



Roche a/s

Annual Report 2015

Registration No. 25 23 05 15

Roche A/S

Industriholmen 57-59

2650 Hvidovre

This report contains 22 pages



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Statement by the Executive Board and Board of Directors

The Executive Board and Board of Directors have considered and approved the annual report for the year 1 January - 31 December 2015 for Roche a/s.

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


In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015, and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

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


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

Hvidovre, 24th May 2016

Executive Board:



Ronald Jeyung Park
Managing director

Board of Directors:


Michael Budtz
Chairman


Ronald Jeyung Park


Luc Dirckx


Beat Krähenmann



Independent auditors' report

To the shareholder of Roche a/s

Independent auditors' report on the financial statements

We have audited the financial statements of Roche a/s for the financial year 1 January – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.



Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management report is consistent with the financial statements.

Copenhagen, 24th May 2016

KPMG

Statsautoriseret Revisionspartnerselskab
CVR. No. 25573198

A handwritten signature in blue ink, appearing to read "Lau Bent Baun".

Lau Bent Baun

State Authorised
Public Accountant



Management's review

Company details

Roche a/s
Industriholmen 59
DK-2650 Hvidovre

Telephone: +45 36 39 99 99
Fax: +45 36 39 99 00
Web site: Roche.dk
E-mail: denmark.info@roche.com

Registration No.: 25 23 05 15
Established: 1970
Registered office: Hvidovre

Board of Directors

Michael Budtz
Luc Dirckx
Beat Krähenmann
Ronald Jeyung Park

Executive Board

Ronald Jeyung Park

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Annual general meeting

The annual general meeting is to be held on 24th May 2016



Financial highlights

TDKK	2015	2014	2013	2012	2011
Key figures					
Revenue	893,694	839,936	689,754	753,564	734,954
Gross profit	161,134	144,300	128,943	140,797	142,282
Ordinary operating profit	36,390	35,673	21,796	28,660	23,546
Financial income and expenses	-145	-188	-569	-348	57
Net profit for the year	29,179	26,654	14,505	20,687	16,895
Total assets	315,590	333,052	302,800	260,841	277,802
Equity	129,405	100,226	88,573	104,067	123,379
Financial ratios					
Operating margin	4.1%	4.2%	3.2%	3.8%	3.2%
Return on investment	11,2%	11,2%	7.6%	11.0%	9.1%
Gross margin ratio	18,0%	17.2%	18.7%	18.7%	19.4%
Equity ratio	41,0%	30.1%	29.3%	39.9%	44.4%
Return on equity	25,4%	28.2%	15.1%	18.2%	14.7%
Average number of full-time employees	111	103	103	102	101

The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015 Nordic Edition". For definitions, please see the accounting policies.



Operating review

Principal activities

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

Development in activities and financial position

Based on the current market conditions the company's result for 2015 is considered very satisfactory.

Outlook

In 2016 we are expecting our turnover to remain at the same level as 2015. Due to the loss of a tender to a Parallel Trader, revenue will decline, which will be offset by growth in several strategic products. As a result revenue will remain flat.

Risks

There are no specific uncertainties or unusual conditions in regards to the presentation of the annual report for 2015. As well, the company is not exposed to any special risks besides what are normal risks of the business. The financial risks are covered by various intercompany agreements such as the cash pooling agreement with Roche Pharmholding B.V., Netherlands which ensures daily liquidity and the foreign exchange hedging agreement where the FX-exposure of the cash pool accounts are hedged by Roche Pharmholding B.V., Netherlands.

Corporate Social Responsibility

With reference to the Danish Financial Statements Act § 99a, section 6, separate disclosure of corporate social responsibility is omitted. Instead we refer to the Annual Report for Roche Holding Ltd. This can be found on www.roche.com/investors/annual_reports.htm.

Gender composition

The target for the gender composition for Board of Directors is 25% women and 75% men by 2019. The board members are selected based on their position within Roche. Change in gender could occur based on change in those positions. The Board of Directors consists of 100% male in 2015.

Looking at the total management group under the Board of Directors and the top Management, the gender composition is 70% women and 30% men.



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

Intellectual capital

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

Subsequent events

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



Financial statements for the year ended 31 December

Accounting policies

The annual report of Roche a/s for 2015 has been prepared in accordance with the provisions applying to class C-enterprises (large) under the Danish Financial Statements Act.

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

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

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

Recognition and measurement

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

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

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

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

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

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

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.

Profit and loss account

Revenue

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

Marketing and Distribution expenses

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

General and Administration expenses

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

Other operating income

Other operating income includes redebited expenses in connection with clinical trials

Other operating costs

Other operating costs include clinical trial costs.

Financial income and expenses

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

Tax on profit/loss for the year

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



Balance

Tangible fixed assets

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

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Inventories

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

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

Receivables

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

Prepayments

Prepayment assets, comprise costs incurred concerning subsequent financial years.

Corporation tax and deferred tax

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

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



Cash and cash equivalents

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

Provisions

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

Segment information

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

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 Nordic Edition".

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

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



Financial statements for the period 1 January - 31 December

Income statement

TDKK	Note	2015	2014
Revenue	1	893,694	839,936
Cost of sales		<u>-732,560</u>	<u>-695,636</u>
Gross profit		161,134	144,300
Marketing & Distribution costs	2	-107,656	-93,853
Administrative costs	2	<u>-17,088</u>	<u>-14,774</u>
Operating profit		36,390	35,673
Other operating income	3	94,909	84,152
Other operating costs	2	<u>-90,584</u>	<u>-82,201</u>
Profit before financial items		40,715	37,624
Financial income	4	466	60
Financial expense	5	<u>-611</u>	<u>-247</u>
Profit before tax		40,570	37,437
Tax on profit	6	<u>-11,391</u>	<u>-10,783</u>
Profit for the year		<u>29,179</u>	<u>26,654</u>
Proposed profit appropriation			
Proposed dividend		30,000	0
Retained earnings		<u>-821</u>	<u>26,654</u>
		<u>29,179</u>	<u>26,654</u>



Financial statements for the period 1 January - 31 December

Balance sheet

TDKK	Note	2015	2014
ASSETS			
Tangible fixed assets	7		
Tangible fixed assets under construction		280	550
Land and buildings		37,413	38,968
Fixtures and equipment		3,947	4,682
Total non-current assets		<u>41,640</u>	<u>44,200</u>
Current assets			
Inventories		145,807	165,235
		<u>145,807</u>	<u>165,235</u>
Receivables			
Trade receivables		110,963	104,488
Amounts owed by affiliated companies		13,611	15,724
Other receivables		623	1,050
Prepayments	8	2,947	2,355
		<u>128,144</u>	<u>123,617</u>
Cash at bank and in hand		<u>0</u>	<u>0</u>
Total current assets		<u>273,950</u>	<u>288,852</u>
TOTAL ASSETS		<u><u>315,590</u></u>	<u><u>333,052</u></u>



Financial statements for the period 1 January - 31 December

TDKK	Note	2015	2014
EQUITY AND LIABILITIES			
Equity	9		
Share capital		4,000	4,000
Retained earnings		95,405	96,227
Proposed dividend		30,000	0
Total equity		<u>129,405</u>	<u>100,227</u>
Provisions			
Other provisions	10	2,727	6,757
Provision for deferred tax	11	3,017	2,856
Total provisions		<u>5,744</u>	<u>9,613</u>
Current liabilities other than provisions			
Trade payables		15,348	15,543
Debt to affiliated companies		107,191	158,720
Corporation tax		310	2,706
Other payables	12	57,591	46,242
		<u>180,440</u>	<u>223,213</u>
Total liabilities other than provisions		<u>186,184</u>	<u>232,825</u>
TOTAL EQUITY AND LIABILITIES		<u><u>315,590</u></u>	<u><u>333,052</u></u>
Contingencies, etc.	13		
Related party disclosures	14		

Financial statements for the period 1 January - 31 December

Notes to the financial statements

tkr.	2015	2014
1 Segment information		
Geographic		
Sales domestic	850,563	807,258
Export	43,131	32,678
	893,694	839,936
2 Staff Costs		
Wages and salaries	95,000	89,410
Pensions	7,465	6,801
Other social security costs	816	882
Other staff costs	8,147	5,418
	111,428	102,511
Staff costs are recognised as follows in the financial statements:		
Marketing and distribution	60,094	56,793
Administration	14,256	11,452
Other operating costs	37,078	34,266
	111,428	102,511
Average number of full-time employees	111	103

Remuneration to the Board of Directors and Executive Board of DKK 2.200 thousand (2014: DKK 2.846 thousand) are included in the staff costs.

Long-term award program

Costs related to a long-term award program DKK 1.870 thousand (2014: DKK 574 thousand) are included in staff costs. The program includes Stock Appreciation Rights issued and granted by the Roche Group to the Executive Board of Roche A/S.

3 Other Operating Income

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



Financial statements for the period 1 January - 31 December

Notes to the financial statements

tkr.	2015	2014
4 Financial income		
Interest income from affiliated companies	2	12
Other financial income	464	47
	<u>466</u>	<u>59</u>
5 Financial expenses		
Interest expenses to affiliated companies	202	111
Other financial expenses	409	136
	<u>611</u>	<u>247</u>
6 Tax on the profit for the year		
Current tax for the year	11,342	10,820
Deferred tax	161	115
Adjustment to previous years	-112	-152
	<u>11,391</u>	<u>10,783</u>



Financial statements for the period 1 January - 31 December

Notes to the financial statements

7 Tangible fixed assets

tkr.	Tangible assets under construction	Land and buildings	Fixtures and equipment	Total
Cost at 1 January 2015	550	65,061	14,291	79,902
Additions	0	4	118	122
Transferred	-269	269	0	0
Disposals	0	0	-153	-153
Cost at 31 December 2015	281	65,334	14,256	79,871
Depreciation at 1 January 2015	0	26,093	9,608	35,702
Depreciation	0	1,828	566	2,394
Impairment	0	0	168	168
Disposals	0	0	-32	-32
Depreciation at 31 December 2015	0	27,921	10,310	38,232
Carrying amount at 31 December 2015	281	37,413	3,945	41,639
Depreciated over		10-40 years	3-15 years	-



Financial statements for the period 1 January - 31 December

Notes to the financial statements

	2015	2014
tkr.		
8 Prepayments		
Prepaid congresses	848	772
Other prepaid expenses	2,099	1,583
Prepayments at 31 December	<u>2,947</u>	<u>2,355</u>



Financial statements for the period 1 January - 31 December

Notes to the financial statements

9 Equity

tkr.	Share capital	Retained earnings	Proposed dividends	Total
Equity 1 January 2015	4,000	96,227	0	100,227
Dividends	0	0	0	0
Transferred profit appropriation	0	-821	30,000	29,179
Equity 31 December 2015	4,000	95,405	30,000	129,405

The share capital comprises:

- 2 shares of DKK 1,200 thousand each
- 1 shares of DKK 600 thousand each
- 2 shares of DKK 400 thousand each
- 1 shares of DKK 200 thousand each

The share capital has not changed for the past five years

tkr.	2015	2014
10 Other provisions		
Provision for restructuring expenses	1,773	4,315
Provision for sales returns	954	1,393
Other Provisions	0	1,049
Other provisions at 31 December	2,727	6,757
11 Deferred tax liability		
Deferred tax at 1 January	2,856	2,741
Adjustment to previous years	0	0
Adjustment of deferred tax	161	115
Deferred tax liability at 31 December	3,017	2,856
Deferred tax relates to		
Property, plant and equipment	3,380	3,534
Provisions	-363	-678
	3,017	2,856



Financial statements for the period 1 January - 31 December

Notes to the financial statements

tkr.	2015	2014
12 Other payables		
Holiday allowance	10,516	10,537
Payable VAT	18,892	17,764
Payable staff costs	15,669	13,006
Other	12,514	4,936
Other payables at 31 December	57,591	46,242

13 Contingencies, etc.

Lease obligations

The Company has operating lease obligations of DKK 7,217 thousand as per 31st December 2015 (2014: DKK 8,566 thousand), of which DKK 3,816 thousand is due within the next twelve months (2014: DKK 4,007 thousand).

Rent obligations

The Company has rent obligations regarding expatriate employees. The obligation amounts to DKK 2.056 thousand per 31st December 2015 (2014: DKK 1.523 thousand). Cancellation of the contracts before end date will result in payment of DKK 469 thousand (2014: DKK 415 thousand).

Other obligations

The Company has lease obligations regarding copying machines. The obligation amounts to DKK 573 thousand per 31st December 2015 (2014: DKK 97 thousand), of which DKK 196 thousand is due within the next twelve months (2014: DKK 97 thousand).

Tax obligations

The Company is jointly taxed with other Danish companies in the Roche group. As the administrative company and a wholly owned subsidiary of Roche Holding Ltd. the Company is unlimited and solidarity liable with the other companies in the joint taxation regarding Danish corporation taxes and withholding taxes on dividends, interests and royalties in the joint taxation. At 31 December 2015, the jointly taxed companies' net liabilities to SKAT amounted to DKK 0. Any subsequent corrections of the taxable income in the joint taxation or withholding taxes could lead to the Company's liability being higher.



Financial statements for the period 1 January - 31 December

Notes to the financial statements

14 Related party disclosures

The company is 100% owned subsidiary and is included in the group annual accounts for Roche Holding Ltd., Grenzacherstrasse 124, 4002 Basel, Switzerland.

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