Johnson & Johnson's Q3 net income drops 7 per cent as increased costs offset sales growth

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Johnson & Johnson's third-quarter profit fell 7 per cent as increased research and production costs offset higher sales for its medicines and medical devices and new revenue from its biggest acquisition ever.

The maker of Tylenol, baby shampoo and prescription drugs said Tuesday that its net income was $2.97 billion, or $1.05 per share. That's down from $3.2 billion, of $1.15 per share, in 2011's third quarter.

Excluding one-time charges for research, the acquisition and litigation, earnings were $3.5 billion, or $1.25 per share.

Revenue rose 6.5 per cent to $17.05 billion, boosted nearly 6 per cent by sales from Synthes Inc., a maker of surgical trauma equipment and orthopedic implants that J&J bought for $19.7 billion in June.

The results beat Wall Street expectations for earnings of $1.21 per share on revenue of $17.01 billion.

J&J, based in New Brunswick, N.J., raised the high end of its full-year profit forecast and now expects earnings per share of $5 to $5.10, excluding one-time items. That's up from its July forecast of $5 to $5.07.

J&J's stock rose 80 cents to $69.40 in premarket trading.

"Our third-quarter results reflected continued sales momentum driven by strong growth of key products, successful new product launches, and the addition of Synthes to our family of companies. We advanced our pipelines with regulatory approvals for a number of new products, the submission of several new drug applications and the completion of several strategic collaborations," CEO Alex Gorsky said in a statement.

Sales of medical devices and diagnostic equipment, which is J&J's biggest division and now includes the Synthes business, jumped 12.5 per cent to $7.07 billion.

Prescription drug sales climbed 7 per cent to $6.4 billion.

But sales of consumer health products fell 4.3 per cent, to $3.58 billion. They continue to be weighed down by about 30 product recalls since September 2009. That's kept many of its nonprescription medicines off store shelves as J&J rebuilds one factory from the ground up and upgrades another under heavy scrutiny from the Food and Drug Administration.

J&J's U.S. sales rose 13 per cent to $7.79 billion, while sales in other countries inched up 1.4 per cent to $9.26 billion. The company noted that unfavourable currency exchange results reduced total revenue by 4.3 per cent.

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