



Roche Innovation Center Copenhagen A/S

Fremhidsvej 3, 2970 Hørsholm, Denmark

CVR. NO 20 69 00 03

Annual Report for the period 1 January - 31 December 2016

(19th Year of Accounting)

Approved on the Ordinary Annual General Meeting
May 30, 2017

As Chairman:

A handwritten signature in blue ink, appearing to be "N. De Kunay", written over a horizontal line.

NICOLAS DE KUNAY

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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 of Roche Innovation Center Copenhagen A/S for 2016.

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 2016, and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

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.

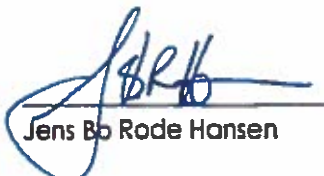
Hørsholm, 30 May 2017

Executive Board:


Jens Bo Rode Hansen
Managing Director

Board of Directors:

John Christian Reed
(Chairman)


Jens Bo Rode Hansen


Ronald Jeyung Park


Beat Christoph Krähenmann

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Hørsholm, 30 May 2017

Executive Board:

Jens Bo Rode Hansen
Managing Director

Board of Directors:



John Christian Reed
(Chairman)

Jens Bo Rode Hansen

Ronald Jeyung Park



Beat Christoph Krähenmann

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 2016 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 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 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, 30 May 2017

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no 25 57 81 98



Lau Bent Baun

State Authorised

Public Accountant

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
Web site: http://www.roche.com/research_and_development/who_we_are_how_we_work/our_structure/pred.htm

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

Board of Directors

John Christian Reed (Chairman)
Jens Bo Rode Hansen
Ronald Jeyung Park
Beat Christoph Krähenmann

Executive Board

Jens Bo Rode Hansen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen

Annual general meeting

The annual general meeting is to be held on 30 May 2017

Management's review

Financial highlights

With reference to the Danish Financial Statements Act section 51(3), the financial highlights and ratios and comparative figures for 2013 and before have not been adjusted.

	Danish Financial Statements Act			IFRS	
	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Income Statement					
(1 January - 31 December)					
Gross Profit	134,556	174,279	138,204	(2,196)	257,886
Results from Financial activities	(304)	2,483	37,102	(58,709)	(34,103)
Profit/Loss for the year	66,287	1,229,520	(5,462)	(140,925)	(133,146)
Balance Sheet					
(As per 31 December)					
Total Assets	277,996	395,859	75,534	161,137	425,385
hereof:					
Cash and cash equivalents	9	17	3,132	100,645	45,462
Trade receivables	3,177	2,019	4,515	10,727	336,315
Intangible assets	0	0	0	7,219	9,686
Tangible assets	31,949	20,639	3,472	2,367	1,519
<i>Investment in property, plant and equipment</i>	14,269	19,001	3,441	2,278	731
Financial assets	3,908	3,833	4,270	31,439	32,404
Total Equity and liabilities	277,996	395,859	75,534	161,137	425,385
hereof:					
Equity	197,825	211,537	(67,982)	(167,516)	217,855
Current Liabilities	58,357	145,838	82,992	229,287	148,501
Non-current liabilities	21,813	38,484	60,524	99,365	59,029
(As per 31 December)					
Gross margin ratio	81.0%	78.7%	65.0%	-3.3%	82.5%
Net margin ratio	39.9%	555.5%	-2.6%	-212.8%	-42.6%
Equity ratio	71.2%	53.4%	-90.0%	-104.0%	51.2%

Financial Ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

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

Gross Margin	$\frac{\text{Gross Profit} \times 100}{\text{Revenue}}$
Net margin ratio	$\frac{\text{Profit/Loss for the year} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review 2016

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 manufacture 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 2016 is considered satisfactory with a profit of DKK 66m versus previous year's profit of DKK 1,230m. The result for the year 2015 was mainly driven by the assignment of the intellectual properties rights related to the LNA Drug Platform as well as RNA in the course of the integration into the Roche Group. Also, compared to the outlook of 2015, we consider the achieved result satisfactory.

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 2016.

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 Bo R. Hansen (Ph.D.) and comprises research groups in chemistry, oligo synthesis, molecular biology, pharmacology, toxicology, PK 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

Since year-end the initiation of a Phase I clinical trial entitled RICC to perceive a milestone revenue of DKK 35m.

Financial statements 1 January - 31 December

Income statement

1 January - 31 December 2016

TDKK	Note	2016	2015
Gross profit		134,556	174,279
Staff costs	2	-62,339	-86,538
Research and Development costs		-38,771	-32,799
Depreciation and Amortization		-2,959	-1,834
Operating profit		30,487	53,108
Income from sale of intangible assets		0	1,330,729
Income from other equity investments		0	7,360
Financial income		0	2,524
Financial expense	3	-304	-41
Profit before tax		30,183	1,393,680
Tax on profit	4	36,104	-164,160
Net Profit/Loss for the year	5	66,287	1,229,520

Financial statements 1 January - 31 December

Balance sheet

31 december 2016

TDKK	Note	2016	2015
ASSETS			
Non-current assets			
Licenses and patents	6	0	0
Total intangible assets		0	0
Property, plant and equipment	7	31,949	20,639
Total property, plant and equipment		31,949	20,639
Deposits		3,908	3,833
Total investments		3,908	3,833
Total non-current assets		35,857	24,472
Current assets			
Inventories		10,032	8,057
Total inventories		10,032	8,057
Trade receivables		3,177	2,019
Intercompany receivables		141,941	318,254
Tax receivables		37,239	40,892
Deferred Tax Asset	8	39,757	0
Other receivables		2,584	2,149
Prepayments	9	7,400	0
Total Receivables		232,097	363,314
Cash at bank and in hand		9	17
Total current assets		242,138	371,388
TOTAL ASSETS		277,996	395,859

Financial statements 1 January - 31 December

Balance sheet

31 december 2016

TDKK	Note	2016	2015
EQUITY AND LIABILITIES			
Share capital	10	100,133	100,133
Retained earnings		17,691	31,404
Proposed dividend for financial year		80,000	80,000
Total equity		197,825	211,537
Liabilities			
Non-current liabilities			
Deferred revenue	11	21,813	38,484
Total non-current liabilities		21,813	38,484
Current liabilities			
Trade payables		7,966	12,572
Intercompany payables		16,221	82,948
Other payables	12	16,480	25,593
Deferred revenue	11	17,690	24,724
Total current liabilities		58,357	145,838
Total liabilities		80,170	184,322
TOTAL EQUITY AND LIABILITIES			
		277,996	395,859
Contingencies, etc.	13		
Related party disclosures	14		

Development 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 2016	100,133	31,404	80,000	211,538
Distributed dividend	0		-80,000	-80,000
Net profit for the year	0	-13,713	80,000	66,287
Equity 31 December 2016	100,133	17,691	80,000	197,825

Notes to the financial statements

1 Accounting policies

The annual report of Roche Innovation Center Copenhagen A/S for 2016 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

- Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

Apart from the above, 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 www.roche.com.

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 and cost of sales 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.

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.

Staff costs

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, 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)

Financial income and expenses

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

Tax on profit/loss 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).

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 2015 for income taxes etc. obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed companies.

Balance accounts

Intangible assets

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortized over their remaining duration, and licenses are amortised over the term of the agreement, but over no more than 10 years.

License agreements, Patents and Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and 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.

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

Notes to the financial statements

1 Accounting policies (continued)

The useful life and residual value are reassessed annually. 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.

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.

Prepayments received from customers

Prepayments received from customers, if any, comprise amounts received from customers prior to delivery of the goods or service agreed.

Deferred revenue

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

Notes to the financial statements

	2016 TDKK	2015 TDKK
2 Staff Costs		
Wages and salaries	53,058	68,056
Pensions	4,352	4,469
Other social security costs	231	211
Other staff costs	4,699	13,803
Total staff costs	<u>62,339</u>	<u>86,538</u>
Average number of full-time employees	<u>68</u>	<u>65</u>
<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> <p>Long-term award program</p> <p>Costs related to a long-term award program DKK 1,235 thousand (2015: DKK 7,710 thousand) are included in the staff costs. The program includes Stock Appreciation Rights issued and granted by the Roche Group to Selected employees of Roche Innovation Center Copenhagen A/S.</p>		
3 Financial expense		
Other financial expenses	304	41
Total financial costs	<u>304</u>	<u>41</u>
4 Tax on profit		
Current tax	0	160,774
Change in deferred tax	-39,757	0
Adjustment to previous year tax income	3,653	3,386
Tax in the year	<u>-36,104</u>	<u>164,160</u>
5 Proposed distribution of profit		
Proposed dividends for financial year	80,000	80,000
Retained earnings	-13,713	1,149,520
Net Profit/Loss for the year	<u>66,287</u>	<u>1,229,520</u>

Notes to the financial statements

6 Intangible assets

TDKK	Licenses	Patents	Total
Cost at 1 January 2016	13,102	11,488	24,590
Disposal	0	0	0
Cost at 31 January 2016	13,102	11,488	24,590
Amortization at 1 January 2016	-13,102	-11,488	-24,590
Amortization	0	0	0
Disposal	0	0	0
Amortization at 31 December 2016	-13,102	-11,488	-24,590
Carrying amount at 31 December 2016	0	0	0

7 Property, plant and equipment

TDKK	IT & Software	Leasehold Improvement	Equipment	Total
Cost at 1 January 2016	1,599	1,260	37,949	40,808
Additions	197	521	13,550	14,269
Disposal				0
Cost at 31 December 2016	1,796	1,781	51,500	55,077
Depreciation at 1 January 2016	-1,422	-1,260	-17,487	-20,169
Depreciation	-76	-26	-2,857	-2,959
Disposal				0
Depreciation at 31 December 2016	-1,498	-1,286	-20,344	-23,128
Carrying amount at 31 December 2016	298	496	31,156	31,949
Depreciated over	3-5 years	5-10 years	3-10 years	

8 Deferred Tax Asset

	TDKK
License rights and patents	3,797
PP&E	3,140
R&D costs	880
Deferred income	8,843
Equity compensation plans	1,685
Loss carryforward	21,412
Deferred tax asset total	39,757

9 Prepayments

The prepayments are related to upfront fees for manufacturing of raw materials expected to be delivered during 2017.

Notes to the financial statements

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

Development in share capital	TDKK
Share capital as per 1 January 2002	1,296
Capital increase 2003	6,062
Capital increase 2006	33,283
Capital increase 2007	44,745
Capital increase 2008	4,549
Capital increase 2009	2
Capital increase 2010	2
Capital increase 2011	2
Capital increase 2014	10,192
Share capital as per 31 December 2016	<u>100,133</u>

All shares rank equally.

	2016	2015
	TDKK	TDKK
11 Deferred Revenue		
Deferred revenue, non-current	21,813	38,484
Deferred revenue, current	17,690	24,724
Total deferred revenue	<u>39,503</u>	<u>63,209</u>

Deferred revenue of DKK 39.503 thousand (2015: DKK 63.209 thousand) comprise payments received from customers that cannot be recognised until subsequent financial years.

12 Other Payables		
Employee related compensation and benefits	14,398	22,729
Other	2,082	2,864
Total other payables	<u>16,480</u>	<u>25,593</u>

Notes to the financial statements

13 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 993 thousand (2015: DKK 540 thousand) of which DKK 332 thousand is due within the next 12 months.

Rent obligations

The Company leases office space and laboratory space under 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 3,912 thousands as of December 31, 2016 for a yearly rent of DKK 7,825 thousands.

Law suits

At the end of 2016 there were pending patent cases against the Company.

The Company does not expect the pending cases to have any significant effect on the Company's financial position and the current drug development activities of the Company.

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.

14 Related party disclosures

Roche Innovation Center Copenhagen A/S related parties comprise:

Parties exercising control

Roche Innovation Center Copenhagen A/S is part of the consolidated financial statements of Roche Holding Ltd., Grenzacherstrasse 124, CH-4070 Basel, Switzerland, which is the smallest and largest group in which Roche Innovation Center Copenhagen A/S is included as a subsidiary.

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

Other related parties with significant influence

Group enterprises and associates of F. Hoffmann-La Roche Ltd. Related parties exercising significant influence furthermore comprise the Company's Board of Directors and executive employees. Further, related parties comprise companies in which the above persons have substantial interest.

Related party transactions

Roche Innovation Center Copenhagen A/S has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.