

New drugs shore up Novartis in Q2

19 July 2012, by FRANK JORDANS



This Oct. 25, 2011 file photo shows the logo of Swiss pharmaceutical company Novartis AG on one of their buildings in Basel, Switzerland. Novartis AG says Thursday, July 19, 2012 its net profit during the second quarter reached US dollar 2.73 billion. This is the same as for the previous year's quarter. Novartis says sales fell four percent to US dollar 14.3 billion from US dollar 14.92 billion in the second quarter of 2011. (AP Photo/Keystone, Georgios Kefalas, File).

(AP) - Swiss pharmaceutical company Novartis AG reported a net profit of \$2.73 billion during the second quarter, as new drugs and acquisitions offset patent expirations, lower sales of generic medicines and the strengthening dollar.

The result was flat compared to the same quarter last year.

Group sales fell four percent to \$14.3 billion, from \$14.92 billion in the second quarter of last year. Exchange rate effects were partly to blame, because the U.S. dollar rose sharply against other major currencies during that period.

The company maintained its target of matching the 2011 sales performance for the full year.

Shares in Novartis were up 1.6 percent by mid-afternoon on the Zurich exchange at 55.96 Swiss francs (\$57) as analysts noted the strong sales

growth of the company's newer drugs.

Chief Executive Joseph Jimenez said the company passed eight significant regulatory milestones in the second quarter. He cited a positive opinion from European Union regulators for the use of Afinitor in the treatment of advanced breast cancer, which he said could push sales of the drug above the \$1 billion mark.

Gilenya, a recently launched oral therapy for multiple sclerosis, is also set to become a \$1 billion bestseller, he said.

Those and other medicines, as well as strong sales from eye care division Alcon, helped make up for the 16 percent drop in sales of hypertension drug Diovan, for which Novartis' exclusive patents rights in Europe and Canada recently expired.

The loss of Diovan exclusivity hit sales in Europe, compounding a difficult period for Novartis in the region still gripped by economic crisis.

Jimenez said the company has seen the effects of government budget cuts on health care expenditure over the past two years and he expects austerity measures to continue.

The progress of President Barack Obama's health care plans in the United States is unlikely to significantly add to the company's sales there, he said.

China, meanwhile, saw sales growth of 23 percent during the quarter, the highest increase worldwide.

Novartis has resumed production of some drugs at its plant in Lincoln, Nebraska, which was hit by quality control problems late last year. The suspension and remediation efforts have so far cost Novartis \$490 million.

Jimenez said the Basel-based company isn't looking for major acquisitions at the moment but would consider bolt-on purchases to its existing

portfolio.

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