

Basel, 17 August 2000

## Roche with record net income in the first half 2000

### [Half-Year Media Conference](#)

In the first half of 2000 the Roche Group achieved record results. Consolidated sales reached 14.8 billion Swiss francs, an increase of 10% over the previous year, operating profit reached 5.2 billion Swiss francs, a rise of 585% compared to 1999, and net income increased by 339% to 6.2 billion Swiss francs. These results were driven by double-digit operating profit growth in Pharmaceuticals and in Diagnostics, stable profit margins in Vitamins and Fine Chemicals, a strong financial performance as well as by a substantial gain on the sale of Genentech shares.

The Group's accounting policies had to be adapted to new and revised International Accounting Standards (IAS). This affected in particular past acquisitions, intangible assets and the related amortisation. To improve the comparability of current and future consolidated results adjusted figures are presented for both 1999 and 2000 half-years. These show the recurring accounting effects of the new and revised International Accounting Standards which became effective on 1 January 2000 and of the purchase of the remaining outstanding shares of Genentech in June 1999 as if they had already taken place at the beginning of 1999. Furthermore, they exclude special items and include only the continuing businesses, i.e. excluding Fragrances and Flavours Division. Detailed explanations of the adjusted figures are given in the section Consolidated Income Statements on an Adjusted Basis. The changes in accounting policy are explained in more detail in the Notes to the Interim Condensed Consolidated Financial Statements.

Also on an adjusted basis these results reflect a record performance. Group sales rose by 11% in Swiss francs - 3% in local currencies - to 13.7 billion Swiss francs, EBITDA (earnings before interest, tax, depreciation and amortisation) increased by 11% to 3.7 billion Swiss francs, operating profit by 11% to 2.4 billion Swiss francs and net income by 13% to 3.0 billion Swiss francs.

All three divisions contributed to the double-digit Swiss franc sales growth. After the very successful introduction of Xenical last year, the Pharmaceuticals Division experienced less strong growth, particularly in the second quarter. Rocephin had seasonally lower sales, and there was also a fall in sales following the patent expiry on Versed/Dormicum and Ticlid in the United States. The sales development in the Diagnostics Division significantly outperformed the market mainly driven by new products and the strong position in high market growth areas. Sales in the Vitamins and Fine Chemicals Division were down slightly in local currencies due to lower prices and the divestment of the medicinal feed additives business in May 2000.

The increase in Group EBITDA and operating profit of 11% each on an adjusted basis is mainly driven by the 11% increase in sales and an improved gross profit margin. Marketing and distribution costs increased by 21%. By focussing on promising therapeutic areas research and development costs increased by only 10%. Other operating income and expenses also contributed to the good results mainly due to absence of certain 1999 expenses. The EBITDA and operating profit margins of all divisions were improved or at least maintained.

Net financial income increased by more than 20% to 1.2 billion Swiss francs primarily as a result of net gains on sales of marketable securities. The Group's liquidity improved by 5.6 billion Swiss francs during the first half of 2000, mainly as a result of the sale of Genentech shares and the operating and financial performance. At the end of June 2000, three years after the acquisition of Corange / Boehringer Mannheim, Roche is in a net liquidity position of 2.7 billion Swiss francs.

On 29 March 2000 the Group sold 17.3 million shares of Genentech through a public offering yielding proceeds of 2.8 billion US dollars. The resulting pre-tax gain after incidental costs was 3.9 billion Swiss francs. Roche now holds approximately 59% of Genentech shares, which is approximately the amount of the majority holding originally acquired in 1990.

On 8 June 2000 the Fragrances and Flavours Division was listed on the stock exchange as an independent company under the name Givaudan. The shares in Givaudan were distributed as a special dividend to all holders of Roche shares and non-voting equity securities on a one-for-one basis.

<b>Key figures</b> <i>in millions of CHF</i>	<b>Actual half-year figures</b>			<b>Adjusted half-year figures<sup>a)</sup></b>		
	<b>2000</b>	<b>1999</b>	<b>% change</b>	<b>2000</b>	<b>1999</b>	<b>% change</b>
Sales	<b>14,808</b>	13,404	+ 10	<b>13,679</b>	12,368	+ 11
EBITDA <sup>b)</sup>	<b>7,843</b>	1,849	+324	<b>3,749</b>	3,363	+ 11
Operating profit	<b>5,242</b>	765	+585	<b>2,377</b>	2,133	+ 11
Net income	<b>6,203</b>	1,414	+339	<b>2,978</b>	2,631	+ 13
Research and development	<b>1,931</b>	1,757	+ 10	<b>1,900</b>	1,729	+ 10
Additions to property, plant and equipment	<b>936</b>	785	+ 19	<b>868</b>	726	+ 20

### Personnel

Number of employees at 30 June	<b>63,865</b>	66,841	- 4	<b>63,865</b>	62,020	+ 3
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### Ratios

EBITDA as % of sales	<b>53</b>	14		<b>27</b>	27	
Operating profit as % of sales	<b>35</b>	6		<b>17</b>	17	
Net income as % of sales	<b>42</b>	11		<b>22</b>	21	
Research and development as % of sales	<b>13</b>	13		<b>14</b>	14	

### Data on shares and non-voting equity securities *in CHF*

Net income per share and non-voting equity security (diluted) <sup>c)</sup>	<b>719</b>	164		<b>345</b>	305	
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<b>Sales by Division</b> <i>in millions of CHF</i>	<b>First half 2000</b>	<b>First half 1999</b>	<b>% Change (CHF)</b>	<b>% Change (local currencies)<sup>d)</sup></b>
Pharmaceuticals	<b>8,856</b>	8,082	+ 10	+ 2
Diagnostics	<b>2,969</b>	2,491	+ 19	+ 12
Vitamins and Fine Chemicals	<b>1,854</b>	1,795	+ 3	- 4
Sales	<b>13,679</b>	12,368	+ 11	+ 3

- a) The adjusted figures are presented to improve the comparability of current and future consolidated results. They show the recurring accounting effects of the new and revised International Accounting Standards which became effective on 1 January 2000 and of the acquisition of the remaining outstanding shares of Genentech in June 1999 as if they had already taken place at the beginning of 1999. Furthermore, they exclude special items (impairment charge, gain on sales of Genentech shares, vitamin case, Genentech legal settlements and credit for changes in accounting policy) and include only the continuing businesses, i.e. excluding Fragrances and Flavours Division.
- b) EBITDA: Earnings before interest (and other financial income), tax, depreciation and amortisation. This corresponds to operating profit before depreciation and amortisation.
- c) The diluted net income per share figures assume that the own equity instruments held are outstanding.
- d) Effect of high-inflation currencies eliminated.

## **Outlook: building on strengths in the pioneering field of molecular genetic medicine**

As a major global supplier of pharmaceuticals and the world market leader in in-vitro diagnostics, Roche is uniquely positioned to capitalise on the rapid pace of discovery in the biosciences, transforming new knowledge into tailor-made products and product packages for the prevention, diagnosis and treatment of disease. The recent decision to redirect research at the Basel Institute for Immunology, which will become a centre for medical genomics, is part of Roche's growing commitment to the cutting-edge fields of genetics, genomics and proteomics. Roche's efforts in these fields are focused on 18 disease areas with significant unmet medical needs and a large market potential. The work being done at the Group's research centres on innovative diagnostic tests and medicines is supported by strategic alliances with industry leaders such as Affymetrix (GeneChip technology), deCode (human genetics) and Incyte (genomic databases).

In the near term the Pharmaceuticals Division anticipates an upturn in sales revenues, with growth coming particularly from sales of Roaccutan/Accutane, Xenical, CellCept, NeoRecormon, Herceptin, Mabthera/Rituxan and Xeloda and from Genentech's US product sales. In addition, Tamiflu is expected to be approved in Japan before the start of the next flu season, with European marketing authorisation expected to follow next year. Market launches planned for 2001 include the rollout of Pegasys in the United States and other countries. The division's research and development portfolio, which currently comprises a total of almost 170 research projects and some 70 projects in development, including 26 new chemical entities, provides a solid basis for the future.

In the second half of the year the Diagnostics Division expects sales to continue growing well ahead of the market, enabling it to extend its market lead further. In the laboratory systems segment, marketing clearance for the Cobas Integra 800 and the launch of Elecsys Modular are expected to stimulate additional growth. The Patient Care business has been strengthened by the products acquired from AVL and by the launch of new tests for drugs of abuse. In the fast-growing molecular diagnostics segment, the highly efficient Cobas AmpliPrep is slated for launch in the fourth quarter. Roche Molecular Biochemicals also expects demand to continue to rise sharply.

Excluding the divestment of its medicinal feed additives business, the Vitamins and Fine Chemicals Division expects to post another full-year rise in sales, with world market prices becoming more stable, and volume growth somewhat less dynamic, in the second half. The division will focus more sharply on expanding its sales of high-quality vitamin and carotenoid products in order to maintain its global lead in these core businesses.

Barring extraordinary events, Roche anticipates another good full-year result in 2000.

As of 07.30 CET you can download the Half-Year Report 2000 from <http://www.roche.com> and as of 09.00 CET the speeches and presentation slides from the media conference. As of 10.00 CET you can follow the media conference on the Internet in English and in German live from Basel.