

Novartis wins Lamisil Tablets® patent infringement lawsuit against Dr. Reddy's Laboratories

Basel, September 3, 2004 – Novartis announced today that it has prevailed in its US patent infringement lawsuit with Dr. Reddy's Laboratories Limited of Hyderabad, India, regarding Novartis' widely prescribed oral antifungal agent Lamisil Tablets® (terbinafine hydrochloride). *Lamisil* is the leading prescription treatment to effectively treat onychomycosis, a fungal infection that commonly affects the toes or fingernails.

Dr. Reddy's Laboratories has withdrawn its challenge to a *Lamisil* patent held by Novartis, conceding that it is valid, enforceable and had been infringed by Dr. Reddy's Laboratories.

"While generics play an important and legitimate role in offering cost-effective therapeutic alternatives, strong patent protection remains essential to fostering continuous innovation that advances medical treatment for patients," said Dr. Daniel Vasella, Chairman and CEO of Novartis.

Under the terms of the consent judgment in the US District Court for the Southern District of New York, Dr. Reddy's Laboratories will not manufacture, use, sell or import into the United States a generic version at least until the patent expiration date of December 2006 and any pediatric exclusivity extension (six months) issued by the US Food and Drug Administration (FDA) for the patent.

Novartis has a strong patent position for *Lamisil* that relies on an abundance of evidence showing terbinafine hydrochloride to be a distinctive molecule with a unique mode of action. Chemically and therapeutically, terbinafine is unique in its class in the treatment of onychomycosis. An estimated 35 million Americans suffer from onychomycosis, a fungal infection that aggressively discolors, thickens, and destroys the nail plate of the toenails or the fingernails.

About Novartis

Novartis AG (NYSE: NVS) is a world leader in pharmaceuticals and consumer health. In 2003, the Novartis Group's businesses achieved sales of USD 24.9 billion and a net income of USD 5.0 billion. The Group invested approximately USD 3.8 billion in R&D. Headquartered in Basel, Switzerland. Novartis Group companies employ about 80,000 people and operate in over 140 countries around the world. For further information please consult <http://www.novartis.com>.

This release contains certain forward-looking statements relating to the Company's business, which include express or implied representations regarding future patent protection of *Lamisil Tablets*. 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 success in this patent challenge will mean that the Company will be successful in defending itself against these suits in the future. In particular, management's expectations could be affected by, among other things, the 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.

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