



Diagnostics

**Roche Diagnostics A/S
Industriholmen 59
2650 Hvidovre**

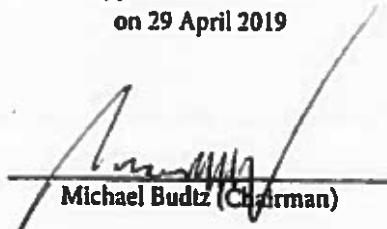
Diagnostics instruments and services

Hvidovre

CVR: 28 48 50 85

ANNUAL REPORT FOR 2018

**Approved at the AGM
on 29 April 2019**


Michael Budtz (Chairman)

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The Board of Directors and Executive Board have today discussed and approved the annual report for the year 1 January - 31 December 2018 for Roche Diagnostics 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 2018, and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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

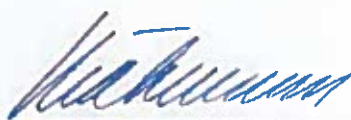
We recommend that the annual report be approved at the annual general meeting.

Hvidovre, 29 April 2019

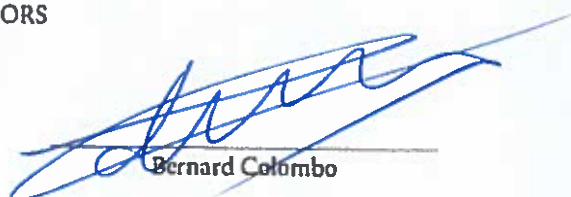
EXECUTIVE BOARD:

Esther de Rooij
(Managing Director)

BOARD OF DIRECTORS



Dr. Beat Krähenmann
(Chairman)



Bernard Colombo



Richard John Wright



Esther de Rooij

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS**TO THE SHAREHOLDER OF ROCHE DIAGNOSTICS A/S*****Opinion***

We have audited the financial statements of Roche Diagnostics A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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.

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.

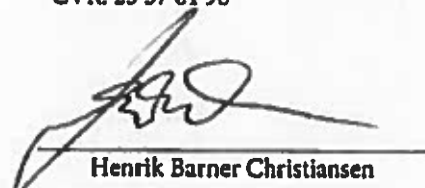
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 29 April 2019

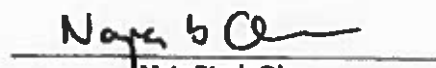
KPMG

Statsautoriseret Revisionspartnerselskab

CVR: 25 57 81 98



Henrik Barner Christiansen
State Authorised Public Accountant
MNE no. 10778



Naja Bjørk Olsen
State Authorised public Accountant
MNE no. 41387

The purpose of the company	Is according to the Company's by laws to distribute diagnostics instruments and services to clinical laboratories, hospitals, doctors, etc., as well as any other business which in the opinion of the Board of Directors is related thereto.
Address	Industriholmen 59, 2650 Hvidovre. Registered office in Hvidovre
Established	2005
Financial Year	2018
Ownership	<p>The Company is a wholly owned subsidiary of Roche Holding Ltd., Grenzacherstrasse 124, 4058 Basel, Switzerland.</p> <p>Copy of the parent company's Annual Report and Group Accounts can be obtained here: https://www.roche.com/dam/jcr:af865dfd-50fb-458b-9cac-34097db9d3cc/en/ar18e.pdf</p>
Board of Directors	Dr. Beat Krähenmann Bernhard Colombo Richard John Wright Esther de Rooij
Executive Board	Esther de Rooij
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 DK 2100 Copenhagen Ø CVR: 25 57 81 98
Annual General Meeting	The annual general meeting is to be held on 29 April 2019

DKK'000	2018	2017	2016	2015	2014
Revenue	399,433	431,718	440,870	418,318	401,931
Gross profit	103,989	107,113	109,653	115,123	91,401
Ordinary operating profit	12,689	15,267	10,694	11,148	12,519
Net financial items	(67)	(140)	(180)	(177)	(27)
Net profit of the year	9,960	11,687	8,142	7,949	9,274
Total assets	159,518	146,260	136,692	146,766	117,922
Tangible fixed assets	3,988	6,327	4,545	6,414	6,466
Invested Capital	51,940	38,774	47,652	33,256	35,127
Equity	47,133	37,173	40,486	32,343	34,394
Net profit ratio	3.2%	3.5%	2.4%	2.7%	3.1%
Return on investment	28.0%	35.2%	26.4%	32.6%	40.9%
Gross margin ratio	26.0%	24.8%	24.9%	27.5%	22.7%
Equity ratio	29.5%	25.4%	29.6%	22.0%	29.2%
Return on equity	23.6%	30.1%	22.4%	27.7%	31.2%
Average number of full time employees	89	85	92	86	84

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 have been calculated as follows:

Net profit ratio	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Return on Investment	$\frac{\text{Operating profit} \times 100}{\text{Average Invested capital}}$
Invested capital	Total fixed assets and net invested capital
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	$\frac{\text{Profit for the year}}{\text{Average equity}}$

MANAGEMENT'S REVIEW

Principal activities

The Company's main activity is the sole distribution in Denmark of diagnostics instruments and reagents manufactured by other Roche companies.

Roche in Denmark

Roche has contributed to the Danish healthcare system and gross national product (GNP) since 1970.

In 2018 the three Danish Roche entities - Roche Innovation Center Copenhagen, Roche Pharma and Roche Diagnostics including Roche Diabetes Care - directly and indirectly contributed with approximately DKK 2.0 billion to the Danish GNP with our core businesses directly contributing with more than DKK 430 million.

Roche Diagnostics A/S

The principal activities of Roche Diagnostics A/S in Denmark is the sole distribution of diagnostics instruments and reagents developed by Roche.

It is the ambition of Roche Diagnostics to participate in the improvement of the Danish healthcare system through the development and implementation of quality diagnostic equipment which is essential to ensure optimized treatment.

Our diagnostic solutions have been developed with a focus on patient needs through improvements in the health sector.

Development in activities and financial positions 2018

With an outcome in sales at DKK 399 million the financial result is in line with expectations and forecast.

Roche Diagnostics is especially pleased with the 2018 increase of 7% within Molecular Solutions.

This is due to the market's demand and the successful implementation of the Cobas Liat flu analysis instrument in some major hospitals around the country. The benefit for both the hospital sector and patients of this new instrument for flu testing cannot be underestimated.

As the Cobas Liat reduces the turn-around times of the test results from up to 48 hours to a mere 20 minutes the instrument plays a key role for the hospitals in reducing unnecessary isolation admissions during epidemic like periods as the 2016/2017 flu season with capacity challenges by providing both the health care professionals and the patients definitive answers in an previously unseen minimum of time.

Roche's Point of Care is build around patient self monitoring by the use of Roche's market leading Coagu Chek series and medical treatment with the Warfarin drug.

This drug has for years been the preferred anticoagulant for the prevention of ischaemic stroke in patients with atrial fibrillation. However, novel oral anticoagulants (NOACs) are increasingly used as an alternative and adding to this development NOAC's were in 2017 chosen as the first choice therapy in the new Danish national guidelines. With the governmental preference of NOAC based treatments the market for Warfarin is diminishing and the sales of Coagu Chek thereby currently decreasing with 7% last year.

Even though further decline in sales are to be expected in the coming years, Roche still believes in the market for treatment through Warfarin based on self monitoring in those deccase conditions, where Warfarin has proven it's value for patients and in those, where NOAC's are not approved.

Organizational wise Roche Diabetes Care is an individual business area included in the Diagnostics entity.

Roche Diabetes Care has for decades supported the Danish diabetes community through new inventions made available for people suffering from Type 1 and Type 2 Diabetes with the Accu Chek glucose meters and insulin pumps.

The diabetes area has over the past few years experienced an increased market price competition within the huge municipality segment. Such approach does not correspond with Roche's visions for patient oriented solutions with long term financial benefits for the municipalities through improved patient health outcome by accessibility to a wider range of patient preferred hardware.

Roche is supporting a paradigm shift away from disease treatment to disease management. As an alternative to the traditional payer/provider structure in the current tenders, in 2017 the Roche Diabetes Care unit introduced and entered into the first value based solution of its kind with the Odsherred municipality in a private/public partnership based on improved patient health outcome. Although the result for 2018 is showing delayed financial effects from this partnership, Roche maintains high expectations to this innovative collaboration between Roche Diabetes Care as health care provider, educator and motivator for the patients, the healthcare professionals and the municipalities.

Due to these two factors the diabetes business decreased by 10% in 2018, however, Roche Diabetes Care is still a vital benefactor to the overall financial result.

Operating in a tender driven market the most notable diversion is within the Professional Diagnostics segment.

Roche Diagnostics is participating in some of the major hospital tenders providing pre-analytic, analytic (clinical chemistry and Immune chemistry), hematology, coagulation and post analytics ensuring quality and efficient workflows to the clinical biochemistry departments of these hospitals. The presence of such contracts will obviously have a significant influence on the financial results each year

In 2017 the contract with Odense Universitets Hospital (OUH) had a positive impact benefitting to that year's result. However, with the lack of comparable major tenders resembling the OUH contract in 2018 the result covers a foreseen decline by 15% in Professional Diagnostics.

With the expected decrease by 7,5% compared to 2017 Roche Diagnostics is proud to have maintained the trust of our partners, clients and customers throughout the fiscal year 2018.

In March 2019 we launched the report "the Role of Diagnostics in the Future Danish Healthcare System" providing views and statements from 25 key stakeholders and decision makers in the healthcare environment.

For more information about Roche's contributions in Denmark please see our Footprint Analysis published in May 2018.

We look forward to continue to participate in the shaping of Danish healthcare by providing value through modern diagnostics.

Outlook

Performance in 2019 is expected to be in line with previous years driven by a strong and loyal customer base as well as a good pipeline of new and innovative products. Together with our well-trained employees and their strong customer focus, this sets a sound basis for another year with a positive development.

Risks

There are no specific uncertainties or unusual conditions in regards to the presentation of the annual report for 2018. Also, the company is not exposed to any special risks besides what can be considered normal business risks.

The financial risks are covered by various intercompany agreements, such as the cash pooling agreement with Roche Pharmholding B.V., Netherlands.

Subsequent events

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

Intellectual capital

It is of vital importance when dealing in the diagnostics business, that the employees of the Company possess knowledge of products, stakeholders in the healthcare environment and market conditions. The knowledge of our employees is increased and maintained through further education and by recruiting employees with a high level of education, a strong network and knowledge of the skills and competencies we need now and in the future.

INCOME STATEMENT

DKK'000	Note	2018	2017
Revenue		399,433	431,718
Cost of sales	2	295,444	324,605
Gross profit		103,989	107,113
Marketing & distribution expenses	2	78,090	77,739
Administrative expenses	2	13,210	14,107
Operating profit		12,689	15,267
Financial income	3	9	11
Financial expense	3	76	151
Profit before tax		12,622	15,127
Tax on profit for the year	4	2,662	3,440
PROFIT FOR THE YEAR	5	9,960	11,687

BALANCE SHEET (DKK'000)

ASSETS	Note	2018	2017
Rental assets held by 3 rd party	6	3,927	5,807
Fittings and fixtures	6	61	520
TOTAL FIXED ASSETS		3,988	6,327
Inventories		29,169	9,530
Trade receivables		59,087	68,291
Amounts owed by group enterprises		862	2,113
Amounts owed by group enterprises (Cash Pool)	8	63,382	52,771
Deferred tax asset	4	1,192	919
Other receivables		954	5,524
Prepayments	7	884	785
Total receivables		126,361	130,403
TOTAL CURRENT ASSETS		155,530	139,933
TOTAL ASSETS		159,518	146,260

BALANCE SHEET (DKK'000)

LIABILITIES AND EQUITY	Note	2018	2017
EQUITY			
Share capital	9	1,300	1,300
Retained earnings		<u>45,833</u>	<u>35,873</u>
Total equity		<u>47,133</u>	<u>37,173</u>
PROVISIONS			
Other provisions	10	<u>4,808</u>	<u>1,602</u>
Total provisions		<u>4,808</u>	<u>1,602</u>
SHORT TERM LIABILITIES			
Trade payables		57,553	50,270
Amounts owed to group enterprises		8,010	20,716
Payable joint taxation contribution	4	3,558	624
Prepayments liabilities	11	7,697	11,050
Other liabilities	12	<u>30,759</u>	<u>24,825</u>
Total current liabilities other than provisions		<u>107,577</u>	<u>107,485</u>
Total liabilities		<u>112,385</u>	<u>109,087</u>
TOTAL LIABILITIES AND EQUITY		<u>159,518</u>	<u>146,260</u>
Contingent liabilities and obligations	13		
Related party disclosures	14		

EQUITY (DKK'000)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2018	1,300	35,873	37,173
Transferred, cf. profit appropriation	-	9,960	9,960
Equity at 31 December 2018	<u>1,300</u>	<u>45,833</u>	<u>47,133</u>

NOTES (DKK'000)

1 Accounting Policies

The annual report of Roche Diagnostics A/S for 2018 has been presented in accordance with the provisions applying to reporting class C for medium sized entities under the Danish Financial Statements Act. The accounting policy are used consistent with those of last year.

With reference to the Danish Financial Statement §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 https://www.roche.com/dam/jcr:af865dfd_50fb_458b_9cac_34097db9d3ec/en/ar18e.pdf

Recognition and measurement

Included in the income statement is 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 income statement, 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 income statement. Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the Company 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 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 financial statements is recognized in the income statement as financial income or expense.

NOTES (DKK'000)

I Accounting Policies (continued)**Recognition of revenue**

Revenue from the sale of goods where installation is a condition for major risks being considered transferred to the buyer is recognized as revenue when; 1) delivery and installation have been made before year-end; 2) a binding sales agreement has been made; 3) the sales price has been determined; 4) payment has been received at the time of sale or may with reasonable certainty be expected to be received.

A contract is broken down into individual transactions when the fair value of the individual sales transactions may be reliably measured, and the individual sales transactions are of separate value to the buyer. Sales transactions are deemed to be of a separate value to the buyer when the transaction is individually identifiable and usually sold individually. The contract price is broken down into the individual sales transactions in accordance with the relative current cost approach.

Revenue from the sale of goods, comprising the sale of reagents and other finished products, is recognized as revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

Marketing and distribution expenses

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

Administrative expenses

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

Financial income and expenses

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

BALANCE SHEET**Tangible fixed assets**

Tangible fixed assets are measured at cost less accumulated depreciation and impairment losses.

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

NOTES (DKK'000)

1 Accounting Policies (continued)

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. Scrapvalue is estimated to 0. The estimated useful lives are as follows:

Office Equipment	3-5 years
Assets placed at 3 rd party	5 years
Furniture & fixtures	10 years

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

Gains and losses on the disposal of tangible assets are determined 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.

Depreciation is recognized in the income statement as marketing & distribution expenses and administrative expenses, 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 on 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.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realizable 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 realizable 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.

NOTES (DKK'000)

1 Accounting Policies (continued)**Receivables**

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

Prepayments

Prepayment assets comprise costs incurred concerning subsequent financial years.

Provisions

Provisions comprise anticipated costs related to warranties. Provisions are recognized when, as a result of past events, the Company has a legal or a 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.

Liabilities other than provisions

Financial liabilities are recognized at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest rate.

Prepayments liabilities

Prepayments liabilities comprise deferred income concerning subsequent financial years.

Corporation tax and deferred tax

The company tax expected to be paid on the taxable income for the year is expensed together with the movement in deferred taxes calculated on the timing differences between income for financial reporting purposes and income for tax purposes. Deferred taxes are calculated on the basis of the current tax rate as at the balance sheet date and are included in current assets in the balance sheet.

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.

The Company is subject to the Danish rules on compulsory joint taxation of the Roche Group's Danish subsidiaries. The company settles internally on account to the managing company. Receivable and payable to the managing company are shown in the accounting records "Receivable joint taxation contribution" and "Payable joint taxation contribution" respectively.

NOTES (DKK'000)

1 Accounting Policies (continued)

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognized at the expected value of their utilization; either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

2 Personnel expenses

	<u>2018</u>	<u>2017</u>
Wages and salaries	68,879	59,351
Pensions	5,466	5,110
Other social security costs	<u>3,156</u>	<u>4,587</u>
Total	<u>77,501</u>	<u>69,048</u>
Personal Expenses stated by function		
Cost of sales	13,185	13,506
Marketing & distribution expenses	55,147	45,925
Administrative expenses	<u>9,169</u>	<u>9,617</u>
Total	<u>77,501</u>	<u>69,048</u>

Pursuant to Section 98b (iii), no. 2 of the Danish Financial Statements Act, separate disclosure of remuneration is omitted. The Board of Directors does not receive remuneration.

The average number of employees during the year was 89 full time employees (2017: 85).

3 Financial intercompany income and expenses

	<u>2018</u>	<u>2017</u>
Financial intercompany income	9	8
Financial intercompany expenses	10	12
Financial 3 rd party income	1	3
Financial 3 rd party expenses	<u>67</u>	<u>139</u>
Total	<u>(67)</u>	<u>(140)</u>

NOTES (DKK'000)

4 Tax on profit for the year

	<u>2018</u>	<u>2017</u>
Tax on profit for the year	3,091	3,224
Adjustment deferred tax	(273)	225
Adjustment prior year tax	(156)	(9)
	<u>2,662</u>	<u>3,440</u>
Tax as per income statement		
Tax balance 1 January 2018	(624)	(568)
Paid taxes during the year	0	3,160
Adjustment prior year tax	157	8
Tax on profit for the year	(3,091)	(3,224)
	<u>(3,558)</u>	<u>(624)</u>
Tax balance 31 December 2018		
Deferred tax 1 January 2018	919	1,144
Adjustment deferred tax	273	(225)
	<u>1,192</u>	<u>919</u>
Deferred tax 31 December 2018		
Deferred tax concerns:		
Tangible fixed assets	499	919
Trade receivables	(10)	0
Other Provision	703	0
	<u>1,086</u>	<u>919</u>

5 Proposed allocation of profits

	<u>2018</u>	<u>2017</u>
Proposed dividend	0	0
Retained earnings	9,960	11,687
	<u>9,960</u>	<u>11,687</u>
Total		
	<u>9,960</u>	<u>11,687</u>

NOTES (DKK'000)

6 Tangible fixed assets

	Rental assets Placed at 3 rd party	Fittings and Fixtures
Cost at 1 January 2018	16,049	3,705
Additions during the year	651	0
Disposals during the year	5,036	58
Cost at 31 December 2018	11,664	3,647
Accumulated depreciations at 1 January 2018	9,839	3,588
Depreciation for the year	1,589	56
Depreciation on disposals	3,691	58
Accumulated depreciations at 31 December 2018	7,737	3,586
Net book value at 31 December 2018	3,927	61

7 Prepayments

	2018	2017
Prepaid rent expenses	74	69
Prepaid lease expenses	651	682
Prepaid insurance expenses	159	0
Other prepaid expenses	0	34
Total	884	785

8 Amounts owed by group enterprises (Cash Pool)

The Company is part of 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.

9 Share Capital

The share capital consists of 130 shares of DKK 10,000 each. No shares have special rights. No changes have been made to the share capital within the previous 5 years.

All shares rank equally.

NOTES (DKK'000)

10 Other Provisions

A liability of DKK 4,808 thousand (2017: DKK 1,602 thousand) has been accrued to cover expected warranty costs based on the costs of previous years as well as customer related claims.

11 Prepayments liabilities

Prepayments liabilities comprise deferred income concerning subsequent years.

12 Other Liabilities

	<u>2018</u>	<u>2017</u>
Vacation pay accrual	7,618	7,589
VAT	14,549	9,321
Other salary related liabilities	8,558	7,849
Other Liabilities	<u>34</u>	<u>66</u>
Total	<u>30,759</u>	<u>24,825</u>

NOTES (DKK'000)

13 Contingent liabilities and obligations**Lease obligations**

Roche Diagnostics A/S has operating lease obligations of DKK 10,110 thousand at 31 December 2018 (2017: 10,882 tDKK) of which DKK 5,579 thousand is due within the next 12 months (2017: 5,767 tDKK).

Roche Diagnostics A/S has mortgage obligations regarding expatriate employees housing. The obligation amounts to DKK 217 thousand at 31 December 2018 (2017: 146 tDKK).

Guarantees

Roche Diagnostics A/S has at 31 December 2018 provided bank guarantees of DKK 5,060 thousand (2017: 5,060 tDKK). The guarantees have been provided as security for prepayment and deliveries according to contracts between Roche Diagnostics A/S and customers regarding the purchase of instruments.

Service agreements

Roche Diagnostics A/S has entered into service agreements with the associated company Roche A/S. The total obligation for the resignation period of 6 months amounts to DKK 2,633 thousand at 31 December 2018 (2017: 2,482 tDKK).

Joint taxation

Roche Diagnostics A/S is jointly taxed with Roche A/S and Roche Innovation Center A/S. As a wholly owned subsidiary of Roche Holding Ltd., the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. At 31 December 2018, the jointly taxed companies' net liabilities to SKAT amounted to DKK 2,773 thousand. Any subsequent corrections of the taxable income in the joint taxation or withholding taxes on dividends, interest and royalties entail that the Company's liability will increase.

NOTES (DKK'000)

14 Related parties

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

The consolidated financial statements of Roche Holding Ltd can be obtained by contacting the Company or at the following website: <https://www.roche.com/dam/jcr:af865dfd-50fb-458b-9cac-34097db9d3ec/en/ar18c.pdf>

	<u>2018</u>
Purchase of goods from group companies	275,927
Purchase of services from group companies	-13,211
Sale of goods to group companies	1,449
Sale of service to group companies	1,648

The company's balances with group companies at December, 31 2018 are recognized in the balance sheet. Accounts receivable balances consist of services re invoiced for regional employees working out of Roche Diagnostics Denmark A/S. Accounts payable balances primarily consist of purchased goods from Roche Diagnostics International Ltd. and services delivered under the Service Level Agreement with Roche A/S.

Interest income and expenses are disclosed in note 3.

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

