ILLUMINA INC
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SCHEDULE 14A
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INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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Corrected Transcript

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Roche Holding AG (R O . C H)
Q4 2011 Earnings Call - New York

Roche Holding AG (RO.CH)
Q4 2011 Earnings Call - New York

Corrected Transcript
03-Feb-2012

CORPORATE PARTICIPANTS

Severin Schwan
Chief Executive Officer, Roche Holding AG

Daniel O'Day
Diagnostics Division, Chief Operating Officer, Roche Holding AG

Pascal Soriot
Pharmaceuticals Division, Chief Operating Officer, Roche Holding AG

Alan Hippe
Chief Financial & Information Technology Officer, Roche Holding AG

MANAGEMENT DISCUSSION SECTION

Severin Schwan
Chief Executive Officer, Roche Holding AG

Good afternoon, ladies and gentlemen. 2011 has been a good year for Roche. We achieved all our financial goals and very importantly, we made significant progress in our late-stage pipeline.

I'd like to start with an overview on the financials. Overall group sales at constant rate, up by 2%; Pharma up by 1%, in line with the market, in spite of the expected decline of Avastin in metastatic breast cancer here in the U.S; Diagnostics, up by 6%, primarily driven by our so-called Professional Diagnostics and by tissue-based Diagnostics.

We are fully on track in terms of our savings from our program Operational Excellence. We achieved CHF 1.8 billion in savings. Core EPS, up by 11% and based on these results, we can increase the dividend by 3% to CHF 6.80, as the Board has proposed for the upcoming annual assembly.

Now, when I stood here last year, I stressed two dimensions. On the one hand, of course, our strategy remains very much focused on innovation, on science and on the progress of our pipeline. But at the same time, in this challenging environment, it is equally important to work on our productivity. That, of course, is very much the case with the progress we made in Operational Excellence, by the growth beyond the synergies we achieve here in terms of improving productivity across all functions in all parts of the organization, and also having a local networking capital, as you will see later.

Now, let me start on the productivity dimension. Again, we increased our margin, which stands now at 36% on the group level, and as can see on the next slide, Operational Excellence really is a very important component of this development. We lost about CHF 600 million from the various austerity measures in Europe, the healthcare reform, the excise tax, in particular, in the United States. As expected, we had a decline in Tamiflu, we had a decline in Avastin, and we lost patents on two products, namely, CellCept and Boniva. You can see a compensating effect with the profit growth of our underlying business, but very importantly, cost savings of CHF 1.8 billion. Otherwise, we would not have been achieved this margin improvement.

As far as the dividend is concerned, let me just emphasize that we have now a payout ratio of 55%, and also, let me emphasize that we will keep to this attractive dividend policy irrespective of the planned Illumina acquisition.

Now let's shift to the pipeline. 2011 was really an outstanding year in terms of our pipeline progress. As you can see, 17 of our 20 late-stage clinical trials delivered positive result. That is amazing, I think, not only for Roche, but also from an industry perspective. And obviously, these results were feeding our late-stage pipeline. We have now 12 new molecular entities in late-stage and you can see the progress we made in 2011. We filed three new products

and two of those have already been approved here in the U.S., Zelboraf against malignant melanoma, and a couple of day ago, Erivedge, a novel treatment against basal cell carcinoma, the most common form of skin cancer.

Let me also point out that personalized healthcare is getting a reality. The concept of targeting specific patient populations by means of companion diagnostics is now moving to patients. Zelboraf has certainly been the highlight in this respect, but you can see that in our late-stage pipeline, six out of 12. So, this is half of our portfolio is being developed in combination with companion diagnostic tests.

Just a few words regarding the planned Illumina acquisition. You have seen that we have outgrown the market in diagnostics year-over-year over the last years. And I believe one of the key success factors has been our broad portfolio of diagnostic tests, which we can offer to our diagnostic customers. And in order to be able to offer such a growth portfolio, you need the key underlying technologies, which are necessary to measure the biomarkers in the various human samples, and we have developed such technologies in-house.

If you look back over the last 20 years, from time to time, we made acquisitions to get some of these key technologies in-house. Beginning of the '90s, PCR, which today is the basis of molecular diagnostics, a multi-billion segment, where we keep market leadership. IGEN, which gave us full access to the ECL technology, the basis for our immunology growth, which we enjoy today. And as you know, a couple of years ago, we invested into the underlying technologies to do tissue-based testing. And we do believe that gene sequencing will be a key technology platform for the future.

Let me shift to include 2012. Really, the key message of this slide is that we will see an acceleration of our growth, driven by the diagnostics business, but also the key franchises in Pharma. You see Avastin turning to growth again and also very much driven by the new launches, Zelboraf, Erivedge, and also the expected launch of pertuzumab in the second half of this year.

At the same time, as I said earlier, we will continue the focus on efficiency improvement. There's another CHF 600 million to go to reach the planned savings from the Operational Excellence program and we have also have an increased focus on net working capital, in particular, in Europe, where we have relatively high outstandings.

To conclude, we expect sales growth to accelerate for the Group and Pharma through the low and mid single digits, diagnostics, again, above the market, full savings on Operational Excellence, as announced and planned, of CHF 2.4 billion, high single digit core EPS growth and an attractive dividend outlook. And again, let me reiterate, we will stick to this attractive dividend policy in spite of the planned Illumina acquisition.

With this, I'd like to hand over to Pascal for Pharma.

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Pascal Soriot
Pharmaceuticals Division, Chief Operating Officer, Roche Holding AG

Thank you, Severin, and good afternoon, everybody. It's really a pleasure to be here. And I have to say, as Severin was telling you a minute ago, it's a much more comfortable position to talk to you this year than certainly last year, when we had to report back on an unfortunate series of setbacks in our portfolio and we were announcing the Operational Excellence program for 2011.

I think this year, what the key message is that we'd like to leave with you is that for Pharma, 2011 was really a transition year and we've made enormous progress on what we told you, a year ago, we would actually try to achieve. We've achieved our Operational Excellence savings, almost completed, still a little bit of way to go, but essentially completed. From a sales viewpoint, you will see in a minute, we can say it is a transition year, but there

is an acceleration that we can report back and from a portfolio viewpoint, which is the most important part of all, we have made enormous progress and I will cover some examples of this.

If we start with sales, essentially, we grew by about 1%, excluding Tamiflu. As you can see here, we grew by 3% in the United States, declined in Japan and in Europe and grew in the international region. That 1% is not much, but it is very much in line with the global market that grew by 0% to 1%. I would like to remind you [indiscernible] (10:02) many ways of our estimates, the growth of the market. If you look at Pharma, evaluate it, underestimate it, because of exchange rate issues, our best estimate is the market is flat to growing by 1%. So, we are very much in line with this, but certainly not sufficient in our view.

The good news is that quarter four was certainly better. You can see here that Europe is starting to pick up a little bit and pick up is probably not a great word, because we are still declining, but the decline is less than it has been in the previous quarter. So, hopefully, we are starting to leave the austerity measures behind us and also the effect of Avastin breast cancer behind us. You can see here, the U.S. growth was certainly much better and we accelerated in the international region as well for a total growth rate of about 3%. Japan was still impacted by the aftermath of the earthquake and the accident in the nuclear site and we hope 2012 will look certainly better than that.

If you look at it from a product viewpoint, no surprise here. Our growth was driven by Herceptin and MabThera. I'd just like to point out one thing related to Herceptin is this blue color that you see here representing the international region and that gives you a sense of the fact that the emerging markets are starting to represent a pretty substantial part of our total growth for products like Herceptin, for MabThera. For MabThera, to a lesser extent, because the maintenance and the CLL indications are still driving growth in Europe and the U.S., but certainly in the years to come, we expect this blue part to grow even for MabThera.

So, growth is driven by those two products that are experiencing pretty nice growth rates. Lucentis did very well in the United States. I'll come back to this. Actemra is still doing very well. Not surprisingly, of course, but sadly, Avastin declined. You see here a pretty substantial decline in the United States in green at the bottom of the chart. We also experienced patent expiries of Boniva and CellCept and that impacted us, and what's not represented here is the decline of Tamiflu due to the pandemic sales going away.

So, Tamiflu pandemic is hopefully behind us. Avastin, I have to say, the breast cancer issue is hopefully behind us and on a quarter-to-quarter basis, our patient share in breast cancer in the United States is starting to level off and stabilize. So, we expect some growth in 2012 for Avastin on a global basis, driven by the emerging markets, driven by the ovarian indication in Europe and driven by continued growth in colorectal cancer.

What you don't see on this graph is Pegasys. Pegasys was more or less flat in 2011, but in the last part of the year, especially the last quarter, we had growth in particular in the U.S. and we expect that growth to continue in 2012, essentially, as you know, due to the launch of the new oral agents and the combination with Pegasys. I can report that we have in the United States about 90% share with Pegasys now, so we are very happy with the development of this product.

Our P&L resembles very much the corporate, the overall company P&L. As you can see here, profit was essentially driven by cost reductions in cost of sales, in commercial expenses, in R&D as well, minus 2%, more or less flat. And in G&A, the growth you see here is essentially due to the excise tax, which is the charge to G&A. But if you look at pure G&A excluding the excise tax in the U.S., G&A declined by minus 6%. We'll put a substantial effort for the Pharma division throughout 2011 managing our cost base downward.

If I look at the nine franchises starting with oncology, you've seen a minute ago MabThera and Herceptin growing by 8%, 9%. As I told, you MabThera was driven, by a nutshell. Still, the maintenance is generating substantial growth in Europe in particular, the maintenance indication, CLL as well and very much so the emerging market. And Herceptin is driven a little bit by gastric cancer as a new indication, but very much saw the growth in the international region.

Avastin, minus 7%, nothing special to report here, I've talked about it before. We also saw nice growth for Xeloda in particular in China and some other emerging markets, as well as in the U.S. I must say we were helped here by the fact that there was continued shortages of 5FUs in the U.S. market that helped Xeloda. But by and large in the many countries around the world, China and others, Xeloda did extremely well.

Lucentis grew very nicely. In fact, in the AMD, I think we managed the CATT study much better than we had anticipated, actually. We had an initial negative impact on the patient share in AMD, the patient share of Lucentis. We had a decline in Q2, Q3; and in Q4, we started growing again. Our share in quarter four in AMD was higher than the share in quarter three, essentially because of the way we managed the issue, but also, as you know, there were a number of ocular infections in September, October in the United States that created a pretty substantial upheaval in the marketplace and certainly highlighted to physicians the danger of using Avastin on an off-label basis. And certainly, Lucentis benefited from this.

RVO is continuing to grow and we have filed for DME, as is reported here, and we expect to launch it in the second half of 2012.

ACTEMRA, ACTEMRA is still growing. We are now expecting to get approval for the first line indication in the U.S. We filed for that. We also plan now to file for the subcu formulation. This is very substantial and very significant for ACTEMRA, especially in the United States. As you know, this market is very much influenced by whether you have an IV formulation only or a subcu formulation and we believe subcu will certainly help us a lot. The head-to-head study versus Humira will also be a substantial milestone. And importantly, I have to say we're making substantial progress with ACTEMRA around the world in monotherapy. You know that ACTEMRA has very differentiated data in monotherapy. We have been focusing on that differentiation pretty substantially in the most recent past and making very substantial progress through that.

Now, we're now preparing to launch – well, preparing or have launched already in the U.S., the Zelboraf, but certainly preparing to launch Zelboraf in Europe and around the world. We got approval for Erivedge in the United States two days ago with a very favorable label. I'd like to remind you, we got approval on the back of a Phase II study. That gives you a sense for how substantial the clinical benefit is with Erivedge to convince the authorities to give us approval with those kind of data and we are waiting for the EMA review, hoping that we might get approval, but of course, this is less usual, something not usual at all, I should say, in Europe to get approval with the Phase II data, so probability here is lower.

Very good results so far with Zelboraf in the U.S., I'll come back to this. The sales force is meeting this week. As you can imagine, they're pretty excited launching Erivedge and they will start doing this next week. We're shipping as of today and as of next week, we will be promoting it. And finally we are, we've filed for pertuzumab both in the U.S. and Europe and are expecting approval this year.

This is Zelboraf. I think what is really important to keep in mind here is the formidable synergy that having pharma and diagnostic under the same roof is actually bringing to us. We've been talking to you about personal healthcare and the synergies between the two divisions essentially from a research and development viewpoint until now. And we're

now taking this into the field at the commercial level, and the diagnostic team and the pharma team in the U.S. have done a fantastic job launching Zelboraf and our diagnostic test at the same time.

We've had enormous success penetrating hospitals with that test. I can report that as of today, four months after launch, more than 60% of patients who have melanoma are tested for BRAF mutation and of those who are tested, 50% have a BRAF mutation, as we expected through our clinical program. And of those who have BRAF mutated, as you can see on this graph here, 78% receive BRAF. So, an extremely rapid progression, essentially, because we did extremely well convincing doctors to test for this BRAF mutation through our Pharma organization, of course, but very much through the diagnostic organization in the field as well.

So, something really that if you live it on a daily basis, you'll realize we could only do as effectively as we did because we are part of the same organization in the same roof. And, because Dan and I we get on so well together, that helps.

The second product I'd like to talk about is Erivedge. As I told you a minute ago, everybody is very excited about this one. The pictures you see on the left are pictures that I can present to you, they are variable pictures. They are not very nice, but they are variable picture. And I can tell you, basal-cell carcinoma is the most common skin cancer and advanced cases or metastatic cases of BCC can be absolutely awful.

You can see the impact of Erivedge on this tumor here from the top to the bottom and at the bottom, you only see the scar that is left and the tumor has regressed tremendously. I could have used pictures here of patients who have total deformity on their face or completely disfigured with this tumors. They have no options today and many patients have actually no longer and are no longer candidates for surgery and have no option and Erivedge is bringing an option to these patients who are in need of new solutions.

So, those patients who are either metastatic or alternatively, have an advanced case of basal-cell carcinoma and are no longer candidates for surgery, basically are candidates for Erivedge treatment. There is about 20,000 of those patients we estimate on the European-U.S. basis and those are the patients who would benefit from this product. It's a difficult population to estimate, I must say, because it's not always clear who is a candidate for surgery or not. So this is something that we are refining as we go, but certainly a very exciting product with a great potential.

And the final one I'd like to highlight to you, which we filed and are getting ready to launch later this year is pertuzumab. This is the CLEOPATRA study. Just a few things here. You see the PFS benefit in first-line metastatic is six months.

Now, I think it is important to keep in mind that this is the same kind of benefit that Herceptin showed in the first-line time metastatic setting a few years ago when we introduced it. In the metastatic setting, you typically extend lives, you don't save lives. And then when we brought Herceptin into the adjuvant setting, we saw the results that you all know. And we estimate that in about 10 years, Herceptin has prevented, in only the top five key EU markets, about 28,000 women from developing metastatic breast cancer and essentially saved their lives. You could multiply this by three on the global basis. So it's an enormous impact on patients' lives and pertuzumab will now take this to the next level. So again, we are very excited with those data and we now have a program in the adjuvant setting, of course, in combination with Herceptin.

Let me just say a few words about the emerging markets, and I think it's important to talk about this, because often, people tend to think that because of the nature of our products and their price, we cannot succeed in the emerging markets, because we have too-expensive products. Well, you can see here in the top seven, what we call internally the E7, the emerging 7, the 7 biggest, we are growing by about 13%, 14% a year. That has accelerated in the last two years.

I can tell you in Brazil, Russia, and China, the three biggest of those, our biggest focus, we are growing much faster than the market. So, we are actually doing extremely well. That proves that our products can be successful in those markets and in all of those markets, those straight-up ones, we are in the top five companies locally. So we have demonstrated our portfolio can do well.

The country here that is still too small in our view is India, and certainly we intend to do much better. We've changed our plans locally and we intend to do much better in the next two to three years in India.

This is a kind of an illustration of what this market looks like, and it varies, of course, from market-to-market, but essentially, you have three segments. You have the typical segment of drugs that are paid by the public payers. You have a small emerging private insurance segment, similar to what we see here in the U.S., but much smaller, of course, and you have a typically large out-of-pocket segment.

In India and China, the out-of-pocket segment is extremely large. Patients tend to pay their drug out of pocket and in some other countries, we have a larger public segment, like we have in Europe. And so those three segments vary country-by-country. What we are trying to do is increase our penetration in the public segment. We are trying to support the creation of a private insurance market in China, for instance, in Russia.

In China, in particular, we've made good progress. 1.4 million policies were issued in China for catastrophic diseases, in particular, cancer. And we have been working extremely hard to try and boost that further. And finally, we are trying to reduce the out-of-pocket segment, but also in that out-of-pocket segment, we are trying to be flexible to adapt our pricing structure and grow our volume.

So, I'll give you a few examples of what we're trying to do across these market segments. The first example of what we're trying to do and maybe before I do this, let me just tell you that it can be confusing when you look at it from the outside, because there's no one thing we are doing. It's not the United States market, where you will have one strategy and you implement it everywhere. The world outside Europe and U.S. is extremely fragmented. Every country is different. So essentially, our strategy is to be flexible and adaptable and do what's right for a given market to increase access to our medicines.

So, an example of this is a patient assistance program in China, where we essentially charge for the first five months of treatment of Herceptin. The rest of the treatment is given free of charge. Another example is, we introduce sometimes second brands in countries where it's possible and it's not possible everywhere. But in some countries, we can introduce a second brand at a lower price point to address the public market. So, we have Herceptin, for instance, in the private market and the out-of-pocket market, and a second brand at a lower price point to sell to the government, the public market.

And finally we have a series of other things, which are called tailored models here. One new example I can give you, for instance, in the Philippines, Morocco and other countries, we actually charge people on the basis of their income level, so have an income-tested pricing structure. So, we have mechanisms in place to test income and charge people according to how much money they can pay.

So, in China, this assistance program basically gives that. We introduced it in August and you can see here a substantial increase in patient numbers. You might think, okay, well, that's great. You're giving half of the treatment away. So, you're going to lose half of your sales. The answer to this is, no, because in fact, most patients pay out of pocket and most patients were only able to pay the first five or six months of treatment.

So, essentially what we're doing is giving them a chance to be treated properly and they pay the first five or six months out of their own pocket. The rest of the treatment is given free of charge. They are treated properly, which

is really the right thing to do, but also, physicians are less reluctant to start a patient, because if you're a physician, you think, they're going to pay for four or five months and then run out of money. Essentially, I'm going to get them bankrupt and not help them a lot from a medical viewpoint, so I'd rather not start them on Herceptin. So, now that they known that the patient can go the full course, they are less reluctant to start them and initiate Herceptin charges.

This is as small example in Egypt, where we introduced a second brand of Pegasys called Pegferon here to sell to the government. You might know that in Egypt, hepatitis is an enormous problem and in the private market, we are only able to treat a limited number of patients. Introducing the second one at a much lower price point and selling it to the government has allowed us to increase substantially the number of patients treated and, of course, the volume sold.

Let me close with this picture here. I won't go through every single project, but I just want to leave you with this message that 2012 is going to be another pretty busy year for us from a portfolio viewpoint, and I hope, a good year. We started well. We have the TML study for Avastin mCRC is positive, so it's very exciting and it will be a challenge for Avastin, pretty big challenge, I believe, over time.

Erivedge got approved in the U.S. and you see here, we have a large number of news that will come out for the year. T-DM1, let me just mention only a couple. T-DM1 will, I think, be very substantial. Herceptin and MabThera and Actemra subcu will also be very substantial news, and you see in 2013 dalcetrapib, GA101, [ph] butaperazine (29:29), so a pretty hazy news flow from a portfolio viewpoint. Hopefully, you'll agree with me, we are starting to turn the corner going through this transition year in 2011. The pipeline is gaining momentum and hopefully, sales look a little bit better also in 2012 compared to what we experienced in 2011. Thank you very much and I will hand over to Dan.

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Daniel O'Day
Diagnostics Division, Chief Operating Officer, Roche Holding AG

So, thank you very much, ladies and gentlemen. Most of you know I don't do well behind a podium, so, I'm going to come down here where I can move a little bit more and it's a Friday afternoon, so I want to engage you in the diagnostics session. A couple of things I want to cover here today with you. First of all, the 2011 performance. I'd to dig a little bit deeper into the Illumina transaction that Severin had introduced to us here and then end with some of what we expect to do in 2012 as well.

So across our five businesses, we grew faster than the marketplace again in 2011. And the two businesses that we're most behind the drivers for that growth were the Professional Diagnostics, our largest business and then Tissue Diagnostics at the Ventana organization we acquired back in 2007 that is now fully integrated and really driving this potential throughout the world.

We also made some really good progress on the profitability front as well. We grew our operating profit margin by 14% last year to 22.4%, which puts us, in my estimation, given the mix of our business, really at the top of our industry league, and I think that's appropriate for the world leader in diagnostics.

We did that through a number of things. Product mix, the new products we're driving out there, enjoying higher gross margins. We did it through cost efficiency measures. We now have a couple of year track record to making sure our cost of sales line is kept in check with sales and we continue to invest in the business, as you see on the M&D and R&D line, which is very important to continue to retain our leadership position out there. Some of that M&D, R&D line was also driven by the three acquisitions that we did last year as well.

So, just to give a little perspective on our ability as the number one company in diagnostics to continually grow faster than the marketplace, you'll see the market from 2010 to 2011 did come down a bit, I think particularly from the economic situation. We continued to maintain a distance to the market. Our share is 20%. The next company is 12%. So the model that we have, which is a very large installed base, present in more than 130 countries with the broadest array of technologies, which allows us to really be the best provider to our customer base, is really driving this above-market growth. And last year alone, we launched 60 instruments or assays onto our large installed base out there to continue to drive our competitive advantages in the marketplace.

Now, regionally, the growth plays out like this. We grew faster than the market in all regions. You'll see the different dynamics going between the different regions. In North America, we actually had a 4% growth. As you'll see, our Diabetes Care franchise declined by 4% and the remaining part of our business grew by 7%. We now have new products in the Diabetes Care that are beginning to be launched, which, I think, will begin to address that decline in the Diabetes Care market. But the really good signal is when you look at United States, for instance, in our Professional Diagnostics business, it grew by 9% last year, significantly better than the market and making a difference in our largest business, Professional Diagnostics.

Europe was obviously affected by a lot of the austerity programs, but still at 3% growth and 50% of overall turnover, contributed a great deal on the absolute growth side. And then finally, Japan. I hope the most difficult year that Japan sees for quite some time. In a flat market, growing at 6%, I really give my colleagues in Japan, a great deal of tribute.

Now, in the Latin-America and Asia-Pacific markets, obviously, very, very fast growth, and to dig down a little bit into Asia-Pacific, that 17% growth is off the back of being the number one company in Asia-Pacific with a 23% market share. And then just looking at China, which is our fifth largest country today and continuing to grow significantly, you see a 36% CAGR growth, double the market growth rate for the past five years. And I think we are just still beginning to really penetrate the extent of the market.

We intend to really expand our presence now to many cities outside the major cities, to these small cities that just have 1 million people in Japan, of which there's 150 that we can continue to penetrate into the many years to come. So, a competitive environment, but one in where our instrumentation, particularly with the infrastructure spend on new labs and hospitals, is feeding well into that investment level.

So, as I said, all five businesses gave us growth. Last year, we had Professional Diagnostics. The Immunoassay portion of that business is now a CHF 2 billion business that's growing at a CAGR of 13% over the past 10 years and it continues to be an area where we innovate and provide new medical value products onto tens of thousands of instruments out there. So 9%, well ahead of the marketplace.

Diabetes Care, more affected by the economy with the consumer involvement there growing at 2% and as I'll speak about, a new launch in the United States. Molecular Diagnostics were the clear leader. We launched HPV in the United States. We're getting some good momentum there. We have a physician sales force that's calling on OB-GYNs with the story and message around HPV 16 and 18, which is really getting a good pickup and we launched three new companion diagnostics, which I'll touch on.

Applied Science was clearly affected by the softness in the research market and also some one-time effects we had between 2010 and 2011. And then finally, Tissue Diagnostics growing at 15%. This will be important when I come back to Illumina, because outside the United States, Tissue Diagnostics is growing above 20%, in many markets, close to 30%, which talks about being able to tap into the potential in the Roche global infrastructure.

So as I said, after five years, really, of no new product launches in the United States in Diabetes Care, we've broken through with our new chemistry. We're beginning to now have the new products come through, with the Nano being approved in January of this year and of course, we have many other products we'll be filing to drive the same products that are growing outside the United States in the number one Diabetes Care markets in the world as well.

Pascal mentioned the launch on BRAF. I won't go into that more. I do agree we get along, but more importantly, our people get along and drive the success of that franchise in BRAF. And relative to EGFR and KRAS, we also rolled those out and EGFR is being used in conjunction with Tarceva ex-U.S. in first line therapy as well. So, last year, we had 160 collaborations within the Roche Group6 This year, we have more than 200 and the momentum in terms of the number of meaningful genetic companion diagnostics coming to the marketplace is really picking up. And this will also be important when I come back to the concept of sequencing in terms of looking at multiple mutations across a particular tumor type.

And then we had three acquisitions for the year in Diagnostics, two in our largest business, one a front-end automation, PVC, a company in Germany; another one, a platelet coagulation function testing company and then finally, the second of two acquisitions we've now done with Ventana Tissue Diagnostics, investing in that technology.

We have P16, which is a really interesting biomarker that allows in the high sensitivity and specificity that, combined with our molecular test for screening, allows us to really change the way cervical cancer is both screened, but also diagnosed and monitored, essentially in the future, in my opinion, replacing the Pap Smear test. And it also shows the strength of being in multiple technologies, having two businesses coming together for one disease state to change the course of therapy of a disease.

So I'd like to touch base on the Illumina acquisition. We're very enthusiastic about this. We think it fits extremely well into the leading model of Roche Diagnostics, and most of you may be familiar with Illumina, but just to remind you, it is the world's leading company today in sequencing and microarrays. It is in the research base today. It's close to $1 billion in turnover in those two technologies and it's based in San Diego. It's had a very good track record of success, good sales, good profit, good cash flow generation, and would be accretive to our margins from day one as well.

The other thing I would mention to you is that it is really focused on the research and academic market today. 80% of the turnover comes from that, most of it from the largest genome centers around the world. And it's also heavily focused in the U.S. marketplace, which has some similarities to what Ventana was when we first began working with them as well.

So, the rationale for acquisition is really fourfold. The first one is, the market is attractive. We want to increase our participation in this market, first in the research field and then in the mid to longer-term, in the routine clinical regulated IVD diagnostics marketplace. We think there's potential for expansion significantly in both of those and we believe the market will grow from around $1 billion in 2010 to more than $2 billion in 2015. And driving that growth is the fact that that technology is now at a price point, a throughput and a workflow point that allows it to dig deeper into the research setting and also be the right technology to go into the IVD setting in the future.

It also strengthens our portfolio significantly. So we also have sequencing and array businesses, but just to give you one example of why they are complementary within those businesses, we have a long read technology. Illumina has a short read technology, and they do different things depending on to what you're looking for in terms of the genome. So, they are complementary from the standpoint of those technologies. And they also are

complementary in terms of what we're looking at with the combination of sequencing, with Tissue Diagnostics, with our Molecular Diagnostics and eventually with our Immunoassay business.

We think there's tremendous potential to unlock this business with the two companies together with our large commercial presence. One way to unlock it is through of course geographic presence, so take it from a mostly U.S. based company. Particularly now that it's ready to go into small and medium sized research labs, we have a sales force to calls on those customers that could immediately take the products and be able to penetrate this deeper into the research-based field. And then secondly, when it's ready for the IVD diagnostics area, we have a very large commercial presence out there to drive that commercially into those fields as well.