

NOVARTIS AG  
Form 6-K  
October 21, 2003

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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 20, 2003  
(Commission File No. 1-15024)

*This Report on Form 6-K shall be incorporated by reference in our 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) and our Registration Statement on Form S-8 as filed with the Commission on May 14, 2001 (File No. 333-13506), in each case to the extent not superseded by documents or reports subsequently filed by us under the Securities Act of 1933 or the Securities Exchange Act of 1934, in each case as amended.*

### 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 if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes:  No:

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes:  No:

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 Third Quarter 2003 Results Release, dated October 20, 2003

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**Novartis International AG**Novartis Communications  
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SwitzerlandTel + 41 61 324 2200  
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Internet Address:  
<http://www.novartis.com>**MEDIA RELEASE COMMUNIQUE AUX MEDIAS MEDIENMITTEILUNG****Novartis outpaces the market with double-digit sales growth and further market share gains in the first nine months of 2003****First nine-months**

	9M 2003		9M 2002		% Change	
	USD m	% of sales	USD m	% of sales	USD	local currencies
<b>Group sales</b>	<b>18 134</b>		15 308		18	11
Pharmaceuticals sales	<b>11 641</b>		9 896		18	11
Consumer Health sales	<b>6 493</b>		5 245 <sup>1</sup>		24	16
<b>Operating income</b>	<b>4 283</b>	23.6	3 738	24.4	15	
<b>Net income</b>	<b>3 656</b>	20.2	3 538	23.1	3	
<b>Free cash flow</b>	<b>2 184</b>		1 324		65	
	<b>USD</b>		<b>USD</b>			
<b>Basic earnings per share/ADS</b>	<b>1.48</b>		1.40		6	

<sup>1</sup> Ongoing business excl. divested activities with 9-month sales of USD 167 million in 2002

**Third quarter**

	Q3 2003		Q3 2002		% Change	
	USD m	% of sales	USD m	% of sales	USD	local currencies
<b>Group sales</b>	<b>6 210</b>		5 373		16	11
Pharmaceuticals sales	<b>4 041</b>		3 451		17	12
Consumer Health sales	<b>2 169</b>		1 866 <sup>2</sup>		16	10
<b>Operating income</b>	<b>1 469</b>	23.7	1 320	24.6	11	
<b>Net income</b>	<b>1 277</b>	20.6	1 188	22.1	7	
<b>Free cash flow</b>	<b>1 527</b>		1 066		43	

<sup>2</sup> Ongoing business excl. divested activities with 3<sup>rd</sup> quarter sales of USD 56 million in 2002

All product names appearing in italics are registered trademarks of the Novartis Group

Unless otherwise stated, growth rates are in USD and comments refer to nine-month figures

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*Group nine-month sales up 18%; Pharmaceuticals climbs 18% and continues to outpace the market; Sandoz posts 67% sales growth and leads the industry*

*Key products deliver top performance: Diovan secures global segment leadership; Gleevec/Glivec benefits from first-line indication and sustains dynamic growth*

*Xolair and Stalevo launch in the US; first European approvals for Certican and Prexige; additional US approval for Trileptal; Zelnorm US prescriptions rise more than 60% in recent weeks*

*Group nine-month operating income expands 15%, despite continued high investments in R&D*

*Nine-month free cash flow jumps 65%; net income increases 3% and earnings per share rise 6%*

**Basel, 20 October 2003** Commenting on Novartis' nine-month results published today, Dr. Daniel Vasella, Chairman and CEO, said: "I am pleased that we have succeeded in delivering sustained double-digit growth in both divisions. Pharmaceuticals is gaining share in all our key markets. The cardiovascular franchise, especially *Diovan*, achieved the top position in its fast-growing global segment, and oncology sustained its dynamic first-half growth rate. Our generics business grew to become a global leader, contributing a cost-effective solution to help meet patient needs, while addressing healthcare budgetary constraints. Our operating income rose 15%, even as we continued our strategic investments in R&D to maintain a top innovation position and secure a sustainable dynamic growth rate".

## Sales

### Group sales up 18% to USD 18.1 billion

Group sales climbed 18% or 11% in local currencies ("l.c.") above the comparative first nine months of last year. Expanding volumes contributed 8 percentage points of sales growth, whilst acquired businesses added 2 percentage points. Price increases added 1 percentage point and the impact of translations from local currencies into USD accounted for 7 percentage points of sales growth.

### Pharmaceuticals sales up 18% to USD 11.6 billion

With nine-month revenues rising 18% (11% in l.c.), the core Pharmaceuticals business sustained above-market<sup>1</sup> sales growth, posting a 17% (12% in l.c.) rise in the third quarter.

Pharmaceuticals captured further share of the key US market (sales: +15%, +15% in l.c.), Japan (sales: +21%; +14% in l.c.), the second largest single market, as well as in Europe (sales: +25%; +6% in l.c.). Based on latest available data (IMS, August), the company's overall share of the global healthcare market has risen to 4.35%.

The cardiovascular (+38%; +32% in l.c.) and oncology franchises (+36%; +27% in l.c.) continued to be the main drivers, sustaining their first-half growth rates through the third quarter led in particular by the flagship brands *Diovan*, *Gleevec/Glivec*, *Lotrel*, *Zometa* and *Lescol*.

Newly launched products made further in-roads: *Zelmac/Zelnorm* generated revenues of USD 104 million, with US total and new prescriptions recently growing more than 60%. Meanwhile, sales of *Elidel* reached USD 165 million, as the product maintained its position as the number-one branded eczema treatment worldwide.

### Consumer Health sales up 24% to USD 6.5 billion

Sales of Consumer Health's ongoing business grew a substantial 24% (+16% in l.c.) driven mainly by Sandoz and fuelled by above-market sales growth throughout the other businesses, of which OTC, Medical Nutrition and CIBA Vision all delivered double-digit sales increases in USD.

Sandoz, a leading generics company, posted third-quarter sales far above (+36%; 28% in l.c.) the high level of the third quarter in 2002, which was characterized by the US launch of the anti-infective AmoxC (a generic version of Augmentin®<sup>2</sup>). Nine-month sales at Sandoz (+67%; +54% in l.c.), were driven by the US retail pharmaceuticals business and the Lek acquisition, which contributed 39 percentage points to sales growth. The successful roll-out of prescription loratadine (a generic version of the allergy treatment Claritin®<sup>2</sup>), and of citalopram in the UK (a generic version of the anti-depressant Celexa®<sup>2</sup>) added further impetus to sales.

<sup>1</sup> Based on IMS data January August 2002/3, the global healthcare market grew approximately 8% compared with Novartis healthcare 18% (Pharmaceuticals 16%)

<sup>2</sup> Augmentin®, Claritin® and Celexa® are registered trademarks of GlaxoSmithKline, Schering Plough, and Bayer respectively

In OTC (over-the-counter medicines) sales rose 15% (+6% in l.c.), led by *Nicotinell/ Habitrol* (smoking cessation) and *Lamisil* (topical antifungal), with US private-label loratadine also contributing to overall sales growth.

Medical Nutrition (+13%; +1% in l.c.) grew above the market, with sales benefiting from initiatives in the home-care channel.

CIBA Vision (+13%; +6% in l.c.) maintained double-digit sales growth in the third quarter, powered by the continued strong performance of the innovative disposable and continuous-wear lens business.

## Operating income

### First nine months

	9M 2003		9M 2002		Change in %
	USD m	% of sales	USD m	% of sales	
<b>Pharmaceuticals</b>	<b>3 249</b>	<b>27.9</b>	<b>2 850</b>	<b>28.8</b>	<b>14</b>
<b>Consumer Health (ongoing)</b>	<b>990</b>	<b>15.2</b>	<b>727</b>	<b>13.9</b>	<b>36</b>
Divested Health & Functional Food activities			24		
<b>Consumer Health</b>	<b>990</b>	<b>15.2</b>	<b>751</b>	<b>13.9</b>	<b>32</b>
Corporate income/expense, net	44		137		-68
<b>Total</b>	<b>4 283</b>	<b>23.6</b>	<b>3 738</b>	<b>24.4</b>	<b>15</b>

### Third quarter

	Q3 2003		Q3 2002		Change in %
	USD m	% of sales	USD m	% of sales	

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	Q3 2003		Q3 2002		
<b>Pharmaceuticals</b>	<b>1 137</b>	<b>28.1</b>	<b>986</b>	<b>28.6</b>	<b>15</b>
<b>Consumer Health (ongoing)</b>	<b>326</b>	<b>15.0</b>	<b>285</b>	<b>15.3</b>	<b>14</b>
Divested Health & Functional Food activities			8		
<b>Consumer Health</b>	<b>326</b>	<b>15.0</b>	<b>293</b>	<b>15.2</b>	<b>11</b>
Corporate income/expense, net	6		41		-85
<b>Total</b>	<b>1 469</b>	<b>23.7</b>	<b>1 320</b>	<b>24.6</b>	<b>11</b>

**Group operating income rises 15% to USD 4.3 billion**

As planned, Research & Development investments increased by a significant 31% to 15% of sales. Thanks to continued productivity gains and product-mix improvements, the cost of goods sold and Marketing & Sales investments grew slower than sales, offsetting an increase in General & Administration expenses, which grew owing to several factors including the write-down of certain investments in biotechnology ventures, exchange rate movements and royalty payments. As a result, nine-month operating income rose 15% and the operating margin remained at the six-month level of 23.6%.

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**Pharmaceuticals operating income climbs 14% to USD 3.2 billion**

Earnings growth accelerated in the third quarter as sales continued to expand strongly. The cost of goods sold, as well as investments in Marketing & Sales and Research & Development, increased slower than in the first six months, when considerable payments related to development milestones and attractive in-licensing deals were completed. Over nine-months, product-mix changes and productivity gains in the cost of goods sold continued to drive gross profit improvements. Research & Development reached 19% of sales (reflecting the sustained high-level investment in the new Cambridge facilities) and Marketing & Sales declined slightly as a percentage of sales.

**Consumer Health operating income rises 36% to USD 1.0 billion**

Operating income from Consumer Health's ongoing business rose 36% in the first nine months, outpacing sales and driven in particular by Sandoz (+87%), where volume expansions and productivity gains, more than offset increased investments in Marketing & Sales and Research & Development. Apart from Sandoz, CIBA Vision (+38%), Medical Nutrition (+184%), and OTC (+34%), all achieved considerable increases in operating income, the latter benefiting from the exceptional contribution of loratadine.

Overall in Consumer Health, continued productivity gains, lower costs of certain raw materials, and product-mix improvements contributed to a reduction in the cost of goods sold as a percentage of sales. Marketing & Sales investments were increased in order to drive recently launched products and to support key brands, however the increase was slower than sales growth. The reduction of these costs as a proportion of sales partly offset the over-proportionate increase in Research & Development investments, which were mainly due to the expansion of Sandoz' internal R&D capabilities, licensing agreements and other initiatives to accelerate innovation. With almost all business units achieving margin improvements, the Division's ongoing profit margin improved 1.3 percentage points to 15.2%.

**Group net income**

Group net income reached USD 3.7 billion in the first nine months. At 3%, growth was less pronounced than at the operating income level because non-operating income from associated companies and financial investments was significantly reduced. Earnings per share expanded by 6% to USD 1.48 for the nine months.

**Group outlook** (barring any unforeseen events)

Novartis continues to benefit from a pharmaceutical product portfolio that covers both specialty and primary care products as well as from relatively low exposure to patent expiry. As a consequence, Novartis expects to deliver superior short- to mid-term sales growth in the high-single to low-double digit percent range in local currencies.

A sustainable increase can also be expected in operating income, although operating margins are expected to be slightly reduced in 2003 and 2004 as Pharmaceuticals continues to pursue its vigorous growth strategy to sustain market share gains and its innovation track record. As a result, Research & Development investments are projected to increase over-proportionately to sales in 2003 and in 2004, underscoring Novartis' commitment to bringing innovative therapies to patients.

As previously forecast, 2003 net financial income is expected to be below the previous year's level, reflecting the lower level of liquidity and the challenging economic conditions. However, with strong operational performance continuing, both full-year operating and net income are expected to exceed the previous year's levels, barring any unforeseen events.

## Pharmaceutical business and product highlights

### Primary Care

**Diovan** (+49%; +41% in l.c.; US: +45%), the world's leading angiotensin receptor blocker (ARB) captured further market share from its competitors and continued to outpace the fast-growing ARB segment in the third quarter.

The brand's excellent efficacy, its cardio-protective profile and comprehensive clinical program position it for continued strong growth. The results of VALIANT, which is examining *Diovan* in post-myocardial infarction patients, will be announced at the forthcoming American Heart Association Scientific Session in November.

**Diovan HCT** became the second most prescribed product in the combination ARB segment (mono and combination therapy) in the US. This rapid growth was powered by the roll-out of new dosage forms, the heart failure indication and new treatment guidelines.

**Lotrel** (US: +24%), the leading combination treatment for hypertension, posted strong sales over nine months. The brand steadily gained segment share as a result of: new guidelines recommending more aggressive treatment; a new focus on patients who are not controlled by ACE inhibitors and calcium channel blockers; and the successful launch of the *Lotrel* 10/20 dosage form, which adds efficacy and dosing flexibility. A DTC advertising campaign was launched in August to expand disease awareness.

**Lescol** (+28%; +19% in l.c.; US: +14%; cholesterol reduction) continued strong sales growth driven by proven benefits in high-risk patients and leveraged by the US approval in May of the secondary prevention indication.

**Lamisil** (+13%; +7% in l.c.; US: +5%; fungal infections) sales were lifted by strong demand, particularly in the US and Japan, resulting from increased disease awareness. Total prescription trends in the third quarter showed double-digit growth in the US, reflecting strong underlying demand for the product.

**Trileptal** (+51%; +48% in l.c.; US: +55%; epilepsy) clearly outpaced its market. In August, the FDA granted approval for the use of *Trileptal* as monotherapy in children, making it the only newer anti-epileptic drug indicated for the treatment of partial seizures as a mono-therapy and adjunctive therapy in adults and children of 4 years and upwards.

**Elidel** (eczema), now in its second year on the market, achieved nine-month sales of USD 165 million. Being a non-steroid, *Elidel* lacks typical steroid-induced side effects and so it continues its leadership as the number-one branded prescription treatment for eczema in the US. The product has now been launched in more than 30 markets.

**Zelnorm/Zelmac** (irritable bowel syndrome with constipation) revenues exceeded USD 104 million (US: USD 81 million) reflecting the product's therapeutic benefits and the increase in disease awareness. Total US prescriptions as well as new prescriptions recently increased more than 60%. *Zelnorm/Zelmac* has now been launched in 34 countries.

### Oncology

**Gleevec/Glivec** (+91%; +75% in l.c.; US: +42%), for chronic myeloid leukemia (CML) and gastro-intestinal stromal tumors (GIST), continued to grow dynamically, boosted by its use as first-line therapy and its approval for GIST in the US, Europe and Japan. The introduction of the new tablet in June and July in the US prompted a high level of purchasing followed by a decrease in wholesaler stocks in the third quarter. The new 100mg and 400mg tablets will make dosing more convenient. The number of patients on the *Gleevec/Glivec* Patient Assistance Program rose to more than 5000 worldwide, providing treatment to many needy patients who otherwise would not have access.

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**Zometa** (+104%; +95% in l.c.; US: +75%), the most prescribed intravenous bisphosphonate for bone metastases, continued to post dynamic growth, with sales reaching USD 652 million. Several launches in Europe fuelled additional growth, as did the continued expanded use into a number of tumor types including lung, prostate, multiple myeloma, and breast. Sales of the combined *Zometa/Aredia* franchise reached USD 755 million, thanks to the superior therapeutic benefits of *Zometa*, which is successfully replacing *Aredia*.

**Sandostatin** franchise (+13%; +5% in l.c.; US: +9%; acromegaly and carcinoid syndrome) sales continued to grow, driven by the US. The *LAR* formulation (+18%; +9% in l.c.; US: +14%) continues to grow, albeit at a slower rate as new competitors have entered the market.

**Femara** (first-line therapy for advanced breast cancer in postmenopausal women) achieved a 30% rise (+19% in l.c.; US: +27%) supported by its strong profile as the only aromatase inhibitor to show superiority to tamoxifen in the first-line metastatic setting.

#### **Ophthalmics**

**Visudyne** (+24%; +16% in l.c.; US: +6%; treatment in age-related macular degeneration) continued to post overall growth, benefiting from increased market penetration and strong sales in Europe, the LatAm and Asia Pacific regions.

#### **Transplantation**

**Neoral/Sandimmun** (immunosuppression) sales declined only modestly (-5%) despite the use of lower dosing regimens in the US, in addition to generic competition and compulsory price-cuts in Germany and Italy. Momentum was sustained in Japan even though reimbursement was reduced by the authorities.

**Myfortic**, the new enteric-coated formulation of mycophenolate sodium used to prevent organ rejection, has now gained approval in 27 countries.

#### **Third-quarter regulatory and clinical highlights**

##### **Major approvals and launches**

Novartis received several approvals in the third quarter, which will bring new treatments to patients suffering from diseases such as severe asthma, Parkinson's disease and cancer.

**Xolair**, the monoclonal antibody treatment for asthma, and **Stalevo**, the combination therapy for Parkinson's disease, were launched in the US in July and September, respectively.

**Glivec** won approval for GIST in Japan and was recommended by NICE in the UK for first-line treatment of CML, which would extend coverage to all stages of the disease.

**Zometa**: the FDA issued an approvable letter for a label update to include long-term data for broad range of advanced cancers involving bone.

**Trileptal** was approved in the US for monotherapy treatment of epilepsy in children.

**Certican**, which targets the primary causes of allograft dysfunction, including acute rejection, was approved in Sweden for the prevention of rejection in kidney and heart transplantation in combination with *Neoral*.

*Prexige* (symptomatic relief of osteoarthritis) received first European approval in the UK, whilst the FDA requested additional data. The timing for a pan-European launch has still to be decided, whilst a US launch cannot be expected before 2005.

*Visudyne* received a recommendation from the Medicare Coverage Advisory Committee in the US for reimbursement in the treatment of occult age-related macular degeneration.

*Leponex* (schizophrenia) was approved in Switzerland for long-term reduction of the risk of recurrent suicidal behavior in schizophrenia patients. This is the first time in Europe that any medication has been approved for use in specifically treating the risk of suicidal behavior.

*Enablex* has received an approvable letter from the FDA for the treatment of over-active bladder. The product's launch is expected in 2004.

## Corporate

### Corporate income/expense, net

Net corporate income totaled USD 44 million, USD 93 million less than in the first nine months of 2002 owing to increased investments in corporate research, the negative currency translation effects on non-US dollar costs, and lower pension income.

### Financial income, net

Amid persistently challenging market conditions, lower interest rates and a lower level of net liquidity than in the prior year, net financial income declined 25% or USD 132 million in the first nine months as expected, bringing the total to USD 395 million. The overall return on net liquidity amounted to 8%.

### Result from associated companies

Novartis' stake in Chiron Corporation generated an income of USD 107 million, whereas the stake in Roche Holding AG yielded a nine-month pre-tax loss of USD 332 million, USD 269 million of which was due to Novartis' share in the associated company's unexpected loss of CHF 4.0 billion in 2002, booked only in 2003. The remainder represents an estimate for the first nine months of the current year. In total, associated companies resulted in an overall expense of USD 212 million.

### Strong balance sheet

In July 2002, Novartis started a third program to repurchase shares via a second trading line on the SWX Swiss Exchange. Since its initiation, 39.2 million shares have been repurchased in this program for a total of USD 1.57 billion. Of these, 16.51 million shares were repurchased in the first nine months of 2003 for an approximate total of USD 627 million. As of 30 September 2003, the Group held approximately 320.2 million shares in treasury.

Following changes in US GAAP and expected changes in IFRS (formerly IAS) accounting rules, Novartis decided in June to redeem, in advance, equity instruments (put and call options on Novartis shares) that were sold to Deutsche Bank in 2001. This resulted in an equity reduction of USD 3.5 billion.

Overall, the Group's equity increased slightly from USD 28.3 billion at 31 December 2002 to USD 28.4 billion at 30 September 2003. The Group's first nine-month net income of USD 3.7 billion, translation gains of USD 1.3 billion and net proceeds from the disposal of treasury shares of USD 0.3 billion, offset payments for dividends (USD 1.7 billion) and equity instrument repayments (USD 3.5 billion). In the same period, total financial debts remained at the same level. The debt/equity ratio remained at the 31 December 2002 level of 0.20:1 on 30 September 2003.

Novartis thus maintained the strength of its balance sheet at 30 September 2003 and continues to be rated AAA by Standard & Poor's and Moody's.



## Cash flow

The strong business expansion and good working capital management boosted cash flow from operating activities, which increased 50% to USD 4.8 billion.

Cash outflow for investing activities was USD 963 million. Capital expenditure increased 42% to USD 826 million and now represents 5% of sales, while USD 869 million was spent on the acquisition of subsidiaries, principally the 51% stake in Idenix acquired in the first half, and intangible and financial assets. This was offset by a significant inflow of USD 836 million from the sale of marketable securities and other assets.

Free cash flow was USD 2.2 billion, 65% up from the prior year level of USD 1.3 billion. The USD 1.6 billion increase in cash flow from operations more than offset the dividend increase of USD 357 million and additional fixed asset investments of USD 244 million.

Overall, liquidity (cash, cash equivalents and marketable securities including financial derivative assets) amounted to USD 11.9 billion at 30 September 2003. After deducting financial debt and derivative liabilities, net liquidity stood at USD 6.2 billion, USD 0.7 billion lower than at 31 December 2002, principally as a result of the redemption of the equity instruments.

## Disclaimer

This release contains certain "forward-looking statements", relating to the Group's business, which can be identified by the use of forward-looking terminology such as "would have", "forecast", "Outlook", "expects", "projected", "expected" or similar expressions, or express or implied discussions regarding potential future sales of existing products, potential new products or potential new indications for existing products, or by other discussions of strategy, plans or intentions. Such statements reflect the current views of the Group with respect to future events and are subject to certain risks, uncertainties and assumptions. There can be no guarantee that existing products will reach any particular sales levels, or that any new products will be approved for sale in any market, or that any new indications will be approved for existing products in any market. In particular, management's expectations could be affected by, among other things, new clinical data; unexpected clinical trial results; unexpected regulatory actions or delays or government regulation generally; the company's ability to obtain or maintain patent or other proprietary intellectual property protection; competition in general; government pricing pressures and other risks and factors referred to in the Company's current Form 20-F on file with the US Securities and Exchange Commission. 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. Novartis is providing the information in this press release as of this date and does not undertake any obligation to update any forward-looking statements contained in this press release as a result of new information, future events or otherwise.

Novartis AG (NYSE: NVS) is a world leader in pharmaceuticals and consumer health. In 2002, the Group's businesses achieved sales of USD 20.9 billion and a net income of USD 4.7 billion. The Group invested approximately USD 2.8 billion in R&D. Headquartered in Basel, Switzerland, Novartis Group companies employ about 78 500 people and operate in over 140 countries around the world. For further information please consult <http://www.novartis.com>.

## FURTHER REPORTING DATES

19 November 2003	R&D Day
22 January 2004	Full-year results
24 February 2004	Shareholders Annual General Meeting

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## Consolidated income statements (unaudited)

### First nine months

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	9M 2003	9M 2002	Change	
	USD m	USD m	USD m	%
<b>Total sales</b>	<b>18 134</b>	<b>15 308</b>	<b>2 826</b>	<b>18</b>
Cost of goods sold	-4 286	-3 734	-552	15
<b>Gross profit</b>	<b>13 848</b>	<b>11 574</b>	<b>2 274</b>	<b>20</b>
Marketing & Sales	-5 678	-4 980	-698	14
Research & Development	-2 664	-2 033	-631	31
General & Administration	-1 223	-823	-400	49
<b>Operating income</b>	<b>4 283</b>	<b>3 738</b>	<b>545</b>	<b>15</b>
Result from associated companies	-212	17	-229	
Financial income, net	395	527	-132	-25
<b>Income before taxes and minority interests</b>	<b>4 466</b>	<b>4 282</b>	<b>184</b>	<b>4</b>
Taxes	-760	-728	-32	4
Minority interests	-50	-16	-34	213
<b>Net income</b>	<b>3 656</b>	<b>3 538</b>	<b>118</b>	<b>3</b>

**Third quarter**

	Q3 2003	Q3 2002	Change	
	USD m	USD m	USD m	%
<b>Total sales</b>	<b>6 210</b>	<b>5 373</b>	<b>837</b>	<b>16</b>
Cost of goods sold	-1 500	-1 306	-194	15
<b>Gross profit</b>	<b>4 710</b>	<b>4 067</b>	<b>643</b>	<b>16</b>
Marketing & Sales	-1 850	-1 696	-154	9
Research & Development	-878	-730	-148	20
General & Administration	-513	-321	-192	60
<b>Operating income</b>	<b>1 469</b>	<b>1 320</b>	<b>149</b>	<b>11</b>
Result from associated companies	25	11	14	127
Financial income, net	96	112	-16	-14
<b>Income before taxes and minority interests</b>	<b>1 590</b>	<b>1 443</b>	<b>147</b>	<b>10</b>
Taxes	-271	-245	-26	11
Minority interests	-42	-10	-32	320
<b>Net income</b>	<b>1 277</b>	<b>1 188</b>	<b>89</b>	<b>7</b>

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**Condensed consolidated balance sheets (unaudited)**

30 Sept.	31 Dec.	Change	
2003	2002	USD m	2002
USD m	USD m	USD m	USD m

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	30 Sept. 2003	31 Dec. 2002	Change	30 Sept. 2002
<b>Assets</b>				
<b>Total long-term assets</b>	<b>25 814</b>	<b>24 210</b>	<b>1 604</b>	<b>22 799</b>
<b>Current assets</b>				
Inventories	3 231	2 963	268	2 771
Trade accounts receivable	4 253	3 697	556	3 633
Other current assets	1 180	1 613	-433	1 324
Cash, short-term deposits and marketable securities	11 851	12 542	-691	10 244
<b>Total current assets</b>	<b>20 515</b>	<b>20 815</b>	<b>-300</b>	<b>17 972</b>
<b>Total assets</b>	<b>46 329</b>	<b>45 025</b>	<b>1 304</b>	<b>40 771</b>
<b>Equity and liabilities</b>				
<b>Total equity</b>	<b>28 442</b>	<b>28 269</b>	<b>173</b>	<b>25 650</b>
<b>Long-term liabilities (including minority interests)</b>				
Financial debts	3 042	2 729	313	1 572
Other long-term liabilities	6 500	5 755	745	5 337
<b>Total long-term liabilities</b>	<b>9 542</b>	<b>8 484</b>	<b>1 058</b>	<b>6 909</b>
<b>Short-term liabilities</b>				
Trade accounts payable	1 308	1 266	42	941
Financial debts and derivatives	2 582	2 841	-259	3 302
Other short-term liabilities	4 455	4 165	290	3 969
<b>Total short-term liabilities</b>	<b>8 345</b>	<b>8 272</b>	<b>73</b>	<b>8 212</b>
<b>Total liabilities</b>	<b>17 887</b>	<b>16 756</b>	<b>1 131</b>	<b>15 121</b>
<b>Total equity and liabilities</b>	<b>46 329</b>	<b>45 025</b>	<b>1 304</b>	<b>40 771</b>

**Condensed consolidated changes in equity (unaudited)**

**First nine months**

	9M 2003 USD m	9M 2002 USD m	Change USD m
<b>Consolidated equity at 1 January</b>	<b>28 269</b>	<b>25 161</b>	<b>3 108</b>
Dividends	-1 724	-1 367	-357
Sale/purchase of treasury shares, net	269	-3 448	3 717
Translation effects	1 310	2 523	-1 213
Net income for first nine months	3 656	3 538	118
Redemption of equity instruments	-3 458		-3 458
Other equity movements	120	-757	877
<b>Consolidated equity at 30 September</b>	<b>28 442</b>	<b>25 650</b>	<b>2 792</b>

**Third quarter**

	Q3 2003 USD m	Q3 2002 USD m	Change USD m
<b>Consolidated equity at 1 July</b>	26 419	27 790	-1 371
Sale/purchase of treasury shares, net	359	-3 090	3 449
Translation effects	449	18	431
Net income for July to September	1 277	1 188	89
Other equity movements	-62	-256	194
<b>Consolidated equity at 30 September</b>	28 442	25 650	2 792

**Condensed consolidated cash flow statements (unaudited)****First nine months**

	9M 2003 USD m	9M 2002 USD m	Change USD m
<b>Net income</b>	<b>3 656</b>	<b>3 538</b>	<b>118</b>
Reversal of non-cash items			
Taxes	760	728	32
Depreciation, amortization and impairments	954	721	233
Net financial income	-395	-527	132
Other	35	-186	221
<b>Net income adjusted for non-cash items</b>	<b>5 010</b>	<b>4 274</b>	<b>736</b>
Interest and other financial receipts	470	307	163
Interest and other financial payments	-98	-114	16
Taxes paid	-690	-594	-96
<b>Cash flow before working capital and provision changes</b>	<b>4 692</b>	<b>3 873</b>	<b>819</b>
Restructuring payments and other cash payments out of provisions	-143	-126	-17
Change in net current assets and other operating cash flow items	218	-573	791
<b>Cash flow from operating activities</b>	<b>4 767</b>	<b>3 174</b>	<b>1 593</b>
Investments in tangible fixed assets	-826	-582	-244
Decrease/increase in marketable securities, intangible and financial assets	-137	-1 343	1 206
<b>Cash flow used for investing activities</b>	<b>-963</b>	<b>-1 925</b>	<b>962</b>
<b>Cash flow used for financing activities</b>	<b>-5 176</b>	<b>-5 096</b>	<b>-80</b>
Translation effect on cash and cash equivalents	258	471	-213
<b>Change in cash and cash equivalents</b>	<b>-1 114</b>	<b>-3 376</b>	<b>2 262</b>
Net cash and cash equivalents at 1 January	5 798	6 639	-841
<b>Net cash and cash equivalents at 30 September</b>	<b>4 684</b>	<b>3 263</b>	<b>1 421</b>

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9M 2003      9M 2002      Change  
 USD m      USD m      USD m

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**Third quarter**

	Q3 2003 USD m	Q3 2002 USD m	Change USD m
<b>Net income</b>	<b>1 277</b>	<b>1 188</b>	<b>89</b>
Reversal of non-cash items			
Taxes	271	245	26
Depreciation, amortization and impairments	361	242	119
Net financial income	-96	-112	16
Other	203	-49	252
<b>Net income adjusted for non-cash items</b>	<b>2 016</b>	<b>1 514</b>	<b>502</b>
Interest and other financial receipts	59	127	-68
Interest and other financial payments	-49	-57	8
Taxes paid	-156	-126	-30
<b>Cash flow before working capital and provision changes</b>	<b>1 870</b>	<b>1 458</b>	<b>412</b>
Restructuring payments and other cash payments out of provisions	-68	-49	-19
Change in net current assets and other operating cash flow items	76	-130	206
<b>Cash flow from operating activities</b>	<b>1 878</b>	<b>1 279</b>	<b>599</b>
Investments in tangible fixed assets	-311	-222	-89
Decrease/increase in marketable securities, intangible and financial assets	-614	1 555	-2 169
<b>Cash flow used for investing activities</b>	<b>-925</b>	<b>1 333</b>	<b>-2 258</b>
<b>Cash flow used for financing activities</b>	<b>-879</b>	<b>-3 025</b>	<b>2 146</b>
Translation effect on cash and cash equivalents	56	55	1
<b>Change in cash and cash equivalents</b>	<b>130</b>	<b>-358</b>	<b>488</b>
Net cash and cash equivalents at 1 July	4 554	3 621	933
<b>Net cash and cash equivalents at 30 September</b>	<b>4 684</b>	<b>3 263</b>	<b>1 421</b>

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**Sales by Business Unit (unaudited)**

**First nine months**

% change  
 USD

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9M 2003	9M 2002	% change
USD m	USD m	local
		currencies

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