

Bayer Q2 profits jump on new drugs, lower charges (Update)

July 31 2013, by David Mchugh

German drug and chemicals company Bayer AG says net profit rose 75 percent in the second quarter thanks to lower one-time charges and strong sales of new products including anti-clotting drug Xarelto and cancer drug Stivarga.

But falling earnings at its high-tech materials division led the company to say it would be harder to achieve its earnings goals for the year.

Net profit came in at 841 million euros (\$1.1 billion), up from 481 million euros a year ago when the company had 611 million euros in one-time charges, mostly for U.S. lawsuits over its birth-control pill.

Revenues rose 1.9 percent to 10.36 billion euros.

The company, which is based in Leverkusen, Germany, said Wednesday it also saw increased sales in its pharmaceuticals division thanks to better-than-expected performance from its new products. Top performers were Xarelto, which is used to prevent dangerous blood clots in people having hip or knee replacement; Eylea, which treats the aging-related eye disease macular degeneration, and cancer drug Stivarga. Pharmaceutical sales rose 5.5 percent to 2.83 billion euros.

The company's farm business saw operating earnings, which exclude some financial items, rise 14 percent thanks to continuing high prices for agricultural commodities. The division makes seeds as well as compounds used to kill weeds, bugs and fungus.

However, Bayer recorded lower earnings at its materials business due to lower demand and prices in Asia and Europe. Operating earnings for the division, which makes things like high-tech polycarbonate plastics, fell 28.5 percent.

CEO Marijn Dekkers said the company was sticking with its outlook for the year but said that reaching it appeared "increasingly ambitious" because of the slowdown at the materials division. "It remains to be seen to what extent the unexpectedly weak development at MaterialScience will be offset by our improved performance in the Life Sciences," which includes pharmaceuticals and farm chemicals, Dekker said.

Bayer forecasts full-year sales for 2013 to increase 4-5 percent and an increase in earnings before financial items and one-time charges of "a mid-single digit percentage."

The company's earnings a year ago were lower because of money that had to be set aside for settlement costs from lawsuits over birth control pills marketed as Yasmin and YAZ. Bayer faced lawsuits in the United States from women claiming the contraceptive caused blood clots that led to serious health consequences. In this year's quarter, one-time charges dropped to only 109 million euros.

Once one-time charges and financial items such as interest, taxes, depreciation and amortization are set aside, the company's second-quarter earnings rose 1.2 percent to 2.19 billion.

Bayer shares were 3.1 percent higher at 86.95 euros in early afternoon trading in Europe.

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