Novartis posts profit gain thanks to new drugs (Update)

April 24 2013, by John Heilprin

The Oct. 25, 2011 file photo shows the entrance of a Novartis production site in Nyon, Switzerland. Swiss pharmaceutical company Novartis AG has reported a 6.7 percent increase in profit for the first quarter, boosted by new products and emerging markets. Novartis says Wednesday, April 24, 2013, its net profit rose to US dollar 2.42 billion from US dollar 2.27 billion in the same period last year. (AP Photo/Keystone, Dominic Favre, File)

(AP)—Swiss pharmaceutical company Novartis AG reported a 6.7 percent increase in profit for the first quarter Wednesday, boosted by

new products and emerging markets.

Novartis says its net profit rose to $2.42 billion from $2.27 billion in the same period last year despite declining sales of its blockbuster heart drug Diovan, which lost U.S. patent protection last year.

The Basel-based company said in a statement the increase—a turnaround from the 18 percent earnings drop in the first quarter of 2012—reflected new product launches such as Gilenya for multiple sclerosis and Afinitor for cancer, strength in emerging markets and EU and U.S. drug approvals to offset patent expirations.

The newly launched drugs added $4.2 billion in revenue, almost a third of sales, making up for its estimated $500 million in losses during the quarter because of patent expirations.

But the quarter was notably marked by the controversy over Novartis' outgoing board chairman, Daniel Vasella, who touched off widespread anger for his whopping 72 million Swiss francs ($77 million) severance package that he later declined because of the Swiss public's outcry.

Also Wednesday, Novartis disclosed that its new chairman, Joerg Reinhardt, would be paid 3.8 million francs, split equally between cash and stock, plus receive 2.6 million euros for lost compensation from his former employer. It also said that Ulrich Lehner would receive about 790,000 francs in cash and stock for serving as chairman ad-interim from Feb. 22 until July 31.

Novartis also unexpectedly announced that its chief finance officer, Jon Symonds, is being replaced by Harry Kirsch, the finance head for the pharmaceuticals division.

On Tuesday, the U.S. government filed a civil health care fraud lawsuit

against Novartis in New York, claiming it gave kickbacks to pharmacies to switch transplant patients from competitors' drugs to its own.

The suit, which claims the company's actions caused the public to pay tens of millions of dollars for kickback-tainted drugs, seeks unspecified damages and civil penalties. Novartis, which says it disputes the claims and will defend itself, settled fraud charges based on kickbacks less than three years ago.

Shares in Novartis closed down 0.36 percent at 69 francs Wednesday on the Zurich exchange.

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