

BN J&J's 3rd-Qtr Profit Rises on Heart-Device Sales (Correct)
Oct 18 2005 11:00

(Corrects amount of National City's holdings in ninth paragraph.)

By Kerry Dooley Young

Oct. 18 (Bloomberg) -- Johnson & Johnson, the maker of thousands of products ranging from antibiotics and surgical implants to Band-Aids, said quarterly profit rose 12 percent on sales of heart devices and drugs for schizophrenia and arthritis.

Third-quarter net income climbed to \$2.63 billion, or 87 cents a share, from \$2.34 billion, or 78 cents a share, a year earlier, the New Brunswick, New Jersey-based company said today in a statement. Sales increased 6.6 percent to \$12.3 billion.

J&J also said it is considering its ``alternatives'' for an agreement struck last December to pay \$25.4 billion for Guidant Corp. The Indianapolis-based company recalled 109,000 implantable defibrillators in June because of potential electrical failures. Guidant shareholders approved the deal in April and the companies are awaiting U.S. antitrust clearance.

``We believe that these are serious matters and we are continuing to closely monitor the situation at Guidant,'' said Chief Financial Officer Robert Darretta on a conference call today with analysts and investors. ``We are continuing to consider the alternatives under our merger agreement.'' He declined to comment further or take questions.

Johnson & Johnson still expects the U.S. Federal Trade Commission to approve the transaction this month, Darretta said. J&J agreed in December to pay \$76 a share in cash and stock for Guidant, the second-biggest maker of implantable devices to shock a failing heart back into a normal rhythm.

Guidant Shares Fall

Guidant shares fell \$5.28, or 7.3 percent, to \$67.10 at 10:05 a.m. today in New York Stock Exchange composite trading. Guidant shares reached a low this year of \$63.90 on June 24, 16 percent less than J&J's offer, as the company expanded warnings on its defibrillators. Johnson & Johnson shares fell 18 cents to \$62.82.

``Quite frankly, we don't see much in the way of a deal price cut coming,'' said Miller Tabak & Co. strategist Les Funtleyder in New York in an interview today. ``We think that the Guidant franchise is too valuable for J&J really for them to mess around with a price change.''

J&J's earnings are gaining at the expense of competitors. Three studies found people given the company's Cypher heart stent needed fewer repeat procedures for blocked arteries than those

BN J&J's 3rd-Qtr Profit Rises on Heart-Device Sales (Correct)
 Oct 18 2005 11:00

with Boston Scientific Corp.'s similar device. Johnson & Johnson sells its Risperdal schizophrenia drug as a twice-monthly shot, an alternative to tablets sold by Eli Lilly & Co., Pfizer Inc. and AstraZeneca Plc.

``J&J launched their Cypher stent in Japan, so medical devices might be a little stronger than people think,'' said John Farrall, who helps manage more than \$30 billion at National City Private Client Group in Cleveland, in an interview today before J&J reported.

Analysts had expected profit of 86 cents a share, based on the average of 20 estimates in a Thomson Financial survey.

Device Sales

Sales of medical device and tests rose 14 percent to \$4.6 billion. Revenue from the Cordis unit, which makes the Cypher stent, rose 32 percent to \$994 million. Studies presented in March and August showed that patients given the Cypher were less likely to have a repeat procedure to keep arteries clear than those who received Boston Scientific's Taxus device.

``We have capitalized on that information,'' said Brian Firth, vice president of medical affairs for the Cordis unit, in an Oct. 11 telephone interview. ``And physicians independently have paid attention to it.''

Taxus sales fell 6 percent in the third quarter to \$601 million, Boston Scientific said Oct. 14. Cardiac stents, tiny mesh tubes that doctors use to prop open arteries that have been cleared of blockages, accounted for 42 percent of Boston Scientific's revenue last year. The company last week added a warranty for devices that fail to keep a blood vessel open in the first 12 months.

Pharmaceutical Sales

Sales of pharmaceuticals were little changed at \$5.5 billion. Sales of Risperdal, the company's biggest-selling drug, rose 23 percent to \$916 million.

Sales of the anemia drug Procrit, sold as Eprex in Europe, fell 5 percent to \$844 million because of competition from Amgen's Aranesp, which people take less frequently.

Duragesic sales fell 27 percent to \$394 million after Mylan Laboratories Inc. won approval for a generic competitor.

``The company is so diversified that it did well'' in the third quarter, said Michael Obuchowski, a principal with New York-based Altanes Investment LLC, in an Oct. 12 telephone interview. ``But there is not any real catalyst that will make it much better than it is right now.''

BN J&J's 3rd-Qtr Profit Rises on Heart-Device Sales (Correct)
 Oct 18 2005 11:00

More Competition

Johnson & Johnson also may face more competition for its heart stents from a Medtronic Inc. device in the next few years, Obuchowski said.

The company also may lose sales next year of its Concerta attention deficit disorder drug if U.S. generic competition begins, said Novarro, who has a ``neutral'' rating on the shares.

Johnson & Johnson began operations in 1886 on the fourth floor of a former wallpaper factory in New Brunswick, New Jersey, according to a company Web site. The Johnson brothers started as makers of sterile dressings. The company invented the Band-Aid in 1921 and acquired McNeil Laboratories, maker of Tylenol painkiller, in the 1950s.

(For Johnson & Johnson's conference call at 8:30 a.m. New York time, see {LIVE <GO>} or the company's Web site, <http://www.jnj.com>.)

--Editors: Simison

Story illustration: For a chart of earnings, {JNJ US <Equity> CH2 <GO>}. For J&J's share performance Compared with related stocks, see {JNJ US <Equity> COMP D <GO>}.

To contact the reporter on this story:
 Kerry Dooley Young in Washington at (1) (202) 624-193 or kdooley@bloomberg.net

To contact the editor responsible for this story:
 Robert Simison at (1) (202) 624-1812 or rsimison@bloomberg.net

JNJ US <Equity> CN
 BSX US <Equity> CN
 AMGN US <Equity> CN
 GDT US <Equity> CN

NI US
 NI COS
 NI HEA
 NI MTC
 NI MDS
 NI DRG

BN J&J's 3rd-Qtr Profit Rises on Heart-Device Sales (Correct)
Oct 18 2005 11:00

NI EST
NI NJ

#<610787.1588400>#
#<610787.1588400>#
#<610787.1588400>#
#<610502.56266.96>#
#<610514.2274871.96>#

#<350766.12137.811>#
-0- Oct/19/2005 10:36 GMT