital visits, which in some cases were cancelled or delayed during the pandemic restrictions.

In haemophilia A Hemlibra continued to show uptake since being launched in November 2017 with sales reaching USD 0.9 billion, an increase of 34% driven by the non-inhibitor segment.

In ophthalmology Lucentis sales decreased by 3% and were affected by COVID-19 restrictions disrupting ophthalmology practices and limiting patient access.

Infectious diseases included the first Ronapreve sales to related parties.

In other therapeutic areas, sales of Activase/TNKase were 7% lower as sales continued to be affected by the COVID-19 pandemic restrictions.

Competition from biosimilars and generic medicines. The introduction of a generic, biosimilar or non-comparable biologic version of the same or a similar medicine usually results in a significant reduction in net sales for the relevant product, as other manufacturers typically offer their versions at lower prices.

The RHI Group's basic, primary patents for Rituxan, Herceptin and Avastin have expired. The secondary patent rights for subcutaneous formulations of Rituxan and Herceptin expire beyond 2025. The first biosimilar versions of Herceptin and Avastin were launched in the US from mid-2019 and the first biosimilar versions of Rituxan in late 2019. Interim sales for Rituxan, Herceptin and Avastin are summarised in the table below. The year-on-year movements were also driven by regular price and volume changes, as well as by the impacts of the COVID-19 pandemic, which had a certain impact on the overall market, particularly for Rituxan. Biosimilar competition is only one factor in the overall picture. Interim sales for these three products were USD 2.0 billion lower than in the prior period, a decline of 50%.

2021 interim product sales affected by biosimilar launches

	2021 (USD m)	2020 (USD m)	% change	Comment
Rituxan	946	1,784	-47%	First biosimilar launches from late 2019
Herceptin	457	1,030	-56%	First biosimilar launches from mid-2019
Avastin	575	1,131	-49%	First biosimilar launches from mid-2019
Total	**1,978**	**3,945**	**-50%**	

The RHI Group's basic, primary patents for Lucentis have expired in the US. Based on publicly available information from competitor companies, the RHI Group currently anticipates that the first biosimilar versions of Lucentis could come to the market in the US towards the end of 2021. Interim US sales of Lucentis, which decreased by 3% to USD 0.7 billion, were also affected by the COVID-19 pandemic.

Royalties and other operating income decreased by USD 0.1 billion to USD 2.9 billion. Royalty income increased by USD 0.1 billion to USD 2.4 billion driven by higher royalty income from related parties. Other operating income decreased by USD 0.2 billion to USD 0.5 billion driven by lower income from out-licensing agreements with related parties, partly offset by income from sale of product rights for Rivotril and Pegasys as well as higher profit-share income due to increased sales of Venclexta in the US.

Cost of sales increased by 1% to USD 6.3 billion in the first half of 2021. As a percentage of sales, cost of sales increased by 4.8 percentage points to 50.0%, driven by higher manufacturing costs, which grew by 14%, despite the sales decrease of 8%. This was primarily due to unfavourable product mix factors. Royalty expenses to third parties were 8% higher due to increased sales for certain royalty-bearing products, notably Ocrevus. Collaboration and profit-sharing expenses decreased by 24% driven by lower sales of Rituxan. An idle-plant impairment was reversed in the first half of 2021, resulting in an income of USD 203 million.

Marketing and distribution costs decreased by 3% to USD 1.6 billion in the first half of 2021, and as a percentage of sales, increased to 13.0% from 12.4% in the comparative period. There was a continuing general slowdown in marketing activities, including lower expenses for travel and congresses due to COVID-19 restrictions. The cost decrease was also associated with a reduction in the field force from restructuring initiatives. Major marketing and distribution activities included supporting the continued rollouts of Ocrevus and Tecentriq and also pre-launch activities.

Pharmaceuticals Division – Research and development

Six months ended June 30,	2021 (USD m)	2020 (USD m)
Research and early development	(1,443)	(1,297)
Late stage development	(1,413)	(1,308)
Partnering, including Foundation Medicine, Flatiron Health and Spark	(397)	(158)
Restructuring plans	(26)	(3)
Amortisation of intangible assets	(110)	(107)
Impairment of intangible assets	(119)	(354)
Total	**(3,508)**	**(3,227)**
- of which related party	*(508)*	*(363)*

Research and development costs increased by 9% and, as a percentage of sales, increased to 28.0% from 23.7% in the comparative period. Oncology remained the primary area of research and development, with the cancer immunotherapy portfolio being a key driver. The growth in spending was mostly driven by late-stage investments in oncology, specifically in the first pivotal study for giredestrant, a next-generation selective oestrogen receptor degrader for people with hormone receptor-positive, HER2-negative breast cancer, and investments in tiragolumab in lung cancer. Additionally, investments were made in advanced computation and data analytics.

Additionally in the first half of 2021, in-licensing transactions and asset acquisitions resulted in intangible assets of USD 0.2 billion being recognised, mainly for payments made based upon the achievement of performance-related milestones for transactions completed in previous years. See the below sections on 'Mergers and acquisitions' and 'Alliance transactions' for further details. There were intangible asset impairment charges of USD 119 million in the Pharmaceuticals Division. The major items related to a charge of USD 42 million to fully write down an asset following a clinical data assessment and a charge of USD 41 million due to the decision to stop the development of a compound with an alliance partner.

General and administration costs increased by USD 0.3 billion to USD 0.4 billion in the first half of 2021 driven by the base effect from the release of the Accutane litigation provision in 2020. Administration costs were lower mainly due to lower legal expenses. Business taxes and capital taxes decreased primarily due to lower excise tax expenses in 2021.

The Pharmaceuticals Division's operating profit decreased by 34% to USD 3.6 billion in the first half of 2021 and reflects lower sales, together with increased cost of sales, increased research and development costs as well as higher general and administration expenses.

Diagnostics Division

The Diagnostics Division reported overall sales growth of 20% to USD 2.6 billion in the first half of 2021. The growth is mainly due to higher sales of COVID-19-related products, notably the SARS-CoV-2 PCR test. The rebound in routine testing, which was greatly affected by the pandemic during the first half of 2020, also contributed to the sales growth in the first half of 2021.

As part of an ongoing transformation initiative, the Diagnostics Division has replaced the previous business area structure with new customer areas. Sales are presented by customer area with the comparative information for 2020 being restated. Further details on the new customer areas are given in Note 3 to the Interim Financial Statements.

Sales in the Molecular Lab customer area grew due to COVID-19-related sales, while the rebound in routine testing is the main contributor to growth in the Core Lab and Pathology Lab customer areas. The Molecular Lab customer area reported a sales growth of 29% led by COVID-19-related sales from SARS-CoV-2 assays on the cobas 6800/8800 range and from the Liat business. Sales in the Core Lab customer area grew 21% due to the recovery of routine testing across the portfolio. In addition, COVID-19-related testing contributed to the sales growth in the custom biotech business. Sales in the Pathology Lab customer area increased by 9% mainly due to growth in the advanced staining business due to testing recovery, and growth in sales in the companion diagnostics business. Diabetes Care sales grew 15%, driven by an increase in blood glucose monitoring and the resolution of a dispute over a rebate. Point of Care sales decreased by 2% in the first half of 2021.

Royalties and other operating income increased by 28% to USD 86 million due to higher royalty income from related parties.

Costs of sales increased by 27% to USD 1.5 billion, above the sales growth of 20%. This was mainly driven by higher amortisation charges due to an intangible asset that was transferred from a related party in late 2020. As a percentage of sales, cost of sales increased by 3.0 percentage points to 55.1%.

Marketing and distribution costs increased by 29% to USD 0.4 billion due to higher spending on distribution costs following increased sales volumes for COVID-19 products as well as higher personnel expenses. As a percentage of sales, marketing and distribution costs increased to 16.6% compared to 15.4% in the comparative period.

Research and development costs decreased by 25% to USD 0.4 billion mainly due to lower reimbursements paid to related parties under research and development cost-sharing agreements, partly offset by increased spending on COVID-19-related projects. As a percentage of sales, research and development costs decreased to 15.4% compared to 24.5% in the comparative period.

General and administration costs increased by 32% to USD 91 million driven by increased administration costs due to higher personnel expenses and due to the shift of the reporting lines of certain support functions. As a percentage of sales, general and administration costs increased by 0.3 percentage points to 3.4% compared to 3.1% in the comparative period.

Mergers and acquisitions

GenMark Diagnostics, Inc. On April 22, 2021 the RHI Group acquired a 100% controlling interest in GenMark Diagnostics, Inc. ('GenMark'), a publicly owned US company based in Carlsbad, California, that had been listed on Nasdaq. GenMark provides multiplex molecular diagnostic solutions that are designed to detect multiple pathogens from a single patient sample. The addition of GenMark's proprietary multiplex technology complements the RHI Group's diagnostic offering, addressing a broad range of infectious disease testing needs, including respiratory and bloodstream infections. GenMark is reported in the Diagnostics Division. The total consideration was USD 1.9 billion, which was paid in cash.

Further details are given in Note 6 to the Interim Financial Statements.

Alliance transactions

In the first half of 2021 in-licensing deals and other alliance transactions, including those with related parties, resulted in intangible assets totalling USD 0.2 billion (2020: USD 0.4 billion) being recognised, mainly for payments made based upon the achievement of performance-related milestones for transactions completed in previous years.

Restructuring plans

During the first half of 2021 the RHI Group expanded with the implementation of various restructuring plans initiated in prior years, including an organisational transformation in the Diagnostics Division and various resourcing optimisation initiatives in the Pharmaceuticals Division. The total amount of expenditure in the first half of 2021 was USD 115 million, mainly for employee-related costs. Further details are given in Note 7 to the Interim Financial Statements.

Impairment of goodwill and intangible assets

There were intangible asset impairment charges of USD 119 million in the Pharmaceuticals Division. The major items related to a charge of USD 42 million to fully write down an asset following a clinical data assessment and a charge of USD 41 million due to the decision to stop the development of a compound with an alliance partner. There were no impairments in the Diagnostics Division. Further details are given in Note 9 to the Interim Financial Statements.

Legal and environmental cases

There were no significant developments in the first half of 2021. Further details are given in Note 10 to the Interim Financial Statements.

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 decreased by 25% in the first half of 2021 due to lower interest expenses attributable to the repayment of debt in March 2021. At June 30, 2021 debt was USD 46.2 billion compared to USD 42.1 billion at the end of 2020. In the first half of 2021 there was an increase in commercial paper of USD 0.2 billion and a net increase in related party debt of USD 3.8 billion. A full analysis of financing costs is given in Note 4 to the Interim Financial Statements.

The RHI Group's effective tax rate increased to 22.8% in the first half of 2021 compared to 15.1% in the comparative period. The main driver for the increase was the resolution of several tax disputes in the first half of 2020.

Total taxes paid in the first half of 2021 increased from USD 0.1 billion to USD 0.9 billion due to the US Internal Revenue Service providing a tax payment extension in the first half of 2020 in response to the COVID-19 pandemic, which deferred the provisional 2020 US federal tax payments into the second half of 2020.

Cash flow

The cash inflows from operating activities decreased by USD 0.8 billion to USD 2.9 billion in the first half of 2021. This was due to lower cash generated from operations, measured by the operating profit, net of operating cash adjustments, and higher income tax payments, partly offset by net working capital movements. The increase in net working capital was significantly lower than in the prior period, due to the temporarily extended payment terms for certain trade receivables in the Pharmaceuticals Division in the first half of 2020 and the settlement of payables and accrual positions recorded at the end of 2019. The increase in cash outflows from investing activities of USD 1.2 billion to USD 2.6 billion was driven by the acquisition of GenMark as described in the above section on 'Mergers and acquisitions', partially offset by lower payments for asset acquisitions. The cash outflows from financing activities were USD 0.3 billion in the first half of 2021. These were mainly payments to related parties for dividends, equity compensation plans and interest and other financing costs, partially compensated by the net cash inflow from related party debt.

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 Interim Financial Statements). At June 30, 2021 the RHI Group had a negative equity of USD 18.4 billion (December 31, 2020: USD 18.5 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 10.5 billion which are guaranteed by Roche Holding Ltd, the parent company of the Roche Group.

Total assets increased by USD 2.6 billion to USD 42.6 billion at June 30, 2021. The increase of USD 1.1 billion in goodwill resulted from the acquisition of GenMark, as described in the above section on 'Mergers and acquisitions'. Inventories increased by USD 0.6 billion driven by ensuring supply resilience in the Pharmaceutical Division. The increase of USD 0.3 billion in trade receivables is due to higher sales in the second quarter of 2021 as compared to the fourth quarter of 2020. Furthermore, trade receivables increased due to a shift in the sales portfolio of products with longer payment terms in the Pharmaceuticals Division. Property, plant and equipment increased by USD 0.3 billion due to manufacturing investments and site developments and the reversal of an idle-plant impairment.

Total liabilities increased by USD 2.5 billion to USD 61.0 billion at June 30, 2021. This was mainly driven by the changes in debt, partly offset by the settlement of year-end positions. In the first half of 2021 there was an increase in commercial paper debt of USD 0.2 billion and a net increase in related party debt of USD 3.8 billion. At June 30, 2021 the carrying value of debt was USD 46.2 billion (December 31, 2020: USD 42.1 billion), of which USD 35.4 billion is due to related parties (December 31, 2020: USD 31.7 billion).

2. Principal risks and uncertainties

Risks

The RHI Group is exposed to various financial risks arising from its underlying operations and corporate finance activities. Information on risks the RHI Group is exposed to from its underlying operations is provided under provisions and contingent liabilities in Note 20 to the 2020 Annual Financial Statements. 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 29 to the 2020 Annual Financial Statements.

As noted above in the "Impact of the COVID-19 pandemic" section, the development of the pandemic in the second half of 2021 and beyond, both in the US and elsewhere, may have a significant impact on the RHI Group's business, results of operations and financial position.

Uncertainties

Key accounting judgements, estimates and assumptions are described in Note 1 to the Interim Financial Statements. Provisions and contingent liabilities are described in Note 20 to the 2020 Annual Financial Statements and these are updated, where appropriate, in Note 10 to the Interim Financial Statements.

3. International Financial Reporting Standards

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. See Note 1 to the Interim Financial Statements for further details.

4. 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 23, 2021:

- the Interim Consolidated Financial Statements at June 30, 2021, 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	Sean A. Johnston 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 33.

Roche Holdings, Inc. consolidated income statement for the six months ended June 30, 2021 *in millions of USD*

	Pharmaceuticals	Diagnostics	Corporate	RHI Group
Sales [2, 3]	12,517	2,638	-	15,155
Royalties and other operating income [2, 3]	2,865	86	-	2,951
Revenue [2, 3]	**15,382**	**2,724**	**-**	**18,106**
Cost of sales	(6,263)	(1,453)	-	(7,716)
Marketing and distribution	(1,629)	(439)	-	(2,068)
Research and development	(3,508)	(405)	-	(3,913)
General and administration	(423)	(91)	(14)	(528)
Operating profit [2]	**3,559**	**336**	**(14)**	**3,881**
Financing costs [4]				(170)
Financing costs – related parties [15]				(559)
Other financial income (expense) [4]				57
Other financial income (expense) – related parties [15]				(23)
Profit before taxes				**3,186**
Income taxes [5]				(728)
Net income				**2,458**
Attributable to				
- Roche Holdings, Inc. shareholder				2,459
- Non-controlling interests				(1)

Roche Holdings, Inc. consolidated income statement for the six months ended June 30, 2020 *in millions of USD*

	Pharmaceuticals	Diagnostics	Corporate	RHI Group
Sales [2, 3]	13,642	2,204	-	15,846
Royalties and other operating income [2, 3]	2,985	67	-	3,052
Revenue [2, 3]	**16,627**	**2,271**	**-**	**18,898**
Cost of sales	(6,171)	(1,148)	-	(7,319)
Marketing and distribution	(1,686)	(340)	-	(2,026)
Research and development	(3,227)	(539)	-	(3,766)
General and administration	(133)	(69)	(10)	(212)
Operating profit [2]	**5,410**	**175**	**(10)**	**5,575**
Financing costs [4]				(227)
Financing costs – related parties [15]				(582)
Other financial income (expense) [4]				(2)
Other financial income (expense) – related parties [15]				6
Profit before taxes				**4,770**
Income taxes [5]				(718)
Net income				**4,052**
Attributable to				
- Roche Holdings, Inc. shareholder				4,053
- Non-controlling interests				(1)

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

	Six months ended June 30, 2021	2020
Net income recognised in income statement	**2,458**	**4,052**
Other comprehensive income (OCI)		
Remeasurements of defined benefit plans	159	(35)
Fair value changes on equity investments at fair value through OCI	(20)	4
Items that will never be reclassified to the income statement	**139**	**(31)**
Fair value changes on debt investments at fair value through OCI	(1)	2
Cash flow hedges	(8)	(14)
Currency translation of foreign operations	(9)	4
Items that are or may be reclassified to the income statement	**(18)**	**(8)**
Other comprehensive income, net of tax	**121**	**(39)**
Total comprehensive income	**2,579**	**4,013**
Attributable to		
- Roche Holdings, Inc. shareholder	2,580	4,014
- Non-controlling interests	(1)	(1)
Total	**2,579**	**4,013**

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

	June 30, 2021	December 31, 2020
Non-current assets		
Property, plant and equipment	7,764	7,437
Right-of-use assets	483	479
Goodwill [8]	10,067	8,970
Intangible assets [9]	10,120	10,100
Deferred tax assets	802	863
Defined benefit plan assets	261	158
Other non-current assets	697	644
Total non-current assets	**30,194**	**28,651**
Current assets		
Inventories	4,364	3,761
Accounts receivable – trade and other	4,214	3,969
Accounts receivable – related parties [15]	2,684	2,593
Other current assets	1,079	913
Other current assets – related parties [15]	0	82
Marketable securities	50	2
Cash and cash equivalents	0	1
Total current assets	**12,391**	**11,321**
Total assets	**42,585**	**39,972**
Non-current liabilities		
Long-term debt [11]	(7,480)	(6,629)
Long-term debt – related parties [15]	(30,405)	(28,155)
Defined benefit plan liabilities	(1,588)	(1,651)
Provisions [10]	(376)	(380)
Other non-current liabilities	(650)	(617)
Other non-current liabilities – related parties [15]	(300)	(407)
Total non-current liabilities	**(40,799)**	**(37,839)**
Current liabilities		
Short-term debt [11]	(3,293)	(3,834)
Short-term debt – related parties [15]	(5,000)	(3,500)
Current income tax liabilities	(1,522)	(1,675)
Provisions [10]	(1,137)	(1,112)
Accounts payable – trade and other	(1,046)	(1,181)
Accounts payable – related parties [15]	(1,592)	(2,019)
Other current liabilities	(5,265)	(5,466)
Other current liabilities – related parties [15]	(1,305)	(1,818)
Total current liabilities	**(20,160)**	**(20,605)**
Total liabilities	**(60,959)**	**(58,444)**
Total net liabilities	**(18,374)**	**(18,472)**
Equity		
Capital and reserves attributable to Roche Holdings, Inc. shareholder	(18,374)	(18,473)
Equity attributable to non-controlling interests	0	1
Total equity	**(18,374)**	**(18,472)**

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

	Six months ended June 30, 2021	2020
Cash flows from operating activities		
Cash generated from operations [13]	5,602	7,225
(Increase) decrease in net working capital	(1,057)	(3,142)
(Increase) decrease in net working capital - related parties	(606)	(53)
Payments made for defined benefit plans	(42)	(42)
Utilisation of provisions	(247)	(278)
Disposal of products	99	25
Other operating cash flows	2	0
Income taxes paid	(855)	(62)
Total cash flows from operating activities	**2,896**	**3,673**
Cash flows from investing activities		
Purchase of property, plant and equipment	(545)	(457)
Purchase of intangible assets	(264)	(399)
Disposal of property, plant and equipment	6	8
Disposal of intangible assets	69	8
Business combinations [6]	(1,850)	0
Asset acquisitions [6]	(115)	(669)
Interest received	0	2
Interest received from related parties	0	9
Other current assets – related parties	79	56
Sales of equity securities and debt securities	0	74
Other investing cash flows	5	(21)
Total cash flows from investing activities	**(2,615)**	**(1,389)**
Cash flows from financing activities		
Proceeds from issue of bonds and notes [11]	1,498	0
Proceeds from issue of related party debt [11]	10,750	3,530
Redemption and repurchase of bonds and notes [11]	(1,376)	0
Repayment of related party debt [11]	(7,000)	(2,780)
Increase (decrease) in commercial paper [11]	212	540
Increase (decrease) in other debt [11]	(76)	0
Hedging arrangements - related parties	(37)	(23)
Interest paid	(230)	(242)
Principal portion of lease liabilities paid	(51)	(41)
Dividends paid to related parties [12]	(2,750)	(1,500)
Interests and other financing - related parties	(557)	(885)
Recharges and prepayments to related parties for equity compensation plans	(763)	(802)
(Increase) decrease of cash pool balance with related parties [15]	83	(130)
Other financing cash flows	0	(1)
Total cash flows from financing activities	**(297)**	**(2,334)**
Net effect of currency translation on cash and cash equivalents	0	0
Increase (decrease) in cash and cash equivalents	**(16)**	**(50)**
Cash and cash equivalents at beginning of period	1	127
Cash and cash equivalents at end of period [a]	**(15)**	**77**

a) At June 30, 2021 cash overdrafts of USD 15 million were included within other current liabilities in the balance sheet.

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, 2020								
At January 1, 2020	**1**	**(21,656)**	**1**	**20**	**2**	**(21,632)**	**2**	**(21,630)**
Net income recognised in income statement	-	4,053	-	-	-	4,053	(1)	4,052
Net change in fair value – financial assets at fair value through OCI	-	4	2	-	-	6	0	6
Cash flow hedges	-	-	-	(14)	-	(14)	0	(14)
Currency translation of foreign operations	-	-	-	-	4	4	0	4
Remeasurements of defined benefit plans	-	(35)	-	-	-	(35)	0	(35)
Total comprehensive income	**-**	**4,022**	**2**	**(14)**	**4**	**4,014**	**(1)**	**4,013**
Dividends	-	(1,500)	-	-	-	(1,500)	0	(1,500)
Equity compensation plans	-	(524)	-	-	-	(524)	-	(524)
Changes in non-controlling interests	-	0	-	-	-	0	0	-
At June 30, 2020	**1**	**(19,658)**	**3**	**6**	**6**	**(19,642)**	**1**	**(19,641)**
Six months ended June 30, 2021								
At January 1, 2021	**1**	**(18,542)**	**30**	**8**	**30**	**(18,473)**	**1**	**(18,472)**
Net income recognised in income statement	-	2,459	-	-	-	2,459	(1)	2,458
Net change in fair value – financial assets at fair value through OCI	-	0	(21)	-	-	(21)	0	(21)
Cash flow hedges	-	-	-	(8)	-	(8)	0	(8)
Currency translation of foreign operations	-	-	-	-	(9)	(9)	0	(9)
Remeasurements of defined benefit plans	-	159	-	-	-	159	0	159
Total comprehensive income	**-**	**2,618**	**(21)**	**(8)**	**(9)**	**2,580**	**(1)**	**2,579**
Dividends	-	(2,750)	-	-	-	(2,750)	0	(2,750)
Equity compensation plans	-	269	-	-	-	269	-	269
Changes in non-controlling interests	-	0	-	-	-	0	0	-
At June 30, 2021	**1**	**(18,405)**	**9**	**0**	**(21)**	**(18,374)**	**0**	**(18,374)**

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, 2021 (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, 2020 (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 23, 2021.

Statement of compliance

The Interim Financial Statements have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union (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, 2021 the RHI Group had a negative equity of USD 18.4 billion (December 31, 2020: USD 18.5 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 10.5 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 2021 interim period, the RHI Group generated an operating profit of USD 3.9 billion and a positive operating cash flow of USD 2.9 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.

Impact of the COVID-19 pandemic

The RHI Group has assessed certain accounting matters that generally require consideration of forecast financial information taking into account the potential future impacts of the COVID-19 pandemic. The accounting matters assessed included, but were not limited to, the Group's provisions for product returns, allowances for doubtful accounts for trade and lease receivables, inventory allowances, the carrying value of goodwill, intangible assets, property, plant and equipment and defined benefit pension plan assets and liabilities. Any impacts from the pandemic in the second half of 2021 may affect these, or other, matters.

During the six months ended June 30, 2021 no impairment issues related to the COVID-19 pandemic were noted for goodwill and intangible assets. During the six months ended June 30, 2020 intangible asset impairment charges of USD 354 million were incurred as a result of a delay in clinical trials, partly impacted by the COVID-19 pandemic (see Note 9). The RHI Group will carry out further reviews for impairment in the second half of 2021, and any continued negative impacts from the pandemic will be considered.

While there was no significant impact from the areas assessed on the RHI Group's Interim Financial Statements, the RHI Group will continue to monitor these areas of increased judgements and risk for material changes.

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 also be reflected in the RHI Group's Consolidated Financial Statements for the year ending December 31, 2021.

Changes in accounting policies

In 2021 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, 2022 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 2022.

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 and taxes), legal, safety and environmental services.

Divisional information *in millions of USD*

	Pharmaceuticals		Diagnostics		Corporate		RHI Group	
Six months ended June 30,	2021	2020	2021	2020	2021	2020	2021	2020
Revenue from external customers and related parties								
Sales	12,517	13,642	2,638	2,204	-	-	15,155	15,846
Royalties and other operating income	2,865	2,985	86	67	-	-	2,951	3,052
Total	**15,382**	**16,627**	**2,724**	**2,271**	**-**	**-**	**18,106**	**18,898**
Segment results								
Operating profit	3,559	5,410	336	175	(14)	(10)	3,881	5,575

Net assets *in millions of USD*

	Assets		Liabilities		Net assets	
Net operating assets	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Pharmaceuticals	30,274	29,734	(6,972)	(6,837)	23,302	22,897
Diagnostics	10,077	7,880	(1,958)	(2,696)	8,119	5,184
Corporate	78	85	(100)	(119)	(22)	(34)
Total	**40,429**	**37,699**	**(9,030)**	**(9,652)**	**31,399**	**28,047**
Current income tax net assets (liabilities)					(1,522)	(1,675)
Deferred tax net assets (liabilities)					802	863
Defined benefit plan net assets (liabilities)					(1,327)	(1,493)
Lease liabilities					(556)	(543)
Marketable securities					50	2
Cash and cash equivalents					0	1
Debt					(10,773)	(10,463)
Debt – related parties					(35,405)	(31,655)
Other net assets (liabilities)					(1,042)	(1,556)
Total net assets					**(18,374)**	**(18,472)**

3. Revenue

Disaggregated revenue information

Disaggregation of revenue from external customers and related parties *in millions of USD*

	Six months ended June 30, 2021			Six months ended June 30, 2020		
	Revenue from contracts with customers	Revenue from other sources	Total	Revenue from contracts with customers	Revenue from other sources	Total
Pharmaceuticals Division						
Sales by therapeutic area						
Oncology	4,565	-	4,565	6,121	-	6,121
Immunology	2,814	-	2,814	3,194	-	3,194
Neuroscience	2,244	-	2,244	1,764	-	1,764
Haemophilia A	922	-	922	687	-	687
Ophthalmology	733	-	733	767	-	767
Infectious diseases	149	-	149	74	-	74
Other therapeutic areas	1,090	-	1,090	1,035	-	1,035
Sales	**12,517**	**-**	**12,517**	**13,642**	**-**	**13,642**
Royalty income	430	-	430	491	-	491
Royalty income from related parties	1,952	-	1,952	1,819	-	1,819
Income from out-licensing agreements	37	-	37	23	-	23
Income from out-licensing agreements with related parties	10	-	10	352	-	352
Income from disposal of products and other	99	337	436	25	275	300
Royalties and other operating income	**2,528**	**337**	**2,865**	**2,710**	**275**	**2,985**
Diagnostics Division						
Sales by customer area [a]						
Molecular Lab	1,028	15	1,043	795	12	807
Core Lab	681	42	723	566	34	600
Pathology Lab	421	15	436	384	15	399
Diabetes Care	312	0	312	271	0	271
Point of Care	124	0	124	127	0	127
Sales	**2,566**	**72**	**2,638**	**2,143**	**61**	**2,204**
Royalty income	4	-	4	3	-	3
Royalty income from related parties	79	-	79	61	-	61
Income from out-licensing agreements	0	-	0	0	-	0
Income from disposal of products and other	0	3	3	0	3	3
Royalties and other operating income	**83**	**3**	**86**	**64**	**3**	**67**
Total	**17,694**	**412**	**18,106**	**18,559**	**339**	**18,898**

a) Comparative information for 2020 restated to align with new customer areas.

As part of an ongoing transformation initiative, the Diagnostics Division has replaced the previous business area structure with the following customer areas:

Molecular Lab. This customer area focuses on molecular labs and provides diagnostics solutions for the detection and monitoring of pathogens, donor screening, sexual health and genomics.

Core Lab. This customer area focuses on central labs and provides diagnostics solutions in the areas of immunoassays, clinical chemistry and custom biotech.

Pathology Lab. This customer area focuses on pathology labs and provides diagnostics solutions for tissue biopsies and companion diagnostics. These are targeted diagnostics to aid in the choice of specific therapies for each patient.

Diabetes Care. This customer area provides diagnostics solutions for people with diabetes and healthcare professionals enabling integrated personalised diabetes management.

Point of Care. This customer area provides diagnostics solutions immediately at the point of care such as emergency rooms, general practitioners' practices, and directly with patients and includes the SARS-CoV-2 rapid tests and blood gas and electrolyte (BGE) tests.

Revenue from other sources primarily relates to lease revenue and collaboration income for which the counterparty is not considered a customer, such as income from profit-sharing arrangements.

Gross-to-net sales reconciliation for the Pharmaceuticals Division

The gross-to-net sales reconciliation for the Pharmaceuticals Division is shown in the table below. The companies in the Diagnostics Division have similar reconciling items, but at much lower amounts.

Pharmaceuticals Division sales gross-to-net reconciliation *in millions of USD*

	Six months ended June 30, 2021	2020
Gross sales	16,228	17,138
Government and regulatory mandatory price reductions	(2,711)	(2,754)
Contractual price reductions	(1,223)	(1,153)
Cash discounts	(66)	(69)
Customer returns reserves	(113)	(77)
Others	(213)	(184)
Net sales to third parties	**11,902**	**12,901**
Net sales to related parties	615	741
Net sales	**12,517**	**13,642**

Government and regulatory mandatory price reductions. These consist of mandatory price reductions. The major elements are 340B Drug Discount Program, Medicaid and other plans in the US, which totalled USD 2.7 billion (six months ended June 30, 2020: USD 2.8 billion).

Contractual price reductions. These include rebates and chargebacks that are the result of contractual agreements that are primarily volume based and performance based.

Cash discounts. These include credits offered to wholesalers for remitting payment on their purchases within contractually defined incentive periods.

Customer returns reserves. These are allowances established for expected product returns.

Sales reductions that are expected to be withheld by the customer upon settlement, such as contractual price reductions and cash discounts, are recorded in the balance sheet as a deduction from trade receivables. Sales reductions that are separately payable to customers, governmental health authorities or healthcare regulatory authorities are recorded in the balance sheet as accrued liabilities. Provisions for sales returns are recorded in the balance sheet as other provisions.

4. Net financial expense

Financing costs *in millions of USD*

	Six months ended June 30, 2021	2020
Interest expense	(140)	(191)
Amortisation of debt discount [11]	(4)	(4)
Net gains (losses) on redemption and repurchase of bonds and notes [11]	0	0
Discount unwind	(2)	(2)
Net interest cost of defined benefit plans	(19)	(24)
Interest expenses on lease liabilities	(5)	(6)
Total financing costs	**(170)**	**(227)**

Other financial income (expense) *in millions of USD*

	Six months ended June 30, 2021	2020
Net gains (losses) on equity investments / securities at fair value through profit or loss	22	0
Interest income from debt securities at fair value through OCI and at amortised cost	0	2
Net foreign exchange gains (losses)	22	1
Net other financial income (expense)	13	(5)
Total other financial income (expense)	**57**	**(2)**

Net financial expense *in millions of USD*

	Six months ended June 30, 2021	2020
Financing costs	(170)	(227)
Other financial income (expense)	57	(2)
Net financial expense	**(113)**	**(229)**
Financial result from Treasury management	(94)	(205)
Financial result from Pension management	(19)	(24)
Net financial expense	**(113)**	**(229)**

5. 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, 2021.

Income tax expenses *in millions of USD*

	Six months ended June 30, 2021	2020
Current income taxes	(774)	(1,032)
Deferred taxes	46	314
Total income tax (expense)	**(728)**	**(718)**

The RHI Group's effective tax rate for the six months ended June 30, 2021 increased to 22.8% (six months ended June 30, 2020: 15.1%). The main driver for the increase was the resolution of several tax disputes in the first half of 2020.

6. Mergers and acquisitions

Business combinations – 2021

GenMark Diagnostics, Inc. On April 22, 2021 the RHI Group acquired a 100% controlling interest in GenMark Diagnostics, Inc. ('GenMark'), a publicly owned US company based in Carlsbad, California, that had been listed on Nasdaq. GenMark provides multiplex molecular diagnostic solutions that are designed to detect multiple pathogens from a single patient sample. The addition of GenMark's proprietary multiplex technology complements the Group's diagnostic offering, addressing a broad range of infectious disease testing needs, including respiratory and bloodstream infections. GenMark is reported in the Diagnostics Division. The total consideration was USD 1,865 million, which was paid in cash.

The identifiable assets acquired and liabilities assumed are set out in the table below. The amounts are provisional based on preliminary information and valuations of the assets and liabilities and are subject to adjustment during the second half of 2021.

Business combinations – 2021: net assets acquired in millions of USD

	GenMark Diagnostics
Property, plant and equipment	45
Right-of-use assets	18
Intangible assets	
- Product intangibles: in use [9]	825
- Other intangibles [9]	40
Deferred tax assets	55
Inventories	41
Cash and cash equivalents	15
Marketable securities	47
Long-term debt	(60)
Deferred tax liabilities	(210)
Other non-current liabilities	
- Lease liabilities	(20)
- Other long-term liabilities	(1)
Other net assets (liabilities)	(27)
Net identifiable assets	**768**
Goodwill [8]	1,097
Total consideration	**1,865**
Cash	1,865
Total consideration	**1,865**

Intangible assets are mainly related to GenMark's ePlex systems that are designed to support a broad range of molecular diagnostics sample-to-answer tests with compact, easy-to-use workstations and self-contained, disposable test cartridges.

The fair value of the intangible assets is determined using an excess earning method that is based on management forecasts and observable market data for discount rates, tax rates and foreign exchange rates. The present value is calculated using a risk-adjusted discount rate of 10.0%.

Goodwill represents GenMark's technological capabilities in multiplex molecular diagnostic solutions. Furthermore, goodwill represents a control premium, the acquired workforce and the expected synergies, notably in the areas of manufacturing as well as in commercialisation. Goodwill from the transaction is allocated to the Diagnostics customer areas as cash-generating unit. None of the goodwill is expected to be deductible for income tax purposes.

The GenMark accounts receivable is comprised of gross contractual amounts due of USD 19 million which were all expected to be collectable at the date of the acquisition.

Directly attributable transaction costs of USD 8 million were reported in the Diagnostics operating segment within general and administration expenses.

In the two months to June 30, 2021 GenMark contributed revenue of USD 23 million and a net loss (after tax) of USD 33 million to the results reported for the Diagnostics Division, where it is reported in the Molecular Lab customer area, and the RHI Group. If the acquisition had occurred on January 1, 2021 management estimates that GenMark would have contributed revenue of approximately USD 78 million and a net loss (after tax) of approximately USD 98 million in the six months ended June 30, 2021. This information is provided for illustrative purposes only and is not necessarily indicative of the results of the combined RHI Group that would have occurred had GenMark actually been acquired at the beginning of the year, or indicative of the future results of the combined RHI Group.

Business combinations – 2020

The RHI Group did not complete any business combination during the six months ended June 30, 2020.

Cash flows from business combinations

Business combinations: net cash outflow *in millions of USD*

	Six months ended June 30, 2021			Six months ended June 30, 2020		
	Pharmaceuticals	Diagnostics	Total	Pharmaceuticals	Diagnostics	Total
Cash consideration paid	0	(1,865)	(1,865)	0	0	0
Deferred consideration paid	0	0	0	0	0	0
Contingent consideration paid [14]	0	0	0	0	0	0
Cash in acquired company	0	15	15	0	0	0
Total net cash outflow	**0**	**(1,850)**	**(1,850)**	**0**	**0**	**0**

Asset acquisitions – 2021

The RHI Group did not complete any asset acquisition during the six months ended June 30, 2021.

Asset acquisitions – 2020

Promedior, Inc. On February 13, 2020 the RHI Group acquired a 100% controlling interest in Promedior, Inc. ('Promedior'), a privately owned US company based in Lexington, Massachusetts. Promedior is reported in the Pharmaceuticals Division. The cash consideration paid at the acquisition date was USD 414 million. Additional contingent payments may be made based upon the achievement of performance-related milestones.

Stratos Genomics, Inc. On May 20, 2020 the RHI Group acquired a 100% controlling interest in Stratos Genomics, Inc. ('Stratos Genomics'), a privately owned US company based in Seattle, Washington. Stratos Genomics is reported in the Diagnostics Division. The cash consideration paid at the acquisition date was USD 250 million. Additional contingent payments may be made based upon the achievement of performance-related milestones.

Lexent Bio, Inc. On June 12, 2020 the RHI Group acquired a 100% controlling interest in Lexent Bio, Inc. ('Lexent Bio'), a privately owned US company based in San Francisco and San Diego, California. Lexent Bio is reported in the Pharmaceuticals Division. The cash consideration paid at the acquisition date was USD 30 million. An additional contingent payment may be made based upon the achievement of a performance-related milestone.

Asset acquisitions – 2020: net assets acquired *in millions of USD*

	Promedior	Stratos Genomics	Lexent Bio	Total
Intangible assets				
- Product intangibles: not available for use	368	262	27	657
Deferred tax assets	26	12	3	41
Cash and cash equivalents	18	7	0	25
Other net assets (liabilities)	2	1	0	3
Net identifiable assets	**414**	**282**	**30**	**726**
Fair value of previously held equity interest	0	(26)	0	(26)
Total consideration	**414**	**256**	**30**	**700**
Cash	414	250	30	694
Deferred consideration	0	6	0	6
Total consideration	**414**	**256**	**30**	**700**

Cash flows from asset acquisitions

Asset acquisitions: net cash outflow *in millions of USD*

	Six months ended June 30, 2021			Six months ended June 30, 2020		
	Pharmaceuticals	Diagnostics	Total	Pharmaceuticals	Diagnostics	Total
Cash consideration paid	0	0	0	(444)	(250)	(694)
Cash in acquired company	0	0	0	18	7	25
Contingent payments related to previous acquisitions	(40)	(75)	(115)	-	-	-
Total net cash outflow	**(40)**	**(75)**	**(115)**	**(426)**	**(243)**	**(669)**

For asset acquisitions previously closed the RHI Group recorded additions to product intangible assets related to contingent payments for the achievement of performance-related milestones of USD 40 million (six months ended June 30, 2020: Nil). Furthermore, the RHI Group made contingent payments of USD 75 million related to product intangible assets recognised already at December 31, 2020.

7. Restructuring plans

During the six months ended June 30, 2021 the RHI Group expanded the implementation of various restructuring plans initiated in prior years, including an organisational transformation in the Diagnostics Division and various resourcing optimisation initiatives in the Pharmaceuticals Division.

Restructuring plans: costs incurred *in millions of USD*

	Diagnostics	Site consolidation	Other Plans	Total
Six months ended June 30, 2021				
Restructuring costs				
- Employee-related costs	36	23	35	94
- Site closure costs	12	1	0	13
- Divestment of products and businesses	0	0	0	0
- Other reorganisation expenses	3	1	4	8
Total restructuring costs	**51**	**25**	**39**	**115**
Six months ended June 30, 2020				
Restructuring costs				
- Employee related costs	4	(1)	4	7
- Site closure costs	6	1	0	7
- Divestment of products and businesses	0	0	0	0
- Other reorganisation expenses	5	0	20	25
Total restructuring costs	**15**	**0**	**24**	**39**

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

	Six months ended June 30,	
	2021	2020
Termination costs	88	7
Other employee-related costs	6	0
Total employee-related costs	**94**	**7**
Impairment of property, plant and equipment and right-of-use assets	0	8
Accelerated depreciation of property, plant and equipment and right-of-use assets	1	1
Other site closure costs	12	(2)
Total site closure costs	**13**	**7**
Other reorganisation expenses	**8**	**25**
Total restructuring costs	**115**	**39**

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

	Six months ended June 30, 2021			Six months ended June 30, 2020		
	Depreciation, amortisation and impairment	Other costs	Total	Depreciation, amortisation and impairment	Other costs	Total
Cost of sales						
- Pharmaceuticals	1	24	25	1	(1)	0
- Diagnostics	0	11	11	1	(4)	(3)
Marketing and distribution						
- Pharmaceuticals	0	(1)	(1)	0	16	16
- Diagnostics	0	33	33	0	3	3
Research and development						
- Pharmaceuticals	0	26	26	0	3	3
- Diagnostics	0	0	0	6	5	11
General and administration						
- Pharmaceuticals	0	5	5	0	4	4
- Diagnostics	0	8	8	1	2	3
- Corporate	0	8	8	0	2	2
Total	**1**	**114**	**115**	**9**	**30**	**39**
Total by operating segment						
- Pharmaceuticals	1	54	55	1	22	23
- Diagnostics	0	52	52	8	6	14
- Corporate	0	8	8	0	2	2
Total	**1**	**114**	**115**	**9**	**30**	**39**

8. Goodwill

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

Six months ended June 30, 2021	
At January 1, 2021	8,970
Business combinations [6]	1,097
At June 30, 2021	**10,067**
Allocated by operating segment	
Pharmaceuticals	5,868
Diagnostics	4,199
Total RHI Group	**10,067**

Impairment charges - 2021

There were no impairments of goodwill during the six months ended June 30, 2021.

Impairment charges - 2020

There were no impairments of goodwill during the six months ended June 30, 2020.

9. Intangible assets

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

	Product intangibles: in use	Product intangibles: not available for use	Other intangibles	Total
Six months ended June 30, 2021				
At January 1, 2021	5,837	3,896	367	10,100
Business combinations [6]	825	0	40	865
Asset acquisitions [6]	0	40	0	40
Additions	35	115	0	150
Disposals	0	(69)	0	(69)
Transfers	0	0	-	-
Amortisation charge	(807)	-	(33)	(840)
Impairment charge	(20)	(98)	(1)	(119)
Currency translation effects	(7)	0	0	(7)
At June 30, 2021	**5,863**	**3,884**	**373**	**10,120**
Allocated by operating segment				
Pharmaceuticals	4,279	3,542	332	8,153
Diagnostics	1,584	342	41	1,967
Total RHI Group	**5,863**	**3,884**	**373**	**10,120**

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

	Amortisation		Impairment	
Six months ended June 30,	2021	2020	2021	2020
Cost of sales				
- Pharmaceuticals	(632)	(614)	0	0
- Diagnostics	(88)	(28)	0	0
Marketing and distribution				
- Pharmaceuticals	(2)	(5)	0	0
- Diagnostics	(3)	(1)	0	0
Research and development				
- Pharmaceuticals	(110)	(107)	(119)	(354)
- Diagnostics	(5)	(1)	0	0
Total	**(840)**	**(756)**	**(119)**	**(354)**

Impairment charges – 2021

Pharmaceuticals Division. Impairment charges totalling USD 119 million were recorded which related mainly to:

- A charge of USD 42 following a clinical data assessment. The asset concerned, which was not yet being amortised, was fully written down.
- A charge of USD 41 million due to the decision to stop the development of a compound with an alliance partner. The asset concerned, which was not yet being amortised, was fully written down.
- A charge of USD 20 million due to the decision to stop a collaboration project with an alliance partner. The asset concerned, which was being amortised, was fully written down.
- A charge of USD 13 million due to the decision to stop a collaboration project with an alliance partner following a data assessment. The asset concerned, which was not yet being amortised, was fully written down.

Impairment charges – 2020

Pharmaceuticals Division. Impairment charges totalling USD 354 million were recorded which related to:

- A charge of USD 354 million for the partial impairment of the intangible asset for SPK-8011, a novel gene therapy for the treatment of haemophilia A, acquired as part of the Spark Therapeutics acquisition. The impairment was a result of a delay in clinical trials, partly impacted by the COVID-19 pandemic, leading to reduced sales expectations. The asset concerned, which was not yet being amortised, was written down to its estimated recoverable amount of USD 1,118 million.

10. Provisions and contingent liabilities

Provisions *in millions of USD*

	June 30, 2021	December 31, 2020
Legal provisions	306	333
Environmental provisions	131	140
Restructuring provisions	217	180
Contingent consideration provisions [14]	69	69
Other provisions	790	770
Total provisions	**1,513**	**1,492**
Current	1,137	1,112
Non-current	376	380
Total provisions	**1,513**	**1,492**

During the six months ended June 30, 2021 USD 247 million of provisions were utilised (six months ended June 30, 2020: USD 278 million), of which the entire amount is included in the cash flow from operating activities and mainly related to the utilisation of other provisions (six months ended June 30, 2020: USD 278 million).

No significant changes in the RHI Group's contingent liabilities for legal cases have occurred since the approval of the Annual Financial Statements by the Board of Directors. There have been certain procedural developments in the other significant litigation matters described in Note 20 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.

11. Debt

Debt: movements in carrying value of recognised liabilities *in millions of USD*

Six months ended June 30, 2021	
At January 1, 2021	42,118
Proceeds from issue of bonds and notes	1,498
Redemption and repurchase of bonds and notes	(1,376)
Increase (decrease) in commercial paper	212
Proceeds from issue of related party debt	10,750
Repayment of related party debt	(7,000)
Increase (decrease) in other debt	(76)
Changes from financing cash flows	**4,008**
Net (gains) losses on redemption and repurchase of bonds and notes [4]	0
Amortisation of debt discount [4]	4
Financing costs	**4**
Business combinations	76
Net foreign exchange (gains) losses	(28)
Currency translation effects	0
Changes in foreign exchange rates	**(28)**
At June 30, 2021	**46,178**
Bonds and notes	8,771
Commercial paper	2,000
Amounts due to related parties [15]	35,405
Other borrowings	2
Total debt	**46,178**
Long-term debt	37,885
Short-term debt	8,293
Total debt	**46,178**

Unamortised discount included in the carrying value of bonds and notes at June 30, 2021 was USD 62 million (June 30, 2020: USD 68 million).

Issuance of bonds and notes - 2021

On March 5, 2021 the RHI Group completed an offering of USD 0.5 billion and USD 0.65 billion fixed rate notes with a coupon of 0.45% and 0.991%, respectively. The notes will mature on March 5, 2024 and March 5, 2026, respectively. The RHI Group received USD 1,148 million aggregate net proceeds from the issuance and sale of these fixed rate notes.

On March 5, 2021 the RHI Group completed an offering of USD 0.35 billion floating rate notes at a rate equal to SOFR plus a margin of 0.24%. The notes will mature on March 5, 2024. The RHI Group received USD 350 million aggregate net proceeds from the issuance and sale of these floating rate notes.

Issuance of bonds and notes - 2020

The RHI Group did not issue any bonds or notes during the six months ended June 30, 2020.

Redemption and repurchase of bonds and notes – 2021

On the due date of March 4, 2021 the Group redeemed notes with an outstanding amount of EUR 1.14 billion. The effective interest rate of these notes was 6.66%. The cash outflow was USD 1,376 million and there was no gain or loss recorded on the redemption.

Redemption and repurchase of bonds and notes – 2020

The RHI Group did not redeem any bonds or notes during the six months ended June 30, 2020.

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. The total committed credit lines that are available as a back-stop supporting the commercial paper program are USD 7.5 billion at June 30, 2021. The maturity of the notes under the program cannot exceed 365 days from the date of issuance. At June 30, 2021 unsecured commercial paper notes with a principal amount of USD 2.0 billion and an average interest rate of 0.06% were outstanding.

Movements in commercial paper obligations *in millions of USD*

Six months ended June 30, 2021	
At January 1, 2021	1,788
Net cash proceeds (payments)	212
At June 30, 2021	**2,000**

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, 2021	
At January 1, 2021	31,655
Proceeds from issue of related party debt	10,750
Repayment of related party debt	(7,000)
At June 30, 2021	**35,405**

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,	
	2021	2020
Term note 0.14% issued March 4, 2021	1,500	-
Term note 0.16% issued April 6, 2021	1,500	-
Term note 0.16% issued April 22, 2021	1,000	-
Term note 0.16% issued April 23, 2021	500	-
Term note 2.82% issued May 6, 2021	1,500	-
Term note 0.17% issued May 13, 2021	500	-
Term note 0.17% issued May 17, 2021	1,000	-
Term note 2.82% issued May 21, 2021	1,500	-
Term note 0.17% issued June 11, 2021	500	-
Term note 0.17% issued June 17, 2021	500	-
Term note 0.17% issued June 25, 2021	500	-
Term note 1.9% issued February 3, 2021	250	-
Term note 2.27% issued February 25, 2020	-	500
Term note 2.8% issued February 25, 2020	-	1,000
Term note 0.23% issued June 5, 2020	-	1,000
Term note 1.31% issued June 8, 2020	-	280
Term note 0.23% issued June 25, 2020	-	750
Total	**10,750**	**3,530**

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,	
	2021	2020
Term note 0.14% due April 6, 2021	(1,500)	-
Term note 0.16% due May 6, 2021	(1,500)	-
Term note 2.09% due May 17, 2021	(1,000)	-
Term note 0.16% due May 21, 2021	(1,000)	-
Term note 0.16% due May 21, 2021	(500)	-
Term note 0.17% due June 11, 2021	(500)	-
Term note 0.17% due June 17, 2021	(1,000)	-
Term note 5.79% due February 25, 2020	-	(1,500)
Term note 2.09% due June 5, 2020	-	(1,000)
Term note 5.6% due June 8, 2020	-	(280)
Total	**(7,000)**	**(2,780)**

12. 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, 2021 the RHI Group had a negative equity of USD 18.4 billion (December 31, 2020: USD 18.5 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, 2021 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 2021. All shares are indirectly owned by Roche Holding Ltd, a public company registered in Switzerland.

Dividends

On January 14, 2021 the Board of Directors of RHI resolved to declare a dividend of USD 2.75 million per share to RHI's sole stockholder, Roche Finance Ltd, which has been paid in the first half of 2021.

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 2,459 million (six months ended June 30, 2020: USD 4,053 million) and the dividend payments described above, retained earnings also includes gains on remeasurements of defined benefit plans of USD 159 million, after tax (six months ended June 30, 2020: losses of USD 35 million, after tax). These were based on updated actuarial calculations for major plans and the gains were due to a change in the discount rate since the end of 2020.

13. Statement of cash flows

Cash generated from operations *in millions of USD*

	Six months ended June 30, 2021	2020
Net income	2,458	4,052
Add back non-operating (income) expense		
- Financing costs [4]	170	227
- Financing costs – related parties [15]	559	582
- Other financial (income) expense [4]	(57)	2
- Other financial (income) expense – related parties [15]	23	(6)
- Income taxes [5]	728	718
Operating profit	**3,881**	**5,575**
Depreciation of property, plant and equipment	366	341
Depreciation of right-of-use assets	49	45
Amortisation of intangible assets	840	756
Impairment of intangible assets	119	354
Impairment (reversal) of property, plant and equipment	(195)	2
Impairment of right-of-use assets	0	8
Operating (income) expense for defined benefit plans	61	57
Operating expense for equity-settled equity compensation plans	265	264
Net (income) expense for provisions	265	(147)
Bad debt (reversal) expense	1	(3)
Inventory write-downs	76	14
Inventory fair value adjustments	12	0
Net (gain) loss on disposal of products	(99)	(25)
Other adjustments	(39)	(16)
Cash generated from operations	**5,602**	**7,225**

14. Financial risk management

The RHI Group's financial risk management objectives and policies are consistent with those disclosed in Note 29 to the Annual Financial Statements. For accounts receivables from related parties, excluding receivables on cash pool balances, the RHI Group measures the allowance for doubtful accounts at an amount equal to lifetime expected credit losses (ECL). For surplus fund deposited with Pharmholding B.V. in its function as corporate cash pool leader for numerous Roche affiliates (see Note 15) the allowance for doubtful accounts is measured on a 12-month ECL basis, which is equal to the lifetime ECLs for those exposures as the amounts from the cash pool are repayable on demand.

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, 2021				
Marketable securities				
- Equity securities at fair value through profit or loss	3	-	-	3
- Debt securities at fair value through OCI	24	0	-	24
- Money market instruments at fair value through OCI	-	22	-	22
Equity investments at fair value through OCI	91	0		91
Equity investments at fair value through profit or loss	21	8	-	29
Financial assets recognised at fair value	**139**	**30**	**-**	**169**
Contingent consideration	-	-	(69)	(69)
Financial liabilities recognised at fair value	**-**	**-**	**(69)**	**(69)**

At June 30, 2021 Level 1 financial assets consist of bonds and quoted shares. Level 2 financial assets consist of commercial paper and equity investments.

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

- Marketable securities 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.
- Equity investments at fair value through profit or loss are based on a valuation model that uses the most recently published observable market data.

The RHI Group recognises transfers between levels of the fair value hierarchy as at 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, 2021.

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, 2021	
At January 1, 2021	(69)
Utilised for settlements [6]	0
Total gains and losses included in the income statement	
- Unused amounts reversed – recorded within general and administration	1
- Additional amounts created – recorded within general and administration	0
- Discount unwind included in financing costs	(1)
At June 30, 2021	**(69)**

Contingent consideration arrangements

The RHI Group is party to certain contingent consideration arrangements, including those from business combinations. The fair values of contingent consideration from business combinations are determined considering the expected payments, discounted to present value using a risk-adjusted discount rate of 2.6% at June 30, 2021 (December 31, 2020: 2.6%). 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, 2021 the total payments under contingent consideration arrangements arising from business combinations could be up to USD 0.2 billion (December 31, 2020: USD 0.2 billion).

Carrying value and fair value

At June 30, 2021 the carrying value of bonds and notes is USD 8.8 billion compared to a fair value of USD 10.1 billion and the carrying value of total debt is USD 46.2 billion compared to a fair value of USD 47.5 billion. The carrying values of financial assets are a reasonable approximation of the fair values at June 30, 2021.

15. 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, services received and rendered, 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 as well as the payment and receipt of royalties and income from out-licensing agreements.

Related party transactions *in millions of USD*

	Six months ended June 30,	
	2021	2020
Sales	1,138	1,237
Royalty income	2,031	1,880
Income from out-licensing agreements	10	352
Purchases of pharmaceutical products and materials	(3,893)	(3,422)
Purchases of diagnostic instruments, reagents and consumables	(414)	(385)
Transfers of intangible assets from related parties	41	304
Transfers of intangible assets to related parties	(63)	(8)
Payments issued under marketing and distribution cost-sharing and collaboration agreements	(188)	(122)
Reimbursements received under marketing and distribution cost-sharing and collaboration agreements	99	74
Payments issued under research and development cost-sharing and collaboration agreements	(845)	(1,011)
Reimbursements received under research and development cost-sharing and collaboration agreements	323	464
Services rendered	63	90
Services received	(137)	(102)
Other income (expense)	6	(79)
Financing costs – related parties		
Interest expense	(542)	(560)
Guarantee fees	(17)	(22)
Total financing costs – related parties	**(559)**	**(582)**
Other financial income (expense) – related parties		
Net gains (losses) on foreign currency derivatives	(25)	(3)
Other financial income (expense)	2	9
Total other financial income (expense) – related parties	**(23)**	**6**

Related party balances *in millions of USD*

	June 30, 2021	December 31, 2020
Other current assets	0	82
Accounts receivable	2,684	2,593
- of which derivative financial assets	*0*	*31*
Total receivable – related parties	**2,684**	2,675
Long-term debt	(30,405)	(28,155)
Short-term debt	(5,000)	(3,500)
Total debt – related parties	**(35,405)**	**(31,655)**
Other non-current liabilities	(300)	(407)
Other current liabilities	(1,305)	(1,818)
Accounts payable	(1,592)	(2,019)
- of which derivative financial liabilities	*0*	*(43)*
- of which interest payables	*(386)*	*(386)*
Total payable – related parties	**(3,197)**	**(4,244)**

Accounts receivable from related parties include surplus funds deposited with Roche Pharmholding B.V. in its function as corporate cash pool leader for numerous Roche affiliates. Amounts deposited of USD 0.9 billion (December 31, 2020: USD 1.0 billion) are immediately available and bear variable interest referenced to one month LIBOR of the respective currency. LIBOR will be replaced with other reference rates in the second half of 2021.

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Independent Auditor's Report on the Review of Interim Consolidated Financial Statements

to the Board of Directors of Roche Holdings, Inc., Wilmington, Delaware

Introduction

We have been engaged to review the accompanying consolidated balance sheet of Roche Holdings, Inc as at 30 June 2021 and the related consolidated statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended, and selected explanatory notes (the interim consolidated financial statements) on pages 9 to 32. 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 the 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 2021 are not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the EU.

KPMG AG

Mark Baillache
Licensed Audit Expert

Marc Ziegler
Licensed Audit Expert

Basel, 23 July 2021