



Diagnos**t**ics

Roche Diagnostics A/S
Industriholmen 59
2650 Hvidovre

Diagnostics instruments and services

Hvidovre

CVR: 28 48 50 85

ANNUAL REPORT FOR 2020

Approved at the AGM
on 21 June 2021

DocuSigned by:

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Timothy George Himes Jr. (Chairman)

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|---|----|
| The independent auditors' report | 4 |
| Company details | 7 |
| Financial highlights | 8 |
| Management review | 9 |
| Financial statement for the year ended 31 December 2020 | 13 |

The Board of Directors and Executive Board have today discussed and approved the annual report for the year 1 January - 31 December 2020 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 2020, and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

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

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


Hvidovre, 21 June 2021


EXECUTIVE BOARD:

DocuSigned by:

8E5F9E0DB71140B...
Timothy George Himes Jr.
(Managing Director)

BOARD OF DIRECTORS

DocuSigned by:

E9962517519B48F...
Dr. Beat Krähenmann

DocuSigned by:

5DC2E8C07229449...
Bernard Colombo

DocuSigned by:

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Richard John Wright

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Timothy George Himes Jr

Independent auditor's report

To the shareholders 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 2020 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 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 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.

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.

Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

21, June 2021

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98



Henrik Barner Christiansen
State Authorised
Public Accountant
mne10778

| | |
|-----------------------------------|---|
| 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 | 2020 |
| 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/investors/annualreport20.htm#diagnostics</p> |
| Board of Directors | Dr. Beat Krähenmann Bernhard Colombo Richard John Wright Timothy George Himes Jr. |
| Executive Board | Timothy George Himes Jr. |
| 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 21 June 2021 |

| DKK'000 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---------------------------------------|---------|---------|---------|---------|---------|
| Revenue | 518,454 | 417,315 | 399,433 | 431,718 | 440,870 |
| Gross profit | 122,748 | 100,736 | 103,989 | 107,113 | 109,653 |
| Ordinary operating profit | 15,291 | 14,631 | 12,689 | 15,267 | 10,694 |
| Net financial items | -258 | -310 | -67 | -140 | -180 |
| Net profit of the year | 11,712 | 11,170 | 9,960 | 11,687 | 8,142 |
| Total assets | 256,424 | 161,774 | 159,518 | 146,260 | 136,692 |
| Tangible fixed assets | 3,241 | 3,543 | 3,988 | 6,327 | 4,545 |
| Invested Capital | 78,529 | 62,503 | 51,940 | 38,774 | 47,652 |
| Equity | 70,014 | 58,303 | 47,133 | 37,173 | 40,486 |
| Net profit ratio | 2.9% | 3.5% | 3.2% | 3.5% | 2.4% |
| Return on investment | 21.7% | 25.6% | 28.0% | 35.2% | 26.4% |
| Gross margin ratio | 23.7% | 24.1% | 26.0% | 24.8% | 24.9% |
| Equity ratio | 27.3% | 36.0% | 29.5% | 25.4% | 29.6% |
| Return on equity | 18.3% | 23.4% | 23.6% | 30.1% | 22.4% |
| Average number of full-time employees | 96 | 95 | 89 | 85 | 92 |

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 Diagnostics A/S

With the sole distribution of diagnostics instruments and reagents developed by Roche as the principal activities it is the ambition of Roche Diagnostics A/S to participate in the improvement of the Danish healthcare system through the development and implementation of quality diagnostics equipment, which is essential to ensure optimized treatments.

Our diagnostic solutions have been developed with a focus on patient needs through improvements in the health sector due to the implementation of quality diagnostic equipment, which is essential to ensure optimized treatment.

Development in activities and financial positions 2020.

Roche Diagnostics A/S's ability to support the Danish test strategy within molecular and point-of-care diagnostics throughout the first 11 months of the global Covid-19 pandemic has impacted the 2020 financial result.

In 2020, more than 71 million diagnostic tests – an increase of three million tests from 2019 – were performed on Roche equipment in Denmark through patient self-monitoring, in laboratories, hospitals and Covid-19 test centers. This adds to Roche's position as market leader worldwide within biotechnology, oncology and in-vitro diagnostics.

However, the global Covid-19 pandemic changed the business dynamics of Roche Diagnostics to an extent where both expectations and forecasts were disrupted.

With an outcome in revenue at DKK 518 million, the 2020 financial result increased with 24.2% from DKK 417 million in 2019.

Supporting the Danish testing strategy

The sudden and surprising outbreak of the SARS-CoV-2 virus led to an unforeseen and unprecedented demand for tests and consumables used to analyze the new virus.

However, the company has succeeded in contributing to the global and local fight against the Covid-19 pandemic thanks to its ability to make relevant high-quality diagnostics tests accessible to the virus-affected areas around the world.

This is due to several factors; the quick response to the pandemic with innovation of Covid-19 reagents of which many are being performed on existing Roche Diagnostics molecular laboratory installations; the ability to enter into relevant partnerships; the significant ramping up of production capacity by enlarging existing production lines and building new production plants; and finally the efficient distribution lines worldwide. All together Roche Diagnostics managed to introduce 11 new CE-IVD certified Covid-19 PCR, antigen, and antibody tests in 2020.

In Denmark these investments together with an impressive performance by the employees and close collaboration with the stakeholders – not least the governmental taskforce group – positioned Roche Diagnostics as a major contributor to the national Danish test strategy throughout the first 11 months of the pandemic.

Automated mass PCR testing

PCR testing became the first important step in the fight against the new virus.

Within molecular diagnostics, the Roche FLOW solutions – the MagNA Pure and LightCycler® 480 systems – constituted the vast majority of our qPCR&NAP business prior to the Covid-19 pandemic.

Typically being used for flu testing and the detection of infectious diseases, the systems became the first automated laboratory installations to be used for mass testing of suspected Covid-19 patients in Denmark.

Built on “open” platforms enabling laboratories to develop tests (LDTs) run on the automated FLOW line technology, this system was used by an independent German laboratory to develop the first known Covid-19 PCR test.

With PCR testing as the golden standard this test together with the consumables for the FLOW systems came in heavy demand from the outset of the pandemic.

Being in use in five major clinical microbiology departments in the country, the MagNA Pure and LightCycler 480 systems are geographically ideally placed. The installations makes Denmark the market with most FLOW systems per capita worldwide, which enabled Roche Diagnostics A/S to bring reasonable numbers of tests and consumables to Denmark.

Molecular diagnostics in heavy demand

In late March, Roche was, however, able to alleviate the heavy demand on the FLOW systems by introducing a similar and newly developed SARS-CoV-2 test for the four fully automated cobas 6800 systems already installed at Rigshospitalet in Copenhagen as well as Odense and Aarhus University Hospitals.

The systems deliver test results within three hours and ensure improved operating efficiency, flexibility and the shortest "time-to-result" combined with the highest production capacity with a total of 1,440 results per day. The test can be performed in parallel with other analyzes on the same cobas 6800 installation.

The quality and efficiency of the tests and solutions resulted in Roche Diagnostics accepting purchase orders of both FLOW system units and cobas 6800s, however, only after we had been assured of deliveries of both tests and consumables for both systems.

Supporting the Danish healthcare system with several hundred thousand SARS-CoV-2 PCR tests throughout the year, our molecular laboratory business saw an increase by an overall 100.6% from DKK 93.3 million in sales in 2019 to 187.2 million in 2020 most notably within virology and qPCR&NAP.

Furthermore, market demand and the successful implementation of the cobas® Liat® analyzer at various major hospitals around the country in 2019 was followed by a 103.6% increase from DKK 9.3 to 19 million in 2020, as Roche launched a SARS-CoV-2 PCR test in the fall for the cobas Liat, an analyzer already highly popular for its rapid 20-minute detection of influenza A and B and fast stratification and identification of the right patients for resource-demanding isolation hospitalization.

Due to the Covid-19, activities in the hospitals sales within some disease areas decreased from 2019 to 2020.

Antigen testing introduced in December 2020

In late 2020, the government and authorities revised the Danish testing strategy by implementing antigen testing as a supplement to PCR testing.

The quicker identification – down to 15 minutes – of infected persons has undoubtedly been an important tool in identifying virus carriers and thereby limiting the spread of the virus, which has been instrumental for the following safe reopening of the Danish society.

Roche Diagnostics succeeded in bringing the CE-IVD certified SARS-CoV-2 Rapid Antigen Test to the market in December 2020. It was immediately taken into use by some private healthcare suppliers of antigen testing performed in test centers – most significantly by Falck – and private companies around the country.

The swift delivery of a little over a million Rapid Antigen Tests constitutes the single most disruptive business area caused by the Covid-19 pandemic for Roche Diagnostics, as our Point-of-Care IM Reagent business unexpectedly increased from DKK 1.9 million in 2019 to 50.2 million by the end of 2020.

Completely unrelated to the pandemic, it was last year decided to discontinue the Reflotron platform business – introduced in 1986 – together with the Accutrend and cobas b 101 instruments, resulting in a DKK 1.6 million loss of sales.

Overall the Point-of-Care business increased by 103.8% from DKK 47.9 million in 2019 to 97.6 million in 2020.

Pathology and Core Lab diagnostics

The pathology business was positively influenced by developments within advanced staining and primary staining, increasing sales within the pathology segment with 11.7% from DKK 31 million in 2019 to 34.6 million last year.

The Core Lab business, however, decreased with 14.2% between 2019 and 2020 due to two factors. First of all, because of the unforeseen slowdown within this area in the hospitals due to increased Covid-19 focus, and secondly due to expected deviations from operating in a tender-driven market.

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

One such tender-based collaboration in 2019 was the contract signed with Bispebjerg and Frederiksberg Hospitals that had a positive influence on the 2019 financial result. Comparable contracts did not materialize in 2020.

Diabetes Care

For more than 40 years, the Diabetes Care unit has supported the Danish diabetes community and people living with Type-1 and Type-2 diabetes.

The diabetes market is generally experiencing launches of new technologies to benefit the patients and this is impacting the blood-glucose measurement pattern for especially the Type-1 patients. Due to the effect of this, Roche Diabetes Care has unfortunately experienced a drop of 32% from DKK 73 million in sales in 2019 to 49 million last year.

The mission of Roche Diabetes Care is to help people with diabetes everywhere in the world think less about their daily diabetes routine so they can get true relief, day and night. We do this by offering our new generation Accu-Chek blood glucose meter portfolio and insulin pumps.

In 2020, we expanded our insulin pump portfolio in Denmark as one of the first markets with a new tubeless pump, the Accu-Chek Solo, which we are very excited to further introduce in 2021 to patients and healthcare professionals.

Outlook

The developments around the Covid-19 pandemic have once again proven the importance of quality diagnostics for society and the value it brings to people, in not only Denmark but all around the globe.

Performance in 2021 – our future business opportunities and thereby results – is expected to be significantly impacted by the Covid-19 pandemic and its aftermath. Our customer base remains strong, however, even though the pandemic will continuously force us to re-shift our priorities in terms of resource allocation, product pipeline and innovations.

Roche Diagnostics do not forecast based on pandemics. During 2020, new commercial suppliers suddenly emerged with various Covid-19 products taking significant market shares within PCR testing. This could prove a beneficial development for both healthcare systems worldwide and the industry as such, as no single company should be expected to be capable of meeting unforeseen urgent demands during a global health crisis to the extent Roche experienced at the outset of the pandemic. However, business-wise we foresee a potential within the antigen test market that will positively impact the results of the 2021 fiscal year.

The pandemic has put a large pressure on Danish society and the healthcare system. Our short-term goals are to continue supporting the Danish healthcare system in its various testing strategies and efforts.

Our long term objectives are to participate in the shaping of a sustainable healthcare system by providing value through innovative diagnostics and modern business models.

Risks

There are no specific uncertainties or unusual conditions in regards to the presentation of the annual report for 2020. 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 | <u>2020</u> | <u>2019</u> |
|-----------------------------------|----------|---------------------------|---------------------------|
| Revenue | | 518,454 | 417,315 |
| Cost of sales | | <u>395,706</u> | <u>316,579</u> |
| Gross profit | | 122,748 | 100,736 |
| Marketing & distribution expenses | 2 | 96,560 | 77,144 |
| Administrative expenses | 2 | 10,897 | 8,961 |
| | | <u> </u> | <u> </u> |
| Operating profit | | 15,291 | 14,631 |
| Financial income | 3 | 34 | 19 |
| Financial expense | 3 | <u>292</u> | <u>329</u> |
| Profit before tax | | 15,033 | 14,321 |
| Tax on profit for the year | 4 | <u>3,321</u> | <u>3,151</u> |
| PROFIT FOR THE YEAR | 5 | <u>11,712</u> | <u>11,170</u> |

BALANCE SHEET

| (DKK'000) | Note | <u>2020</u> | <u>2019</u> |
|---|------|-----------------------|-----------------------|
| ASSETS | | | |
| Rental assets held by 3 rd party | 6 | 3.230 | 3.527 |
| Fittings and fixtures | 6 | 11 | 16 |
| TOTAL FIXED ASSETS | | 3.241 | 3.543 |
| Inventories | | 33.781 | 8.730 |
| Trade receivables | | 108.330 | 80.993 |
| Amounts owed by group enterprises | | 1.798 | 17.088 |
| Amounts owed by group enterprises (Cash Pool) | 8 | 93.576 | 40.671 |
| Deferred tax asset | 4 | 2.080 | 1.558 |
| Other receivables | | 5.854 | 8.836 |
| Prepayments | 7 | 7.764 | 356 |
| Total receivables | | 219.402 | 149.501 |
| TOTAL CURRENT ASSETS | | 253.183 | 158.231 |
| TOTAL ASSETS | | <u>256.424</u> | <u>161.744</u> |

BALANCE SHEET

| (DKK'000) | Note | <u>2020</u> | <u>2019</u> |
|---|------|----------------|----------------|
| LIABILITIES AND EQUITY | | | |
| EQUITY | | | |
| Share capital | 9 | 1.300 | 1.300 |
| Retained earnings | | 68.714 | 57.003 |
| Total equity | | 70.014 | 58.303 |
| PROVISIONS | | | |
| Other provisions | 10 | <u>15.115</u> | <u>4.201</u> |
| Total provisions | | <u>15.115</u> | <u>4.201</u> |
| Long term liabilities other than provision | | | |
| Other liabilities | 12 | <u>8.079</u> | <u>0</u> |
| Total long term liabilities other than provision | | <u>8.079</u> | <u>0</u> |
| Short term liabilities other than provisions | | | |
| Trade payables | | 13.185 | 62.815 |
| Amounts owed to group enterprises | | 95.251 | 0 |
| Payable joint taxation contribution | 4 | 1.791 | 1.598 |
| Prepayments liabilities | 11 | 6.632 | 6.964 |
| Other liabilities | 12 | 46.357 | 27.894 |
| Total short term liabilities other than provisions | | <u>163.216</u> | <u>99.270</u> |
| Total liabilities other than provisions | | 171.295 | 99.270 |
| Total liabilities | | 186.410 | 103.471 |
| TOTAL LIABILITIES AND EQUITY | | <u>256.424</u> | <u>161.774</u> |

EQUITY

| (DKK'000) | Share capital | Retained earnings | Total |
|---------------------------------------|------------------|----------------------|--------|
| Equity at 1 January 2020 | 1,300 | 57,003 | 58,303 |
| Transferred, cf. profit appropriation | - | 11,712 | 11,712 |
| Equity at 31 December 2020 | 1,300 | 68,715 | 70,015 |

NOTES

1 Accounting Policies

The annual report of Roche Diagnostics A/S for 2020 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 policies used are 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. A link to the 2020 Annual Report can be found via:

<https://www.roche.com/investors/annualreport20.htm#diagnostics>

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

1 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.

Under Danish GAAP, Roche elects to use IFRS 15 as interpretative basis for the Danish Financial Statement Act, meaning that we recognize revenue in the statutory annual report in accordance with our group reporting (as this is in conformity with IFRS 15).

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.

NOTES

1 Accounting Policies (continued)**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.

The basis of depreciation is costs 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. Scrap value is estimated to zero. The estimated useful lives are as follows:

| | |
|--|------------|
| Assets placed at 3 rd party | 5 years |
| Fixtures & Fittings | 3-10 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.

NOTES

1 Accounting Policies (continued)**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.

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 and unbilled trade receivables.

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.

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>2020</u> | <u>2019</u> |
|--------------------------------------|---------------|---------------|
| Wages and salaries | 80,461 | 73,409 |
| Pensions | 6,055 | 5,929 |
| Other social security costs | <u>3,721</u> | <u>2,954</u> |
| Total | <u>90,237</u> | <u>82,292</u> |
| Personal Expenses stated by function | | |
| Cost of sales | 22,768 | 18,993 |
| Marketing & distribution expenses | 58,559 | 57,023 |
| Administrative expenses | <u>8,910</u> | <u>6,276</u> |
| Total | <u>90,237</u> | <u>82,292</u> |

Remuneration of the Company's management and board of directors is not disclosed pursuant to Section 98b (iii), no. 2 of the Danish Financial Statements Act.

The average number of employees during the year was 96 full-time employees (2019: 95).

A long-term award program is granted by the Roche Group exclusive to selected employees of Roche Diagnostics A/S. The program consists of a mix of stock-settled stock appreciations rights (s-SARs) and performance share plan (PSP), the employees can decide on a preferred mix based on available combinations. Concerning all activity regarding Roche Diagnostics A/S the long-term award program is solely offered to Roche Diagnostics A/S employees. The total costs related to the long-term award program of DKK 337 thousand (2019: DKK 589 thousand) is included in the staff costs and not further detailed as per the Danish Financial Statement Act, sec. 98 (ii), 2.

NOTES (DKK'000)

3 Financial income and expenses

| Financial income & expenses | 2020 | 2019 |
|--|--------------|--------------|
| Financial intercompany income | 32 | 15 |
| Financial intercompany expenses | (43) | (26) |
| Financial 3 rd party income | 2 | 6 |
| Financial 3 rd party expenses | (248) | (304) |
| Total | <u>(257)</u> | <u>(309)</u> |

4 Tax on profit for the year

| | 2020 | 2019 |
|-------------------------------|----------------|----------------|
| Tax on profit for the year | <u>3.844</u> | <u>3.575</u> |
| Tax on profit for the year | 3.844 | 3.575 |
| Adjustment deferred tax | (522) | (365) |
| Adjustment prior year tax | <u>-</u> | <u>(59)</u> |
| Tax as per income statement | <u>3.321</u> | <u>3.151</u> |
| Tax balance 1 January 2020 | (1.598) | (3.558) |
| Paid taxes during the year | 3.651 | 5.475 |
| Adjustment prior year tax | 1 | 59 |
| Tax on profit for the year | <u>(3.844)</u> | <u>(3.575)</u> |
| Tax balance 31 December 2020 | <u>(1.790)</u> | <u>(1.598)</u> |
| Deferred tax 1 January 2020 | 1.558 | 1.192 |
| Adjustment deferred tax | <u>523</u> | <u>366</u> |
| Deferred tax 31 December 2020 | <u>2.080</u> | <u>1.558</u> |

| | | |
|---|---|---|
| Deferred tax concerns: | | |
| Tangible fixed assets | 467 | 707 |
| Other Provision | <u>1.613</u> | <u>851</u> |
| | <u>2.080</u> | <u>1.558</u> |
| 5 Proposed allocation of profits | | |
| | <u>2020</u> | <u>2019</u> |
| Proposed dividend | 0 | 0 |
| Retained earnings | <u>11,712</u> | <u>11,170</u> |
| | <u>11,712</u> | <u>11,170</u> |
| 6 Tangible fixed assets | | |
| | <u>Rental assets Placed at 3rd party</u> | <u>Fixtures and Fittings</u> |
| Cost at 1 January 2020 | 12,845 | 2,700 |
| Additions during the year | 1,848 | 0 |
| Disposals during the year | <u>632</u> | <u>553</u> |
| Cost at 31 December 2020 | <u>14,060</u> | <u>2,147</u> |
| Accumulated depreciations at 1 January 2020 | 9,318 | 2,684 |
| Depreciation for the year | 1,757 | 5 |
| Depreciation on disposals | <u>244</u> | <u>553</u> |
| Accumulated depreciations at 31 December 2020 | <u>10,830</u> | <u>2,136</u> |
| Net book value at 31 December 2020 | <u>3,230</u> | <u>11</u> |

7 Prepayments

| Prepayments | 2020 | 2019 |
|----------------------------|--------------|-------------|
| Unbilled trade receivables | 6,900 | 0 |
| Prepaid lease expenses | 654 | 0 |
| Prepaid insurance expenses | 19 | 12 |
| Other prepaid expenses | 864 | 344 |
| | <u>7,764</u> | <u>356</u> |

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 13,515 thousand (2019: DKK 3,406 thousand) has been accrued to cover expected customer related claims. In addition a restructuring provision of DKK 1,600 thousand (2019: DKK 795) has been accrued for the reorganization of commercial organization. The total balance of other provisions in 2020 is therefore DKK 15,115 thousand.

11 Prepayments liabilities

Prepayments liabilities comprise deferred income concerning subsequent years.

12 Other Liabilities

| | <u>2020</u> | <u>2019</u> |
|----------------------------------|---------------|---------------|
| Long term vacation pay accrual | 8.079 | 0 |
| Vacation pay accrual | 4.043 | 9.090 |
| VAT | 27.376 | 10.719 |
| Other salary related liabilities | 14.936 | 8.085 |
| Other Liabilities | <u>2</u> | <u>0</u> |
| Total | <u>54.436</u> | <u>27.894</u> |

NOTES

13 Contingent liabilities and obligations**Lease obligations**

Roche Diagnostics A/S has operating lease obligations of DKK 11,005 thousand at 31 December 2020 (2019: 11,099 tDKK) of which DKK 5,140 thousand is due within the next 12 months (2019: 5,797 tDKK). Roche Diagnostics A/S no longer holds mortgage obligations regarding expatriate employees housing.

Guarantees

Roche Diagnostics A/S has at 31 December 2020 provided bank guarantees of DKK 4,850 thousand (2019: 4,850 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 2,670 thousand at 31 December 2020 (2019: 2,670 tDKK).

Joint taxation

Roche Diagnostics A/S 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.

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 Which is the smallest and largest group respectively, in which the Company is included as 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/investors/annualreport20.htm#diagnostics>

Related parties transactions

| | <u>2020</u> |
|---|-------------|
| Purchase of goods from group companies | -364,884 |
| Purchase of services from group companies | -7,077 |
| Sale of goods to group companies | 580 |
| Sale of service to group companies | 457 |

The company's balances with group companies at December, 31 2020 are recognized in the balance sheet. Accounts receivable balances consist of services 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, office services and canteen services.

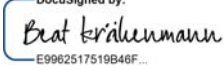
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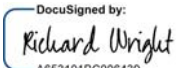
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