

Roche Group Half-Year Report 2008

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Note:

For annotations to these tables, please refer to the footnotes in the half-year report.
The Interim Consolidated Financial Statements are unaudited.

Roche Group Interim Consolidated Financial Statements

Roche Group consolidated income statement for the six months ended 30 June 2008

in millions of CHF

	Pharmaceuticals	Diagnostics	Corporate	Group
Sales	17.257	4.747	-	22.004
Royalties and other operating income	1.059	77	-	1.136
Cost of sales	(4.219)	(2.313)	-	(6.532)
Marketing and distribution	(3.164)	(1.207)	-	(4.371)
Research and development	(3.670)	(437)	-	(4.107)
General and administration	(670)	(286)	(133)	(1.089)
Operating profit before exceptional items	6.593	581	(133)	7.041
Major legal cases	315	-	-	315
Operating profit	6.908	581	(133)	7.356
Associated companies				-
Financial income				684
Financing costs				(447)
Profit before taxes				7.593
Income taxes				(1.861)
Net income				5.732
Attributable to				
- Roche shareholders				4.820
- Non-controlling interests				912
Earnings per share and non-voting equity security				
Basic (CHF)				5,60
Diluted (CHF)				5,50

Roche Group Interim Consolidated Financial Statements

Roche Group consolidated income statement for the six months ended 30 June 2007

in millions of CHF

	Pharmaceuticals	Diagnostics	Corporate	Group
Sales	18.268	4.559	-	22.827
Royalties and other operating income	1.070	88	-	1.158
Cost of sales	(4.828)	(1.992)	-	(6.820)
Marketing and distribution	(3.469)	(1.090)	-	(4.559)
Research and development	(3.657)	(360)	-	(4.017)
General and administration	(744)	(256)	(112)	(1.112)
Operating profit	6.640	949	(112)	7.477
Associated companies				-
Financial income				979
Financing costs				(479)
Profit before taxes				7.977
Income taxes				(2.115)
Net income				5.862
Attributable to				
- Roche shareholders				4.919
- Non-controlling interests				943
Earnings per share and non-voting equity security				
Basic (CHF)				5,73
Diluted (CHF)				5,62

Roche Group Interim Consolidated Financial Statements

Roche Group consolidated balance sheet

in millions of CHF

	30 June 2008	31 December 2007
Non-current assets		
Property, plant and equipment	17.560	17.832
Goodwill	8.088	6.835
Intangible assets	7.069	6.346
Investments in associated companies	9	9
Financial long-term assets	1.056	1.333
Other long-term assets	479	527
Deferred income tax assets	1.046	1.317
Post-employment benefit assets	1.173	1.332
Total non-current assets	36.480	35.531
Current assets		
Inventories	5.902	6.113
Accounts receivable	9.553	9.804
Current income tax assets	274	263
Other current assets	2.778	2.452
Marketable securities	11.648	20.447
Cash and cash equivalents	4.057	3.755
Total current assets	34.212	42.834
Total assets	70.692	78.365
Non-current liabilities		
Long-term debt	(3.682)	(3.834)
Deferred income tax liabilities	(1.621)	(1.527)
Post-employment benefit liabilities	(3.527)	(3.696)
Provisions	(666)	(688)
Other non-current liabilities	(479)	(723)
Total non-current liabilities	(9.975)	(10.468)
Current liabilities		
Short-term debt	(1.908)	(3.032)
Current income tax liabilities	(1.760)	(2.215)
Provisions	(579)	(1.517)
Accounts payable	(1.953)	(1.861)
Accrued and other current liabilities	(5.341)	(5.829)
Total current liabilities	(11.541)	(14.454)
Total liabilities	(21.516)	(24.922)
Total net assets	49.176	53.443
Equity		
Capital and reserves attributable to Roche shareholders	41.617	45.483
Equity attributable to non-controlling interests	7.559	7.960
Total equity	49.176	53.443

Roche Group Interim Consolidated Financial Statements

Roche Group consolidated cash flow statement

in millions of CHF

Six months ended 30 June

	2008	2007
Cash flows from operating activities		
Cash generated from operations	8.764	9.328
(Increase) decrease in working capital	(903)	(1.101)
Payments made for defined benefit post-employment plans	(185)	(193)
Utilisation of legal and environmental provisions	(507)	(262)
Utilisation of restructuring and other provisions	(272)	(190)
Other operating cash flows	3	-
Cash flows from operating activities, before income taxes paid	6.900	7.582
Income taxes paid	(2.122)	(2.728)
Total cash flows from operating activities	4.778	4.854
Cash flows from investing activities		
Purchase of property, plant and equipment	(1.527)	(1.566)
Purchase of intangible assets	(207)	(221)
Disposal of property, plant and equipment	41	91
Disposal of intangible assets	-	1
Disposal of products	284	68
Business combinations	(2.657)	(977)
Divestments of subsidiaries	-	-
Interest and dividends received	333	516
Sales of marketable securities	11.618	7.990
Purchases of marketable securities	(4.099)	(5.306)
Other investing cash flows	(114)	(3)
Total cash flows from investing activities	3.672	593
Cash flows from financing activities		
Proceeds from issue of long-term debt instruments	-	-
Repayment and redemption of long-term debt instruments	(1.000)	(717)
Increase (decrease) in other long-term debt	1	6
Transactions in own equity instruments	(88)	819
Change in ownership interest in subsidiaries		
- Chugai	(934)	-
- Ventana	(1.285)	-
Increase (decrease) in short-term borrowings	(52)	(343)
Interest and dividends paid	(4.041)	(3.061)
Exercises of equity-settled equity compensation plans	129	279
Genentech and Chugai share repurchases	(794)	(1.100)
Other financing cash flows	-	47
Total cash flows from financing activities	(8.064)	(4.070)
Net effect of currency translation on cash and cash equivalents	(84)	25
Increase (decrease) in cash and cash equivalents	302	1.402
Cash and cash equivalents at beginning of period	3.755	3.210
Cash and cash equivalents at end of period	4.057	4.612

Roche Group Interim Consolidated Financial Statements

Roche Group consolidated statement of recognised income and expense

in millions of CHF

Six months ended 30 June

	2008	2007
Available-for-sale investments		
- Valuation gains (losses) taken to equity	(184)	23
- Transferred to income statement on sale or impairment	1	(111)
Cash flow hedges		
- Gains (losses) taken to equity	(114)	8
- Transferred to income statement	49	-
- Transferred to the initial balance sheet carrying value of hedged items	-	-
Exchange differences on translation of foreign operations	(3.475)	537
Defined benefit post-employment plans		
- Actuarial gains (losses)	(136)	777
- Limit on asset recognition	(9)	(248)
Income taxes on items taken directly to or transferred from equity	99	(168)
Net income recognised directly in equity	(3.769)	818
Net income recognised in income statement	5.732	5.862
Total recognised income and expense	1.963	6.680
Attributable to		
- Roche shareholders	1.754	5.737
- Non-controlling interests	209	943
Total	1.963	6.680
Effect of changes in accounting policy attributable to		
- Roche shareholders	-	297
- Non-controlling interests	-	-
Total	-	297

Roche Group Interim Consolidated Financial Statements

Roche Group consolidated statement of changes in equity

in millions of CHF

	Roche shareholders	Non-controlling interests	Total
Six months ended 30 June 2007			
At 1 January 2007 - as previously published	39.444	7.370	46.814
Changes in accounting policy	297	-	297
At 1 January 2007 - restated	39.741	7.370	47.111
Net income recognised directly in equity	818	-	818
Net income recognised in income statement	4.919	943	5.862
Total recognised income and expense	5.737	943	6.680
Dividends paid	(2.930)	(56)	(2.986)
Transactions in own equity instruments	816	-	816
Equity compensation plans	357	280	637
Genentech and Chugai share repurchases	(600)	(500)	(1.100)
Convertible debt instruments	(244)	-	(244)
Changes in non-controlling interests	15	(15)	-
At 30 June 2007	42.892	8.022	50.914
Six months ended 30 June 2008			
At 1 January 2008	45.483	7.960	53.443
Net income recognised directly in equity	(3.066)	(703)	(3.769)
Net income recognised in income statement	4.820	912	5.732
Total recognised income and expense	1.754	209	1.963
Ventana acquisition	-	321	321
Dividends paid	(3.969)	(45)	(4.014)
Transactions in own equity instruments	(88)	-	(88)
Equity compensation plans	327	237	564
Genentech share repurchases	(445)	(349)	(794)
Changes in ownership interests in subsidiaries			
- Chugai	(530)	(404)	(934)
- Ventana	(964)	(321)	(1.285)
Changes in non-controlling interests	49	(49)	-
At 30 June 2008	41.617	7.559	49.176

Operating Segment Information

Divisional information

in millions of CHF

Six months ended 30 June	Pharmaceuticals Division		Diagnostics Division		2008	Corporate		Group 2007
	2008	2007	2008	2007		2007	2008	
Revenues from external customers								
Sales	17.257	18.268	4.747	4.559	-	-	22.004	22.827
Royalties and other operating income	1.059	1.070	77	88	-	-	1.136	1.158
Total	18.316	19.338	4.824	4.647	-	-	23.140	23.985
Revenues from other operating segments								
Sales	3	3	5	2	-	-	8	5
Royalties and other operating income	-	-	-	-	-	-	-	-
Elimination of inter-divisional income	-	-	-	-	-	-	(8)	(5)
Total	3	3	5	2	-	-	-	-
Segment results								
Operating profit before exceptional items	6.593	6.640	581	949	(133)	(112)	7.041	7.477
Major legal cases	315	-	-	-	-	-	315	-
Operating profit	6.908	6.640	581	949	(133)	(112)	7.356	7.477
Capital expenditure								
Business combinations	203	75	3.234	871	-	-	3.437	946
Additions to property, plant and equipment	1.000	1.185	539	398	1	1	1.540	1.584
Additions to intangible assets	205	423	2	6	-	-	207	429
Total capital expenditure	1.408	1.683	3.775	1.275	1	1	5.184	2.959
Research and development								
Research and development costs	3.670	3.657	437	360	-	-	4.107	4.017
Other segment information								
Depreciation of property, plant and equipment	470	451	313	283	3	2	786	736
Amortisation of intangible assets	249	315	223	157	-	-	472	472
Impairment of property, plant and equipment	-	2	8	-	-	-	8	2
Impairment of goodwill	-	-	-	-	-	-	-	-
Impairment of intangible assets	30	16	-	-	-	-	30	16
Equity compensation plan expenses	266	297	19	11	8	7	293	315

Operating Segment Information

Pharmaceuticals sub-divisional information

in millions of CHF

Six months ended 30 June	Roche Pharmaceuticals		Genentech			Chugai	Pharmaceuticals Division	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenues from external customers								
Sales	10.938	11.367	4.867	5.227	1.452	1.674	17.257	18.268
Royalties and other operating income	495	473	556	548	8	49	1.059	1.070
Total	11.433	11.840	5.423	5.775	1.460	1.723	18.316	19.338
Revenues from other operating segments								
Sales	282	345	295	634	13	-	590	979
Royalties and other operating income	7	4	825	694	65	43	897	741
Elimination of income within division							(1.484)	(1.717)
Total	289	349	1.120	1.328	78	43	3	3
Segment results								
Operating profit before exceptional items	3.693	3.583	2.630	2.949	279	334	6.602	6.866
Elimination of inter-divisional profit							(9)	(226)
Sub-total	3.693	3.583	2.630	2.949	279	334	6.593	6.640
Major legal cases	-	-	315	-	-	-	315	-
Operating profit	3.693	3.583	2.945	2.949	279	334	6.908	6.640
Capital expenditure								
Business combinations	203	75	-	-	-	-	203	75
Additions to property, plant and equipment	374	383	442	672	184	130	1.000	1.185
Additions to intangible assets	125	85	80	338	-	-	205	423
Total capital expenditure	702	543	522	1.010	184	130	1.408	1.683
Research and development								
Research and development costs	2.149	2.189	1.262	1.228	292	304	3.703	3.721
Elimination of costs within division							(33)	(64)
Total	2.149	2.189	1.262	1.228	292	304	3.670	3.657
Other segment information								
Depreciation of property, plant and equipment	267	257	160	158	43	36	470	451
Amortisation of intangible assets	124	200	92	81	33	34	249	315
Impairment of property, plant and equipment	-	1	-	-	-	1	-	2
Impairment of goodwill	-	-	-	-	-	-	-	-
Impairment of intangible assets	30	16	-	-	-	-	30	16
Equity compensation plan expenses	56	52	209	244	1	1	266	297

Divisional Results

Pharmaceuticals Division results for the six months ended 30 June

	2008 (mCHF)	2007 (mCHF)	% change (CHF)	% change (local currencies)
Sales	17.257	18.268	-6	+3
Royalties and other operating income	1.059	1.070	-1	+10
Cost of sales	(4.219)	(4.828)	-13	-5
Marketing and distribution	(3.164)	(3.469)	-9	-1
Research and development	(3.670)	(3.657)	0	+11
General and administration	(670)	(744)	-10	-1
Operating profit before exceptional items	6.593	6.640	-1	+8
- margin, % of sales	38,2	36,3	+1,9	
Operating free cash flow	4.685	4.835	-3	+6
- margin, % of sales	27,1	26,5	+0,6	

Pharmaceuticals sub-divisional results for the six months ended 30 June

	Sales (mCHF)	Operating profit before exceptional items (mCHF)	Operating profit before exceptional items as % of sales	Operating free cash flow (mCHF)	Operating free cash flow as % of sales
2008					
Roche Pharmaceuticals	10.938	3.693	33,8	3.204	29,3
Genentech	4.867	2.630	54,0	1.236	25,4
Chugai	1.452	279	19,2	245	16,9
Elimination within division	-	(9)	-	-	-
Pharmaceuticals Division	17.257	6.593	38,2	4.685	27,1

2007

Roche Pharmaceuticals	11.367	3.583	31,5	2.724	24,0
Genentech	5.227	2.949	56,4	1.725	33,0
Chugai	1.674	334	20,0	386	23,1
Elimination within division	-	(226)	-	-	-
Pharmaceuticals Division	18.268	6.640	36,3	4.835	26,5

Diagnostics Division results for the six months ended 30 June

	2008 (mCHF)	2007 (mCHF)	% change (CHF)	% change (local currencies)
Sales	4.747	4.559	+4	+11
Royalties and other operating income	77	88	-13	-5
Cost of sales	(2.313)	(1.992)	+16	+25
Marketing and distribution	(1.207)	(1.090)	+11	+19
Research and development	(437)	(360)	+21	+29
General and administration	(286)	(256)	+12	+22
Operating profit	581	949	-39	-37
- margin, % of sales	12,2	20,8	-8,6	
Operating free cash flow	251	745	-66	-61
- margin, % of sales	5,3	16,3	-11,0	

Supplementary Net Income and EPS Information

Profit from continuing businesses before exceptional items and Core net income <i>in millions of CHF</i>	Six months ended 30 June	
	2008	2007
Net income	5.732	5.862
Major legal cases	(315)	-
- income taxes	123	-
	(192)	-
Net income before exceptional items	5.540	5.862
Non-controlling interests		
- net income	(912)	(943)
- exceptional items (major legal cases)	85	-
	(827)	(943)
Net income attributable to Roche shareholders (before exceptional items)	4.713	4.919
Amortisation and impairment of intangible assets	502	488
- income taxes	(166)	(173)
- non-controlling interests	(26)	(23)
	310	292
Core net income	5.023	5.211

Supplementary Net Income and EPS Information

EPS (continuing businesses before exceptional items) and Core EPS

Six months ended 30 June	EPS (continuing businesses before exceptional items)		Core EPS	
	2008	2007	2008	2007
Net income (millions of CHF)	4.713	4.919	5.023	5.211
Elimination of interest expense, net of tax, of convertible debt instruments, where dilutive	-	4	-	4
Increase in non-controlling share of net income, net of tax, assuming all outstanding Genentech and Chugai stock options exercised	(73)	(77)	(75)	(79)
Net income used to calculate diluted earnings per share	4.640	4.846	4.948	5.136
Per share information (millions of shares and non-voting equity securities)				
Weighted average number of shares and non-voting equity securities in issue	860	858	860	858
Adjustment for assumed conversion of convertible debt instruments, where dilutive	-	2	-	2
Adjustment for equity compensation plans, where dilutive	1	3	1	3
Weighted average number of shares and non-voting equity securities in issue used to calculate diluted earnings per share	861	863	861	863
Earnings per share (diluted) (CHF)	5,39	5,62	5,75	5,95

Roche Securities

Number of shares and non-voting equity securities	30 June 2008	30 June 2007
Number of shares	160.000.000	160.000.000
Number of non-voting equity securities	702.562.700	702.562.700
Total	862.562.700	862.562.700

Data per share and non-voting equity security in CHF	Six months ended 30 June	
	2008	2007
Diluted earnings per share and non-voting equity security	5,50	5,62
Stock price of share		
Opening	213,00	247,50
High	229,50	266,25
Low	182,00	230,50
Period end	203,40	244,40
Stock price of non-voting equity security		
Opening	195,60	218,50
High	208,60	240,10
Low	164,60	208,50
Period end	184,00	217,40

Market capitalisation in millions of CHF	30 June 2008	31 December 2007	30 June 2007
Period end	161.268	171.060	191.081

Each non-voting equity security (Genussschein) confers the same rights as any of the shares to participate in the available earnings and any remaining proceeds from liquidation following repayment of the nominal value of the shares and the participation certificate capital (if any). Shares and non-voting equity securities are listed on the Swiss Exchange. Roche Holding Ltd has no restrictions as to ownership of its shares or non-voting equity securities.
All stock price data reflect daily closing prices.