

NOVARTIS AG
Form 6-K
October 18, 2002

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 or 15d-16 OF THE SECURITIES EXCHANGE ACT OF 1934

Report on Form 6-K dated October 18, 2002

Novartis AG

(Name of Registrant)

Lichtstrasse 35
4056 Basel
Switzerland

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

Enclosure: Novartis nine month 2002 results and third quarter results presentation slides (October 17, 2002)

Click to add sub-title

**9 Months Performance
17 October 2002**

On Track to Deliver Full Year Objectives

Strong sales growth in local currencies in Pharmaceuticals and dynamic performance by Generics

Pharmaceuticals outperforms industry throughout 2002 in major markets

Cardiovascular and Oncology franchises outpace competition

Zelnorm approved by FDA in July and launched in September in US

Double-digit operating income expansion in Swiss francs

Good net financial income in very difficult environment

Double-Digit Operating Income Expansion

in CHF m	9 M 2002	9 M 2001	in % CHF	in % LC
Sales	24 247	23 384	4	11
Operating income	5 919	5 353	11	13
<i>as % of sales</i>	24.4	22.9		
Net financial income	836	1 149	-27	
Net income	5 603	5 412	4	
<i>as % of sales</i>	23.1	23.1		
EPS (CHF)	2.22	2.10	6	

Pharmaceuticals and Generics Drive Sales Expansion

Sales: CHF 24 bn, +11% in local currencies, +4% in CHF

Sales growth in % (LC)

Sales by region in %,
growth in % LC

Strong Volume Increase Offsets Currency Impact

Operating Income up 11% in CHF in 9 Months 2002

**Operating income growth
in % (CHF)**

**Operating income by
division or business unit**

**Productivity Gains and Volume Growth Continue to Drive Operating
Income Expansion**

Sales Momentum Expands Operating Income

Operating income growth driven by volume increases and operating improvements

Significant Strengthening of CHF

Change in % vs 9 M 2001

Impact on sales of CHF -1.82 bn

Operating income impact of CHF -522 m is partially offset by currency hedging gains of CHF 151 m in operating income

Net Financial Income Reaches CHF 836 m

	9 M 2002 CHF m	9 M 2001 CHF m	Change in % CHF
Total operating income	5 919	5 353	+11
Income associated companies	28	100	-72
Financial income, net	836	1 149	-27
Income taxes	-1 153	-1 167	-1
<i>tax rate in %</i>	<i>17.0</i>	<i>17.7</i>	
Minority interests	-27	-23	+17
Net income	5 603	5 412	+4

Attractive Net Financial Income in Difficult Market Conditions

in CHF m	9M 2002	9M 2001	in % CHF
Financial income	982	1 524	-36
<i>% of liquidity¹</i>	<i>7.0%</i>	<i>11.3%</i>	
Financial expense	-243	-258	+6
<i>% of debt¹</i>	<i>4.1%</i>	<i>5.2%</i>	
Currency gains/losses	+97	-117	
Net financial income	836	1 149	-27

in CHF m	9M 2002	9M 2001	in % CHF
<i>% of net liquidity¹</i>	10.4%	13.5%	

¹ annualised

Free Cash Flow Reaches CHF 2.0 bn

Appendix

Currency Risks 2002 Transactional Exposure in USD and JPY Hedged

Transactional risk in USD and JPY 2002 hedged at USD 1.59 and at Yen 1.33

Euro not hedged

Group Operating Margin 24.4%

Operating margins in %

9 Months 2002 Sales Growth Components by Division/Business Unit

	Volume	Price	Acq./Div.	Currency
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Pharmaceuticals	+12%	+1%	0%	-8%
Generics	+24%	-2%	+2%	-9%
OTC	-1%	+1%	+0%	-6%
Animal Health	+4%	+3%	+5%	-8%
Medical Nutrition	+2%	+1%	0%	-5%
Infant & Baby	+4%	+1%	0%	-8%
CIBA Vision	+5%	0%	0%	-7%
Group	+10%	+1%	+0%	-7%

Strategy Drives Growth

Daniel Vasella, MD
Chairman and CEO

The following information contains certain "Forward-looking Statements", relating to the Company's business, which can be identified by the use of forward-looking terminology or by discussions of strategy, plans, intentions or potential outcomes. Such statements include descriptions of the Company's investment and research and development programs and anticipated expenditures in connection therewith, descriptions of new products expected to be introduced by the Company and anticipated customer demand for such products as well as products

in the Company's existing portfolio. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. There can be no guarantee that any product or potential new indication will be commercialized in any market. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performances or achievements that may be expressed or implied by such forward-looking statements. These factors can be found in the Company's Form 20F filed with the Securities and Exchange Commission and include, among other things, unexpected regulatory delays, uncertainties relating to clinical trials and product development, the introduction of competing products, increased government pricing pressures, and the Company's ability to obtain or maintain patent and other proprietary intellectual property protection. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected.

Agenda

Introduction	D. Vasella
9 Months Performance	R. Breu
Pharmaceuticals	T. Ebeling
Development Portfolio	J. Reinhardt
Outlook	D. Vasella
Q&A	

Pharmaceuticals Remains an Attractive Growth Industry

Population Over 60 Years Growing Worldwide

Source: UN Population Division, World Population Prospects Population Database, The 2001 Revision

Healthcare Needs Increase with Age

Average healthcare expenditure per capita by age group in the US

Source: Bureau of Labor Statistics

Fuelling Growth of Pharma Industry

Indexed growth vs global GDP

Value of world pharmaceutical market

Source: CFSB estimates, IMS Health, WEFA

Drug Therapy Lowers Costs

Total cost evaluation of innovative drug treatment

Source: Lichtenberg FR 2001 / American Economic Review 1996

Major Achievements of Innovative Drug Therapy

Drop in death rate for diseases treated with pharmaceuticals 1965-1999

Source: EFPIA 1999/2002

Daily US Consumption Expenditures per Capita

Consumption expenditures per day, 2001 in USD

Source: US Department of Commerce, Bureau of Economic Analysis, 2001

R&D Productivity

Number of FDA Approvals Decreased Recently...

New Drug Approvals by the FDA

Source: Credit Suisse/First Boston, FDA

... Back to Long-time Average

New Drug Approvals by the FDA

Source: Credit Suisse/First Boston, FDA

Early Pipeline Richer Than Ever

Development projects by phase

Source: Pharmaprojects and UBS Warburg

R&D Investment Grows Faster than Marketing Investment

Investments for pharmaceutical R&D and Marketing in the US 1997=100%

Source: IMS Health 2000, and Pharmaceutical Research and Manufacturers of America 2001. Data from annual member survey

The Proliferation of Blockbusters Continues

Number of products achieving sales over USD 500 million¹

¹ Worldwide sales based on constant USD

Source: IMS HEALTH: MIDAS, Dec 2001

Significant Increase in Novartis NDA Approvals

¹ New drug application

Source: FDA; Novartis database

Sales Increase after Launch per Novartis NME

Estimated sales per product

Source: Novartis analysis

Increasing NPV per Launched NME

Estimated NPV per launched NME¹

¹ New molecular entity, indexed to Industry Average 1991-94 = 100

Source: Credit Suisse/First Boston; Novartis database

Strong Patent Protected Portfolio

Patent expirations 2002-2006
% of 2001 sales

Source: IMS Health MAT June 2002, 41 countries

Novartis Strategy

Strategic Priorities

Aiming for Sustainable Growth

1 Focus on pharmaceuticals and core therapeutic areas

2 Patient-oriented innovation

3

Marketing focus on leading and potentially leading brands: Differentiation and competitive resourcing

4 Geographic expansion and further strengthening of US operations

5 "Best-in-class" associates, performance culture

6 Continuous productivity improvements

7 Secure license to operate, aim for reputation leadership

Focus on Pharmaceuticals

Divestment of Health and Functional Food under way

Ovaltine business (Food & Beverage) sold for CHF 400 m

Business portfolio 1996
% of sales

Business portfolio 9 months 2002
% of sales

Revolutionizing Drug Discovery

New Cambridge Research Campus in midst of scientific talent pool, academic and biotech network

Mark Fishman, a scientific pioneer, to lead Novartis research worldwide

Open new ways to develop innovative medicines

Increased investment in discovery activities

Accept risk inherent to new approach

Differentiate and win in the long run

Continued Portfolio Rejuvenation

Pharmaceuticals sales by category in %

Source: Strategic Plan May 2002

Novartis Expands in US Market

Pharmaceuticals sales by region in %

Global Corporate Citizenship

Leprosy

Malaria

Tuberculosis

Singapore Research Center for Tropical Diseases

Rx Card for US Seniors

Gleevec Pricing Strategy

State-of-the-Art Corporate Governance

Board of 12 members with majority of independent directors

Experienced lead director

Audit and Compliance Committee, Compensation and Nomination Committee, Governance Committee, Chairman's Committee with proper checks-and-balances of Chairman/CEO

Disclosure for 2002 in line with US standards including directors' and executive compensation

Long-term performance and sustainability oriented management philosophy

Conservative financial management with AAA balance sheet rating

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9 Months Performance

Raymund Breu
CFO, Novartis AG

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Strong Growth and Robust Pipeline

Thomas Ebeling
CEO, Novartis Pharma AG

Pharmaceuticals Performance Highlights

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Market share of 3.4%¹, number 6 in healthcare segment

Strong sales growth across all regions, +13%²

Strengthened leadership in key disease areas driven by

Cardiovascular (+44%)³

Oncology (+27%)³

Diovan® growth dynamic (+50%), approved for HF⁴ in US

FDA approval of Zelnorm

Elidel® #1 brand in atopic excema segment in US

¹ IMS Quarterly (42 countries), June YTD

² All sales growth numbers are in local currencies

³ Novartis sales

⁴ Heart failure

Growth Rate Consistently Exceeds Market

Worldwide

US

Source: IMS Monthly

Strategic Products Drive Growth

Brands (1 to 10)	Market segment	Sep YTD sales CHF m	Growth (% LC)
Diovan®/Co-Diovan®	Hypertension	1 874	+52
Cibacen®/Lotensin®	Hypertension	1 309	+24
of which Lotrel®		761	+39
Sandimmun®/Neoral®	Transplantation	1 241	-4
Lamisil®	Fungal infections	998	0
Sandostatin®	Acromegaly	719	+24
Voltaren®	Antirheumatics	696	-4
Glivec®/Gleevec	Oncology	661	+411
Lescol®	Cholesterol reduction	648	+22
Zometa®	Bone metastasis	505	N/A
Miacalcic®	Osteoporosis	491	-5
Total Pharma		15 679	+13

Key Franchises Outperform the Market

Diovan® 28.3% segment share

Lotrel® inroads vs Norvasc

Lescol® XL gains

Glivec®/Gleevec patient penetration > 50% in CML

Fast switch from Aredia® to Zometa®

¹ Chronic myeloid leukemia

Source: IMS Aug YTD

Diovan® Sales and Share Growth Continues

Total prescriptions (TRx) share leadership in US

CHF 920 m sales (+48%) in US

Continues to outpace the ARB¹ segment

Co-Diovan® 160/25 launched in US

Approved for HF in US

Reached 25% segment share in Japan (September)

¹ Angiotensin II receptor blocker

Source: IMS weekly, US TRx share in ARB segment, incl. combinations

Elidel® US Launch Success

New prescription (NRx) share

Number 1 branded topical in atopic dermatitis

NRx share 7.8% vs Protopic 2.5%

Approved¹ in EU

Launched in US, Brazil, Mexico, Denmark, New Zealand

¹ Mutually agreed summary of product characteristics. Local marketing authorizations planned Q4 2002

Source: IMS weekly

Zelnorm US Launch Update

Strong label

Conservative adoption expected

High intent to prescribe

Gastroenterologists 98%

Primary care physicians 84%

900 000 details planned in 2002 in US

Launched in 23 countries

Source: IMS weekly

Glivec®/Gleevec Exceeds Launch Expectations

US Weekly TRx

First 12 months sales > CHF 500 m

Launched in > 70 countries

Expanding in GIST¹ and first line CML²

First line and pediatric CML

US: Priority review

EU: Positive opinion

Model patient assistance program (> 2 500 patients)

¹ Gastrointestinal stromal tumor

² Chronic myeloid leukemia

Earlier Treatment Is Better

CML Rates of response

¹ sNDA submitted June 2002

Source: Studies 106 (IRIS), 110 (Late chronic), 109 (Accelerated), 102 (Blast crisis)

Strong Pharmaceutical Sales Growth in Key Regions

	Sep YTD sales CHF m	Growth (% LC)	Market growth ¹ (%)
US	6 742	+14	+12
Europe	4 947	+12	+7
Japan	1 615	+14	+2
Total ²	15 679	+13	+9

¹ IMS monthly Aug YTD, 16 countries

² Total includes Canada and others

Growth Drivers Second Half 2002 / 2003

New indications	Diovan®, Glivec®/Gleevec , Visudyne
New strengths	Lotrel®
Geographic rollout	Zometa®, Lescol® XL
Launches	Zelmac®/Zelnorm , Elidel®, Ritalin® LA
Market recovery	Lamisil®

Dynamic markets

Exelon®, Trileptal®, Femara®, Sandostatin®

Number of Blockbusters¹ Will Increase Substantially

	2002	2006/2007
Cardiovascular	Diovan®	Diovan®, Lotrel®
Gastrointestinal		Zelmac®/Zelnorm
Arthritis / pain		Prexige ²
Oncology		Glivec®/Gleevec ,
	Zometa®	
Dermatology		Lamisil®
Transplantation	Neoral®	
Blockbusters as % of total sales	20%	approx. 50%

¹ Peak sales > USD 1 bn² Depends on final profile

Novartis Has Continued Strong Growth Potential

In-market brands	Breadth of portfolio
	Little generic exposure
Lifecycle Management	Major opportunities
Late-stage pipeline	Attractive general practice and oncology blockbusters
Early pipeline	Many high potential projects

**An Innovative Pipeline Keeping
the Momentum**

Joerg Reinhardt

**Head of Development,
Novartis Pharma AG**

Planned Launches 2002 2006

Still Unsatisfied Segment What Patients Need from Pain Drugs

Efficacy Comparable to or better than NSAIDs

Fast onset of action

Powerful pain killer

Long lasting pain relief

Safety Better tolerability than NSAIDs

Lower risk for abdominal pain and ulcers

107 000 patients annually hospitalized in US for GI complications

16 500 NSAID-related deaths each year

Source: Pharma Trends USA, Sep 2001

Prexige Low Risk for Perforations, Ulcers or Gastrointestinal Bleeding¹ (PUBs) in Patients

Rate of PUB / 100 patient years

¹ PUB, all Phase III studies in OA and RA

² p < 0.05 compared with NSAIDs

Prexige Incidence of Cardiovascular Events is Similar to Placebo²

Treatment	Number of patients	Incidence rate per 100 py ³ (95% CI ⁴)	Relative risk (95% CI)
Placebo	1 860	1.2 (0.02-2.4)	1.0
Prexige	5 431	1.25 (0.70-1.79)	1.04 (0.36-3.05) ⁵

¹ Cardiovascular death, stroke, myocardial infarction

² All completed studies (all dosages, all patient populations)

³ Patient years

⁴ Confidence interval

⁵ p = not significant from placebo, p = 0.34 (NSAIDs) and p = 0.95 (Prexige)

Prexige TARGET Study Therapeutic COX189 Arthritis Research and GI Event Trial

Multinational, double-blind, randomized, active-controlled, parallel-group study

> 18 000 patients with osteoarthritis

1-year treatment: COX189, ibuprofen, naproxen

Low-dose aspirin (75 100 mg) allowed in patients with high cardiovascular risk

Primary endpoint

Perforation, obstructions, bleedings (POBs)

Secondary endpoints

Cardiovascular (CV) events, combined CV and GI events, safety

Completion of recruitment (> 18 000 patients) in December 2002

Results available June 2004

Prexige Demonstrates Fast, Sustained Benefit in OA

VAS¹ pain (0 100 mm)

* All active treatment groups $p < 0.001$ vs placebo
 $p < 0.05$ Prexige 400 mg vs celecoxib

¹ Visual-analogue scale

Fast Action Confirmed by Second Study in OA

VAS pain (0 - 100 mm)

* $p < 0.01$ vs placebo all active treatment groups
p < 0.05 Prexige 200 mg and 400 mg vs celecoxib
p < 0.05 Prexige 400 mg vs celecoxib

Study 109

Prexige 400 mg Superior and Sustained Pain Relief vs Rofecoxib in Acute Pain During 8 Hours¹

Mean pain intensity difference, VAS (0 – 100 mm)

* $p < 0.001$ vs placebo
p < 0.05 vs rofecoxib

¹ Postoperative dental pain study 115

Prexige Expected Key Milestones

LAF237 A Novel Therapeutic Concept DPP-IV¹ Inhibition Increases Active GLP-1²

GLP-1 actions combine to control glycemia

Augments glucose-induced insulin secretion

Inhibits glucagon secretion and hepatic glucose production

Improves peripheral glucose utilization

Slows gastric emptying

Promotes satiety

Preclinical/clinical observations make GLP-1-based therapies very attractive with potential to:

Restore beta cell function

Increase insulin biosynthesis

Promote beta cell differentiation

¹ Dipeptidyl-peptidase IV

² Glucagon-like-peptide 1

First Clinical Studies Demonstrate Glucose Lowering Effects of DPP-IV Inhibition in Man

DPP-IV inhibition reduced HbA1c fasting and prandial glucose levels after four weeks' treatment

Overall insulin exposure was not increased and tolerability was good

* $p < 0.001$ vs placebo

Source: Ahren et al. Diabetes Care 25(5): 869-875; 2002

Zelnorm Significant Potential Beyond Irritable Bowel Syndrome

31 approvals worldwide

Tens of thousands of IBS patients treated

Initial feedback suggests high level of patient satisfaction

Further indications being explored

Functional Dyspepsia

Chronic Constipation

Gastro-esophageal reflux disease

Relieves Severity of Key Dyspepsia Symptoms in Women

Good Efficacy in Chronic Constipation 75 Million Sufferers Worldwide

The proportion of responders is higher with tegaserod (ITT)

Responder: Increase of ≥ 1 complete spontaneous bowel movement / week during the first 4 weeks of treatment compared with last 2 weeks of baseline and at least 7 days of treatment

Development Summary

An innovative pipeline with 67 projects in clinical development

Many first-in-class compounds in phase I and II (e.g., LAF237, TCH346, AMP397, SPP100, PTK787)

One of the best Oncology pipelines in the industry

Significant potential for further growth of recently launched compounds (Diovan®, Zelman®/Zelnorm®, Elidel®, Zometa®, Glivec®/Gleevec®) via new indications

Well balanced risk profile

Strategy Drives Growth

Outlook

Daniel Vasella, MD
Chairman and CEO

Group Outlook 2002

Sustained growth momentum, driven by Pharmaceuticals

Pharmaceuticals expected to grow around 10% in LC

Operating income growth in LC maintained at current dynamic levels

Zelnorm launch investment of CHF 200 m in H2 2002

Significant currency impact USD and JPY hedged

Net financial income difficult to predict, expected to be slightly lower than last year

Net income expected to exceed last year's level, barring unforeseen events

Performance Outlook and Priorities 2003

Focus on dynamic growth to continue Pharmaceuticals sales to grow high single-digit to low double-digit

Cardiovascular and Oncology franchises to expand

Zometa®, Elidel® and Zelnorm expected to continue to drive sales growth

Aggressive investments in new brands to continue

Increased Business Development and Licensing Activities

Implement research strategy

Discovery research initiative to ensure sustainable growth results in higher investments in R&D

Strengthen talent pool

While improving operational productivity, margins likely to soften

Higher investments in R&D, LCM and marketing in Pharmaceuticals

Negative currency impact likely

Financial income difficult to predict

**Thank
You**

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Novartis AG

Date: October 18, 2002

By: /s/ DR. RAYMUND BREU

Name: Dr. Raymund Breu
Title: Chief Financial Officer,
Novartis Group

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Early Pipeline Richer Than Ever

Development projects by phase

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Strong Patent Protected Portfolio

Patent expirations 2002-2006 % of 2001 sales

Novartis Strategy

Strategic Priorities Aiming for Sustainable Growth

Focus on Pharmaceuticals

Revolutionizing Drug Discovery

Continued Portfolio Rejuvenation

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Pharmaceuticals sales by region in %

Global Corporate Citizenship

State-of-the-Art Corporate Governance

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9 Months Performance Raymund Breu CFO, Novartis AG

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Strategic Products Drive Growth

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US Weekly TRx

CML Rates of response

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Performance Outlook and Priorities 2003

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