

A blue-tinted photograph of a laboratory setting. In the foreground, a person's face is partially visible on the left, wearing a white surgical cap. In the background, a scientist in a white lab coat and gloves is operating a large, complex piece of laboratory equipment, likely a microscope or a specialized imaging device. The overall scene is brightly lit with a strong blue color cast.

# Finance Report 2015

# Pharmaceuticals Division operating results

## Pharmaceuticals Division operating results

	2015 (CHF m)	2014 (CHF m)	% change (CHF)	% change (CER)
<b>IFRS results</b>				
Sales	37,331	36,696	+2	+5
Royalties and other operating income	2,119	2,273	-7	-11
Cost of sales	(10,249)	(8,013)	+28	+29
Marketing and distribution	(6,154)	(6,130)	0	+3
Research and development	(8,367)	(8,380)	0	0
General and administration	(1,677)	(2,142)	-22	-21
<b>Operating profit</b>	<b>13,003</b>	<b>14,304</b>	<b>-9</b>	<b>-3</b>
- margin, % of sales	34.8	39.0	-4.2	-3.1
<b>Core results<sup>1)</sup></b>				
Sales	37,331	36,696	+2	+5
Royalties and other operating income	2,119	2,273	-7	-11
Cost of sales	(7,900)	(7,551)	+5	+7
Marketing and distribution	(6,066)	(5,974)	+2	+4
Research and development	(8,134)	(7,876)	+3	+4
General and administration	(1,295)	(1,567)	-17	-17
<b>Core operating profit</b>	<b>16,055</b>	<b>16,001</b>	<b>0</b>	<b>+5</b>
- margin, % of sales	43.0	43.6	-0.6	+0.2
<b>Financial position</b>				
Net working capital	4,437	5,888	-25	-18
Long-term net operating assets	26,179	25,060	+4	+6
<b>Net operating assets</b>	<b>30,616</b>	<b>30,948</b>	<b>-1</b>	<b>+1</b>
<b>Free cash flow</b>				
Operating free cash flow	14,482	14,821	-2	-5
- margin, % of sales	38.8	40.4	-1.6	-4.1

1) See pages 131-134 for definition of Core results and Core EPS.

## Sales overview

### Pharmaceuticals Division – Sales by therapeutic area

Therapeutic area	2015 (CHF m)	2014 (CHF m)	% change (CER)	% of sales (2015)	% of sales (2014)
Oncology	23,661	22,797	+8	63	62
Immunology	6,228	5,087	+24	17	14
Infectious diseases	2,051	3,194	-34	5	9
Ophthalmology	1,520	1,701	-15	4	5
Neuroscience	648	726	-1	2	2
Other therapeutic areas	3,223	3,191	+4	9	8
<b>Total sales</b>	<b>37,331</b>	<b>36,696</b>	<b>+5</b>	<b>100</b>	<b>100</b>

Pharmaceuticals Division sales increased by 5% at CER, with strong growth in oncology and immunology products. Sales growth was primarily driven by the following products: Herceptin, Avastin, Perjeta, Esbriet, MabThera/Rituxan, Actemra/RoActemra and Kadcyla. These products together contributed CHF 3.2 billion at CER to sales growth.

The growth of 19% in the HER2 franchise resulted from increased demand for Perjeta and Herceptin in combination therapy and continued uptake of Kadcyla. Avastin sales grew in all regions driven by increased use in recently launched indications. MabThera/Rituxan sales also increased, notably in the US. Sales in immunology increased due to demand for Esbriet, following its US launch in late 2014, due to the growth of Actemra/RoActemra in all regions in its subcutaneous formulation and Xolair, which grew by 25% due to increasing uptake for the recently launched indication chronic idiopathic urticaria.

Sales of Pegasys declined due to competition from a new generation of treatments and sales of Valcyte/Cymevene and Xeloda fell due to generic competition. Tamiflu sales were lower due to a relatively mild influenza season in late 2015 compared to the severe season in late 2014, while sales of Lucentis declined due to strong competition.

## Product sales

### Pharmaceuticals Division – Sales

	2015 (CHF m)	2014 (CHF m)	% change (CER)	% of sales (2015)	% of sales (2014)
<b>Oncology</b>					
Avastin	6,684	6,417	+9	18	17
Herceptin	6,538	6,275	+10	17	17
MabThera/Rituxan <sup>1)</sup>	5,640	5,603	+4	15	15
Perjeta	1,445	918	+61	4	3
Tarceva	1,181	1,292	-7	3	4
Kadcyla	769	536	+51	2	1
Xeloda	513	776	-31	1	2
Zelboraf	214	301	-21	1	1
Others	677	679	+5	2	2
<b>Total Oncology</b>	<b>23,661</b>	<b>22,797</b>	<b>+8</b>	<b>63</b>	<b>62</b>
<b>Immunology</b>					
Actemra/RoActemra	1,432	1,224	+23	4	3
MabThera/Rituxan <sup>1)</sup>	1,405	1,297	+11	4	4
Xolair	1,277	975	+25	3	3
CellCept	785	811	0	2	2
Pulmozyme	652	597	+10	2	2
Esbriet	563	44	Over +500	2	0
Others	114	139	-32	0	0
<b>Total Immunology</b>	<b>6,228</b>	<b>5,087</b>	<b>+24</b>	<b>17</b>	<b>14</b>
<b>Infectious diseases</b>					
Tamiflu	705	959	-28	2	3
Pegasys	538	1,015	-44	1	3
Valcyte/Cymevene	369	726	-45	1	2
Rocephin	279	283	+2	1	1
Others	160	211	-19	0	0
<b>Total Infectious diseases</b>	<b>2,051</b>	<b>3,194</b>	<b>-34</b>	<b>5</b>	<b>9</b>
<b>Ophthalmology</b>					
Lucentis	1,520	1,701	-15	4	5
<b>Total Ophthalmology</b>	<b>1,520</b>	<b>1,701</b>	<b>-15</b>	<b>4</b>	<b>5</b>
<b>Neuroscience</b>					
Madopar	275	292	+4	1	1
Others	373	434	-4	1	1
<b>Total Neuroscience</b>	<b>648</b>	<b>726</b>	<b>-1</b>	<b>2</b>	<b>2</b>
<b>Other therapeutic areas</b>					
Activase/TNKase	935	747	+20	3	2
Mircera	475	417	+21	1	1
NeoRecormon/Epogin	366	460	-11	1	1
Nutropin	207	214	-8	1	0
Others	1,240	1,353	-2	3	4
<b>Total other therapeutic areas</b>	<b>3,223</b>	<b>3,191</b>	<b>+4</b>	<b>9</b>	<b>8</b>
<b>Total sales</b>	<b>37,331</b>	<b>36,696</b>	<b>+5</b>	<b>100</b>	<b>100</b>

1) Total MabThera/Rituxan sales of CHF 7,045 million (2014: CHF 6,900 million) split between oncology and immunology franchises.