



Diagnos**t**ics

Roche Diagnostics A/S
Industriholmen 59
2650 Hvidovre

Diagnostics instruments and services

Hvidovre

CVR: 28 48 50 85

ANNUAL REPORT FOR 2021

Approved at the AGM
on 30 June 2022

DocuSigned by:
Louise Homøe
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(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 2021 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 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

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, 30 June 2022

EXECUTIVE BOARD:


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Timothy George Himes Jr.
(Managing Director)

BOARD OF DIRECTORS

DocuSigned by:

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Dr. Beat Krähenmann
(Chairman)


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Bernard Colombo

DocuSigned by:

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Darine Ghanem

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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 2021 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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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.

Copenhagen, 30 June 2022

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

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Henrik Barner Christiansen

State Authorised

Public Accountant

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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	2021
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/annualreport21.htm</p>
Board of Directors	Dr. Beat Krähenmann Bernhard Colombo Darine Ghanem 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 30 June 2022

DKK'000	2021	2020	2019	2018	2017
Revenue	1.428.429	518.454	417.315	399.433	431.718
Gross profit	54.213	122.748	100.736	103.989	107.113
Ordinary operating profit/loss	-100.448	15.291	14.631	12.689	15.267
Net financial items	-220	-258	-310	-67	-140
Net profit/loss of the year	-80.230	11.712	11.170	9.960	11.687
Total assets	509.226	256.424	161.774	159.518	146.260
Tangible fixed assets	3.428	3.241	3.543	3.988	6.327
Invested Capital	95.210	78.529	62.503	51.940	38.774
Equity	-10.216	70.014	58.303	47.133	37.173
Net profit ratio	-7,0%	2,9%	3,5%	3,2%	3,5%
Return on investment	-115,6%	21,7%	25,6%	28,0%	35,2%
Gross margin ratio	3,8%	23,7%	24,1%	26,0%	24,8%
Equity ratio	-2,0%	27,3%	36,0%	29,5%	25,4%
Return on equity	-268,3%	18,3%	23,4%	23,6%	30,1%
Average number of full-time employees	108	96	95	89	85

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	$\frac{\text{Profit for the year}}{\text{Average equity}}$

Point-of-care diagnostics impacts financial result

The ability to support the Danish Covid-19 test strategies within point-of-care and molecular diagnostics significantly impacts Roche Diagnostics' financial result for 2021.

For the second year running, the Covid-19 pandemic changed the business dynamics of Roche Diagnostics A/S.

In 2021, more than 100 million diagnostic tests were performed on Roche equipment in Danish laboratories, hospitals, Covid-19 test centers and through self-testing and patient self-monitoring.

The rise from 2020 is most notable in antigen tests. This is primarily the result of the usage of Roche's SARS-CoV-2 Rapid Antigen Tests in some public Covid-19 test centers and the introduction of the Roche SARS-CoV-2 Rapid Antigen Self Test during 2021.

Roche Diagnostics A/S 's result for 2021 is considered satisfactory. The net loss of DKK 80.2 million versus previous year's profit of DKK 11.7 million was resulted due to an extra ordinary item. Roche Diagnostics A/S. has identified one of its commercial contracts as a onerous contract for which a provision was made. Operating in a tender market the loss of a significant customer is part of the normal business dynamics. The company expects to recuperate in future tender opportunities, the revenue and profits will be sustainable and will assure a net profit and a positive equity going forward within 1-2 years.

Supporting the Danish test strategies

The sudden and surprising outbreak of the SARS-CoV-2 virus in December 2019 led to an unforeseen and unprecedented demand for tests and consumables used to analyze the new virus the following two years.

Throughout the pandemic, Roche Diagnostics has succeeded in contributing to the global and local fight against the virus thanks to our ability to make relevant high-quality diagnostics tests accessible to the affected areas around the world.

This is due to factors such as our quick response to the pandemic with the innovation of Covid-19 reagents, of which many have been performed on existing Roche Diagnostics molecular laboratory installations; the opportunities we have had to enter into relevant partnerships; the significant ramping up of production capacity through enlarging existing production lines and building new production plants; and finally the efficient distribution lines worldwide.

Reliable, high-quality testing is essential when healthcare system are facing pandemics, and Roche has so far launched 22 diagnostics solutions to help minimize the impact of Covid-19 including test kits to identify virus variants.

The introduction of automated PCR tests in early 2020 and antigen tests later that same year has been pivotal in the successful reopening of the Danish society and a safe return to conditions that are close to pre-pandemic life for the Danish population in 2020 and 2021. Our ability to support the revised national Danish test strategies with relevant quality products has positioned Roche Diagnostics as a major contributor to the efforts implemented against the pandemic.

Consequently – and disrupting both expectations and forecasts – the financial result increased with 176% from DKK 518 million in 2020 to an outcome in revenue of DKK 1.428 million in the 2021 fiscal year.

The 2021 financial result adds to Roche's position as market leader within in-vitro diagnostics both in Denmark and worldwide.

Globally the Roche Group invested DKK 102 billion – 24% of the company's revenue – in 2021 in research and development, making the 125-year-old company the healthcare industry's biggest investor in R&D.

Molecular diagnostics and antigen testing in heavy demand

Supporting the Danish healthcare system with several hundred thousand SARS-CoV-2 PCR tests throughout the year, our molecular laboratory business saw an overall increase in sales by 10% to more than 200 million in 2021.

Furthermore, market demand and the successful implementation of the cobas® Liat® analyzer at some major hospitals around the country in 2019 was followed by an almost 200% increase to more than DKK 50 million in 2021 as Roche launched a SARS-CoV-2 PCR test in the fall for the cobas® Liat®. The highly sensitive PCR test generates a result in just 20 minutes. This rapid result, in combination with the Sars/Flu AB test, makes the Liat an ideal tool to rapidly detect and stratify patients as they enter the hospital.

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 – has undoubtedly been an important tool in identifying those individuals who are likely infectious and thereby limiting the spread of the virus, and it was instrumental for the subsequent 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 private healthcare suppliers of antigen testing performed in some test centers and private companies around the country throughout 2021.

Tender-driven market

Operating in a publicly tender-driven market, the presence of such tenders obviously have a major influence on the financial results each year.

Roche Diagnostics participates in all relevant major hospital tenders, providing pre-analytics, analytics (clinical chemistry and immunochemistry), hematology, coagulation and post-analytics ensuring quality and efficient workflows to the clinical biochemistry departments at these hospitals.

One such tender in 2021 was the Capital Region's tender for professional glucose analysis at all the clinical departments in the region's hospitals. Roche Diagnostics offers outstanding automated, digital blood glucose solutions transferring and safeguarding the data of each patient between hospitals and departments. Our successful participation in this tender includes the delivery of more than 1.000 Accu-Chek Inform II instruments to conduct an estimated one million glucose tests per year.

The contract with the Capital Region, covering the period from July 2021 to July 2025, further enhances Roche Diagnostics' leading market position.

Overall, our point-of-care business increased to more than 950 million in 2021.

Diabetes Care

Also relevant to people suffering from diabetes is the Roche Diabetes Care unit, which for more than 40 years has supported the Danish diabetes community and people living with Type-1 and Type-2 diabetes.

Roche Diabetes Care is continuously focusing on and striving to develop the next generation of products and digital solutions to help people with diabetes think less about their daily diabetes routines, so that they can get true relief, day and night.

The diabetes market is generally experiencing launches of new technologies. Roche Diabetes Care meet the market expectations by offering our new generation of Accu-Chek blood glucose meter portfolio and new tubeless insulin pump, and the unit stabilized sales in 2021 at around DKK 45 million.

Core Lab

The result shows an increase in immunodiagnostics of 19% to more than 80 million in 2021 in a portfolio where several biomarkers are making a positive contribution towards early diagnosis and optimized patient flows.

One example is infertility, a problem that afflicts quite a lot of women and couples. IVF treatment is used in almost 10% of all births in Denmark annually. The increased need for fertility treatment can be attributed to a rise in average age among primiparous women and has reached a level where it is now considered a societal problem. Thanks to Roche Diagnostics' exclusive offering of the AMH Plus biomarker, women can have their egg reserve determined which is an essential component in becoming pregnant. Consequently, the biomarker is widely recognized as a help in determining the fertility status of a woman. It is also used to determine the doses of selected drugs to reduce the risk of side effects associated with IVF treatments. These factors have contributed to an increase in sales of AMH Plus of 55% to over DKK five million in 2021.

During the same period, sales increased to approximately DKK 1,5 million for the S-100B biomarker, which is used for triage of mild head trauma in order to better identify patients who do not require CT scans and thereby unnecessary X-raying of the head. Thanks to significant investments and efforts by Roche the above and other biomarkers have been introduced successfully into the Danish guidelines and therefore contribute to better patient outcomes.

Conversely, sales of other markers in our overall portfolio have been stagnant or declining. For example, sales stagnated for the NT-ProBNP biomarker, which is used for early detection and ruling out of heart failure and for monitoring the treatment and disease progression in patients with heart failure.

2022 forecast

The 2021 financial result solidifies Roche Diagnostics' position as market leader within in-vitro diagnostics both worldwide and in Denmark.

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

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, not only in Denmark, but all around the globe.

The pandemic has put a large pressure on the Danish society and healthcare system.

Our short-term goals are to continue supporting the Danish healthcare system in its various testing strategies and efforts.

Performance in 2022 – our future business opportunities and hence results – is again expected to be notably 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.

The pandemic has put a large pressure on the Danish society and 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 remain to participate in the shaping of a sustainable healthcare system by providing value through innovative diagnostics and modern business models.

The sole distribution of diagnostics instruments and reagents developed by Roche and partnering companies continues to be the principal business activities of Roche Diagnostics A/S. Roche Pharmaceuticals A/S represents the company's well-reputed portfolio within treatments and Roche Innovation Center Copenhagen is one of the company's seven global research and development sites.

In Denmark Roche is represented by three legal entities covering the whole value chain from research and development through diagnostics and early detection to treatments.

Corporate Social Responsibility

General CSR policies

With reference to the Danish Financial Statements Act § 99a, section 6, separate disclosure of corporate social responsibility is omitted. Instead we refer to the Annual Report for Roche Holding Ltd, where compliance in regards of CSR, impact on human rights, climate, environment social and staff matters, anticorruption and bribery can be found. The relevant information is disclosed on page 72-129 in the global annual report for 2021.

Impacts on environment

We have strict limitation on emissions to air, water and waste that we are measuring locally and report to our global company (highlighted in the global annual report for 2021, pages 96-107). Our building includes solar panels to leverage eco-friendly energy.

Anticorruption and bribery

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

Our Local Compliance Officer ensures all of our employees are trained on our global strict behaviour in Business and Anti Corruption program (highlighted in the global annual report for 2021, pages 121-124). We ask suppliers to confirm their compliance to our anti corruption standards. There is an annual self-assessment of our compliance processes that is confirmed by Management. In addition, there is a global Roche Speak up line providing employees a chance to raise any concerns.

Social and staff matters

Our People are our most important and valuable asset (highlighted in the global annual report for 2021, pages 84-95). We believe in diversity of targets that give people a clear purpose, as depicted in our annual bonus scheme.

Impact on climate

We have strict limitation on emissions to air, water and waste that we are measuring locally and report to our Group (highlighted in the global annual report for 2021, pages 96-107). Our building includes solar panels to leverage clean energy. Our sustainability requirements specify human rights requirements. We are committed to continue our efforts to promote and respect human rights by ensuring our suppliers uphold our Code of Conduct. We as well conduct due diligence of our key suppliers.

Impact on human rights

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

Gender composition

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

Four Board Members have been elected on the company's general meeting. The board members are selected based on their position within Roche. The Board of Directors consists of 3 men and 1 woman.

The target for the gender composition for the Board of Directors is 1 woman and 3 men by 2022. To accomplish that target, Roche constantly strives to identify new qualified candidates amongst both women and men who potentially can enter the Board of Directors by 2022.

Looking at the management group under the Board of Directors, the gender composition is currently 2 women and 3 men. In order to accomplish a more equal gender composition, Roche similarly strives to identify candidates amongst both women and men, when Roche is recruiting for a vacant position in the management group. Thus, Roche does not take the gender into consideration in the selection of a qualified candidate.

Business model description

Our Business Model is to provide our innovative diagnostics to patients in Denmark.

Due diligence

We conduct due diligence of our key suppliers (highlighted in the global annual report for 2021, page 121-125).

Data ethics

Based on dialogues with stakeholders across the company and in accordance with section 99d of the Danish Financial Statement Act, it was decided to put in place a data ethics policy. This policy provides a framework for the company's activities within the area of data ethics and incorporates our commitment to the principles of ethical data use from the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA). These principles include autonomy, transparency, data quality, fairness and non-discrimination, ethics by design, responsible data sharing, and responsibility and accountability. Amongst other things, our data ethics framework includes that all data being stored is protected by GDPR requirements, all data collected through internal and external platforms or external partners is only used internally if not specifically agreed upon differently, sharing of data with external parties is only possible if a specific data processing agreement is in place and all employees are receiving ongoing training and education around relevant topics. We constantly monitor potential cyber risks in relation to the collection of data. In case risks are identified, management is informed and sufficient actions are implemented. Further relevant information on this topic can also be found in [Roche's Code of Conduct](#) as well as the [Privacy Policy](#).

Risks

We are constantly assessing risk to our business on a local level and define mitigating measures in the Leadership team. The current risk profile is in line with the normal business risks for the diagnostic industry (global risk management processes is described in the global annual report for 2021, page 22).

Nonfinancial key performance indicators (KPIs)

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



Intellectual capital

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

Subsequent events

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

INCOME STATEMENT

(DKK'000)	Note	<u>2021</u>	<u>2020</u>
Revenue		1.428.429	518.454
Cost of sales		<u>-1.374.216</u>	<u>-395.706</u>
Gross profit		54.213	122.748
Marketing & distribution expenses	2	-137.039	-96.560
Administrative expenses	2	<u>-17.622</u>	<u>-10.897</u>
Operating profit		-100.448	15.291
Financial income	3	51	34
Financial expense	3	<u>-271</u>	<u>-292</u>
Profit before tax		-100.668	15.033
Tax on profit for the year	4	<u>20.438</u>	<u>-3.321</u>
PROFIT FOR THE YEAR	5	<u>-80.230</u>	<u>11.712</u>

BALANCE SHEET

(DKK'000)

ASSETS	Note	2021	2020
Rental assets held by 3 rd party	6	3.423	3.230
Fittings and fixtures	6	5	11
TOTAL FIXED ASSETS		3.428	3.241
Inventories		126.340	33.781
Trade receivables		316.728	108.330
Amounts owed by group enterprises		4.246	1.798
Amounts owed by group enterprises (Cash Pool)	8	0	93.576
Deferred tax asset	4	30.265	2.080
Other receivables		27.755	5.854
Prepayments	7	464	7.764
Total receivables		379.458	219.402
TOTAL CURRENT ASSETS		505.798	253.183
TOTAL ASSETS		509.226	256.424

BALANCE SHEET

(DKK'000)	Note	2021	2020
LIABILITIES AND EQUITY			
EQUITY			
Share capital	9	1.300	1.300
Retained earnings		-11.516	68.714
Total equity		-10.216	70.014
PROVISIONS			
Other provisions	10	134.069	15.115
Total provisions		134.069	15.115
Long term liabilities other than provision			
Other liabilities	12	0	8.079
Total long term liabilities other than provision		0	8.079
Short term liabilities other than provisions			
Trade payables		21.313	13.185
Amounts owed to group enterprises		272.677	95.251
Payable joint taxation contribution	4	3.231	1.791
Prepayments liabilities	11	9.956	6.632
Other liabilities	12	78.196	46.357
Total short term liabilities other than provisions		385.373	163.216
Total liabilities other than provisions		385.373	171.295
Total liabilities		519.442	186.410
TOTAL LIABILITIES AND EQUITY		509.226	256.424

EQUITY

(DKK'000)	Share capital	Retained earnings	Total
Equity at 1 January 2021	1.300	68.714	70.014
Transferred, cf. profit appropriation	0	-80.230	-80.230
Equity at 31 December 2021	1.300	-11.516	-10.216

NOTES

1 Accounting Policies

The annual report of Roche Diagnostics A/S for 2021 has been presented in accordance with the provisions applying to reporting class C for large-sized entities under the Danish Financial Statements Act. The transition compared to the last financial year from the provisions of the Danish Financial Statements Act applying to reporting class C for medium-sized entities has not resulted in changes in recognition and measurement.

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 2021 Annual Report can be found via:

<https://www.roche.com/investors/annualreport21.htm>

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 ÅRL, 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
Fittings and fixtures	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.

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>2021</u>	<u>2020</u>
Wages and salaries	86.862	80.461
Pensions	6.955	6.055
Other social security costs	3.585	3.721
Total	<u>97.402</u>	<u>90.237</u>
Personal Expenses stated by function		
Cost of sales	15.624	22.768
Marketing & distribution expenses	67.673	58.559
Administrative expenses	14.105	8.910
Total	<u>97.402</u>	<u>90.237</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 108 full-time employees (2020: 96).

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 206 thousand (2020: DKK 337 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 and expenses	2021	2020
Financial intercompany income	16	32
Financial intercompany expenses	-54	-43
Financial 3 rd party income	35	2
Financial 3 rd party expenses	-217	-248
Total	-220	-257

4 Tax on profit for the year

Tax on profit for the year	2021	2020
Tax on profit for the year	6.008	3.844
Adjustment deferred tax	-28.147	-522
Adjustment prior year income tax	1.739	0
Adjustment prior year deferred tax	-38	0
Tax as per income statement	-20.438	3.321
Tax balance 1 January 2021	-1.791	-1.598
Paid taxes during the year	6.307	3.651
Adjustment prior year income tax	-1.739	1
Tax on profit for the year	-6.008	-3.844
Tax balance 31 December 2021	-3.231	-1.790
Deferred tax 1 January 2021	2.080	1.558
Adjustment deferred tax	28.147	523
Adjustment prior year deferred tax	38	0
Deferred tax 31 December 2021	30.265	2.080
Deferred tax concerns:		
Tangible fixed assets	550	467
Other Provision	29.715	1.613
	30.265	2.080

NOTES (DKK'000)

5 Proposed allocation of profits

	<u>2021</u>	<u>2020</u>
Proposed dividend	0	0
Retained earnings	<u>-80.230</u>	<u>11.712</u>
Total	<u>-80.230</u>	<u>11.712</u>

6 Tangible fixed assets

	<u>Rental assets Placed at 3rd party</u>	<u>Fittings and Fixtures</u>
Cost at 1 January 2021	14.060	2.147
Additions during the year	2.636	0
Disposals during the year	<u>-1.306</u>	<u>0</u>
Cost at 31 December 2021	<u>15.390</u>	<u>2.147</u>
Accumulated depreciations at 1 January 2021	10.830	2.136
Depreciation for the year	2.072	5
Depreciation on disposals	<u>-935</u>	<u>0</u>
Accumulated depreciations at 31 December 2021	<u>11.967</u>	<u>2.142</u>
Net book value at 31 December 2021	<u>3.423</u>	<u>5</u>

7 Prepayments

Prepayments	<u>2021</u>	<u>2020</u>
Unbilled trade receivables	0	6.900
Prepaid lease expenses	299	654
Prepaid insurance expenses	0	19
Other prepaid expenses	<u>165</u>	<u>864</u>
Total	<u>464</u>	<u>7.764</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.

10 Other Provisions

A liability of DKK 134.0692 thousand (2020: DKK 13,515 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>2021</u>	<u>2020</u>
Long term vacation pay accrual	0	8.079
Vacation pay accrual	2.761	4.043
VAT	57.046	27.376
Other salary related liabilities	18.389	14.936
Other Liabilities	<u>0</u>	<u>2</u>
Total	<u>78.196</u>	<u>54.436</u>

13 Contingent liabilities and obligations**Lease obligations**

Roche Diagnostics A/S has operating lease obligations of DKK 8,349 thousand at 31 December 2021 (2020: 11,005 tDKK) of which DKK 4,815 thousand is due within the next 12 months (2020: 5,140 tDKK).

Guarantees

Roche Diagnostics A/S has at 31 December 2021 provided bank guarantees of DKK 4,850 thousand (2020: 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 2021 (2020: 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.

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://assets.cwp.roche.com/f/126832/x/8df367bf68/fb21e.pdf>

	<u>2021</u>
Purchase of goods from group companies	-1.382.965
Purchase of services from group companies	-20.062
Sale of goods to group companies	3.662
Sale of service to group companies	2.322

The company's balances with group companies at December, 31 2021 are recognized in the balance sheet. Accounts receivable balances consist of services reinvoiced 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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