Roche profits drop on one-off costs

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In this June 6, 2011 file picture, the logo of Swiss drugmaker Roche is photographed in Rotkreuz, Switzerland. Roche Holding AG on Thursday, July 26, 2012 posted a 17 percent drop in first-half net profit from the same period a year, but its strong sales of cancer drugs and cost-cutting contributed to a rise in core operating profits and an outlook for continued sales growth that beat analysts' expections. (AP Photo/Keystone/Urs Flueeler, File)

(AP) — One-off charges at Swiss drugmaker Roche Holding AG on Thursday pushed first-half net profits down 17 percent, but strong sales of cancer drugs and cost-cutting contributed to a rise in core operating figures.

The world's biggest manufacturer of cancer drugs, which reports earnings only every six months, said it expects group sales to grow by a low to mid-single digit rate provided exchange rates remain stable.

It posted a drop in first-half profit to 4.26 billion Swiss francs ($4.3

billion), down from 5.15 billion francs in the comparable January-to-June period of 2011.

Roche said its net income also fell 14 percent, mainly due to one-off costs of 858 million francs from the closure of its Nutley, New Jersey, site, where Valium was developed. The former U.S. headquarters is to be closed by the end of 2013, in a money-saving consolidation of research and development programs that the company said would result in annual savings of 370 million francs a year.

The Basel, Switzerland-based company reported 530 million francs in additional global restructuring costs that result in part from putting a halt in May to its testing of dalcetrapib, an experimental cholesterol medicine that the company had hoped would help replace blockbusters such as Lipitor.

The drug was in expensive late-stage patient testing as a treatment to raise HDL, or so-called good cholesterol, in heart disease patients, but Roche said it decided to pull the plug on the recommendation of its independent data and safety monitoring board after an interim analysis found no "clinically meaningful" benefit.

But the drugmaker's core operating profit rose 7 percent in the first half of the year to 8.6 billion francs, and its first-half sales grew 3 percent to 22.4 billion francs ($22.55 billion). Those exceeded analysts' expectations for a 2.8 percent rise in core operating profit and 2 percent increase in sales growth.

The results were helped by the sales of established and new cancer drugs and recent cost-cutting drives.

The world's largest manufacturer of cancer drugs — including its key drug Avastin for lung, brain and colorectal cancer — benefits from having strong sellers whose patents are not due to expire soon. It posted the figures before the opening of the Zurich exchange. Its shares closed up 0.06 percent Thursday at 168 francs ($169.60).

"Roche delivered strong operating results in the first half of 2012, driven by the solid performance of our existing portfolio as well as new product launches," Chief Executive Severin Schwan said. In a statement, he said the closure of the New Jersey site and consolidation of other research and development would free up resources to invest elsewhere, and he cited new cancer drugs Zelboraf, Erivedge and Perjeta and a product pipeline with 72 new molecular entities in clinical development.

Schwan told reporters the company would look for small and medium-size acquisitions after the failure of its hostile bid for Illumina.

The company said it saw strong sales for cancer drugs such as Rituxan and Herceptin, which were overtaking sales of its best-selling Avastin after it lost approval in the U.S. for treating advanced breast cancer. Roche said its hepatitis drug Pegasys and rheumatoid arthritis treatment Actemra/RoActemra were doing well.

Roche also makes the influenza treatment Tamiflu, medical diagnostic tests, the Accu-Chek blood-sugar testing system, weight-loss drug Xenical and HIV medicine Fuzeon and Tarceva for pancreatic cancer.

About 1,000 jobs are to be lost in the United States, with those operations shifted to Basel and Schlieren, Switzerland, and to Penzberg, Germany. The company expects the consolidation to result in about 80 more jobs in Switzerland and Germany.

In 2011, Roche said it had more than 80,000 employees worldwide, more than a quarter of them in the United States.