



Roche Innovation Center Copenhagen A/S

Fremtidsvej 3, 2970 Hørsholm, Denmark

CVR. NO 20 69 00 03

Annual Report for the period 1 January - 31 December 2018

(21st Year of Accounting)

Approved on the Ordinary Annual General Meeting
May 15, 2019

As Chairman:

A handwritten signature in black ink, appearing to read "M. Wienk-Borgert", written over a horizontal line.

MAXIMILIAN WIENK-BORGERT

This report contains 22 pages incl. frontpage

Statement by the Executive Board and Board of Directors

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

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 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.

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

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

Hørsholm, May 15 2019

Executive Board:



Richard John Wright
Managing Director

Board of Directors:

Sylke Pöhling
(Chairman)

Beat Christoph
Krähenmann



Richard John
Wright

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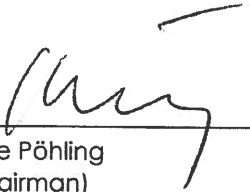
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Hørsholm, May 15 2019

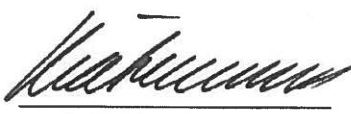
Executive Board:

Richard John Wright
Managing Director

Board of Directors:



Sylke Pöhling
(Chairman)



Beat Christoph
Krähenmann

Richard John
Wright

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Independent Auditor's report

To the shareholder of Roche Innovation Center Copenhagen A/S

Opinion

We have audited the financial statements of Roche Innovation Center Copenhagen 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, May 15 2019

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no 25 57 81 98

Henrik Barner Christiansen
State Authorised
Public Accountant
mne10778

Naja Bjørk Olsen
State Authorised
Public Accountant
mne41387

Management's review

Company details

Roche Innovation Center Copenhagen A/S (RICC A/S)
Fremtidsvej 3
DK-2970 Hørsholm
DENMARK

Telephone: +45 45 17 98 00
http://www.roche.com/research_and_development/who_we_are_how_we_work/our_structure/pr ed.htm

Web site:

Registration No.: 20 69 00 03
Established: 1998
Registered office: Rudersdal

Board of Directors

Sylke Pöhling (Chairman)
Richard John Wright
Beat Christoph Krähenmann

Executive Board

Richard John Wright

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen

Annual general meeting

The annual general meeting is to be held on May 15th 2019

Management's review

Financial highlights

	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Income Statement					
(1 January - 31 December)					
Gross Profit	159,341	175,825	134,556	174,279	138,204
Operating Profit	25,069	59,106	30,487	53,108	(52,878)
Results from Financial activities	1,462	(688)	(304)	2,483	37,102
Profit/Loss for the year	914	38,263	66,287	1,229,520	(5,462)
Balance Sheet					
(As per 31 December)					
Total Assets	193,900	241,198	277,996	395,859	75,534
hereof:					
Cash and cash equivalents	7	8	9	17	3,132
Trade receivables	1,761	3,399	3,177	2,019	4,515
Intangible assets	-	-	-	-	-
Tangible assets	39,999	37,493	31,949	20,639	3,472
<i>Investment in property, plant and equipment</i>	<i>7,354</i>	<i>9,526</i>	<i>14,269</i>	<i>19,001</i>	<i>3,441</i>
Financial assets	4,175	3,926	3,908	3,833	4,270
Total Equity and liabilities	193,900	241,198	277,996	395,859	75,534
hereof:					
Equity	107,002	156,088	197,825	211,537	(67,982)
Current Liabilities	83,347	78,007	58,357	145,838	82,992
Non-current liabilities	3,551	7,103	21,813	38,484	60,524
(As per 31 December)					
Gross margin ratio	80.2%	85.0%	81.0%	78.7%	65.0%
Net margin ratio	0.5%	18.5%	39.9%	555.5%	-2.6%
Equity ratio	55.2%	64.7%	71.2%	53.4%	-90.0%

Financial Ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Ratios" issued by the Danish Society of Financial Analysts.

The financial ratios stated in the survey of financial highlights have been calculated as follows:

$$\text{Gross margin ratio} = \frac{\text{Gross Profit} \times 100}{\text{Revenue}}$$

$$\text{Net margin ratio} = \frac{\text{Profit/Loss for the year} \times 100}{\text{Revenue}}$$

$$\text{Equity ratio} = \frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Management's review

Operating review 2018

Roche Innovation Center Copenhagen A/S as part of the Roche Group

Roche Innovation Center Copenhagen A/S (hereinafter RICC A/S) is part of the Roche Group's pharma Early Research & Development organization (pRED) and performs its research activities in Hørsholm under a contract research agreement for the Group.

Principal activities

Roche Innovation Center Copenhagen is a leader in the rapidly emerging field of RNA-targeted drugs, where it is exploiting its proprietary Locked Nucleic Acid (LNA) platform to discover important novel medicines across multiple therapeutic areas. Drugs directed against RNA targets have the potential to transform human medicine, making drug discovery, development and manufacturing more efficient, faster and less error prone than ever before. At the same time, this novel class of drugs offers the means to address disease targets that have previously been undruggable with conventional drug therapies such as small molecules or antibodies.

Roche is continuously investing in its drug discovery and technology platform, bringing together a multidisciplinary team of scientists with experience, talent and commitment to deliver broadly on the promise of RNA medicines.

Development in activities and financial position

RICC A/S's result for 2018 is considered satisfactory with a profit of DKK 1m versus previous year's profit of DKK 38m due to an extraordinary milestone income in 2017.

Uncertainties relating to recognition or measurement

There are no uncertainties related to recognition or measurement that has affected the presentation of the annual accounts for 2018.

Outlook

The existing contract research agreement between RICC A/S and F. Hoffmann-La Roche Ltd. enables to maintain a stable financial situation and operating activities of the Company. Therefore, as part of the Roche group, RICC A/S expects a stable activity level and profit for the coming year.

Risks

The company is not exposed to any special risks besides what are normal risks of the business.

Research and development activities

The RICC team is headed by Richard John Wright and comprises research groups in chemistry, oligo synthesis, molecular biology, pharmacology, toxicology and bioinformatics.

Effect on the external environment

Management is aware of the external environment and aims to reduce the environmental impact of the company's operations to a minimum.

Human resources and intellectual capital

It is of vital importance when dealing in research, that the employees of the company possess the required scientific expertise. This knowledge is increased and maintained through further education and by recruiting employees with a high level of education and knowledge.

Subsequent events

There were no subsequent events after the reporting period ended.

Financial statements 1 January - 31 December

Income statement

1 January - 31 December 2018

TDKK	Note	2018	2017
Revenue		198,621	206,809
Cost of sales		-14,981	-7,358
Other external costs		-24,299	-23,626
Gross profit		159,341	175,825
Staff costs	2	-86,182	-71,180
Research and Development costs		-43,293	-41,558
Depreciation		-4,797	-3,981
Operating profit		25,069	59,106
Income/Loss from sale of tangible assets		-27	33
Financial income	3	1,488	0
Financial expense	3	-26	-688
Profit before tax		26,504	58,451
Tax on profit	4	-25,590	-20,188
Net Profit for the year	5	914	38,263

Financial statements 1 January - 31 December

Balance sheet

31 December 2018

TDKK	Note	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	6	39,999	37,493
Total property, plant and equipment		39,999	37,493
Deposits		4,175	3,926
Total investments		4,175	3,926
Total non-current assets		44,174	41,419
Current assets			
Inventories		14,801	24,927
Total inventories		14,801	24,927
Trade receivables		1,761	3,399
Intercompany receivables		75,794	71,635
Intercompany receivables (Cash Pool)		55,672	74,108
Deferred Tax Asset		0	21,427
Other receivables		1,246	3,299
Prepayments	7	445	976
Total Receivables		134,918	174,844
Cash at bank and in hand		7	8
Total current assets		149,726	199,779
TOTAL ASSETS		193,900	241,198

Financial statements 1 January - 31 December

Balance sheet

31 December 2018

TDKK	Note	2018	2017
EQUITY AND LIABILITIES			
Share capital	8	100,133	100,133
Retained earnings		6,869	5,955
Proposed dividend for financial year		0	50,000
Total equity		107,002	156,088
Liabilities			
Non-current liabilities			
Deferred revenue	9	3,551	7,103
Total non-current liabilities		3,551	7,103
Current liabilities			
Trade payables		3,402	11,014
Intercompany payables		23,337	11,015
Other payables including tax payable	10	51,179	40,845
Deferred tax liability	11	1,664	0
Deferred revenue	9	3,765	15,133
Total current liabilities		83,347	78,007
Total liabilities		86,898	85,110
TOTAL EQUITY AND LIABILITIES		193,900	241,198
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Statement of changes in equity

Equity

	<i>Share Capital</i>	<i>Retained earnings</i>	<i>Proposed dividend for financial year</i>	<i>Total</i>
TDKK				
Equity 1 January 2018	100,133	5,955	50,000	156,088
Distributed dividend	0	0	-50,000	-50,000
Net profit for the year	0	914	0	914
Equity 31 December 2018	100,133	6,869	0	107,002

Notes to the financial statements

1 Accounting policies

The annual report of Roche Innovation Center Copenhagen A/S for 2018 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

With reference to the Danish Financial Statements Act section 86(4), the cash flow statement is omitted. Instead we refer to the Annual Report for Roche Holding AG, Basel, Switzerland. This can be found on <https://www.roche.com/investors.htm>.

The functional currency is DKK and is unchanged compared to prior years.

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 recognised 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.

Notes to the financial statements

¹ Accounting policies (continued)

Income Statement

Revenue

Income from up-front payments, milestone payments, and other income from research and development contracts is recognized in accordance with the terms of the agreements, when it is considered realized or realizable and earned, when the amount of revenue can be measured reliably, and when the economic benefit associated with the transaction will flow to the company.

The company defers recognition of nonrefundable upfront fees and recognize them into revenue on a straight-line basis over the estimated period of the company's expected performance. The period over which the revenue is recognized may be adjusted to take into account any delays or acceleration in the development of the applicable product candidate or any extension or shortening of the applicable performance period.

Gross profit

With reference to the Danish Financial Statements Act section 32, management decided to aggregate gross revenue, cost of sales and other external cost and disclose only gross profit.

Cost of sales

Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external costs

Other external costs comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities such as infrastructure costs, consulting fees, communication and legal costs.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Research and development costs

Research and development costs include research costs and costs of development projects that do not meet the criteria for recognition in the balance sheet.

Depreciation and impairment losses

Depreciation and impairment losses relating to tangible assets and property, plant and equipment comprise depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets. Impairment tests are performed whenever internal or external indicators suggest that the value of an asset may be impaired.

Notes to the financial statements

1 Accounting policies (continued)

Other operating income

Other operating income comprises items secondary to the activities of the company, including gain on the disposal of property, plant and equipment.

Financial income and expenses

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

Tax on profit for the year

Tax for the year, which consist of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Company is jointly taxed with other Danish associated companies. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance accounts

Property, plant and equipment

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided under the straight-line method over the following periods:

Equipment	3 - 10 years
Leasehold Improvement	5 - 10 years
IT & Software	3 - 5 years

The useful life and residual value are reassessed annually. Scrap value is estimated to 0. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Property, plant and equipment and Leasehold improvements are written down to the lower of recoverable amount and carrying amount.

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 recognised 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 well as contractual obligations and contingencies, etc.

Notes to the financial statements

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

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 recognised write-downs are reversed when the basis for the write-down no longer exists.

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.

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 amortised cost. Write-down is made for bad debt losses based on an individual assessment of receivables.

Prepayments

Prepayments assets, comprise costs incurred concerning subsequent financial years.

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. The entity does not hold any short-term marketable securities.

Notes to the financial statements

1 Accounting policies (continued)

Equity

Dividends

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate line under equity.

Corporation tax and deferred tax

The Company is covered by the Danish rules of compulsory joint taxation of the Roche Groups Danish affiliates. Roche A/S (CVR 25230515) 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 recognised 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 using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to office buildings non-deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Deferred revenue

Deferred revenue comprises received income for recognition in subsequent, financial years. Deferred revenue is measured at cost.

Notes to the financial statements

	2018 TDKK	2017 TDKK
2 Staff Costs		
Wages and salaries	76,298	61,178
Pensions	4,314	4,762
Other social security costs	253	242
Other staff costs	5,317	4,998
Total staff costs	86,182	71,180
Average number of full-time employees	74	71
<p>Remuneration of the Company's Management and Board of Directors is not disclosed pursuant to section 98b(3)(ii) of the Danish Financial Statements Act.</p>		
Long-term award program		
<p>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 selected employees of RICC A/S. Concerning all activity regarding RICC A/S the long-term award program is solely offered to RICC A/S employees. The total costs related to the long-term award program of DKK 1,225 thousand (2017: DKK 1,172 thousand) is included in staff costs and not further detailed as per the Danish Financial Statement Act, sec. 98 (2), 2.</p>		
3 Financial income/expense		
Intercompany interest expense	-20	-1
Other interest income	996	0
Other financial income/expense	486	-687
Total financial income/expense	1,462	-688
4 Tax on profit		
Current tax	3,448	0
Change in deferred tax	23,092	18,330
Adjustment to previous year tax income	-950	1,858
Tax in the year	25,590	20,188
5 Proposed distribution of profit		
Proposed dividends for financial year	0	50,000
Retained earnings	914	-11,737
Net Profit for the year	914	38,263

Notes to the financial statements

6 Property, plant and equipment

TDKK	IT & Software	Leasehold Improvement	Equipment	Total
Cost at 1 January 2018	1,874	3,913	57,078	62,865
Additions	0	921	6,433	7,354
Disposal	-716	0	-10,696	-11,412
Cost at 31 December 2018	1,158	4,834	52,815	58,807
Depreciation at 1 January 2018	-1,616	-1,374	-22,381	-25,371
Depreciation	-105	-299	-4,393	-4,797
Disposal	716	0	10,644	11,360
Depreciation at 31 December 2018	-1,005	-1,673	-16,130	-18,808
Carrying amount at 31 December 2018	153	3,161	36,685	39,999
Depreciated over	3-5 years	5-10 years	3-10 years	

7 Prepayments

Prepayments of DKK 445 thousand (2017: DKK 976 thousand) are mainly related to prepaid service contracts, prepaid salary and prepaid travel expenses.

Notes to the financial statements

8 Share capital comprises of:	TDKK
Share capital of DKK 1.00	100,133

Development in share capital	TDKK
Capital increase 2014	10,192
Capital increase 2015	0
Capital increase 2016	0
Capital increase 2017	0
Capital increase 2018	0
Share capital as per 31 December 2018	<u>100,133</u>

All shares rank equally.

	2018	2017
	TDKK	TDKK
9 Deferred Revenue		
Deferred revenue, non-current	3,551	7,103
Deferred revenue, current	<u>3,765</u>	<u>15,133</u>
Total deferred revenue	<u>7,316</u>	<u>22,236</u>

Deferred revenue of DKK 7.316 thousand (2017: DKK 22.236 thousand) comprise payments received from customers that cannot be recognised until subsequent financial years.

10 Other Payables including tax payable		
Employee related compensation and benefits	16,662	14,573
Income Tax payable	14,236	19,482
Other	<u>20,282</u>	<u>6,790</u>
Total other payables	<u>51,179</u>	<u>40,845</u>

11 Deferred Tax Liability	TDKK
License rights and patents	-1,479
PP&E	6,318
Deferred income	-1,609
Equity compensation plans	-1,566
Loss carryforward	0
Deferred tax liability total	<u>1,664</u>

Notes to the financial statements

12 Contingencies, etc.

Lease obligations

The Company has entered into operating leases regarding car and other equipments. The remaining payments for lease obligations amount to DKK 824 thousand (2017: DKK 1,062 thousand) of which DKK 382 thousand is due within the next 12 months.

Rent obligations

The Company leases office and laboratory space under a cancellable operation lease agreement, subject to a 6 months notification period. Therefore, a lease term of six months is considered as the company's commitment which equals DKK 4,084 thousands as of December 31, 2018 for a yearly rent of DKK 8,169 thousands.

Tax obligations

The company participates in a Danish joint taxation arrangement in which Roche A/S (CVR 25230515) serves as the administration company. According to the joint taxation provision rules in the Danish Corporation Tax Act, the company is therefore liable from 2 September 2014 for income taxes etc., obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed companies. At 31 December 2018, the jointly taxed companies' net liabilities to SKAT amounted to DKK 0 thousand.

13 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, 4002 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 and services, selling goods and services as well as licensing and selling intellectual property to/from group companies.

Notes to the financial statements

	2018
	TDKK
Purchase of services/goods from group enterprises	-33,854
Sale of services/goods sold to group enterprises	221,491
Income relating to intangible assets from group enterprises	0
Expenses relating to intangible assets	-38,836
Total related party transactions	<u>148,801</u>

Purchase of products and services are bought from group enterprises on normal commercial terms and conditions.

The company's balances with group enterprises at December 31, 2018 are recognized in the balance sheet. Interest income and expenses with respect to group enterprises are disclosed in note 3. Further, balances with group enterprises comprise trade balances related to the purchase and sale of goods and services.

Purchases of services and goods from group enterprises consist of instruments, reagents and chemicals used in the laboratories as well as laboratory equipment services. Sale of services and goods to group enterprises consist of R&D services and LNA-Monomers used for R&D. Income relating to intangible assets consists of selling intellectual property rights to group enterprises. Expenses relating to intangible assets consists of licensing intellectual property rights from group enterprises.

No transactions have been carried out with the Board of Directors, the Executive Management, senior employees, major shareholders or other related parties, apart from ordinary remuneration.