



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 2019

(22nd Year of Accounting)

Approved on the Ordinary Annual General Meeting
May 27, 2020

As Chairman:

DocuSigned by:

Britt Brohuus

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BRITT BROHUUS

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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 the year 1 January - 31 December 2019.

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 2019, and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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.

Executive Board:

DocuSigned by:

Richard Wright

A0331018C006438

Richard John Wright
Managing Director

Board of Directors:

DocuSigned by:

Sylke Pöhling

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Sylke Pöhling
(Chairman)

DocuSigned by:

Beat Christoph Krähenmann

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Beat Christoph
Krähenmann

DocuSigned by:

Richard Wright

A0331018C006438

Richard John
Wright

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 2019 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 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

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 27, 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no 25 57 81 98



Henrik Barner Christiansen

State Authorised

Public Accountant

mne10778

Management's review

Company details

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

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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: 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 27th 2020

Management's review

Financial highlights

	2019	2018	2017	2016	2015
	TDKK	TDKK	TDKK	TDKK	TDKK
Income Statement					
(1 January - 31 December)					
Gross Profit	141.402	202.065	175.825	134.556	174.279
Operating Profit	44.200	67.793	59.106	30.487	53.108
Results from Financial activities	(30)	1.462	(688)	(304)	2.483
Profit/Loss for the year	45.880	57.874	38.263	66.287	1.229.520
Balance Sheet					
(As per 31 December)					
Total Assets	243.368	236.626	241.198	277.996	395.859
hereof:					
Cash and cash equivalents	7	7	8	9	17
Trade receivables	3.154	1.761	3.399	3.177	2.019
Intangible assets	-	-	-	-	-
	44.021	39.999	37.493	31.949	20.639
<i>Investment in property, plant and equipment</i>	-	12.753	9.526	14.269	19.001
Financial assets	4.213	4.175	3.926	3.908	3.833
Total Equity and liabilities	243.368	236.626	241.198	277.996	395.859
hereof:					
Equity	209.842	163.962	156.088	197.825	211.537
Current Liabilities	33.526	69.112	78.007	58.357	145.838
Non-current liabilities	-	3.551	7.103	21.813	38.484
(As per 31 December)					
Gross margin ratio	84,1%	83,7%	85,0%	81,0%	78,7%
Net margin ratio	27,3%	24,0%	18,5%	39,9%	55,5%
Equity ratio	86,2%	69,3%	64,7%	71,2%	53,4%

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 2019

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.

RICC A/S's result for 2019 is considered satisfactory with a profit of DKK 46M versus previous year's profit of DKK 58M.

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 2019.

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 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.

Significant errors

The Company has identified significant errors in the following area that affect previously presented annual reports:

It has been discovered that revenue in 2018 was understated by DKK 42.7 million. Revenue should have been DKK 241.3 million instead of DKK 198.6 million. There is no tax effect of the correction. Equity initially has therefore been adjusted by DKK 42.7 million. Comparative figures have been adjusted accordingly.

Furthermore it has been discovered that income tax payable was overstated by DKK 14 million in 2018. Income tax payable should have been DKK 0 million instead of DKK 14 million. There is no tax effect of the correction. Equity initially has therefore been adjusted by DKK 14 million. Comparative figures have been adjusted accordingly.

Open issues

The tax authorities (SKAT) is currently reviewing the Transfer Pricing Documentation for 2013-2017.

In their letter to Roche Innovation Center Copenhagen A/S dated 21 November 2019, SKAT noted the following areas, which would result in an increase in the taxable income for 2015:

- An average exchange rate for June 2015 was used. SKAT is of the opinion that the exchange rate per the transfer date 16 July 2015 should have been used.
- At the valuation of the IP a control premium was deducted. SKAT will research if this control premium should not be deducted.
- There has not been calculated TAB (Tax Amortization Benefit) at the transfer of IP. SKAT wanted the reasoning for this. The company has used the Acquisition Price Method, which compares with the actual transfer sum of the stocks of Santaris Pharma A/S just before. SKAT is of the opinion that TAB should be calculated, since the transfer of the activity leads to a tax liability for the seller, and a depreciation right for the buyer. SKAT will look into this.

Subsequent events

In recent weeks, many countries have enacted protection measures against COVID-19, with a significant impact on the daily life, production and supply chain of goods in these countries and beyond. The evolution of COVID-19 as well as its impact on the global economy, and more specifically, on Roche activities, is hard to predict at this stage. The Roche Group is monitoring the situation to ensure the safety of its staff as well as to adapt its services and operations.

Financial statements 1 January - 31 December

Income statement

1 January - 31 December 2019

TDKK	Note	2019	2018
Gross profit		<u>141.402</u>	<u>202.065</u>
Staff costs	2	-60.954	-86.182
Research and Development costs		-30.801	-43.293
Depreciation		-5.447	-4.797
Operating profit		<u>44.200</u>	<u>67.793</u>
Income/Loss from sale of tangible assets		-1.028	-27
Financial income	3	0	1.488
Financial expense	3	-30	-26
		<u>43.143</u>	<u>69.228</u>
Tax on profit	4	2.738	-11.354
Net Profit for the year	5	<u><u>45.880</u></u>	<u><u>57.874</u></u>

Financial statements 1 January - 31 December

Balance sheet

31 December 2019

TDKK	Note	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	6	44.021	39.999
Total property, plant and equipment		44.021	39.999
Deposits		4.213	4.175
Total investments		4.213	4.175
Total non-current assets		48.234	44.174
Inventories		13.021	14.801
Total inventories		13.021	14.801
Trade receivables		3.154	1.761
Intercompany receivables		110.052	118.519
Intercompany receivables (Cash Pool)		66.937	55.672
Other receivables		1.580	1.246
Prepayments	7	383	445
Total Receivables		182.106	177.643
Cash at bank and in hand		7	7
Total current assets		195.134	192.451
TOTAL ASSETS		243.368	236.625

Financial statements 1 January - 31 December

Balance sheet

31 December 2019

TDKK	Note	2019	2018
EQUITY AND LIABILITIES			
Share capital	8	100.133	100.133
Retained earnings		49.709	63.829
Proposed dividend for the financial year		60.000	0
Total equity		209.842	163.962
Liabilities			
Non-current liabilities			
Deferred revenue	9	0	3.551
Total non-current liabilities		0	3.551
Current liabilities			
Trade payables		5.146	3.402
Intercompany payables		2.650	23.337
Other payables including tax payable	10	20.123	36.944
Deferred tax liability	11	1.919	1.664
Deferred revenue	9	3.688	3.765
Total current liabilities		33.526	69.112
Total liabilities		33.526	72.663
TOTAL EQUITY AND LIABILITIES		243.368	236.625
Contingencies, etc.	12		
Related party disclosures and transactions	13		

Statement of changes in equity

Equity

	<i>Share Capital</i>	<i>Retained earnings</i>	<i>Proposed dividend for the financial year</i>	<i>Total</i>
TDKK				
Equity 1 January 2019	100.133	63.829	0	163.962
Distributed dividend	0	0	0	0
Net profit for the year	0	-14.120	60.000	45.880
Equity 31 December 2019	100.133	49.709	60.000	209.842

Notes to the financial statements

1 Accounting policies

The annual report of Roche Innovation Center Copenhagen A/S for 2019 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.

Significant errors

The Company has identified significant errors in the following area that affect previously presented annual reports:

It has been discovered that revenue in 2018 was understated by DKK 42.7 million. Revenue should have been DKK 241.3 million instead of DKK 198.6 million. There is no tax effect of the correction. Equity initially has therefore been adjusted by DKK 42.7 million. Comparative figures have been adjusted accordingly.

Furthermore it has been discovered that income tax payable was overstated by DKK 14 million in 2018. Income tax payable should have been DKK 0 million instead of DKK 14 million. There is no tax effect of the correction. Equity initially has therefore been adjusted by DKK 14 million. Comparative figures have been adjusted accordingly.

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.

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

	2019	2018
	TDKK	TDKK
2 Staff Costs		
Wages and salaries	53.012	76.298
Pensions	4.314	4.314
Other social security costs	222	253
Other staff costs	3.407	5.317
Total staff costs	60.954	86.182
Average number of full-time employees	65	74
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.		
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 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 207 thousand (2018: DKK 1,225 thousand) is included in staff costs and not further detailed as per the Danish Financial Statement Act, sec. 98 (2), 2.		
3 Financial income/expense		
Intercompany interest expense	-23	-20
Other interest income	0	996
Other financial income/expense	-7	486
Total financial income/expense	-30	1.462
4 Tax on profit		
Current tax	0	3.448
Change in deferred tax	254	23.092
Adjustment to previous year tax income	-2.992	-15.186
Tax in the year	-2.738	11.353
5 Proposed distribution of profit		
Proposed dividends for the financial year	60.000	0
Retained earnings	-14.120	57.874
Net Profit for the year	45.880	57.874

Notes to the financial statements

6 Property, plant and equipment

TDKK	IT & Software	Leasehold Improvement	Equipment	Total
Cost at 1 January 2019	1.158	4.834	52.815	58.807
Additions	35	1.302	11.416	12.753
Disposal	0	0	-4.488	-4.488
Cost at 31 December 2019	1.193	6.136	59.744	67.072
Depreciation at 1 January 2019	-1.006	-1.672	-16.130	-18.809
Depreciation	-95	-385	-4.967	-5.447
Disposal	0	0	1.205	1.205
Depreciation at 31 December 2019	-1.101	-2.058	-19.893	-23.051
Carrying amount at 31 December 2019	93	4.078	39.850	44.021
Depreciated over	3-5 years	5-10 years	3-10 years	

7 Prepayments

Prepayments of DKK 383 thousand (2018: DKK 445 thousand) are mainly related to prepaid service contracts and prepaid salary.

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 2016	0
Capital increase 2017	0
Capital increase 2018	0
Capital increase 2019	0
Share capital as per 31 December 2019	<u>100.133</u>

All shares rank equally.

	2019	2018
	TDKK	TDKK
9 Deferred Revenue		
Deferred revenue, non-current	0	3.551
Deferred revenue, current	3.688	3.765
Total deferred revenue	<u>3.688</u>	<u>7.316</u>

Deferred revenue of DKK 3.688 thousand (2017: DKK 7.316 thousand) comprise payments received from research collaborations that cannot be recognised until subsequent financial years.

10 Other Payables including tax payable		
Employee related compensation and benefits	6.654	16.662
Income Tax payable	0	0
Other	13.469	20.282
Total other payables	<u>20.123</u>	<u>36.944</u>

11 Deferred Tax Liability		
License rights and patents	-725	-1.479
PP&E	5.983	6.318
Deferred income	-727	-1.609
Equity compensation plans	-1.191	-1.566
Loss carryforward	-1.421	0
Deferred tax liability total	<u>1.919</u>	<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 246 thousand (2018: DKK 824 thousand) of which DKK 191 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 4,166 thousands as of December 31, 2019 for a yearly rent of DKK 8,333 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.

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

	2019	2018
	TDKK	TDKK
Purchase of services/goods from group enterprises	-16.234	-33.854
Sale of services/goods sold to group enterprises	172.962	221.491
Income relating to intangible assets from group enterprises	75.569	0
Expenses relating to intangible assets	-31.174	-38.836
Total related party transactions	<u>201.124</u>	<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, 2019 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.