Roche posts good half year results

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Operating profit increases significantly faster than sales â€" double-digit growth for Core Earnings per share â€" outlook confirmed

Group

- Group first-half sales up 5% in local currencies (3% in Swiss francs, 7% in US dollars) to 24.6 billion Swiss francs.
- Operating profit (before exceptional items) up significantly, rising 11% in local currencies (10% in Swiss francs) to 8.8 billion Swiss francs â€" again advancing faster than sales.
- Net income rises 37% compared with first half of 2009; lower exceptional expenses relating to integration of Genentech.
- Core earnings per share up 11% in local currencies, 9% in Swiss francs.
- Full-year outlook for 2010 confirmed.

Key figures (January-June)	In millions of CHF		% change		As % of sales
	2010	**2009**	**In CHF**	**In LC[1]**	**2010**
Sales	24,636	24,006	+3	+5	100
Research and development	4,471	4,518	-1	+1	18.1
Operating profit before exceptional items	8,756	7,970	+10	+11	35.5
Operating free cash flow	6,426	6,778	-5	-4	26.1
Net income attributable to Roche shareholders (before exceptional	5,653	5,213	+8		

In millions of CHF		% change		As % of sales		
	items)					
	Net income	5,565	4,051	+37		22.6
	Core Earnings per share (CHF)	6.91	6.32	+9	+11	

1 LC= local currencies

Pharma

- Sales grow 4% in local currencies (1% in Swiss francs, 6% in US dollars); excluding Tamiflu, sales advance 6%, ahead of the global market.
- Major drivers are the Groups leading cancer medicines, as well as Lucentis, Actemra/RoActemra and Mircera; sales of oncology portfolio rise by 9% to 11.1 billion Swiss francs.
- Operating profit before exceptional items up 9% in local currencies (7% in Swiss francs).
- The FDAs Oncologic Drugs Advisory Committee (ODAC) votes that use of Avastin for previously untreated advanced HER2-negative breast cancer be removed from the US label. FDA's final decision expected by September 2010.
- US marketing application submitted for innovative breast cancer medicine Tâ€"DM1 (for advanced HER2-positive breast cancer) based on positive phase II results.
- Positive phase-III trial results with Avastin in advanced ovarian cancer.

Diagnostics

- Diagnostics sales grow 9% in local currencies (7% in Swiss francs, 12% in US dollars) â€" significantly faster than the global IVD market â€" driven primarily by Professional Diagnostics, Diabetes Care and Applied Science.
- Operating profit rises substantially, up 45% in local currencies (47% in Swiss francs).
- Strong benefit of cobas 4800 HPV test in screening for cervical cancer demonstrated by ATHENA, the largest clinical trial ever performed in this indication.

Barring unforeseen events.

Severin Schwan, CEO of Roche, on the Groups Half Year results: "Roche achieved a strong operating performance in the first half of 2010 despite an increasingly challenging market environment; net income for the period was up significantly. Excluding Tamiflu, Pharma sales increased faster than the market, and Diagnostics continued to grow significantly above the market rate. The US filing of T-DM1, an "armed antibodyâ€ for the treatment of HER-2 positive breast cancer, represents a

major step towards offering this innovative medicine to patients who have very limited treatment options."

Roche Group

Good half-year results

The Roche Group posted strong operating results in the first half of 2010. Group sales grew by 5% in local currencies (3% in Swiss francs; 7% in US dollars) to 24.6 billion Swiss francs. The Pharmaceuticals Division increased its sales by 4% in local currencies (1% in Swiss francs; 6% in US dollars) to 19.4 billion Swiss francs. Demand for the cancer drugs Avastin, MabThera/Rituxan, Herceptin, Xeloda and Tarceva continued to show strong growth. Overall sales of oncology products rose 9% in local currencies in the first half year, enabling Roche to solidify its leading market position in this segment. Other major growth drivers in the Pharmaceuticals Division included Lucentis in ophthalmology, Actemra/RoActemra for rheumatoid arthritis and Mircera for anemia. These positive factors more than offset the expected significant decline in Tamiflu sales. Excluding Tamiflu, sales growth was 6% in local currencies, again ahead of market growth. The Diagnostics Division expanded its market leadership as sales reached 5.3 billion Swiss francs in the first six months of 2010, a 9% growth rate in local currencies (7% in Swiss francs; 12% in US dollars).

This strong growth was led by the Professional Diagnostics units immunoassay business and Diabetes Cares Accu-Chek Aviva, Accu-Chek Performa and newly launched Accu-Chek Mobile blood glucose monitoring systems, followed by Applied Science with strong growth in the cell analysis segment.

The Groups operating profit before exceptional items increased significantly by 11% in local currencies (10% in Swiss francs), again substantially above sales growth. This rise was driven by the growth in sales and by further productivity improvements. The Pharmaceuticals Division improved its operating profit (before exceptional items) by 9% in local currencies and 7% in Swiss francs to 8.0 billion Swiss francs, due primarily to higher sales and cost synergies from the Genentech integration. The Diagnostics Divisions operating profit grew substantially, advancing 45% in local currencies and 47% in Swiss francs to 947 million Swiss francs, due mainly to strong sales growth and ongoing programmes to increase operational efficiency.

Group net income increased 37% to 5.6 billion Swiss francs, primarily as a result of the much lower exceptional charges incurred in respect of the Genentech transaction in the first half of 2010 compared with 2009. Excluding exceptional items, Group net income attributable to Roche shareholders rose 8% in Swiss francs. Core earnings per share, which does not include exceptional items or amortisation and impairment of intangible assets, increased 11% in local currencies (9% in Swiss francs).

The Groups operating free cash flow remained very solid at 6.4 billion Swiss francs.

Roche is accelerating repayment of the 48.2 billion Swiss francs borrowed on the capital market to finance the acquisition of all outstanding shares of Genentech in the first half of 2009. On 30 June 2010, 27% of the notes and bonds had already been repaid. Furthermore, in the second half of 2010 Roche will also repay, ahead of schedule, the 2.5 billion US dollar note due 1 March 2012. By the end of 2010 Roche will thus have repaid one third of the debt incurred to finance the Genentech transaction.

Full-year outlook for 2010 confirmed

Despite lower Tamiflu sales (expected to total 1 billion Swiss francs in the current year, down from 3.2 billion Swiss francs in 2009) and the more challenging market environment, Roche confirms its full-year outlook for 2010 on the basis of the positive half-year results.

Barring unforeseen events, Roche expects local currency sales growth in the mid-single-digit range for the Group and the Pharmaceuticals Division in 2010 (excluding Tamiflu sales). For the Diagnostics Division, Roche expects to grow significantly above the market.

Roche is also aiming for double-digit growth in core earnings per share at constant exchange rates.

Read the entire media release [1]

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