



Novartis

Best portfolio for a changing healthcare environment

September 24, 2008

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CEO of Novartis Pharma AG



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Agenda

Novartis – Best portfolio for changing environment

Transforming the pharma business

Growing the future



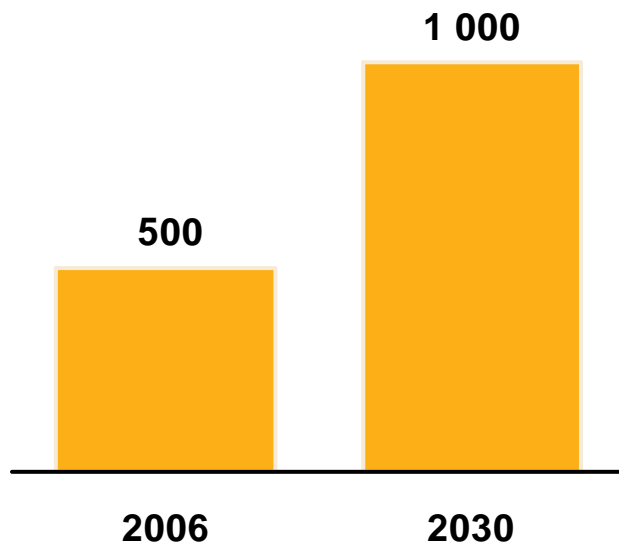
Aging population has growing healthcare needs

Worldwide population of elderly patients is increasing

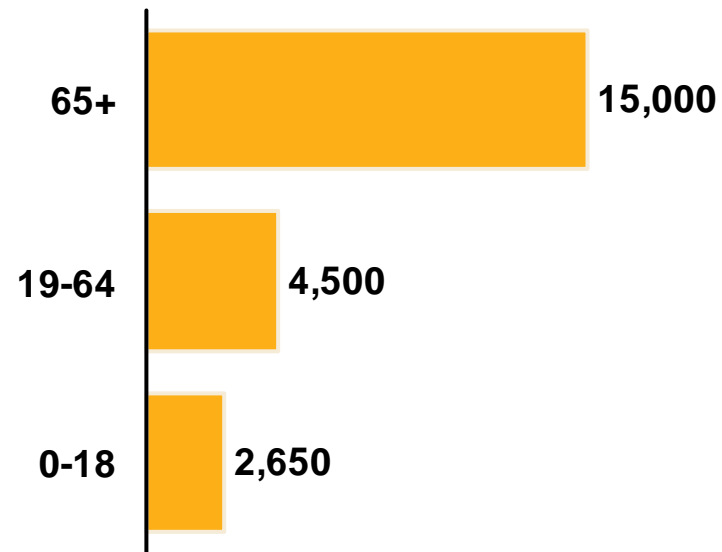


Older patients require more per-person healthcare spending

Global population age 65 and older, millions



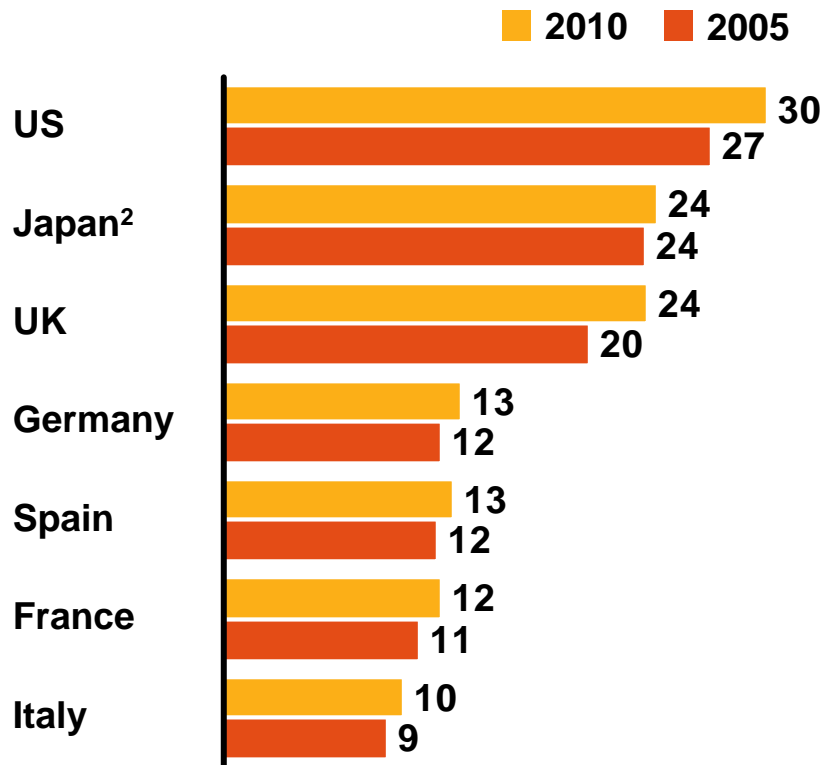
US annual per-person healthcare spending in 2004 by age group, USD



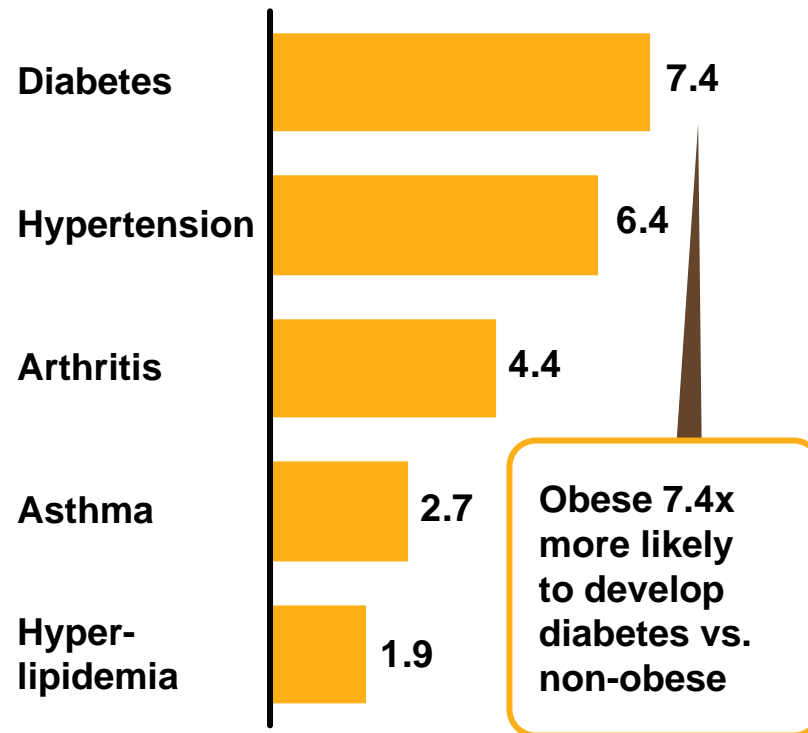
Source: Mattson Jack Epidemiology database; 2002 US Census Bureau, Wall Street research, National Association of Chain Drug Stores

Obesity epidemic driving the rise in multiple chronic diseases

Obese¹ population in major markets, in % of total population



Disease risk likelihood for obese adults³ (vs. normal weight population)



¹ BMI > 30 kg/m² (Mattson Jack Epidemiology database)

² For adults and children in Japan a BMI of 25 or more is considered obese (Kanazawa M, et al., '02)

³ Model adjusted for age, education, smoking, gender, race or ethnicity, obesity defined as BMI > 40kg/m²

Source: (JAMA, Jan 2003 – Vol 289, N°1)

Healthcare and pharmaceutical industries: Strong fundamental drivers, but some challenges

Industry fundamentally attractive...

- A** Aging population with increasing health care needs
- B** Lifestyles leading to higher prevalence of chronic diseases
- C** Economic growth of emerging countries with better healthcare access
- D** Advancing science and technology enabling new drug discovery

... but with challenging short-term outlook

- 1** Downward pricing pressure
- 2** Aggressive generics players
- 3** Risk averse regulators
- 4** Changing customer base

Novartis has an excellent portfolio to address changing patient needs

Environment



Patient needs

Innovative medicines

Prevention

Affordable options

Self-care

Full range of healthcare options

Novartis portfolio

Pharmaceuticals

Vaccines and
Diagnostics

Sandoz
(Generics)

Consumer Health
(OTC, Animal Health and
CIBA Vision)

Building the most successful healthcare company

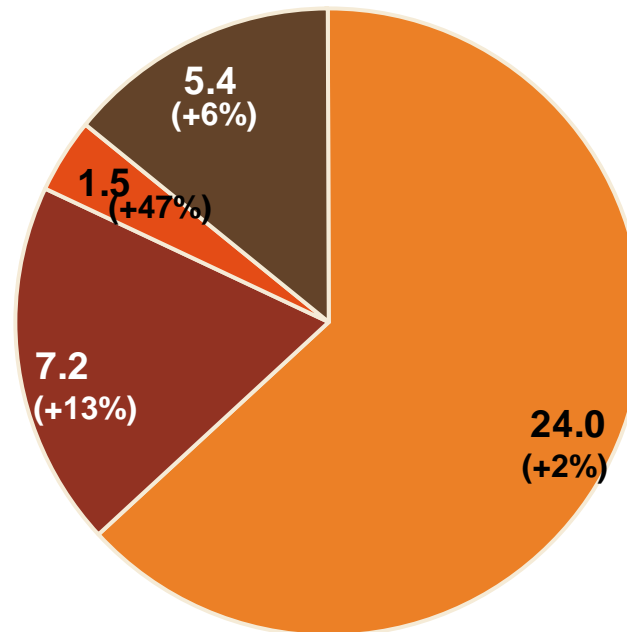
Novartis 2007 net sales by Division,
in USD billions (% change vs PY in local currency)

Consumer Health

- Strong brands
- Steady cash flow

Vaccines & Diagnostics

- No. 2 in flu vaccines
- Dynamic market growth
- Blockbuster potential in meningitis



Pharma

- Great brands
- Strong pipeline
- Top-rated sales force
- New product launches
- Worldwide presence

Sandoz Generics

- No. 2 generics company worldwide
- Top in key markets
- Leader in difficult-to-make generics

Novartis
2007 net sales: USD 38.1 bn (+6%)
#3 in healthcare industry

Novartis has four key strategies to drive growth and mitigate risk

1 Focused diversification in healthcare

- Alcon acquisition provides leadership opportunity in eye care
- No further diversification planned

2 Strengthening franchises with specific needs

- Speedel adds cardiovascular projects
- Lonza to help accelerate biologics pipeline

3 Expand in high-growth markets

- Pharma priority focus on China, Russia, South Korea and Turkey
- >30% Sandoz sales growth in E. Europe

4 Improve efficiency

- Project Forward: Simplify and focus on core activities while capturing growth
- On track for USD 1.6 billion in cost savings in 2010 (vs. 2007)

Alcon: Aiming for global eye-care leadership

- **Maintaining focus on eye care**
 - Consistent double-digit growth
 - Market leadership in all businesses
- **Increasing R&D investments**
 - USD 2.5 billion cumulative 2002-07 R&D investment is accelerating
 - Key focus on age-related diseases
- **Building core global brands**
 - 14,500 employees in >75 countries
- **Expanding in growth markets**
 - Emerging markets 2007 sales up 20% to over USD 800 million

Alcon overview

**2007 sales: USD 5.6 billion
(+14% in USD vs 2006)**

2002 - 2007 annual sales growth:

Surgical:	+12%
Pharma:	+16%
Consumer:	+10%
Group:	+15%

> 3,200 sales representatives

**Ranked in US for a decade among
“100 Best Companies to Work For”**



Source: Alcon annual report & website

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Novartis – Best portfolio for changing environment

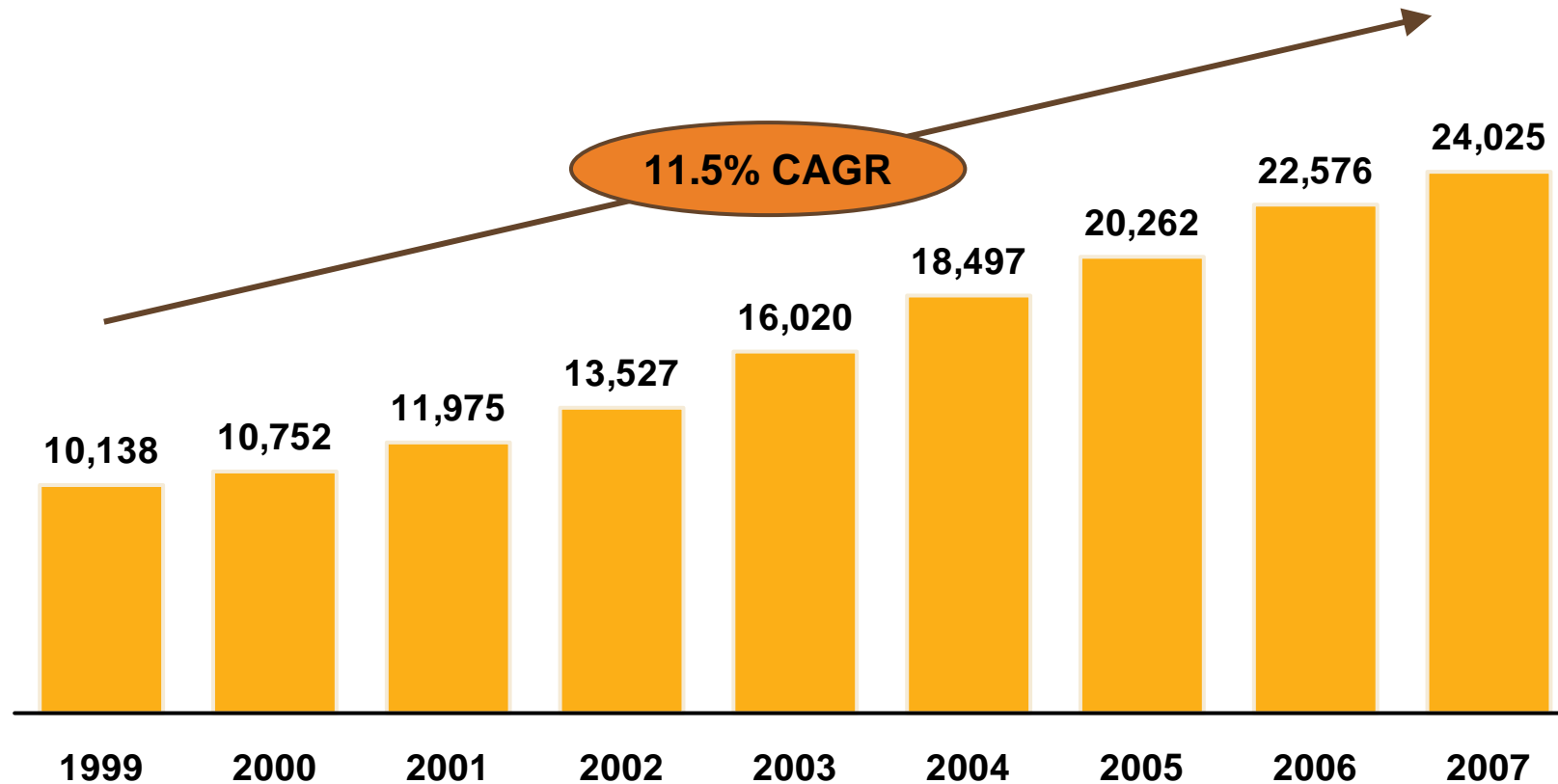
Transforming the pharma business

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Novartis Pharma has a long track record growth ...

Novartis Pharma sales,
USD million



... but ran into trouble in 2007

- **Missed 2007 targets due to:**
 - Zelnorm suspension
 - At-risk launch of generic version of Lotrel
 - Generic entries for Lamisil, Famvir and Trileptal
 - Unexpected setback on Galvus approval in US
- **Fundamental shifts in industry dynamics**
 - Aggressive generics, cautious regulators, and vocal payors are here to stay
- **Need for “fresh look” and new approach to Pharma Division**

Diagnosis identified strengths to leverage in order to correct weaknesses

Strengths to leverage

- High-performing team
- Wealth of scientific talent
- Ambitious commercial teams

Things to fix

- “One size fits all” commercial model
- Complicated and bureaucratic drug development process
- Internally focused culture

New leadership to drive change



Andrin Oswald, Global Head Development Franchises

- Responsible for all development projects in five franchises
 - Works in close partnership with Trevor Mundel to jointly lead Development organization
-



Trevor Mundel, Head Global Development Functions

- Responsible for driving excellence in the Development functions and improving relationships with key external stakeholders
 - Determine future strategic direction for Development organization in close partnership with Andrin Oswald
-



Ludwig Hantson, Head Pharma, North America, and CEO Novartis Pharmaceuticals Corporation (NPC)

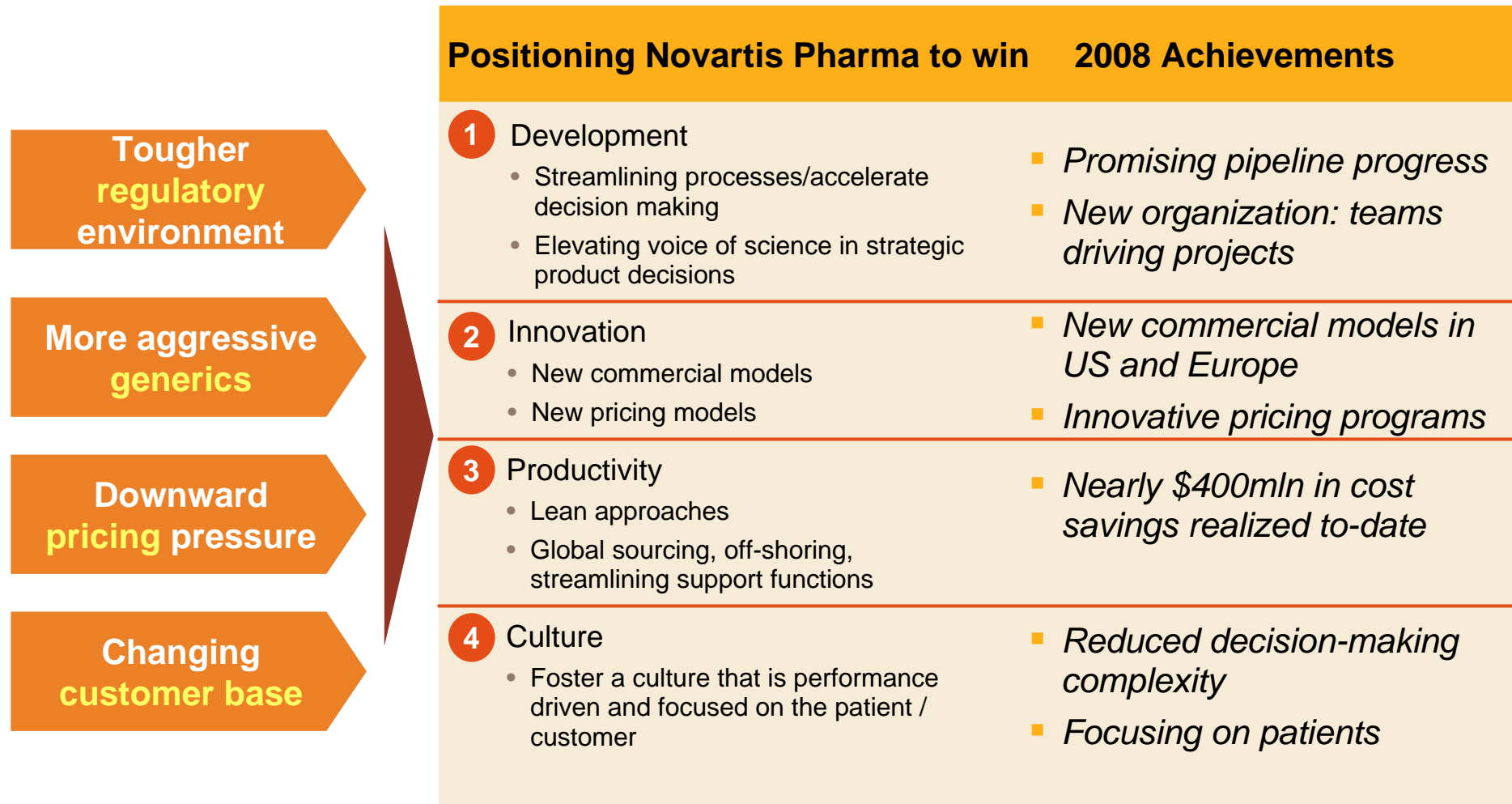
- Responsible for driving growth and developing new commercial strategies for General Medicines in the US and Canada
-



Jeffrey George, Head Rest Of World, Novartis Pharma

- Responsible for developing tailored strategies, driving business growth by providing renewed focus in underserved high growth markets

Quickly established change program to address issues



Strong performance through first half of 2008

- **Pharma division gaining momentum**
 - H1 2008 sales +10% (+1% in local currencies) to USD 13.2 billion driven by both established products and recent launches
 - First-half operating income +18% to USD 4.3 billion driven by sales growth, productivity gains and one-time factors
- **New launches on way to transforming portfolio**
 - Contributed nearly USD 1.3 bn in first half
- **Highly-rated pipeline delivering promising results**
 - Afinitor (RAD001) under priority review in US as new breakthrough for advanced kidney cancer
 - FTY720 (multiple sclerosis) and other late-stage projects progressing

2008 H1 sales and operating income ahead of prior year

	USD m	Growth vs. 2007 H1	
		in USD	in LC ¹
Net sales	13 192	+10%	+1%
Operating income	4 274	+18%	
Return on net sales (ROS) ²	32.4%	+2.2 ppt	
Associates ³	53 554	-4%	

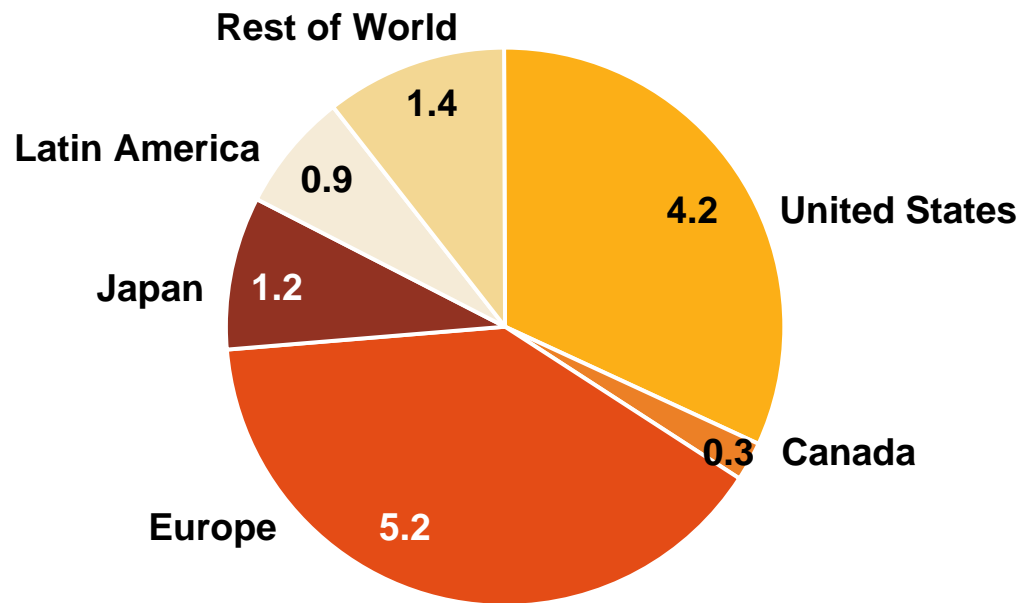
¹ Local currency

² Adjusted ROS is 32.6% (excl. amortization of intangibles and exceptional items)

³ At period end in full time equivalents, total number of Associates vs 2007 Q2

Strong growth in all regions except the US

Net sales June 2008 YTD
(USD billion)

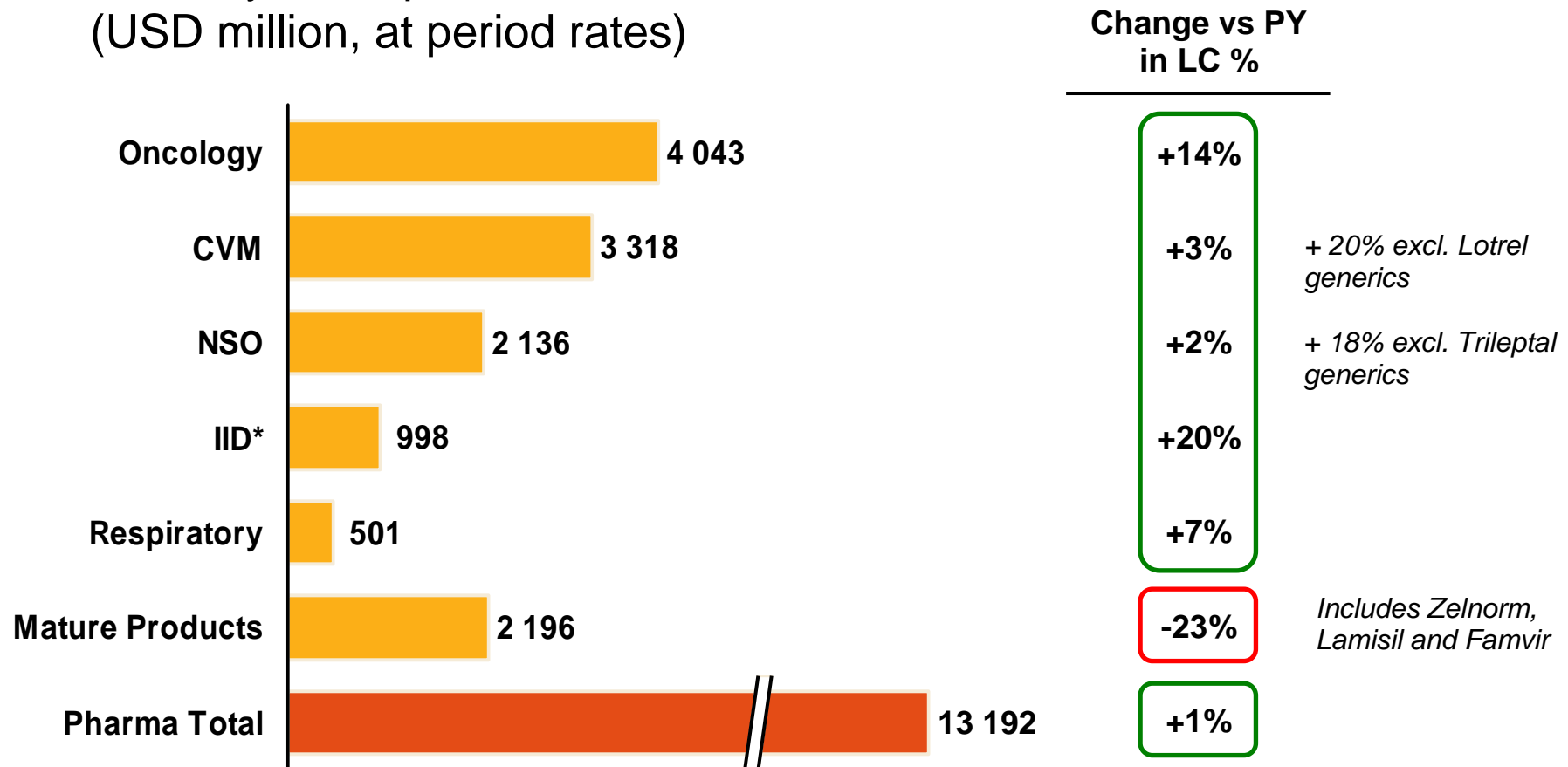


	Change vs PY in LC ¹ %
United States	-11%
Canada	+10%
Europe	+8%
Japan	+6%
Latin America	+8%
Rest of World	+19%
Total	+1%

¹ Local currency

Strong underlying growth in all key franchises

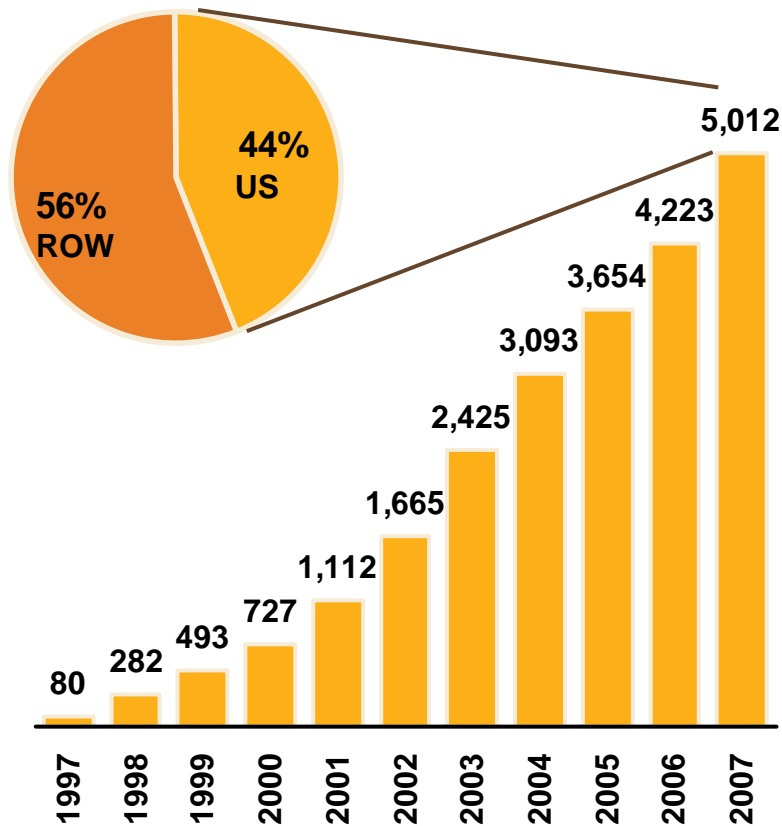
Sales by Therapeutic Area, June 2008 YTD
(USD million, at period rates)



* IID includes Tropical Medicines (\$43M)

Diovan remains our biggest product, and it continues to grow

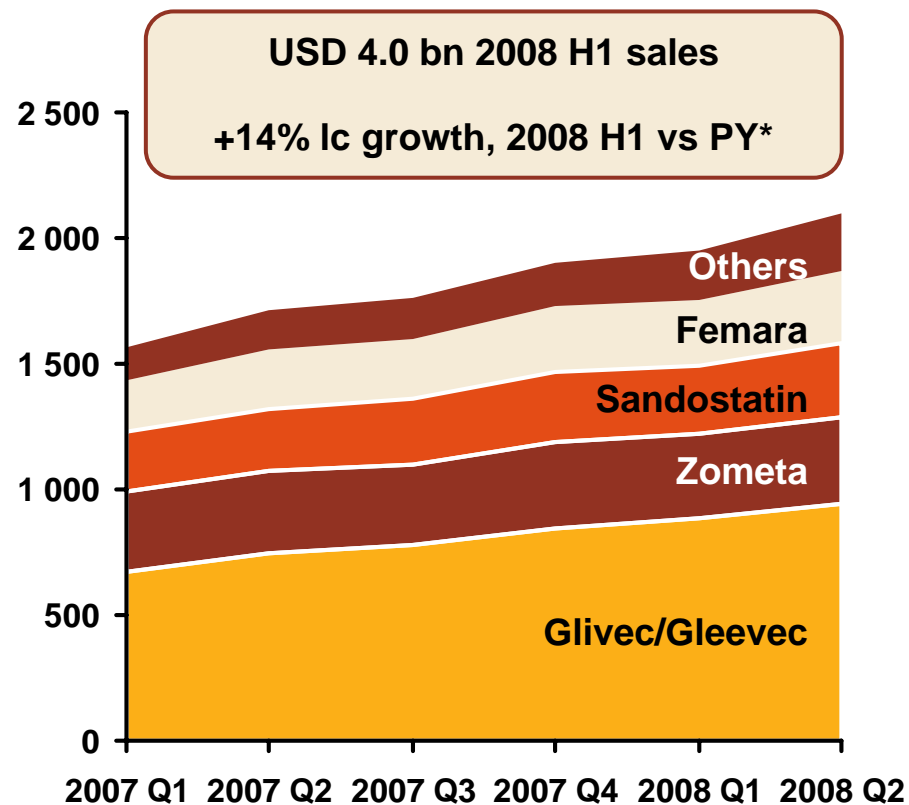
Diovan sales
(USD million)



- **World's #1 antihypertensive brand**
 - 13% of world antihypertensive market segment and still growing
 - Broad range of indications
- **Geographically diversified**
 - > 50% of 2007 sales outside the US
- **> 10% sales growth YTD, driven mostly by volume increases**
 - Growth balanced across geographies

Glivec is the foundation of our growing Oncology franchise

Novartis Oncology Sales (USD million)



- **4 of top 5 Novartis Pharma drugs by sales are oncology**

- > 30% of Pharma sales
- Successful Tasigna and Exjade launches

- **Physician and patient support has been a key success factor**

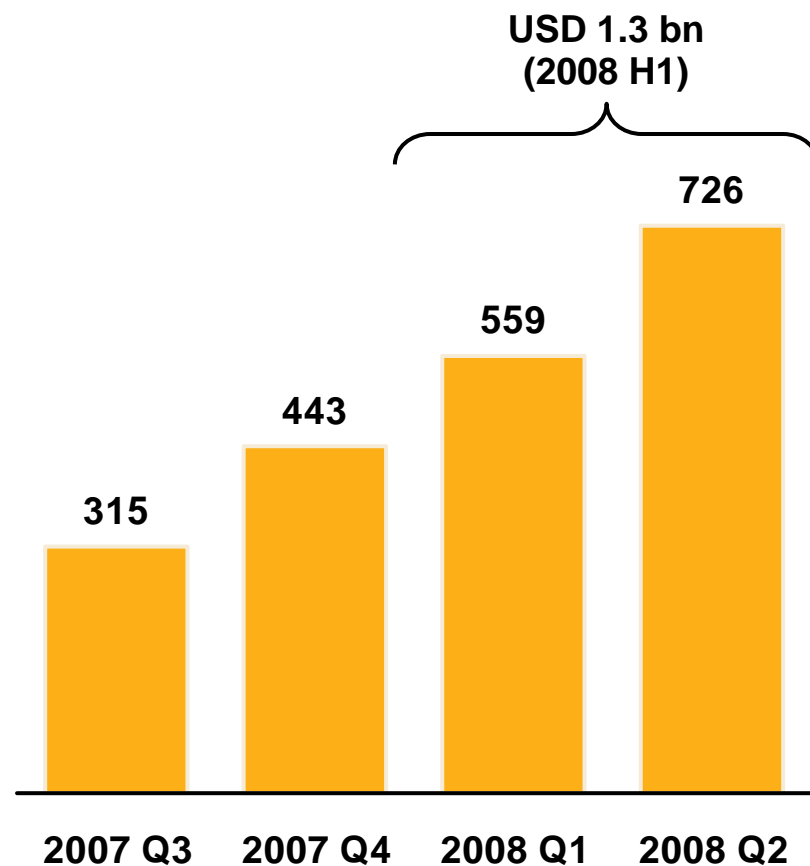
- CML Alliance helps optimize patient outcomes
- Large expanded access programs

* Local currency growth, 1st half 2008 vs 1st half 2007

Launch brands have contributed nearly USD 1.3 bn sales in 2008, with momentum building



Launch brand quarterly sales, 2007 Q3 – 2008 Q2 (USD million)



Note: Not all brands shown here are approved or marketed by Novartis in all countries

Development pipeline is promising

Compound	Indication(s)	Status	Next Milestone	Planned Submission
Afinitor (RAD001)	<ul style="list-style-type: none"> ▪ Kidney cancer ▪ Other cancers 	Phase III	<ul style="list-style-type: none"> ▪ US priority review decision for advanced kidney cancer 	<ul style="list-style-type: none"> ▪ Filed (US) ▪ 2008 (EU)
QAB149	<ul style="list-style-type: none"> ▪ Once-daily bronchodilator for COPD 	Phase III	<ul style="list-style-type: none"> ▪ Long-term efficacy and safety data to be published in H2 2008 	<ul style="list-style-type: none"> ▪ 2008 (US & EU)
ACZ885	<ul style="list-style-type: none"> ▪ mAb for multiple autoimmune and inflammatory diseases 	Phase III	<ul style="list-style-type: none"> ▪ Pivotal data for Muckle Wells Syndrome available in H2 2008 	<ul style="list-style-type: none"> ▪ 2009 (US & EU)
FTY720	<ul style="list-style-type: none"> ▪ Oral MS therapy 	Phase III	<ul style="list-style-type: none"> ▪ TRANSFORMS data in H1 2009 	<ul style="list-style-type: none"> ▪ 2009 (US & EU)
SOM230	<ul style="list-style-type: none"> ▪ Cushing's Disease, acromegaly and neuroendocrine tumors 	Phase III	<ul style="list-style-type: none"> ▪ Completion of Phase III Cushing's trial 	<ul style="list-style-type: none"> ▪ 2010 (US & EU)
ASA404	<ul style="list-style-type: none"> ▪ Non-small cell lung cancer 	Phase III	<ul style="list-style-type: none"> ▪ Completion of ATTRACT-1 in non-small cell lung cancer 	<ul style="list-style-type: none"> ▪ 2011 (US & EU)

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Fundamental changes in Pharma required in future

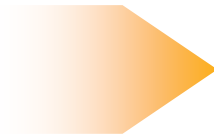
- **Market access barriers and intense pricing pressure**
- **Rapidly shifting customer base**
 - Physicians no longer sole important customers
- **Slowing growth in mature markets**

... yet fundamental unmet medical need still exists

Our vision: From “selling medicines” to “enabling superior patient outcomes”



From a transaction
approach:
“selling drugs”



To a customer centric
approach: “enabling
superior patient outcomes”



Strategy: Enabling superior patient outcomes

Three key elements

1 Focus on unmet needs

*Focus on high unmet medical needs
across mass and specialty markets*



2 Enable outcomes

*Enable better patient outcomes
through integrated approach*



3 Drive emerging markets

*Shift geographic investments
to emerging high-growth markets*



1 Focus on unmet medical need

Target patients lacking
critical treatments



- Biomarkers to stratify patients
- “Channel agnostic” – mass or specialty medicines
- Following the medical need versus the “blockbuster”

2 Enable patient outcomes



- Building health economics capability
 - Phase II trial input from payors and health authorities
 - Converting clinical outcomes to in-market outcomes
- Integrating approach to disease management
 - Access
 - Treatment
 - Compliance

3 Drive emerging markets



- Shifting investment to four high-priority markets
 - China
 - Turkey
 - Russia
 - South Korea
- Rapidly building up field force, medical reps and local development teams

Significant shift in geographic mix over next 5 years

We are adding incremental actions to address the Diovan patent expiration in 2012

Strategic initiatives

Key elements

1

Accelerate Oncology

- Maximize full potential of existing pipeline by expanding faster into new indications

2

Accelerate EGM growth

- Expand sales force current and new territories
- Optimize talent management and back-office infrastructure

3

Accelerate Development programs

- Accelerate and expand major projects while mitigating risks

Novartis – an attractive investment

- A global leader
- Attractive business portfolio focused on customer needs
- Full pipeline and launch schedule
- Good performance track record with strong mid-term growth outlook
- Solid balance sheet with competitive returns to investors
- Attractive valuation

