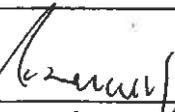




Roche A/S  
Annual Report 2018

Registration No. 25 23 05 15  
Roche A/S  
Industriholmen 57  
2650 Hvidovre  
This report contains 29 pages

The annual report was presented and approved at  
the Company's annual general meeting  
on 29. April  
20 19  
  
Chairman of the annual general meeting



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## Statement by the Executive Board and Board of Directors

The Executive Board and Board of Directors have considered and approved the annual report for the year 1 January - 31 December 2018 for Roche A/S.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2018, and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

Moreover, in our opinion, the Management's review includes a fair review of developments in the Company's operations and financial position, profit for the year and the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Hvidovre, 29<sup>th</sup> of April 2019

*Executive Board:*

Richard Wright  
Managing director

Board of Directors

Michael Budtz  
Chairman

Richard Wright

Luc Dirckx

Beat Krähenmann



## **Independent auditors' report**

**To the shareholder of Roche A/S**

### **Opinion**

We have audited the financial statements of Roche A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



## **Independent auditor's report**

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain 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.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements 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 to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.



### Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 29 April 2019

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR. no. 25 57 81 98



Henrik Barner Christiansen

State Authorised  
Public Accountant  
mne no. 10778



Naja Bjørk Olsen

State Authorised  
Public Accountant  
mne no. 41387



## **Management's review**

### **Company details**

Roche a/s  
Industriholmen 59  
DK-2650 Hvidovre

Telephone: +45 36 39 99 99  
Fax: +45 36 39 99 00  
Web site: Roche.dk  
E-mail: denmark.info@roche.com  
Registration No.: 25 23 05 15  
Established: 1970  
Registered office: Hvidovre

### **Board of Directors**

Michael Budtz  
Luc Dirckx  
Beat Krähenmann  
Richard Wright

### **Executive Board**

Richard Wright

### **Auditors**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
DK-2100 København Ø

### **Annual general meeting**

The annual general meeting is to be held on 29<sup>th</sup> of April 2019



## Financial statements for the period 1 January - 31 December

### Financial highlights

TDKK	2018	2017	2016	2015	2014
<b>Key figures</b>					
Revenue	808,154	897,912	860,144	884,697	833,234
Gross profit	152,886	165,918	146,478	161,134	144,300
Ordinary operating profit	34,695	40,078	29,229	36,390	35,673
Financial income and expenses	-17	-21	-163	-145	-188
<b>Net profit for the year</b>	<b>30,177</b>	<b>33,122</b>	<b>25,476</b>	<b>29,179</b>	<b>26,654</b>
<b>Total assets</b>					
<b>Equity</b>	<b>138,179</b>	<b>158,002</b>	<b>124,881</b>	<b>129,405</b>	<b>100,226</b>

<b>Financial ratios</b>					
Operating margin	4.3%	4.5%	3.4%	4.1%	4.3%
Return on investment	10.1%	11.9%	9.3%	11.2%	11.2%
Gross margin ratio	18.9%	18.5%	17.0%	18.2%	17.3%
Equity ratio	42.7%	43.7%	40.1%	41.0%	30.1%
Return on equity	20.4%	23.4%	20.0%	25.4%	28.2%
<b>Average number of full-time employees</b>					
	120	122	125	111	103

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

The financial ratios have been calculated as follows:

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Return on investment	$\frac{\text{Operating profit} \times 100}{\text{Average operating assets}}$
Operating assets	Total assets less cash at bank and in hand.
Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$



## **Operating review**

### **Principal activities**

The company's main activity is the sole distribution in Denmark and Iceland of pharmaceuticals delivered by F. Hoffmann-La Roche AG, Basel and other Roche companies.

### **Development in activities and financial position**

Based on the current market conditions the company's result for 2018 is considered very satisfactory. The result is slightly above target due to strong performance of our strategic performance.

### **Outlook**

Due to the loss of exclusivity on two of our largest products, we expect to have a decline in revenue in 2019 compared to 2018. Midterm we expect the sales decline will be offset by launches of new products in the coming years.

### **Risks**

There are no specific uncertainties or unusual conditions in regards to the presentation of the annual report for 2018. As well, the company is not exposed to any particular risks besides what are normal risks of the business. The financial risks are covered by various intercompany agreements such as the cash pooling agreement with Roche Pharmholding B.V., Netherlands which ensures daily liquidity and the foreign exchange hedging agreement where the FX-exposure of the cash pool accounts are hedged by Roche Pharmholding B.V., Netherlands.



## **Corporate Social Responsibility**

### **General CSR policies**

With reference to the Danish Financial Statements Act § 99a, section 6, separate disclosure of corporate social responsibility is omitted. Instead we refer to the Annual Report for Roche Holding Ltd, where compliance in regards of CSR, impact on human rights, climate, environment social and staff matters, anticorruption and bribery can be found. The relevant information is disclosed on page 59-119 in the Annual Report for Roche Holding Ltd, 2018 which can be found at [www.roche.com/investors/annual\\_reports.htm](http://www.roche.com/investors/annual_reports.htm).

### **Impacts on environment**

We have strict limitation on emissions to air, water and waste that we are measuring locally and report to our global company (highlighted in the global annual report pages 79-87). Our building includes solar panels to leverage clean energy.

### **Anticorruption and bribery**

Our Local Compliance Officer ensures all of our employees are trained on our global strict behavior in Business and Anti Corruption program (highlighted in the global annual report pages 96-97,119). We ask suppliers to confirm their compliance to our anti corruption standards. There is an annual self-assessment of our compliance processes that is confirmed by management. In addition there is a global Roche Speak up line providing employees a chance to raise any concerns.

### **Social and staff matters**

Our People are our most important and valuable asset (highlighted in the global annual report pages 69-77). We believe in giving people a purpose and have diversity of targets as part of our annual bonus scheme. Roche Pharmaceuticals has been elected as Denmark's 2nd best place to work in 2018 (Great Place to Work).

### **Impact on climate**

We have strict limitation on emissions to air, water and waste that we are measuring locally and report to our global company (highlighted in the global annual report pages 79-87). Our building includes solar panels to leverage clean energy.

### **Impact on human rights**

Our sustainability requirements specify human rights requirements. We ask suppliers to confirm their compliance to our anti corruption with our key suppliers in the Supplier Code of Conduct and in our Roche Position on Respecting Human Rights. We as well conduct due diligence of our key suppliers.



### **Gender composition**

The target for the gender composition for Board of Directors is 1 woman and 3 men by 2022. Four Board Members have been elected on the company's general meeting. The board members are selected based on their position within Roche. Change in gender could occur based on change in those positions. The Board of Directors consists of 4 male in 2018.

Looking at the total management group under the Board of Directors and the top Management, the gender composition is 57% women and 43% men.

We are working on the general gender composition and we have a long-term perspective to secure the availability of a group of qualified male employees who later on can take on a management role. The initiatives in our policy focus on this. Among others our policy focus on recruiting candidates from both genders when we have open positions normally dominated by females. We try to recruit at least one male and one female candidate for a job interview.

### **Business model description**

Our Business Model is to provide our innovative medicines to patients in Denmark and Iceland.

### **Due diligence**

We conduct due diligence of our key suppliers (Highlighted in the global annual report page 100 and our Supplier Code of Conduct).

### **Risks**

We are constantly assessing risk to our business on a local level and define mitigating measures in the Leadership team. The current risk profile is in line with the normal business risks for pharmaceutical industry (Global risk management process is described in the global annual report page 109).

### **Nonfinancial key performance indicators (KPIs)**

We are measuring multiple KPIs locally leading to the global KPIs in the annual report.

### **Intellectual capital**

It is of vital importance when dealing in pharmaceuticals, that the employees of the company possess knowledge of products and market conditions. This knowledge is increased and maintained through further education and by recruiting employees with a high level of education and knowledge.



### **Subsequent events**

Since year-end no events have occurred, which could have a significant impact on the Company's financial position.



## Financial statements for the period 1 January - 31 December

### Income statement

TDKK	Note	2018	2017
Revenue	2	808,154	897,912
Cost of sales		-655,268	-731,994
<b>Gross profit</b>		<b>152,886</b>	<b>165,918</b>
Marketing & Distribution costs	3	-104,429	-111,566
Administrative costs	3	-13,761	-14,274
Operating profit		34,695	40,078
Other operating income	4	127,984	114,458
Other operating costs	3	-122,959	-110,109
<b>Profit before financial items</b>		<b>39,720</b>	<b>44,427</b>
Financial income	5	59	224
Financial expense	6	-76	-245
<b>Profit before tax</b>		<b>39,703</b>	<b>44,406</b>
Tax on profit	7	-9,527	-11,284
<b>Profit for the year</b>	8	<b>30,177</b>	<b>33,122</b>



## Financial statements for the period 1 January - 31 December

### Balance sheet

TDKK	Note	2018	2017
<b>ASSETS</b>			
<b>Tangible fixed assets</b>	9		
Land and buildings		33,155	34,752
Fixtures and equipment		2,890	3,214
<b>Total non-current assets</b>		<b>36,044</b>	<b>37,966</b>
<b>Current assets</b>			
Inventories		157,627	154,137
		<b>157,627</b>	<b>154,137</b>
<b>Receivables</b>			
Trade receivables		74,215	109,544
Amounts owed by affiliated companies		38,667	13,195
Amounts owed by affiliated companies (Cash Pool)		14,531	42,147
Other receivables		313	978
Prepayments	10	1,740	1,980
Corporation tax		436	1,350
		<b>129,902</b>	<b>169,194</b>
<b>Cash at bank and in hand</b>	11	<b>0</b>	<b>0</b>
<b>Total current assets</b>		<b>287,529</b>	<b>323,331</b>
<b>TOTAL ASSETS</b>		<b>323,573</b>	<b>361,297</b>



## Financial statements for the period 1 January - 31 December

TDKK	Note	2018	2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	4,000	4,000
Retained earnings		134,179	104,002
Proposed dividend		0	50,000
<b>Total equity</b>		<b>138,179</b>	<b>158,002</b>
<b>Provisions</b>			
Other provisions	13	1,015	841
Provision for deferred tax	14	1,826	1,864
<b>Total provisions</b>		<b>2,841</b>	<b>2,705</b>
<b>Current liabilities other than provisions</b>			
Trade payables		19,574	18,986
Debt to affiliated companies		100,089	119,210
Other payables	15	62,889	62,395
		<b>182,553</b>	<b>200,590</b>
<b>Total liabilities other than provisions</b>		<b>182,553</b>	<b>200,590</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>323,573</b>	<b>361,297</b>
<b>Contingencies, etc.</b>	16		
<b>Related party disclosures and transactions</b>	17		



## **Financial statements for the period 1 January - 31 December**

### **Equity**

<b>TDKK</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Proposed dividends</b>	<b>Total</b>
<b>Equity 1 January 2018</b>	4,000	104,002	50,000	158,002
Dividends	0	0	-50,000	-50,000
Transferred profit appropriation	0	30,177	0	30,177
<b>Equity 31 December 2018</b>	<b>4,000</b>	<b>134,179</b>	<b>0</b>	<b>138,179</b>



## **Financial statements for the period 1 January - 31 December**

### **Notes to the financial statements**

#### **1 Accounting policies**

The annual report of Roche a/s for 2018 has been prepared in accordance with the provisions applying to class C-enterprises (large) under the Danish Financial Statements Act.

With reference to the Danish Financial Statement Act §86, section 4, the cash flow statement is omitted. Instead we refer to the Annual Report for Roche Holding Ltd., Basel, Switzerland. This can be found on [www.roche.com](http://www.roche.com).

With reference to the Danish Financial Statement Act §96, section 3, fee paid to auditors appointed at the annual general meeting is not disclosed.

#### **Recognition and measurement**

All sales are recognized in the profit and loss account as earned based on the following criteria:

Delivery has been made before year end, a binding sales agreement has been made, the sales price has been determined, and payment has been received at the time of sale or may with reasonable certainty be expected to be received.

Based on the above, sales are recognized in the profit and loss account as earned, which includes recognition of value adjustments of financial assets and liabilities measured at fair value or amortized cost. Furthermore, all expenses incurred to achieve the earnings for the year are recognized in the profit and loss account, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the profit and loss account.

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the asset can be reliably measured.

Liabilities are recognized in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.



## **Financial statements for the period 1 January - 31 December**

### **Notes to the financial statements**

#### **Accounting policies (continued)**

##### **Foreign currency translation**

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized in the income statement as financial income or expense.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognized in the latest consolidated and parent company financial statements is recognized in the income statement as financial income or expense.

##### **Income Statement**

###### **Revenue**

Revenue from sales of the company's products is recognized in the profit and loss account by the time of invoicing. Taxes, rebates and sales commission are deducted from the gross turnover.

Revenue from commission sales is presented net, as the Company acts as an agent rather than as a principal. Sales are recognised by the time of invoicing.

###### **Marketing and Distribution expenses**

Marketing expenses include wages for marketing staff, promotion material, warehouse- and distribution costs etc.

###### **General and Administration expenses**

Administrative expenses include wages for administrative staff, depreciation of office machines and other office costs.



## **Financial statements for the period 1 January - 31 December**

### **Notes to the financial statements**

#### **Accounting policies (continued)**

##### **Other operating income**

Other operating income includes redebited expenses in connection with clinical trials

##### **Other operating costs**

Other operating costs include clinical trial costs.

##### **Financial income and expenses**

Financial income and expenses comprise interest, realized and unrealized exchange adjustment etc.

##### **Tax on profit/loss for the year**

Tax on profit/loss for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit for the year is recognized in the income statement.

#### **Balance**

##### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	10-40 years
Furniture and fixtures	3-15 years



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### Accounting policies (continued)

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognized prospectively.

Land is not depreciated.

Depreciation is recognized in the income statement as administrative costs.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognized in the income statement as other operating income or other operating costs, respectively.

#### Leases

Payments relating to operating leases and other leases are recognized in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc

#### Impairment of tangible fixed assets

The carrying amount of tangible fixed assets is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognized write-downs are reversed when the basis for the write-down no longer exists



## **Financial statements for the period 1 January - 31 December**

### **Notes to the financial statements**

#### **Accounting policies (continued)**

##### **Inventories**

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price

##### **Receivables**

Receivables are measured at amortized cost. Write-down is made for bad debt losses based on an individual assessment of receivables.

##### **Prepayments**

Prepayment assets, comprise costs incurred concerning subsequent financial years.

##### **Corporation tax and deferred tax**

The Company is covered by the Danish rules of compulsory joint taxation of the Roche Groups Danish affiliates. The Company is the administration company for the joint taxation and as such, settles all payments of corporate taxes towards tax authorities.

Current tax payable and receivable is recognized in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to be liable as current tax. The change in deferred tax as a result of changes in tax rates is recognized in the income statement.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### Accounting policies (continued)

#### Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

#### Provisions

Provision comprise anticipated costs related to sales return, restructurings etc. Provisions are recognized when, as a result of past events, the Company has a legal or constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realizable value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

#### Segment information

Information is provided on geographical markets. Segment information is based on the Company's accounting policies, risks and internal financial management.

	TDKK	2018	2017
2	<b>Segment information</b>		
	<b>Geographic</b>		
	Sales domestic	769,586	856,413
	Export	38,568	41,499
		<u>808,154</u>	<u>897,912</u>



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

TDKK	2018	2017
<b>3 Staff Costs</b>		
Wages and salaries	110,911	107,627
Pensions	8,549	8,409
Other social security costs	879	920
Other staff costs	5,249	7,725
	<u>125,588</u>	<u>124,680</u>
Staff costs are recognized as follows in the financial statements:		
Marketing and distribution	58,609	64,480
Administration	11,304	11,859
Other operating costs	55,674	48,341
	<u>125,588</u>	<u>124,680</u>
Average number of full-time employees	<u>120</u>	<u>122</u>

Remuneration to the Board of Directors and Executive Board are included in the staff costs:

Wages and salaries	2,244	1,842
Pensions	0	0
Other social security costs	2	3
Other staff costs	0	55
	<u>2,246</u>	<u>1,900</u>

Pursuant to section 98b(3)(i) of the Danish Financial Statements Act, remuneration to the Board of Directors and the Executive Board has been disclosed as a total remuneration.

#### Long-term award program

The program consists of a mix of Stock-Settled Stock Appreciation Rights (S-SARs) and Performance Share Plan (PSP) the employee can decide on a preferred mix based on available combinations. The long-term award program is granted by the Roche Group exclusive to the board of management and selected employees of Roche A/S leadership team. Concerning all



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

activity regarding Roche A/S the long-term award program is solely offered to Roche A/S employees. The total costs related to a long-term award program DKK 1,156 thousand (2017: DKK 2,250 thousand) is included in staff costs and not further detailed as per the Danish Financial Statement Act, sec. 98 (2), 2.

#### 4 Other Operating Income

Other Operating Profit consists of income from services provided to group companies.

TDKK.	2018	2017
<b>5 Financial income</b>		
Interest income from affiliated companies	31	46
Other financial income	28	178
	<u>59</u>	<u>224</u>
<b>6 Financial expenses</b>		
Interest expenses to affiliated companies	30	37
Other financial expenses	46	208
	<u>76</u>	<u>245</u>
<b>7 Tax on the profit for the year</b>		
Current tax for the year	9,564	12,203
Deferred tax adjustment for the year	-37	-915
Adjustment to previous years	0	-4
	<u>9,527</u>	<u>11,284</u>
<b>8 Proposed profit appropriation</b>		
Proposed dividend	0	50,000
Retained earnings	30,177	-16,878
	<u>30,177</u>	<u>33,122</u>



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 9 Tangible fixed assets

TDKK	Land and buildings	Fixtures and equipment	Total
Cost at 1 January 2018	66,407	14,027	80,434
Additions	291	192	483
Transferred	0	0	0
Disposals	0	-116	-116
Cost at 31 December 2018	66,698	14,103	80,801
Depreciation at 1 January 2018	31,655	10,813	42,468
Depreciation	1,888	486	2,374
Impairment	0	0	0
Disposals	0	-86	-86
Depreciation at 31 December 2018	33,543	11,214	44,757
<b>Carrying amount at 31 December 2018</b>	<b>33,155</b>	<b>2,890</b>	<b>36,044</b>
Depreciated over	10-40 years	3-15 years	-



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

TDKK	2018	2017
<b>10 Prepayments</b>		
Prepaid congresses	135	325
Other prepaid expenses	1,605	1,655
<b>Prepayments at 31 December</b>	<b>1,740</b>	<b>1,980</b>

### 11 Cash in hand and bank

The company has a cash pooling agreement with Roche Pharmaholding B.V., Netherlands which ensures daily liquidity and the foreign exchange hedging agreement where the FX-exposure of the cash pool accounts are hedged by Roche Pharmaholding B.V., Netherlands.

### 12 The share capital comprises:

2 shares of DKK 1,200 thousand each

1 shares of DKK 600 thousand each

2 shares of DKK 400 thousand each

1 shares of DKK 200 thousand each

All shares rank equally.

The share capital has not changed for the past five years.

TDKK	2018	2017
<b>13 Other provisions</b>		
Provision for restructuring expenses	656	653
Provision for sales returns	360	188
<b>Other provisions at 31 December</b>	<b>1,015</b>	<b>841</b>



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

TDKK	2018	2017
<b>14 Deferred tax liability</b>		
Deferred tax liability at 1 January	1,864	2,779
Adjustment to previous years	0	0
Adjustment of deferred tax	-37	-915
<b>Deferred tax liability at 31 December</b>	<b>1,826</b>	<b>1,864</b>
Deferred tax relates to		
Property, plant and equipment	2,534	2,807
Provisions	708	-943
<b>Deferred tax liability at 31 December</b>	<b>1,826</b>	<b>1,864</b>
<b>15 Other payables</b>		
Holiday allowance	12,207	11,295
Payable VAT	10,228	17,263
Payable staff costs	21,690	18,712
Other	18,764	15,125
<b>Other payables at 31 December</b>	<b>62,889</b>	<b>62,395</b>

### 16 Contingencies, etc.

#### Lease obligations

The Company has operating lease obligations of DKK 7,519 thousand as per 31<sup>st</sup> December 2018 (2017: DKK 9,913 thousand), of which DKK 3,712 thousand is due within the next twelve months (2017: DKK 4,000 thousand).

#### Rent obligations

The Company has rent obligations regarding expatriate employees. The obligation amounts to DKK 1,956 thousand per 31<sup>st</sup> December 2018 (2017: DKK 2,329 thousand). Cancellation of the contracts before end date will result in payment of DKK 179 thousand (2017: DKK 299 thousand).



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### Tax obligations

The Company is jointly taxed with other Danish companies in the Roche group. As the administrative company and a wholly owned subsidiary of Roche Holding Ltd. the Company is unlimited and solidarity liable with the other companies in the joint taxation regarding Danish corporation taxes and withholding taxes on dividends, interests and royalties in the joint taxation. At 31 December 2018, the jointly taxed companies' net liabilities to SKAT amounted to DKK 2.772.975. Any subsequent corrections of the taxable income in the joint taxation or withholding taxes could lead to the Company's liability being higher.

#### 17 Related party disclosures and transactions

The Company is a 100% owned subsidiary. The Company is part of the consolidated financial statements of Roche Holding AG, Grenzacherstrasse 124, 4058 Basel, Switzerland, in which the Company is included as a subsidiary.

The consolidated financial statements of Roche Holding AG can be obtained by contacting the Company or at the following website: <http://www.roche.com/investors.htm>

Transactions with related parties consist exclusively of purchasing goods, purchasing services and selling services to group companies.

TDKK	2018
Purchase of goods from group companies	-663.083
Purchase of services from group companies	-3.919
Sale of goods to group companies	0
Sale of services to group companies	117.245
Total	-549.757

The company's balances with group companies at December, 31 2018 are recognized in the balance sheet. Accounts receivable balances consist of services performed for the global organisation and services delivered under the Service Level Agreement with Roche



## **Financial statements for the period 1 January - 31 December**

### **Notes to the financial statements**

Diagnostics Denmark A/S. Accounts payable balances primarily consist of purchased goods from F. Hoffmann-La Roche AG.

Interest income and expenses are disclosed in note 5 and 6.

Sales of services from group companies consists of facility services, warehouse services, office services and canteen services.

No transactions have been carried out with the Board of Directors and the Executive Management apart from ordinary remuneration.

