



Diagnosics

Roche Diagnostics A/S
Industriholmen 59
2650 Hvidovre

Diagnostical instruments and services

Hvidovre

Registration No.: 28 48 50 85

ANNUAL REPORT FOR 2015

Approved at the AGM
on 24 May 2016



Michael Budtz (Chairman)

Statement by the Board of Directors and Executive Board	2
The independent auditors' report	3
Management's Review	5
Company details	5
Financial highlights	6
Operating review	7
Accounting policies	8
Income statement	12
Balance sheet	13
Notes	15

The Board of Directors and Executive Board have today discussed and approved the annual report for the year 1 January - 31 December 2015 for Roche Diagnostics A/S.

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

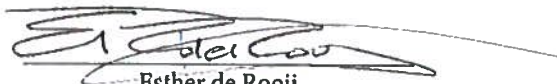
In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015, and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

Moreover, in our opinion, the Management's Review 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, 24 May 2016

EXECUTIVE BOARD:



Esther de Rooij
(Managing Director)

BOARD OF DIRECTORS



Dr. Beat Krähenmann
(Chairman)



Dr. Michael Heuer



Ronald Jeyung Park



Esther de Rooij

TO THE SHAREHOLDER OF ROCHE DIAGNOSTICS A/S

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENT

We have audited the financial statements of Roche Diagnostics 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 statement

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.

Auditor's 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's review is consistent with the financial statements.

Copenhagen, 24 May 2016

KPMG

Statsautoriseret Revisionspartnerselskab
CVR: 25578198



Lau Bent Baun
State Authorised Public Accountant

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 are related thereto.
Address	Industriholmen 59, 2650 Hvidovre. Registered office in Hvidovre
Established	2005
Financial Year	2015
Ownership	The Company is a wholly-owned subsidiary of Roche Holding Ltd., Grenzacherstrasse 124, 4058 Basel, Schweiz. Copy of the parent company's Annual Report and Group Accounts can be obtained by written application to F. Hoffmann-La Roche Ltd., Department Corporate Communications and Public Policy, CH-4058 Basel.
Board of Directors	Dr. Beat Krähenmann Dr. Michael Heuer Ronald Jeyung Park Esther de Rooij
Executive Board	Esther de Rooij
Bank	Danske Bank A/S
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 DK-2100 Copenhagen Ø CVR:
Annual General Meeting	The annual general meeting is to be held on 24 May 2016

DKK'000	2015	2014	2013	2012	2011
Revenue	418.318	401.931	393.454	383.957	367.494
Gross profit	115.123	91.401	91.294	88.742	86.258
Ordinary operating profit	11.148	12.519	8.705	10.779	9.043
Net financial items	-177	-27	24	21	430
Net profit/loss of the year	7.949	9.274	6.157	7.313	7.033
Total assets	146.766	117.922	99.762	97.250	88.702
Tangible fixed assets	6.414	6.466	7.803	11.455	10.372
Invested Capital	33.256	35.127	26.107	25.572	27.179
Equity	32.343	34.394	25.120	24.964	25.650
Net profit ratio	2,7%	3,1%	2,2%	2,8%	2,5%
Return on investment	32,6%	40,9%	33,7%	40,9%	32,7%
Gross margin ratio	27,5%	22,7%	23,2%	23,1%	23,5%
Equity ratio	22,0%	29,2%	25,2%	25,7%	28,9%
Return on equity	27,7%	31,2%	24,6%	28,9%	26,9%
Average number of full-time employees	86	84	85	81	77

Financial ratios

The financial ratios have been calculated according to "Recommendations and Financial Ratios 2010" issued by the Danish Society of Investment Financial Analysts and CFA Denmark. Please refer to the section "Accounting Policies" for definitions.

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.

Development in activities and financial positions

2015 has been another successful year for the company. With sales of 418 million DKK, Roche Diagnostics A/S has increased its sales by 4,1%. Biggest growth driver in 2015 was Molecular Diagnostics and Research with 8,2% growth fueled by Virology as well as qPCR sales. Diabetes Care grew with 4,7 % mainly driven by the successful launch of the new insulin pump "Accu-Chek Insight". Professional Diagnostics grew 4,6%, while Tissue Diagnostics had a slight decrease in sales after a record growth in 2014.

A profit margin of 2,7 % could be achieved in 2015 which equals the average over the last 5 years.

Inventories maintain on a high level, this is due to a continuously high number of ongoing instrument installations.

Outlook

Barring unforeseen circumstances, we expect 2016 to be another successful year for the company based on a strong and loyal customer base as well as a solid pipeline of new products. Together with its 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 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 cashpool accounts are hedged by Roche Pharmholding B.V., Netherlands.

Subsequent events

Since year-end no events have occurred, which 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 and market conditions. The knowledge is increased and maintained through further education and by recruiting employees with a high level of education and knowledge.

ACCOUNTING POLICIES

The annual report for 2015 of Roche Diagnostics A/S has been prepared in accordance with accounting policies applying to class C (Medium) enterprises under the Danish Financial Statements Act. The accounting policies for the annual report are unchanged from the previous 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 www.roche.com/gb15e.pdf

Recognition and measurement

All sales are recognized in the income statement as earned based on the following criteria:

Delivery and installation 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.

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 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.

INCOME STATEMENT

Recognition of revenue

Turnover from sales of the Company's products is recognized in the income statement 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.

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. Depreciation is provided under the straight-line method over the following periods:

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

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.

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

Provisions comprise anticipated costs related to warranties. Provisions are recognized when, as a result of past events, the Group 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.

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.

Financial ratios

The financial ratios stated in the survey of financial highlights 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	$\frac{\text{Profit for the year}}{\text{Average equity}}$

INCOME STATEMENT

DKK'000	Note	2015	2014
Revenue		418.318	401.931
Cost of sales	1	303.195	310.530
Gross profit		115.123	91.401
Marketing & distribution expenses	1	93.083	67.962
Administrative expenses	1	10.892	10.920
Operating profit		11.148	12.519
Financial income	3	133	54
Financial expense	3	310	81
Profit before tax		10.971	12.492
Tax on profit for the year	5	3.022	3.218
PROFIT FOR THE YEAR		7.949	9.274
Proposed allocation of profits:			
Proposed dividend		0	10.000
Retained earnings		7.949	-726
		7.949	9.274

BALANCE SHEET (DKK'000)

ASSETS	Note	2015	2014
Rental assets held by 3. Party	4	5.263	4.500
Fittings and fixtures	4	1.151	1.966
TOTAL FIXED ASSETS		6.414	6.466
Inventories		27.097	29.690
Trade receivables		53.159	55.845
Amounts owed by group enterprises		203	313
Amounts owed by group enterprises (Cash Pool)		57.212	23.109
Deferred tax asset	5	372	293
Other receivables		1.171	665
Prepayments	2	1.138	1.541
Total receivables		113.255	81.766
Cash in hand and at bank	12	0	0
TOTAL CURRENT ASSETS		140.352	111.456
TOTAL ASSETS		146.766	117.922

BALANCE SHEET (DKK'000)

LIABILITIES AND EQUITY	Note	2015	2014
EQUITY			
Share capital		1.300	1.300
Retained earnings		31.043	23.094
Proposed dividend		0	10.000
Total equity	6	32.343	34.394
PROVISIONS			
Other provisions	7	913	733
Total provisions		913	733
SHORT TERM LIABILITIES			
Trade payables		14.572	5.660
Amounts owed to group enterprises		41.578	37.675
Payable joint taxation contribution	5	24	522
Prepayments liabilities	8	34.420	14.755
Other liabilities	9	22.916	24.183
Total current liabilities		113.510	82.795
Total liabilities		114.423	83.528
TOTAL LIABILITIES AND EQUITY		146.766	117.922
Contingent liabilities and charges	10		
Related party disclosures	11		

NOTES (DKK'000)

1 Personnel expenses

	<u>2015</u>	<u>2014</u>
Wages and salaries	68.770	63.173
Pensions	5.061	4.853
Other social security costs	<u>2.976</u>	<u>2.317</u>
Total	<u>76.807</u>	<u>70.343</u>
Personal Expenses stated by function		
Cost of sales	15.501	13.172
Marketing & distribution expenses	53.497	49.680
Administrative expenses	<u>7.809</u>	<u>7.491</u>
Total	<u>76.807</u>	<u>70.343</u>

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

The average number of employees during the year was 86 full-time employees (2014: 84).

2 Prepayments

	<u>2015</u>	<u>2014</u>
Prepaid rent expenses	188	108
Prepaid lease expenses	0	839
Prepaid insurance expenses	33	32
Other prepaid expenses	<u>917</u>	<u>562</u>
Total	<u>1.138</u>	<u>1.541</u>

3 Financial intercompany income and expenses

	<u>2015</u>	<u>2014</u>
Financial intercompany income	65	49
Financial intercompany expenses	33	4
Financial 3 rd party income	67	5
Financial 3 rd party expenses	<u>276</u>	<u>77</u>
Total	<u>(177)</u>	<u>(27)</u>

NOTES (DKK'000)

4 Tangible fixed assets

	Rental assets Placed at 3 rd party	Fittings and Fixtures
Costs at 1 January 2015	14.247	4.577
Additions during the year	2.705	0
Disposals during the year	1.086	748
Cost at 31 December 2015	15.866	3.829
Accumulated depreciations at 1 January 2015	9.747	2.612
Depreciation for the year	1.769	650
Depreciation on disposals	913	584
Accumulated depreciations at 31 December 2015	10.603	2.678
Net book value at 31 December 2015	5.263	1.151

5 Tax on profit for the year

	2015	2014
Tax on profit for the year	3.024	3.222
Adjustment deferred tax	(79)	204
Adjustment prior year tax	77	(208)
Tax as per income statement	3.022	3.218
Tax balance 1 January	(522)	(178)
Paid taxes during the year	3.599	2.670
Adjustment prior year tax	(77)	208
Tax on profit for the year	(3.024)	(3.222)
Tax balance 31 december	(24)	(522)
Deferred tax 1 January	293	496
Adjustment deferred tax	79	(203)
Deferred tax 31 December	372	293
Deferred tax concerns:		
Tangible fixed assets	290	251
Trade receivables	82	42
	372	293

NOTES (DKK'000)

6 Equity

	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2015	1.300	23.094	10.000	34.394
Dividends	-	-	(10.000)	(10.000)
Transferred, cf. profit appropriation	-	7.949	-	7.949
Equity at 31 December 2015	1.300	31.043	-	32.343

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.

7 Other accrued liabilities

A liability of DKK 913 thousand (2014: DKK 733 thousand) has been accrued to cover expected warranty costs based on the costs previous years.

8 Prepayments liabilities

Prepayments liabilities comprise deferred income concerning subsequent years.

9 Other Liabilities

	2015	2014
Vacation pay accrual	7.628	7.844
VAT	6.060	9.200
Other salary related liabilities	8.832	6.456
Other Liabilities	396	683
Total	22.916	24.183

10 Contingent liabilities and obligations**Lease obligations**

The Company has operating lease obligations of DKK 11.358 thousand at 31 December 2015 (2014: 18.548 tDKK) of which DKK 7.460 thousand is due within the next 12 months (2014: 8.779 tDKK).

Guarantees

Roche Diagnostic A/S has at 31 December 2015 provided bank guarantees of DKK 6.310 thousand (2014: 2.545 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 Diagnostic A/S has entered into service agreements with the associated companies Roche A/S, Roche Diagnostics GmbH (Germany), Roche Diagnostics France (France) and F. Hoffmann La-Roche AG (Schweiz). The total obligation for the resignation period of 6 months amounts to DKK 2.778 thousand at 31 December 2015 (2014: 2.760 tDKK).

Mortgage obligations

Roche Diagnostic A/S has mortgage obligations regarding expatriate employees. The obligation amounts to 252 tDKK at 31 December 2015 (2014: 247 tDKK).

Joint taxation

The Company is jointly taxed with Roche A/S, Roche Innovation Center A/S and InterMune Nordics. 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 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 on dividends, interest and royalties entail that the Company's liability will increase.

11 Related parties

The Company is a wholly-owned subsidiary and is included in the consolidated financial statements of Roche Holding Ltd., Grenzacherstrasse 124, 4058 Basel, Switzerland.

12 Cash in hand and at bank

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 cashpool accounts are hedged by Roche Pharmholding B.V., Netherlands.