Roche Finance Europe B.V. -
Financial Statements 2018

Management Report

1. Review of the year ended 31 December 2018

General

Roche Finance Europe B.V., a company registered in the Netherlands (hereafter 'the Company'), is 100% indirectly owned by Roche Holding Ltd, a public company registered in Switzerland and parent company of the Roche Group. The main activity of the Company is the provision of financing to other affiliates of the Roche Group. Refinancing takes place on the bond or loan markets.

Important events

The 2.00% fixed rate notes in total amount of EUR 1,000 million were due on 25 June 2018. On the same date the Company received a total of EUR 1,000 million loan receivables from related parties.

Financial position and performance

In the financial year 2018, the company made a net loss of EUR 3,046 thousand (2017: Net Loss was EUR 3,020 thousand). Interest income on loans was EUR 43,289 thousand (2017: EUR 63,277 thousand), interest expense on debt instruments was EUR 26,112 thousand (2017: EUR 42,516 thousand) and guarantee fees to the parent company were EUR 20,229 thousand (2017: EUR 27,363 thousand).

The credit rating of Roche Holding Ltd is AA (Standard & Poor's), based on the most recent available ratings. The present value of the future cash flows of the intercompany loans should be suffice in order to meet the future obligations of the Company.

No investments were made during the financial year 2018 (2017: none).

Employees

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

Male and female split of the Board of Directors

With the Act on Management and Supervision ('Wet Bestuur en Toezicht') statutory provisions were introduced to ensure a balanced representation of women and men in Management Boards of companies governed by this Act. Balanced representation of women and men is deemed to exist if at least 30% of the seats are occupied by women and at least 30% by men.

The Roche Finance Europe B.V. board consists of 4 members of which 3 are male (75%) and 1 is female (25%) and as such the Company did not meet the target in 2018. The Management Board recognises the benefits of diversity including gender balance, but feels that gender is only one part of diversity. The Management Board will continue to be selected on the basis of wide-ranging experience, backgrounds, skills, knowledge and insights and the gender diversity objectives will be taken into account as much as possible going forward.

Future outlook

The Company will continue its current activities in 2018. No changes in the activities of the Company are expected. The Company does not have current plans to issue new Bonds or repay Bonds early. Additionally, no changes to the intercompany loan structure are currently foreseen.

2. Principal risks and uncertainties

Strategy

The financing activities of the Company will develop in line with the strategy of the Roche Group. Depending on the future financing needs of the Roche Group, the Management Board of the Company may decide to issue new debt securities and/or borrow funds to finance other members of the Roche Group. Consequently, the Management Board is responsible for the long term strategy of the Company. The Company meets all of the requirements with respect to Corporate Governance by complying with requirements as set out in the relevant regulation, including these of the Luxembourg Stock Exchange.

Operational activities

The Company has no employees. Roche Pharmholding B.V., Woerden, performs all administrative activities on behalf of the Company. The Board of Directors is responsible to ensure all activities, including the ones performed outside the IT infrastructure, are performed considering adequate segregation of duties. This is also in order to mitigate the risk of fraudulent activities. Managing the interest, liquidity and credit risks resides as well with the Board of Directors of the Company. Whenever the Company is unable to manage these risks adequately, or is unable to meet compliance with applicable regulation, this would directly have effect on the reputation of the Company and the Roche Group.

Risks

The Company is exposed to various financial risks arising from its financing activities.

Credit risk

The Company is exposed to potential default of payment of any of its loans receivable from other affiliates of the Roche Group. Therefore the credit risk ultimately depends on the financial position of the Roche Group.

Market and liquidity risk

The exposure to interest rates and foreign exchange rates is limited, because interest rates, duration and terms of financial assets and liabilities as well as their currency are generally matching. Therefore, the liquidity and solvency risk is reduced as well. Moreover, the Company's obligations to third parties on the bond markets are guaranteed by Roche Holding Ltd, the parent company of the Roche Group and covered by loan receivables from other members of the Roche Group that have the same maturity. In addition, the Company has access (jointly with other borrowers of the Group) to a currently unused committed credit line with various financial institutions of USD 7.5 billion.
The Company's financial risk management is described in the Note 15 to the Annual Financial Statements in more detail.

Uncertainties

The main activity of the Company is to provide financing to other members of the Roche Group and to refinance this on the bond or loan markets. Depending on decisions of management, the Company may potentially issue new debt securities and/or borrow funds to finance other members of the Roche Group.

Various known and unknown risks, uncertainties and other factors could lead to substantial differences between the actual and future results, financial position and performance of the Company and the historical results given in the Management Report and the Financial Statements.

3. Responsibility statement

The directors of Roche Finance Europe B.V. confirm that, to the best of their knowledge as of the date of their approval of the audited financial statements as at 31 December 2018:

- the audited financial statements as at 31 December 2018, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Roche Finance Europe B.V. taken as a whole; and
- the management report gives a true and fair view of the development and performance of the business and the position of Roche Finance Europe B.V. together with a description of the principal risks and uncertainties that it faces.

Woerden, 28 January 2019

The Board of Directors

Sheri L. Morin Peter Eisenring

Mark Ekelschot Grégoire de Mierry

Roche Finance Europe B.V. Financial Statements

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

	Year ended 31 December	
	2018	2017
Income		
Financial income – related parties [3]	**43**	102
Decrease in expected loss allowance on loans	**1**	-
Total Income	**44**	102
Expenses		
Financing costs [3]	**(28)**	(79)
Guarantee fees – related parties [3]	**(20)**	(27)
Total expenses	**(48)**	(106)
Profit (loss) before taxes	**(4)**	(4)
Income tax [5]	**1**	1
Net profit (loss)	**(3)**	(3)
Other comprehensive income, net of tax	**-**	-
Total comprehensive income	**(3)**	(3)

Roche Finance Europe B.V., balance sheet (before profit appropriation) *in millions of EUR*

	31 December 2018	31 December 2017
Non-current assets		
Long-term loans receivable – related parties [7]	**1,726**	1,730
Deferred income tax assets	**1**	-
Total non-current assets	**1,727**	1,730
Current assets		
Short-term loans receivable – related parties [7]	**-**	1,000
Accounts receivable – related parties [8]	**28**	41
Current income tax assets [5]	**1**	1
Cash and cash equivalents [9]	**-**	-
Total current assets	**29**	1,042
Total assets	**1,756**	2,772
Non-current liabilities		
Long-term debt [11]	**(1,728)**	(1,728)
Deferred income tax liabilities [5]	**-**	-
Total non-current liabilities	**(1,728)**	(1,728)
Current liabilities		
Short-term debt [11]	**-**	(1,000)
Current income tax liabilities [5]	**-**	-
Accounts payable – related parties	**-**	-
Accrued interest on debt instruments [10]	**(12)**	(22)
Total current liabilities	**(12)**	(1,022)
Total liabilities	**(1,740)**	(2,750)
Total net assets	**16**	22
Equity		
Share capital [12]	**2**	2
Retained earnings	**17**	23
Unappropriated result	**(3)**	(3)
Total equity	**16**	22

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

	Year ended 31 December	
Cash flows from operating activities	2018	2017
Net profit (loss after tax)	**(3)**	(3)
Adjustments:		
- Financial income – related parties [3]	**(44)**	(102)
- Financing costs [3]	**28**	79
- Guarantee fees expense – related parties [3]	**20**	27
- Income taxes expense	**(1)**	(1)
Total	**3**	3
Issue of long-term loans receivable – related parties [7]	**-**	(100)
Proceeds from repayment of loans receivable – related parties [7]	**1,000**	279
Interest received – related parties	**55**	68
(Increase) decrease of cash pool balance with related parties	**1**	(4)
Income taxes received	**1**	-
Total cash flow from operating activities	**1,057**	243
Cash flows from investing activities		
Total cash flow from investing activities	**-**	-
Cash flows from financing activities		
Repayment and redemption of bonds and notes [11]	**(1,000)**	(171)
Guarantee fees paid – related parties	**(20)**	(27)
Interest paid	**(37)**	(45)
Total cash flow from financing activities	**(1,057)**	(243)
Increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	**-**	-
Cash and cash equivalents at 31 December [9]	**-**	-

The Company has changed the presentation of some items in the statement of cash flows. The comparative period information has been restated accordingly (see Note 1).

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

	Share capital	Retained earnings	Unappropriated result	Total
Year ended 31 December 2017				
At 1 January 2017	2	22	1	25
Net income	-	-	(3)	(3)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(3)	(3)
Appropriation of result	-	1	(1)	-
At 31 December 2017	2	23	(3)	22
Year ended 31 December 2018				
At 31 December 2017	**2**	**23**	**(3)**	**22**
Implementation of IFRS 9 'Financial Instruments [1]-	**-**	**(2)**	**-**	**(2)**
Restated balance at 1 January 2018	**2**	**21**	**(3)**	**20**
Net income	**-**	**-**	**(3)**	**(3)**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**(3)**	**(3)**
Appropriation of result	**-**	**(3)**	**3**	**-**
At 31 December 2018*	**2**	**17**	**(3)**	**16**

*Due to rounding, numbers presented in the table above may not add up precisely to the totals indicated.

The retained earnings represents the Company's cumulative net result at the beginning of the period after accounting for dividend payments.

Unappropriated result represents the Company's net result for the period.

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

1. Summary of significant accounting policies

Basis of preparation

These financial statements are the audited annual financial statements (hereafter 'the Annual Financial Statements') of Roche Finance Europe B.V., Chamber of Commerce Number 30186306, a company incorporated in the Netherlands ('the Company'). The Company is 100% indirectly owned by Roche Holding Ltd, a public company registered in Switzerland and parent company of the Roche Group, and therefore the Company is part of the Roche Group. The main activity of the Company is the provision of financing to other affiliates of the Roche Group. Refinancing takes place on the bond or loan markets.

Statement of compliance

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code. They have been prepared using the historical cost convention except for items that are required to be accounted for at fair value (currently none). They were approved for issue by the Board of Directors on 28 January 2019.

Key accounting judgements, estimates and assumptions

The preparation of the Annual Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and related disclosures. Actual outcomes could differ from those management estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors. Revisions to estimates are recognised in the period in which the estimate is revised.

There are currently no key assumptions about the future and no key source of estimation uncertainty that the Company's management believe have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next twelve months.

Impairment of financial assets. At 31 December 2018 the Company had EUR 2 million in allowance for doubtful accounts for loans receivables (see Note 7). The allowance for doubtful accounts is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the calculation of the allowance for doubtful accounts, based on the company's past experience, existing market conditions as well as forward-looking estimates at the end of each reporting period.

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

In 2018 Roche Group implemented the following new standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2018.

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'

None of these new and revised standards and interpretations has a material impact on the Company's overall results and financial position. The impact of the new standards on the Company is described below.

IFRS 9 'Financial Instruments'

Effective 1 January 2018 the Company has implemented IFRS 9 'Financial Instruments'. The new standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 deals with the classification, recognition and measurement (including impairment) of financial instruments and also introduces a new hedge accounting model. The new standard does not have a material impact on the Company's overall results and financial position. As permitted by the transition provisions of IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect the requirements of the standard. Instead, in accordance with the transitional provisions of IFRS 9, the Company has reassessed the impairment allowances under the new approach as of 1 January 2018. As a result, the loss allowance for expected credit losses on loans receivables from related parties has slightly increased as of 1 January 2018.

Classification and measurement of financial instruments

Please refer to classification and measurement of financial instruments as described under section 'Loans and receivables'.

Impairment of financial assets

On 1 January 2018 the Company changed the methodology of assessing impairment of its financial assets from the incurred loss model (used in IAS 39) to the expected credit loss model (used in IFRS 9). As a result, there was a slight increase in the allowance for expected credit losses from loans receivables from related parties as of 1 January 2018. .

Financial liabilities

The adoption of IFRS 9 has not had an effect on the Company's accounting policies related to financial liabilities.

Hedge accounting

The new standard also introduces a new hedge accounting model which requires hedge accounting relationships to be based upon the Company's own risk management strategy and objectives and to be discontinued only when the relationships no longer qualify for hedge accounting. Hedge accounting is not applicable for the Company.

Transition approach

The Company has taken an exemption not to restate the information for the comparative period with respect to classification and measurement (including impairment) requirements. Therefore, the comparative period has not been restated. Differences in the carrying amounts of financial assets and reclassification adjustments from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The impact from the initial application of IFRS 9 on the Company's balance sheet and the Company's equity is as follows:

Revised balance sheet (selected items) *in millions of EUR*

	Balance at 31 December 2017	Application of IFRS 9	Balance at 1 January 2018 (revised)
Loan receivable – related parties (including provision)	2,730	(3)	2,727
Bonds	(2,728)		(2,728)
Other net assets	20		20
Deferred tax asset	-	1	1
Net assets	**22**	**(2)**	**20**

Revised equity (selected items) *in millions of EUR*

	Balance at 31 December 2017	Application of IFRS 9 (net of tax)	Balance at 1 January 2018 (revised)
Retained earnings	23	(2)	21
Total equity	**22**	**(2)**	**20**

There was a decrease of EUR 2 million, net of tax, in retained earnings due to the additional loss allowance for expected credit losses on loans receivables from related parties (EUR 3 million) and deferred tax asset (EUR 1 million). The adjustments result from the implementation of IFRS 9.

IFRS 15 'Revenue from Contracts with Customers'

The new standard has no material impact on the Company's overall results and financial position.

Foreign currency translation

The functional currency of the Company is Euro (EUR). Transactions in other currencies are initially reported using the exchange rate at the date of the transaction. Assets and liabilities in currencies other than Euros have been translated into Euros at year-end market rate. Gains and losses from the settlement of such transactions and gains and losses on translation of monetary assets and liabilities denominated in other currencies than Euros are included in income.

Accounting policies for assets and liabilities

Accounts receivable – 2017

Accounts receivable are carried at the original invoice amount less allowances made for doubtful accounts. An allowance for doubtful accounts is recorded where there is objective evidence that the Company will not be able to collect all amounts due.

Accounts receivable – 2018

Accounts receivable are carried at the original invoice amount less allowances made for doubtful accounts. The Company applies the simplified approach prescribed by IFRS 9, which requires the use of the lifetime expected loss provision from initial recognition of the receivables. The Company measures an allowance for doubtful accounts equal to the credit losses expected over the lifetime of accounts receivable.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and time, call and current balances with banks and similar institutions. Such balances are only reported as cash equivalents if they are readily convertible to known amounts of cash, are subject to insignificant risk of changes in their fair value and have a maturity of three months or less from the date of acquisition.

Fair values

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is determined by reference to quoted market prices or by the use of established valuation techniques such as the discounted cash flow method if quoted prices in an active market are not available ('Fair value hierarchy'). Valuation techniques will incorporate observable market data about market conditions and other factors that are likely to affect the fair value of a financial instrument. The fair values of financial assets and liabilities at the reporting date are not materially different from their reported carrying values unless specifically mentioned in the Notes to the Annual Financial Statements.

Financial assets at amortised cost

Until 1 January 2018 cash and cash equivalents, loans and receivables were classified under IAS 39 as loans and receivables. As of 1 January 2018 under IFRS 9 financial assets are measured at amortised costs. As a result, the loss allowance for expected credit losses on loans receivables from related parties has slightly increased as of 1 January 2018..

Loans and receivables are non-derivative financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Loans and receivables are initially recorded at fair value and subsequently carried at amortised cost using the effective interest rate method, less any impairment losses.

For loans to related parties carried at amortised cost, the Company applies the general expected credit loss model.

2017:
Loans and receivables are assessed individually for possible impairment at each reporting date. An impairment charge is recorded where there is objective evidence of impairment, such as where the issuer is in bankruptcy, default or other significant financial difficulty. An impairment charge is the difference between the carrying value and the recoverable amount, calculated using estimated future cash flows discounted using the original effective interest rate.

2018:
Allowances for expected credit losses for loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the allowance is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. The Company uses the 30 days past due criteria as a backstop rather than a primary driver to considering exposures to have significantly increased credit risk since the initial recognition.

For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The following indicators are incorporated: internal credit rating, significant increases in credit risk on other financial instruments of the same borrower, actual or expected significant adverse changes in business, financial and economic conditions that are expected to cause a significant change to the borrower’s ability to meet its obligations.

Debt instruments
Debt instruments are initially recognised at fair value, net of transaction costs incurred, which is equal to the net proceeds received. Subsequently they are reported at amortised cost. Any discount between the net proceeds received and the principal value due on redemption is amortised over the duration of the debt instrument and is recognised as part of financing costs using the effective interest rate method. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Accounting policies for profit or loss

Finance income and finance costs
Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets. Interest expenses are recognised using the effective interest method.

Taxation
Income taxes include all taxes based upon the taxable profits of the Company, including withholding taxes payable on the distribution of retained earnings within the Roche Group. Other taxes not based on income, such as property and capital taxes, are included within other expenses.

Deferred tax assets and liabilities are recognised on temporary differences between the tax bases of assets and liabilities and their carrying values. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Current and deferred tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them. Deferred taxes are determined based on the currently enacted tax rates applicable in each tax jurisdiction where the Company operates.

Classification of cash flows

The Company has elected to present cash flow from operating activities using the indirect method, by adjusting the Company's operating profit for any operating income and expenses that are not operating cash flows in order to derive the cash generated from operations. From 2018, the Company classifies the cash flows from the issuance of, or proceeds from, loans receivables and the interest received to 'operating activities'. The cash pool balances with related parties are also presented within cash flows from operating activities. The Company believes that, for a finance entity, presenting the aforementioned items within operating activities provides more relevant information. Comparative information has been restated accordingly. The change only affects the classification of items in the cash flow statement and has no other impact on the Company's financial statements. The cash flows from interest paid and repayment or redemption of bonds and notes and guaranteed feed paid are classified as financing activities.

2. Operating segment information

The Company has only one operating segment and undertakes its operations in the Netherlands. The vast majority of income relates to interest on loans received from related parties [7].

Financial income by locations of debtors *in millions of EUR*

	2018	2017
Germany	**34**	82
Spain	**1**	8
Italy	**3**	7
UK	**4**	4
Portugal	**1**	1
Total	**43**	102

3. Financial income and financing costs

Financial income – related parties *in millions of EUR*

	2018	2017
Interest income – related parties [14]	**43**	63
(Increase)/Decrease in expected loss allowance on loans	**1**	-
Income from early repayment of loans – related parties [14]	**-**	39
Total financial income – related parties	**44**	102

Financing costs *in millions of EUR*

	2018	2017
Interest expense on debt instruments	**(26)**	(42)
Amortisation of debt discount [11]	**(2)**	(3)
Loss on redemption of bonds and notes	**-**	(34)
Guarantee fees – related parties	**(20)**	(27)
Total financing costs	**(48)**	(106)

4. Auditors remuneration

For the financial year 2018, BDO Audit & Assurance B.V. charged net EUR 26,500 to the Company for the audit of Statutory Financial Statements and review of the Interim Financial Statements (2017: BDO Audit & Assurance B.V. charged net EUR 25,000).

5. Income taxes

Income tax expenses *in millions of EUR*		
	2018	2017
Current income taxes	**1**	1
Deferred income taxes	**-**	-
Total income (expense)	**1**	1

Income tax assets (liabilities) *in millions of EUR*		
	31 December 2018	31 December 2017
Current income taxes		
- Assets	**1**	1
- Liabilities	**-**	-
Net current income tax assets (liabilities)	**1**	1
Deferred income taxes		
- Assets	**1**	-
- Liabilities	**-**	-
Net deferred income tax assets (liabilities)	**1**	-

The Company's local statutory tax rate is 25.0% (2017: 25.0%) and this is also the effective tax rate in these Annual Financial Statements. There is one permanent tax item for withholding taxes on interest income which is not considered material for the Company.

6. Employee benefits

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

7. Loans receivable – related parties

Loans receivables: movements in carrying value *in millions of EUR*		
	2018	2017
At 1 January – (in 2018: revised for IFRS 9)	**2,727**	2,880
Proceeds from repayments of loans receivables – related parties	**(1,000)**	(241)
Issuance of long-term loans receivables – related parties	**-**	100
Expected credit loss allowance	**1**	-
Currency translation effects	**(2)**	(9)
At 31 December	**1,726**	2,730

Reported as		
- Long-term loans receivables	**1,726**	1,730
- Short-term loans receivables	**-**	1,000
Total loans receivables	1,726	2,730

GBP denominated loans

Loans receivable – related parties *in millions of EUR*	31 December 2018	31 December 2017
Long-term loans		
Roche Diagnostics Limited, United Kingdom, due 29 August 2023, outstanding principal GBP 71 million (2017: GBP 71 million; 2016: GBP 71 million), interest rate 5.67%	**78**	80
Total loans receivable – related parties	**78**	80

EUR denominated loans

Loans receivable – related parties *in millions of EUR*	31 December 2018	31 December 2017
Short-term loans		
Roche Deutschland Holding GmbH, Germany, due 25 June 2018, outstanding principal EUR 275 million, interest rate 3.50%	**-**	275
Roche Deutschland Holding GmbH, Germany, due 25 June 2018, outstanding principal EUR 225 million, interest rate 1.01%	**-**	225
Roche Deutschland Holding GmbH, Germany, due 25 June 2018, outstanding principal EUR 100 million, interest rate 0.364%	**-**	100
Roche Deutschland Holding GmbH, Germany, due 25 June 2018, outstanding principal EUR 100 million, interest rate 0.10%	**-**	100
Roche Diagnostics S.p.A., Italy, due 25 June 2018, outstanding principal EUR 155 million, interest rate 3.50%	**-**	155
Roche S.p.A., Italy, due 25 June 2018, outstanding principal EUR 50 million, interest rate 3.50%	**-**	50
Roche Diagnostics S.L., Spain, due 25 June 2018, outstanding principal EUR 75 million, interest rate 3.50%	**-**	75
Roche Farmaceutica Quimica, Lda., Portugal, due 25 June 2018, outstanding principal EUR 20 million, interest rate 3.50%	**-**	20
Long-term loans		
Roche Deutschland Holding GmbH, Germany, due 27 February 2023, outstanding principal EUR 650 million, interest rate 1.515%	**650**	650
Roche Deutschland Holding GmbH, Germany, due 25 February 2025, outstanding principal EUR 1.0 billion, interest rate 1.80%	**1,000**	1,000
Total loans receivable – related parties	**1,728**	2,730
Reported as		
- Long-term loans receivable – related parties [13]	**1,728**	1,730
- Short-term loans receivable – related parties [13]	**-**	1,000
Total loans receivable – related parties	**1,728**	2,730
Expected credit loss – IFRS 9	**(2)**	n/a
Total loans receivable – related parties (Net)	**1,726**	2,730

8. Accounts receivable - related parties

The Company deposits surplus funds with Roche Pharmholding B.V. in its function as corporate cash pool leader for numerous Roche affiliates. Amounts deposited are immediately available and bear variable interest referenced to one month LIBOR. At 31 December the Company also had interest receivables from Roche affiliates in respect of the loans given (see Note 7).

Accounts receivable – related parties *in millions of EUR*

	31 December 2018	31 December 2017
Accounts receivable with cash pool leader	**3**	4
Interest receivables – related parties	**25**	37
Total accounts receivable – related parties	**28**	41

9. Cash and cash equivalents

At 31 December 2018 the Company had no cash in its bank account (2017: EUR zero).

10. Accrued interest

Accrued interest *in millions of EUR*

	31 December 2018	31 December 2017
Interest payable	**12**	22
Total accrued interest	**12**	22

11. Debt

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

	2018	2017
At 1 January	**2,728**	2,871
Proceeds from issue of notes	**-**	-
Repayment and redemption of notes	**(1,000)**	(137)
Amortisation of debt discount [3]	**2**	3
Currency translation effects	**(2)**	(9)
At 31 December	**1,728**	2,728
Consisting of		
- Notes	**1,728**	2,728
Total debt	**1,728**	2,728
Reported as		
- Long-term debt	**1,728**	1,728
- Short-term debt	**-**	1,000
Total debt	**1,728**	2,728

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

	Effective interest rate	31 December 2018	31 December 2017
Short-term debts			
2.0% notes due 25 June 2018, principal EUR 1.0 billion (ISIN: XS0760139773)	**2.07%**	**-**	1000
Long-term debts			
0.5% notes due 27 February 2023, principal EUR 650 million (ISIN: XS1371715118)	**0.63%**	**646**	646
5.375% notes due 29 August 2023, principal GBP 250 million, outstanding GBP 76 million (ISIN: XS0175478873)	**5.46%**	**85**	86
0.875% notes due 25 February 2025, principal EUR 1.0 billion (ISIN: XS1195056079)	**0.93%**	**997**	996
Total		**1,728**	2,728

The fair value of the notes is EUR 1,782 million (2017: EUR 2,793 million). These are calculated based on observable market prices of the notes (Level 1 fair value hierarchy). There are no pledges on the Company's assets in connection with the debt. All issued notes are guaranteed by Roche Holding Ltd, the parent company of the Roche Group.

Issuance of notes

The Company did not issue any new fixed rate notes during 2018 and 2017.

Redemption and repurchase of notes

On 25 June 2018, the 2.00% fixed rate notes with amount of EUR 1,000 million were redeemed. The Company did not repurchase any notes during 2018.

On 17 November 2017 the Company completed a tender offer to repurchase GBP 123 million (EUR 138 million) of the 5.375% fixed rate notes due 29 August 2023. The cash outflow was EUR 171 million, plus accrued interest and there was a loss on repurchase of EUR 34 million. The effective interest rate of these notes was 5.46%.

Liabilities arising from financing activities

Movements in carrying value of recognised liabilities *in millions of EUR*

	At 1 January	Cash flows Inflow (Outflow)	Financing Costs	Foreign Exchange Adjustments	At 31 December
2017					
Debt [11]	2,871	(171)	37	(9)	2,728
Interest payable [10]	25	(45)	42		22
Total liabilities arising from financing activities	2,896	(216)	79	(9)	2,750
2018					
Debt [11]	2,728	(1,000)	2	(2)	1,728
Interest payable [10]	22	(36)	26	-	12
Total liabilities arising from financing activities	2,750	(1,036)	28	(2)	1,740

12. Equity

Share Capital

The authorised share capital of the Company amounts to EUR 10 million, consists of 100,000 shares with a nominal value of EUR 100 each of which 20,000 ordinary, voting shares have been issued and fully paid in. Roche Pharmholding B.V., a company registered in the Netherlands is the sole shareholder.

Dividends

There were no dividend payments in 2018 (2017: none).

Retained earnings and unappropriated result

The retained earnings represents the Company's cumulative net result at the beginning of the period after accounting for dividend payments. Unappropriated result represents the Company's net result for the period.

Own equity instruments

As of 31 December 2018, the Company holds none of its own shares (31 December 2017: none).

13. Contingent liabilities

The Company is a member of the fiscal unity for corporate income tax led by the parent, Roche Pharmholding B.V. Based on the Tax Collection Act, the Company and the parent are jointly and severally liable for the taxes payable of the fiscal unity.

The income corporate tax as recognized in the financial statement of the Company is based on the statutory result of the company. The Company settles the corporate income tax through its current account with the parent.

As of 31 December 2018, the Company does not have any material contingent liabilities (2017: none).

14. Related parties

Parent and other related parties

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 issues/repayments of loans given by the Company. In addition the Company has a current account with Roche Pharmholding B.V., the corporate cash pool leader, as described in Note 7.

Related party transactions *in millions of EUR*

	2018	2017
Interest income – related parties [3]	**43**	63
Guarantee fees – related parties [3]	**(20)**	(27)
Repayment of loans receivable - related parties	**1,000**	240
Income from early repayment of loans – related parties [3]	**-**	39
(Increase) decrease of cash pool balance with related parties [8]	**1**	(4)
Issue of long-term loans receivable – related parties [7]	**-**	(100)

Related party balances *in millions of EUR*

	31 December 2018	31 December 2017
Long-term loans receivable – related parties [7]	**1,728**	1,730
Short-term loans receivable – related parties [7]	**-**	1,000
Accounts receivable – related parties [8]	**28**	41
Accounts payable – related parties	**-**	-

Subsidiaries and associates

The Company has no subsidiaries or associates.

Key management personnel

The purpose of the Company is to act as a financing company for the operations of the Roche Group. The members of the Company's Board of Directors act as the chief operating decision-maker.

Board of Directors of Roche Finance Europe

Peter Eisenring	Member of the Board	Appointed 31 January 2003
Dieter F. Heinis	Member of the Board	Appointed 1 November 2009
		Resigned 30 September 2018
Sheri L. Morin	Member of the Board	Appointed 15 August 2016
Grégoire de Mierry	Member of the Board	Appointed 1 December 2016
Mark Ekelschot	Member of the Board	Appointed 15 June 2018

The directors did not receive remuneration or payment from the Company for their time and expenses related to their services during 2018 and 2017.

15. Risk management

Roche Group risk management

Risk management is a fundamental element on all levels of the Roche Group and encompasses different types of risks. The Company is also part of this business practice. At a group level, risk management is an integral part of the business planning and controlling processes. Material risks are monitored and regularly discussed with the Corporate Executive Committee and the Audit Committee of the Board of Directors.

Financial risk management

The Company is exposed to financial risks arising from its corporate finance activities of providing financing to other affiliates of the Roche Group and obtaining refinancing on the bond markets. There are two Roche Group affiliates representing approximately 88% of the Company's interest revenues in 2018.The Company's financial risk exposures are related to changes in interest rates and the creditworthiness and solvency of the Company's counterparties.

Financial risk management within the Roche Group is governed by policies reviewed by the Board of Directors. These policies cover credit risk, liquidity risk and market risk and are also applicable to the Company. These policies provide guidance on risk limits, type of authorised financial instruments and monitoring procedures. As a general principle, the policies prohibit the use of derivative financial instruments for speculative trading purposes. Policy implementation and day-to-day risk management are carried out by the relevant treasury functions and regular reporting on these risks is performed by the relevant accounting and controlling functions within Roche.

Credit risk

Credit rating of Roche Holding Ltd bond is AA (Standard & Poor's). The credit rating of loans receivables from related parties are internally rated within the range of BBB to BB, which the Company assessed internally that corresponds to investment grade.

As loans receivables at amortised cost are assessed to be low risk, the impairment allowance is determined at 12-month expected credit losses ('ECL') with a reference to internal credit ratings of the counterparties. The ECL is the sum of the value of all possible losses, each multiplied by the probability of that loss occurring and calculated as follows: ECL = EAD × LGD × PD. Exposure at Default (EAD) is the gross carrying value of loans receivable; Loss Given Default (LGD) is the portion of loans receivable that the Company shall lose if a borrower defaults; Probability of Default (PD) is the likelihood of a default of a counterparty over an observed period. There were no loans receivables for which the Company observed a significant increase in the credit risk which would require the application of the lifetime expected credit losses impairment model. There was no material impact resulting from the revised impairment approach under IFRS 9. In addition, there were no material movements in the loss allowance in 2018. The Company assesses a significant increase in credit risk using the delta in the lifetime default probability, internal ratings and arrears. The Company evaluates qualitative information on the borrower's other cash flow obligations (including to other debt providers), its liquidity position and business performance and on the regulatory, economic, and technological environment of the borrower. The Company uses the 30 days past due criteria as a backstop rather than a primary driver to considering exposures to have significantly increased credit risk since the initial recognition.

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Company. The objective of managing counterparty credit risk is to prevent losses of liquid funds deposited with or invested in such counterparties. The maximum exposure to credit risk resulting from financial activities, without considering netting agreements and without taking account of any collateral held or other credit enhancements, is equal to the carrying value of the Company's financial assets.

The Company considers a financial asset to be in default when the counterparty is unlikely to pay its obligations to the Company in full. In assessing whether a counterparty is in default, the Company considers both qualitative and quantitative indicators (e.g. overdue status) that are based on data developed internally and for certain financial assets also obtained from external sources. The following indicators are incorporated: internal credit rating, significant increases in credit risk on other financial instruments of the same borrower, actual or expected significant adverse changes in business, financial and economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations.

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

		31 December 2018		31 December 2017	
By line items in notes	Asset class	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loan receivable – related parties [7]	Amortised cost	**1,728**	**1,763**	1,730	1,748
Short-term loan receivable – related parties [7]	Amortised cost	**-**	**-**	1,000	1,006
Accounts receivable – related parties [8]	Amortised cost	**28**	**28**	41	41
Total		**1,756**	**1,791**	2,771	2,795

The fair value for loan receivable – related parties disclosed in the above table was calculated based on the present value of the future cash flows of the loans, discounted at an adjusted market rate for instruments with similar credit status, maturity periods and currency. The counterparties to the Company's financial assets are members of the Roche Group and therefore the credit risk ultimately depends on the financial position of the Roche Group. The fair value of the long-term loan receivables would be Level 2 in the fair value hierarchy.

At 31 December 2018 the Company has no financial assets which are past due but not impaired (2017: none) and no financial assets whose terms have been renegotiated (2017: none). The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 7. The gross carrying amount of a financial asset is written off and derecognised only when the Company has no reasonable expectation of recovering the financial asset, after all reasonable efforts and enforcement procedures for recovery have been exhausted. The Company individually makes an assessment with respect to the timing and amount of write-off based on the individual facts and circumstances. The Company expects no significant recovery from the amount written off and derecognised.

Credit loss allowance *in millions of EUR*	2018 (IFRS 9) Loans receivables at amortised cost (12-month ECL)	2017 (IAS 39) Loans receivables
At 1 January – (in 2018: revised for IFRS 9)	**3**	-
Expected credit loss allowance	**(1)**	-
At 31 December	**2**	-

The change in loss allowance reflects the lower balance of loans receivables and the higher average of the credit ratings of the counterparties.

For financial assets at amortised cost, the Company applies the general expected credit loss model. The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

Evidence that a financial asset is credit-impaired also includes the following observable data:

- significant financial difficulty of the borrower;
- a breach of contract;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Liquidity risk

Liquidity risk arises through a surplus of financial obligations over available financial assets due at any point in time. The Company's obligations to third parties on the bond markets are guaranteed by Roche Holding Ltd, the parent company of the Roche Group and covered by loan receivables from other members of the Roche Group that have the same maturities. In addition, in 2018, the Company has access (jointly with other borrowers of the Group) to a currently unused committed credit line with various financial institutions of USD 7.5 billion, equivalent to EUR 6.6 billion (in 2017: USD 7.5 billion, equivalent to EUR 6.3 billion).

The remaining undiscounted cash flow contractual maturities of financial liabilities, including estimated interest payments, are shown in the table below.

Contractual maturities of financial liabilities *in millions of EUR*	Within one year	Between two and five years	More than 5 years
31 December 2017			
Debt [11]	1,000	-	1,736
Future interest cash flow	37	66	43
31 December 2018			
Debt [11]	-	736	1,000
Future interest cash flow	17	66	18

There are no other contractual cash flows from financial liabilities.

Market risk

Market risk arises from changing market prices, mainly foreign exchange rates and interest rates, of the Company's financial assets or financial liabilities which affect the Company's financial result and equity.

At 31 December 2018 and 31 December 2017, the Company's exposure to cash flow interest rate risk was insignificant, as the outstanding principal amount on the Company's debt (see Note 10) and the loans receivable from related parties (see Note 6) are both at fixed interest rates. The Company's only variable interest-bearing financial asset/liability referenced to one month LIBOR was the receivable balance of EUR 3 million (2017: EUR 4 million) with the corporate cash pool leader (see Note 8). The Company accounts the loans at amortized cost. Therefore, movements in the market-rate only impacts the fair value disclosure of the loans.

The foreign exchange risk was also insignificant as the terms of financial assets and liabilities as well as the currency are matching.

Capital

The capital management of the Company is managed within the Roche Group. The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide financing activities on behalf of the Roche Group.
- To maintain sufficient financial resources to mitigate against risks and unforeseen events.

Capital is monitored on the basis of the capitalisation, which is calculated as being debt plus equity. Information on the Company's debt and equity is reported to senior management as part of the Roche Group's regular internal management reporting. The Company's capitalisation is shown in the table below.

Capital *in millions of EUR*

	31 December 2018	31 December 2017
Debt [11]	**1,728**	2,728
Equity	**16**	22
Capitalisation	**1,744**	2,750

The Company is not subject to regulatory capital adequacy requirements as known in the financial services industry. The Company's liability contracts do not contain covenants.

16. Profit appropriation

The directors recommend that the entire loss for the financial year of EUR 3,046 thousand is to be taken to Retained Earnings. The proposal has not been included in the Company's 2018 Annual Financial Statements.

Woerden, 28 January 2019

The Board of Directors

Sheri L. Morin	Peter Eisenring
Mark Ekelschot	Grégoire de Mierry

Other information

Independent auditor's report

The independent auditor's report is added to the next pages.

Appropriation of results

In accordance with Article 21 of the Articles of Association the result for the year is at the disposal of the shareholder. Article 21 excerpt:

- The allocation of profits earned in a financial year shall be determined by the General Meeting.
- Distribution can only take place up to the amount of the distributable part of the net assets.
- Distribution of profits shall take place after the completion of the Annual Accounts from which it is approved.
- The General Meeting may, subject to due observance of the provision of the law, resolve to pay an interim dividend.
- The General Meeting may, subject to due observance of the paragraph 2, resolve to make payments to the charge of any reserve which need not to be maintained by virtue of the law.
- A claim of a shareholder of payment of a dividend shall be barred after five years have elapsed.

Independent auditor's report

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

A. Report on the audit of the financial statements 2018

Our opinion

We have audited the financial statements 2018 of Roche Finance Europe B.V., based in Woerden.

WE HAVE AUDITED	OUR OPINION
The financial statements which comprise: 1. the statement of financial position as at 31 December 2018; 2. the following statements for 2018: statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended; and 3. the notes comprising a summary of the significant accounting policies and other explanatory information.	In our opinion the enclosed financial statements give a true and fair view of the financial position of Roche Finance Europe B.V. as at 31 December 2018 and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Roche Finance Europe B.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at € 18,000,000. The materiality has been calculated with reference to a benchmark of total assets (representing 1.0% of reported total assets) which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the company. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Board of Directors that misstatements in excess of € 900,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF LOANS ISSUED	OUR AUDIT APPROACH
We consider the valuation of the loans, issued to Roche Group Companies as disclosed in notes 7 of the financial statements and representing 98.5% of the balance sheet total, as a key audit matter. We identified this as a key audit matter due to the size of the loans issued and due to the material impact a possible impairment may have on the income statement. Initially, loans issued and the current account receivables are recognised at its fair value and subsequently carried at amortised cost using the effective interest method. The Board of Directors recognised the expected credit loss provision with regard to the loans issued to and a current account receivable with, Roche Deutschland Holding GmbH and Roche Diagnostics Ltd. following the implementation of IFRS 9 (refer to page 8).	We have performed detailed audit procedures addressing the valuation of the loans issued to and a current account receivable with Roche Deutschland Holding GmbH and Roche Diagnostics Ltd. We have performed the following audit procedures: ▶ Inspected the financial statements as per 31 December 2017 of counterparties Roche Deutschland Holding GmbH and Roche Diagnostics Ltd. ▶ Inspected the loan agreements entered into between the company and Roche Deutschland Holding GmbH and Roche Diagnostics Ltd. and the guarantor Roche Holding Ltd. ▶ Inspected the 2018 interim financial statements of the guarantor Roche Holding Ltd and financial statements as per 31 December 2017 of Roche Holding Ltd. ▶ Evaluated the information derived from credit rating agencies: Standard & Poor's, Moody's and Fitch Ratings.

	▶ Evaluated the probability of default rate and the loss given default rate derived from Moody's ▶ Reviewed the market values of the outstanding notes. ▶ Reviewed news reports. ▶ Searched and evaluated the information for investors on the website of Roche Holding Ltd. ▶ Discussed the recent developments in the financial position and the cash flows with the Board of Directors. ▶ Assessed the adequacy of the disclosures in the financial statements relating to both the loans issued and current account receivables.

B. Report on other information included in the annual report

Next to the financial statements and our opinion thereon, the annual report consists of other information, including:

- the Management Report;
- the other information on page 25.

Based on the procedures as mentioned below, we are of the opinion that the other information:

- is consistent with the financial statements and contains no material deficiencies;
- includes all information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information and based on our knowledge and understanding obtained from the audit of the financial statements or otherwise, we have considered if the other information contains material deficiencies.

With these procedures, we have complied with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Auditing Standard 720. These procedures do not have the same scope as our audit procedures on the financial statements.

The Board of Directors is responsible for the preparation of the Management Report and the other information on page 25 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

C. Report on other legal and regulatory requirements

Engagement

We were engaged by the Board of Directors and the general Meeting as auditor of Roche Finance Europe B.V. on 4 June 2018 as of the audit for year 2018.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5 (1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

D. Description of responsibilities for the financial statements

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Board of Directors is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from errors or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Concluding on the appropriateness of the Board of Directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Amstelveen, 28 January 2019

For and on behalf of BDO Audit & Assurance B.V.,

sgd.
drs. M.F. Meijer RA