

NOVARTIS AG
Form 6-K
July 23, 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 July 23, 2002
Incorporated by reference into Novartis AG's
Registration Statements on Form F-3,
as filed with the Commission on May 11, 2001 (File No. 333-60712)
and on January 21, 2002 (File No. 333-81862)

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: Second Quarter 2002 Results Presentation 22 July 2002.

Growth Momentum Carries On

Second Quarter Results 22 July 2002

This presentation contains certain "forward-looking statements" relating to the Company's business:

The statements can be identified by the use of forward-looking terminology or by discussions of strategy, plans or intentions.

The statements include descriptions and anticipated expenditures of the Company's investment in research and development programs, descriptions of new products expected to be introduced by the Company and anticipated customer demand for these and existing products in the Company's existing portfolios.

The statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions.

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 the forward-looking statements. These factors can be found in the Annual Reports the Company has filed with the U.S. Securities and Exchange Commission.

Specific risk factors include 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.

If any of these risks materialize, or underlying assumptions prove incorrect, actual results may vary materially from those one might expect on the basis of this presentation.

Agenda

Overview

D. Vasella

Pharmaceuticals

D. Vasella

Key financial data

R. Breu

Outlook

D. Vasella

Novartis' Share Outperforms SMI and Pharmaceutical Index in 1st Half 2002

Continued Dynamic Growth Momentum

Growth momentum carries on

Performance driven by double-digit sales growth trend in Pharmaceuticals

Additional impetus from strong performance of Generics

Double digit operating income expansion in CHF and margin improvement despite currency impact

Good result with net financial income in very difficult environment

Double-Digit Operating Income Expansion

| in CHF m | 1st Half 2002 | 1st Half 2001 | in % CHF | in %LC |
|------------------------|---------------|---------------|----------|--------|
| Sales | 16 254 | 15 267 | 6 | 13 |
| Operating income | 3 957 | 3 480 | 14 | 15 |
| <i>as a % of sales</i> | 24.3 | 22.8 | | |
| Net financial income | 680 | 952 | -29 | |
| Net income | 3 848 | 3 729 | 3 | |
| <i>as a % of sales</i> | 23.7 | 24.4 | | |
| EPS (CHF) | 1.51 | 1.44 | 5 | |

Dynamic Performance Delivered Through Pharmaceuticals and Generics

Sales: CHF 16 bn, +13% in local currencies, +6% in CHF

Performance Driven by Volume Increase

Half Year Operating Income up 14%

¹ Including integration costs associated with the Wesley Jessen acquisition of CHF 31m in 2001.

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| Overview | D. Vasella |
| <u>Pharmaceuticals</u> | <u>D. Vasella</u> |
| Key financial data | R. Breu |
| Outlook | D. Vasella |

Highlights in Pharmaceuticals

Continued dynamic sales growth trend with + 15% in LC

Strong growth across all regions with US up 19% in LC

Cardiovascular and Oncology franchises outpace their segments:

**Diovan expands leadership in US ARB segment
Lotrel makes inroads vs. Norvasc
Lescol builds on excellent profile**

**Gleevec submitted for 1st line therapy
fast switch from Aredia to Zometa**

Successful launch of Elidel

**First approval for Xolair with Australia
labeling discussions with FDA for Zelnorm**

New Research Institute to be based in Cambridge, Mass.

Strong Pharmaceutical Sales Growth in Key Regions

| | 1H Sales 2002 CHF m | Growth in LC | Market Growth¹ |
|---------------------|--------------------------------|-------------------------|--------------------------------------|
| US | 4 521 | 19% | 13% |
| Europe | 3 313 | 11% | 8% |
| Japan | 1 066 | 14% | 4% |
| Asia/Pacific | 653 | 14% | n/a |
| LatAm | 618 | 16% | -10% |

| | 1H Sales 2002 CHF m | Growth in LC | Market Growth ¹ |
|--------------------------|------------------------|-----------------|-------------------------------|
| Total² | 10 546 | +15% | 12% |

¹ IMS monthly YTD May, 16 countries

² Total includes Canada and others

Strategic Products Drive Growth

| Brands (1 to 10) | Market segment | Sales CHF m | Growth % LC |
|--------------------|-----------------------|----------------|----------------|
| Diovan®/Co-Diovan® | Hypertension | 1'284 | +69 |
| Sandimmun®/Neoral® | Transplantation | 877 | +0 |
| Cibacen®/Lotensin® | Hypertension | 863 | +30 |
| of which Lotrel® | | 486 | +46 |
| Lamisil® | Fungal infections | 574 | -3 |
| Voltaren® | Antirheumatics | 488 | -2 |
| Sandostatin® | Acromegaly | 487 | +25 |
| Lescol® | Cholesterol reduction | 423 | +30 |
| Glivec® | Oncology | 418 | +670 |
| Miacalcic® | Osteoporosis | 312 | -15 |
| Tegretol® | Epilepsy | 309 | +2 |

Sandimmun®/Neoral® Slow Generic Erosion in US

Key Franchises Outperforming the Market

Source: IMS

* Cardiovascular: Antihypertensives, Statins, Fibrates, OAD

Diovan® Leadership in US

Source: IMS weekly, US TRx share in ARB segment

Dynamic Sales Performance of Lotrel®

H1 sales CHF 486 m, +46% (LC)

Share growth continues 4.0% NRx(+0.5% pts) in Hypertension

Lotrel 10/20 approved

Better blood pressure control, less edema than Norvasc

Powerful blood pressure control, with the benefits of an ACE

Convenience for patient

¹ Source: IMS weekly

² LOGIC study

Lescol® Growth Accelerates

Data source for graph: IMS Monthly, May YTD

Glivec®/Gleevec Strong Roll-Out Continues

Sales of CHF 418m worldwide

ca. 60% patient penetration in CML¹

Approved for GIST¹ in US and EU

Filed in US and EU for first line treatment of newly diagnosed CML

More effective than Interferon + Chemotherapy with Improved quality of life for patients

- ¹ Chronic myeloid leukemia
² Gastrointestinal Stromal Tumor

Conversion to Zometa® is Accelerating Key Markets on Track

| | Zometa® Launch date | % of franchise ¹ converted YTD June '02 |
|-----------|------------------------|--|
| US | Aug 2001 | 55% |
| Germany | Apr 2001 | 45% |
| Italy | Feb 2002 | 33% |
| France | Jan 2002 | 18% |
| Worldwide | | 45% |

¹ % of average YTD sales in 2001 of Aredia® and Zometa® franchise

Zometa® Building a Potential Blockbuster

Fast uptake compensating for generic erosion of Aredia

Approved for bone metastasis in 23 countries

EU approval anticipated Q3 '02

Visudyne Growth Continues

H1 sales CHF 228 m, +35% (LC)

Patient penetration increased to 26% of total CNV potential

Positive opinion received in EU for occult subfoveal CNV¹

Filed in Japan (April)

Reimbursement is key to sales growth

**Public Service Announcement
Canada**

¹ **Choroidal neovascularisation secondary to age-related macular degeneration**

Elidel® US Launch Success

¹

Source: IMS weekly

The Novartis Institutes for Biomedical Research: Main Research Centers

Novartis A Swiss-American Company

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Significant Operating Income Expansion Through Productivity Gains and Volume Growth

Sales Momentum Expands Operating Income

Significant Strengthening of CHF

Currency Risks 2002 Transactional Exposure in USD and JPY Fully Hedged

Net Financial Income Reaches CHF 680 m in 1st Half 2002

| | 1H/2002 CHF m | 1H/2001 CHF m | Change in % CHF |
|------------------------------------|------------------|------------------|--------------------|
| Total operating income | 3 957 | 3 480 | +14 |
| Income associated companies | 11 | 77 | -86 |
| Financial income, net | 680 | 952 | -29 |
| Income taxes | -790 | -768 | +3 |
| <i>tax rate in %</i> | <i>17.0</i> | <i>17.0</i> | |
| Minority interests | -10 | -12 | -17 |
| Net income | 3 848 | 3 729 | +3 |

Attractive Net Financial Income in Difficult Market Conditions

| in CHF m | 1H 2002 | 1H 2001 | in % CHF |
|---|--------------|----------------|----------|
| Financial income <i>% of liquidity¹</i> | 723 7.0% | 1 335 14.8% | -46 |
| Financial expense <i>% of debt¹</i> | -161 4.0% | -185 5.0%M | -13 |
| Currency gains/losses | +118 | -198 | |
| Net financial income <i>% of net liquidity¹</i> | 680 10.8% | 952 17.7% | -29 |

¹ annualised

Performance Return on Liquid Funds Beats the Benchmark at Market Values by 3.4% Points in CHF

| Category | Return of portfolio | Return of benchmark | Value at risk ¹ of portfolio |
|--------------|---------------------|---------------------|---|
| Shares | -10.4% | -20.1% | 10.2% |
| Bonds | +2.5% | -1.7% | 1.8% |
| Money market | +2.6% | +0.7% | 0.7% |
| Overall | -0.8% | -4.2% | 2.4% |

¹ Value at risk in 10 days with 95% confidence

Liquid Funds Portfolio¹ Equity Exposure Hedged

Total liquid funds end June 2002: CHF 19.1 bn

¹

Includes hedges

**Increase in Free Cash Flow of CHF 0.2 bn
to CHF 0.3 bn**

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Group Outlook 2002

Growth momentum expected to continue, driven by Pharmaceuticals

Pharmaceuticals expects to grow around 10% in LC

Operating income growth trend expected to continue in LC

Zelnorm launch expected to result in a slight decline in Pharmaceutical operating margin vs. 2001. All other sectors expected to maintain margins on average

Significant currency impact expected 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

Appendix

Group Operating Margin 24.3%

Half Year 2002 Sales Growth Components by Sector

| | Volume | Price | Acq./ Div. | Currency |
|-------------------|--------|-------|---------------|----------|
| Pharmaceuticals | +14% | +1% | 0% | -6% |
| Generics | +19% | 0% | +3% | -8% |
| OTC | -1% | +1% | +0% | -4% |
| Animal Health | +1% | +4% | +5% | -6% |
| Medical Nutrition | +1% | +1% | -% | -4% |
| Infant & Baby | +4% | +1% | -% | -5% |
| CIBA Vision | +8% | 0% | -% | -6% |

| | Volume | Price | Acq./ Div. | Currency |
|--|--------|-------|---------------|----------|
|--|--------|-------|---------------|----------|

| | | | | |
|-------|------|-----|-----|-----|
| Group | +11% | +1% | +1% | -7% |
|-------|------|-----|-----|-----|

Highlights in Generics, OTC and Animal Health

Generics

Recent launches in US in Retail Generics fuel growth to 19% in LC¹

Generic Prozac (depression), July 2001

Generic Metformin (diabetes), January 2002

Generic Relifex (anti-inflammatory), February 2002

OTC

Sales remain at last year's level. Excluding discontinued distribution agreements sales increased 6% in LC driven by:

Nicotinell®/ Habitrol® (smoking cessation)

Otrivin (nasal decongestant)

Lamisil® cream (fungal infection)

Maalox® (antacid)

Animal Health

Recent acquisitions of vaccine businesses add 5% points to sales growth of 10% in LC

Farm animal business sees improvement over last year

¹ excluding acquisitions

Highlights in Medical Nutrition, Infant & Baby and CIBA Vision

Medical Nutrition (incl. Health and Functional Food)

Supplement business in Medical Nutrition boosts sales

Health and Functional Food divestment on track

Infant & Baby

Gerber Graduates and Tender Harvest underpin strong market position of Gerber in US

Gerber Wellness driving growth through sales to key accounts

CIBA Vision

Innovation behind performance

Focus® DAILIES®

Focus® Night & Day

Freshlook®

Surgical lenses

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: July 23, 2002

By: /s/ DR. RAYMUND BREU

Name: Dr. Raymund Breu

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Half Year 2002 Sales Growth Components by Sector

Highlights in Generics, OTC and Animal Health

Highlights in Medical Nutrition, Infant & Baby and CIBA Vision

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