



Roche A/S

Annual Report 2019

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

The annual report was presented and approved at
the Company's annual general meeting
on _____
20 ____

Chairman of the annual general meeting



Content

Statement by the Executive Board and Board of Directors	3
Independent auditors' report	4
Management's review	7
Company details	7
Financial highlights	8
Operating review	9
Corporate Social Responsibility	10
Financial statements for the period 1 January - 31 December	13
Income statement	13
Balance sheet	14
Equity	16
Notes to the financial statements	17



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

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, 14th of August 2020

Executive Board:

Richard Wright
Managing director

Board of Directors

Beat Krähenmann

Richard Wright

Ehab
Abdelmoneim
Youssef Hassan

Chairman



Independent auditors' report

To the shareholder of Roche A/S

Opinion

We have audited the financial statements of Roche A/S for the financial year 1 January – 31 December 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

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, 14 August 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR. no. 25 57 81 98

Henrik Barner Christiansen

State Authorised
Public Accountant
mne no. 10778



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

Ehab Abdelmoneim Youssef Hassan
Beat Krähenmann
Richard Wright

Executive Board

Richard Wright

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Annual general meeting

The annual general meeting is to be held on 14th of August 2020

Financial statements for the period 1 January - 31 December

Financial highlights

TDKK	2019	2018	2017	2016	2015
Key figures					
Revenue	718,237	808,154	897,912	860,144	884,697
Gross profit	126,123	152,886	165,918	146,478	161,134
Ordinary operating profit	22,450	34,695	40,078	29,229	36,390
Financial income and expenses	-17	-17	-21	-163	-145
Net profit for the year	21,755	30,177	33,122	25,476	29,179
Total assets	351,751	323,573	361,297	311,643	315,590
Equity	159,934	138,179	158,002	124,881	129,405

Financial ratios					
Operating margin	3.1%	4.3%	4.5%	3.4%	4.1%
Return on investment	6.6%	10.1%	11.9%	9.3%	11.2%
Gross margin ratio	17.6%	18.9%	18.5%	17.0%	18.2%
Equity ratio	45.5%	42.7%	43.7%	40.1%	41.0%
Return on equity	14.6%	20.4%	23.4%	20.0%	25.4%
Average number of full-time employees	121	120	122	125	111

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

The financial ratios have been calculated as follows:

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



Operating review

Principal activities

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

Development in activities and financial position

Based on the current market conditions the company's result for 2019 is considered satisfactory.

Outlook

In 2020, we anticipate a stable end of year result based on the success of our new products, regardless of the loss of exclusivity of one of our strategic products.

Since our products are used for treatment of patients with severe and life-threatening diseases, we expect our financial results for 2020 to be consistent with our predictions despite the present volatility associated with the outbreak of COVID-19.

Risks

There are no specific uncertainties or unusual conditions in relation to the presentation of the annual report for 2019, except for the above mentioned. The company is not exposed to any subsequent risks besides those that are considered normal risks of the business (risks are highlighted in sustainability materiality analysis on pages 14-15 in the Annual Report for Roche Holding Ltd, 2019 which can be found at www.roche.com/investors/annual_reports.htm (referred to as "the global annual report") . The financial risks are covered by various intercompany agreements such as the cash pooling agreement with Roche Pharmholding B.V., Netherlands which ensures daily liquidity and the foreign exchange hedging agreement where the FX-exposure of the cash pool accounts are hedged by Roche Pharmholding B.V., Netherlands.



Corporate Social Responsibility

General CSR policies

With reference to the Danish Financial Statements Act § 99a, section 6, separate disclosure of corporate social responsibility is omitted. Instead we refer to the Annual Report for Roche Holding Ltd, where compliance in regards of CSR, impact on human rights, climate, environment social and staff matters, anticorruption and bribery can be found. The relevant information is disclosed on page 59-119 in the global annual report .

Impacts on environment

We have strict limitation on emissions to air, water and waste that we are measuring locally and report to our global company (highlighted in the global annual report pages 76-86). Our building includes solar panels to leverage clean energy.

Anticorruption and bribery

Roche rejects all forms of corrupt business behavior, such as bribery (public, private, active and passive), embezzlement, fraud, theft and the granting of improper advantages. The Roche Directive on Integrity in Business provides further guidance on these topics.

Our Local Compliance Officer ensures all of our employees are trained on our global strict behavior in Business and Anti Corruption program (highlighted in the global annual report pages 93-101 and 119). We ask suppliers to confirm their compliance to our anti corruption standards. There is an annual self-assessment of our compliance processes that is confirmed by Management. In addition there is a global Roche Speak up line providing employees a chance to raise any concerns.

Social and staff matters

Our People are our most important and valuable asset (highlighted in the global annual report pages 69-76). We believe in diversity of targets that give people a clear purpose, as depicted in our annual bonus scheme. Roche A/S has been elected as Denmark's best place to work in 2019 (Great Place to Work).

Impact on climate

We have strict limitation on emissions to air, water and waste that we are measuring locally and report to our Group (highlighted in the global annual report pages 77-86). Our building includes solar panels to leverage clean energy.



Impact on human rights

Our sustainability requirements specify human rights requirements. We are committed to continue our efforts to promote and respect human rights by ensuring our suppliers uphold our Code of Conduct. We as well conduct due diligence of our key suppliers.

Gender composition

As part of its commitment to be the place to work and drive innovation, Roche is dedicated to supporting diversity and inclusion, and works in accordance with UN Sustainable Development Goal 5 "Achieve gender equality and empower all women and girls". Roche promotes equal opportunities and measures how many women reach leadership positions, a key step towards equality.

The target for the gender composition for Board of Directors is 1 woman and 2 men by 2022. Three Board Members have been elected on the company's general meeting. The board members are selected based on their position within Roche. Change in gender could occur based on change in those positions. The Board of Directors consists of 3 male in 2019.

Looking at the total management group under the Board of Directors and the top Management, the gender composition is 38% women and 62% men.

Business model description

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

Due diligence

We conduct due diligence of our key suppliers (highlighted in the global annual report page 94-95 and our Supplier Code of Conduct).

Risks

We are constantly assessing risk to our business on a local level and define mitigating measures in the Leadership team. The current risk profile is in line with the normal business risks for the pharmaceutical industry (global risk management processes is described in the global annual report page 112-115).

Nonfinancial key performance indicators (KPIs)

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



Intellectual capital

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

Subsequent events

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.

Since year-end no events have occurred, which could have a significant impact on the Company's financial position despite the present volatility preciously described associated with the outbreak of COVID-19.



Financial statements for the period 1 January - 31 December

Income statement

TDKK	Note	2019	2018
Revenue	2	718,237	808,154
Cost of sales		-592,114	-655,268
Gross profit		126,123	152,886
Marketing and Distribution costs	3	-83,795	-104,429
Administrative costs	3	-19,877	-13,761
Operating profit		22,451	34,695
Other operating income	4	135,152	127,984
Other operating costs	3	-128,039	-122,959
Profit before financial items		29,564	39,720
Financial income	5	30	59
Financial expenses	6	-47	-76
Profit before tax		29,547	39,703
Tax on profit	7	-7,791	-9,527
Profit for the year	8	21,755	30,177



Financial statements for the period 1 January - 31 December

Balance sheet

TDKK	Note	2019	2018
ASSETS			
Tangible fixed assets	9		
Land and buildings		31,266	33,155
Fixtures and equipment		2,454	2,890
Total non-current assets		33,720	36,044
Current assets			
Inventories		138,498	157,627
		138,498	157,627
Receivables			
Trade receivables		93,529	74,215
Amounts owed by affiliated companies		84,034	38,667
Amounts owed by affiliated companies (Cash Pool)		0	14,531
Other receivables		614	313
Prepayments	10	287	1,740
Corporation tax		1,069	436
		179,533	129,902
Cash at bank and in hand	11	0	0
Total current assets		318,031	287,529
TOTAL ASSETS		351,751	323,573



Financial statements for the period 1 January - 31 December

TDKK	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Share capital	12	4,000	4,000
Retained earnings		110,934	134,179
Proposed dividend		45,000	0
Total equity		159,934	138,179
Provisions			
Other provisions	13	291	1,015
Provision for deferred tax	14	829	1,826
Total provisions		1,120	2,841
Current liabilities other than provisions			
Trade payables		12,568	19,574
Debt to affiliated companies		102,432	100,089
Other payables	15	75,697	62,889
		190,697	182,553
Total liabilities other than provisions		190,697	182,553
TOTAL EQUITY AND LIABILITIES		351,751	323,573
Contingencies, etc.	16		
Related party disclosures and transactions	17		



Financial statements for the period 1 January - 31 December

Equity

TDKK	Share capital	Retained earnings	Proposed dividends	Total
Equity 1 January 2019	4,000	134,179	0	138,179
Dividends	0	0	45,000	45,000
Transferred profit appropriation	0	-23,245	0	-23,245
Equity 31 December 2019	<u>4,000</u>	<u>110,934</u>	<u>45,000</u>	<u>159,934</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

Notes to the financial statements

1 Accounting policies

The annual report of Roche a/s for 2019 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 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 2019 for Roche Holding Ltd., Basel, Switzerland. This can be found on <https://www.roche.com/dam/jcr:a3545548-a7f9-40f4-a70e-7266a363f856/en/ar19e.pdf>.

With reference to the Danish Financial Statement Act §9 6, section 3, fee paid to auditors appointed at the annual general meeting is not disclosed.

Recognition and measurement

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

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

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

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

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

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

Accounting policies (continued)

Foreign currency translation

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

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

Income Statement

Revenue

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

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

Marketing and Distribution expenses

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

Administrative costs

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

Accounting policies (continued)

Other operating income

Other operating income includes debited expenses in connection with clinical trials.

Other operating costs

Other operating costs include clinical trial costs.

Financial income and expenses

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

Tax on profit/loss for the year

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

Balance

Tangible fixed assets

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

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

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

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

Accounting policies (continued)

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

Land is not depreciated.

Depreciation is recognized in the income statement as administrative costs.

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

Leases

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

Impairment of tangible fixed assets

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

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

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

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

Accounting policies (continued)

Inventories

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

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

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

Receivables

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

Prepayments

Prepayment assets, comprise costs incurred concerning subsequent financial years.

Corporation tax and deferred tax

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

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

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

Cash and cash equivalents

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



Financial statements for the period 1 January - 31 December

Notes to the financial statements

Accounting policies (continued)

Dividends

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

Provisions

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

Segment information

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

	TDKK	2019	2018
2	Segment information		
	Geographic		
	Sales domestic	687,703	769,586
	Export	30,534	38,568
		<u>718,237</u>	<u>808,154</u>



Financial statements for the period 1 January - 31 December

Notes to the financial statements

TDKK	2019	2018
3 Staff Costs		
Wages and salaries	122,646	110,911
Pensions	8,760	8,549
Other social security costs	988	879
Other staff costs	7,340	5,249
	<u>139,733</u>	<u>125,588</u>
Staff costs are recognized as follows in the financial statements:		
Marketing and Distribution costs	65,259	58,609
Administration costs	14,889	11,304
Other operating costs	59,585	55,674
	<u>139,733</u>	<u>125,588</u>
Average number of full-time employees	<u>121</u>	<u>120</u>

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

Wages and salaries	2,288	2,244
Pensions	0	0
Other social security costs	2	2
Other staff costs	0	0
	<u>2,290</u>	<u>2,246</u>

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

Long-term award program

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

activity regarding Roche A/S the long-term award program is solely offered to Roche A/S employees. The total costs related to a long-term award program DKK 1,312 thousand (2018: DKK 1,156 thousand) is included in staff costs and not further detailed as per the Danish Financial Statement Act, sec. 98, (2), 2.

4 Other Operating Income

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

TDKK.	2019	2018
5 Financial income		
Interest income from affiliated companies	22	31
Other financial income	8	28
	30	59
6 Financial expenses		
Interest expenses to affiliated companies	20	30
Other financial expenses	27	46
	47	76
7 Tax on the profit for the year		
Current tax for the year	8,524	9,564
Deferred tax adjustment for the year	-997	-37
Adjustment to previous years	266	0
	7,792	9,527
8 Proposed profit appropriation		
Proposed dividend	45,000	0
Retained earnings	-23,245	30,177
	21,755	30,177

Financial statements for the period 1 January - 31 December

Notes to the financial statements

9 Tangible fixed assets

TDKK	Land and buildings	Fixtures and equipment	Total
Cost at 1 January 2019	66,698	14,103	80,801
Additions	0	0	0
Transferred	0	0	0
Disposals	0	0	0
Cost at 31 December 2019	66,698	14,103	80,801
Depreciation at 1 January 2019	33,543	11,214	44,757
Depreciation	1,888	437	2,234
Impairment	0	0	0
Disposals	0	0	0
Depreciation at 31 December 2019	35,431	11,650	47,081
Carrying amount at 31 December 2019	31,267	2,453	33,720
Depreciated over	10-40 years	3-15 years	-



Financial statements for the period 1 January - 31 December

Notes to the financial statements

TDKK	2019	2018
10 Prepayments		
Prepaid congresses	0	135
Other prepaid expenses	287	1,605
Prepayments at 31 December	287	1,740

11 Cash in hand and bank

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

12 The share capital comprises:

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

All shares rank equally.

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

TDKK	2019	2018
13 Other provisions		
Provision for restructuring expenses	0	656
Provision for sales returns	291	360
Other provisions at 31 December	291	1,015

Financial statements for the period 1 January - 31 December

Notes to the financial statements

TDKK	2019	2018
14 Deferred tax liability		
Deferred tax liability at 1 January	1,826	1,864
Adjustment to previous years	0	0
Adjustment of deferred tax	-997	-37
Deferred tax liability at 31 December	829	1,826
Deferred tax relates to		
Property, plant and equipment	2,280	2,534
Provisions	1,451	708
Deferred tax liability at 31 December	829	1,826
 15 Other payables		
Holiday allowance	19,370	12,207
Payable VAT	14,955	10,228
Payable staff costs	24,838	21,690
Other	16,534	18,764
Other payables at 31 December	75,697	62,889

16 Contingencies, etc.

Lease obligations

The Company has operating lease obligations of DKK 6,284 thousand as per 31st December 2019 (2018: DKK 7,519 thousand), of which DKK 3,419 thousand is due within the next twelve months (2018: DKK 3,712 thousand).

Rent obligations

The Company has rent obligations regarding expatriate employees. The obligation amounts to DKK 279 thousand per 31st December 2019 (2018: DKK 1,956 thousand). Cancellation of the contracts before end date will result in payment of DKK 93 thousand (2018: DKK 179 thousand).

Financial statements for the period 1 January - 31 December

Notes to the financial statements

Tax obligations

The Company is jointly taxed with other Danish companies in the Roche Group. As the administrative company and a wholly owned subsidiary of Roche Holding Ltd. the Company is unlimited and solidarity liable with the other companies in the joint taxation regarding Danish corporation taxes and withholding taxes on dividends, interests and royalties in the joint taxation. At 31 December 2019, the jointly taxed companies' net liabilities to SKAT amounted to DKK 0 (nil). Any subsequent corrections of the taxable income in the joint taxation or withholding taxes could lead to the Company's liability being higher.

17 Related party disclosures and transactions

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

The consolidated financial statements of Roche Holding AG for 2019 can be obtained by contacting the Company or at the following website:

<https://www.roche.com/dam/jcr:a3545548-a7f9-40f4-a70e-7266a363f856/en/ar19e.pdf>

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

TDDK	2019
Purchase of goods from Group companies	-587.798
Purchase of services from Group companies	-10.479
Sale of goods to Group companies	0
Sale of services to Group companies	167.430
Total	-430.847

The company's balances with Group companies at December, 31 2019 are recognized in the balance sheet. Accounts receivable balances consist of services performed for the global organisation and services delivered under the Service Level Agreement with Roche



Financial statements for the period 1 January - 31 December

Notes to the financial statements

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

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

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

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