International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

13 February 2013

Exposure Draft (ED/2012/3), "Equity Method: Share of Other Net Asset Changes"

Dear Sir/ Madam

The Roche Group has a turnover of CHF 45.5 bn. (EUR 37.8 bn.) a year derived from our worldwide healthcare business - pharmaceuticals and diagnostics - and employs 82,000. As at December 2012, we had a market capitalisation of CHF 157 bn. (EUR 130 bn.). We have been preparing our consolidated financial statements in accordance with IFRS/IAS since 1990 and therefore have a substantial interest in how these will develop.

We welcome the opportunity to provide commentary on the Exposure Draft: Equity Method: Share of Other Net Asset Changes.

We are not supportive of the proposals in their current state and recommend that the scope of the project be clearly defined, undertaking a thorough assessment of the circumstances in which changes in investee net assets could occur and thereafter, make proposals for changes following the outcome of such investigation. We believe amending IAS 28 by reverting to what it was prior to the changes effected by IAS 1 is not a solid basis. Indeed, the IAS 1 change has given rise to diversity in practice and unintended consequences because it was not thoroughly thought out. Our views on this topic are outlined in the appendix below.

F. Hoffmann-La Roche AG
CH-4070 Basel
Switzerland
Finance – Accounting & External Reporting
Bldg/Room 52/801
Tel. +41 61 68 83895
Fax +41 61 68 84282
michelle.olufeso@roche.com

Sincerely,

F. Hoffmann-La Roche AG

Ian Bishop Department Head Finance – Accounting, Consolidation & External Reporting	Michelle Olufeso Head of External Relations Finance – Accounting, Consolidation & External Reporting

APPENDIX

Question 1

The IASB proposes to amend IAS 28 so that an investor should recognise in the investor's equity its share of the changes in the net assets of the investee that are not recognised in profit or loss or OCI of the investee, and that are not distributions received. Do you agree? Why or why not?

We disagree with the proposed amendment to IAS28 and support the alternative view and arguments presented by Board member Takatsugu Ochi. Mr Ochi proposes that a more consistent accounting treatment for other changes in investee net assets not effected by the actions of the investor in their capacity as owners should be reflected in the income statement. This would in our view, be a more pragmatic solution in the interim, prior to the Board and its staff conducting a thorough analysis and impact of investee other net asset changes.

We note that BC2 of this ED outlines the IFRS IC's tentative conclusion as follows:

a. where an investor's ownership interest in the investment is **reduced**, whether directly or indirectly, the impact of the change should be accounted for as a **partial disposal** and **recognised in profit or loss of the investor**; and

b. where an investor's ownership interest in the investment **increases**, whether directly or indirectly, the impact of the change should be accounted for as an **incremental purchase of the investment and recognised at cost**.

   We note that (b) does not state "where" such changes should be recognised. We also note that the accounting for investee call options were excluded from the scope of the tentative decisions.

On principle, we do not concur with the tentative decisions reached by the IFRS IC which results in different accounting treatments depending on whether or not the investors' interest in the investment increases or decreases.

Question 2
The IASB also proposes that an investor shall reclassify to profit or loss the cumulative amount of equity that the investor had previously recognised when the investor discontinues the use of the equity method. Do you agree? Why or why not?

Whilst we support the view that changes in the investee's net assets not effected by the investor in their capacity as owners should be recognised in the income statement, we do not support initial recognition within equity.

Question 3
Do you have any other comments on the proposals?

As regards transition, whilst retrospective application makes sense, we fear the potential costs incurred in conducting a reassessment of transactions already accounted for may well exceed the benefits. It would be helpful if a practical expedient could be devised to minimise the burden of restatement.