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Novartis awarded up to USD 220 million by US Department of Health and Human Services for development of cell culture-derived influenza vaccine

- *Novartis Vaccines leadership in new cell-culture based influenza vaccine development acknowledged*
- *Importance of new technologies recognized by US government to provide quick and reliable supply of vaccines for seasonal or pandemic flu prevention*

Basel, May 4, 2006 – Novartis announced today that the US Department of Health and Human Services (HHS) has awarded Novartis Vaccines up to USD 220 million to support the development of a cell culture–derived influenza vaccine, both to supply seasonal influenza vaccine and to respond rapidly in the event of an influenza pandemic.

“Novartis is pleased to be working together with the US government to provide a reliable vaccine supply for US citizens and to further strengthen pandemic preparedness,” said Dr. Daniel Vasella, Chairman and CEO of Novartis.

“We will be investing additional resources in highly skilled researchers to set up one of the first flu cell culture manufacturing sites in the US. This plant will contribute to America’s vaccine infrastructure for seasonal flu and support the US government’s ability to respond quickly to a potential pandemic, with access to new technologies to ensure sufficient capacity,” he said.

Cell culture–derived influenza vaccines (commonly referred to as “flu cell culture” vaccines) use modern biotechnology cell cultures rather than chicken eggs for primary production. Current egg-derived vaccines production requires several months of logistics for ordering and receiving eggs. This lead time can hinder the response to unanticipated demands such as the discovery of pandemic strains, production failures and seasonal influenza virus strain changes.

In contrast, flu cell culture production enables flexible, faster start-up of vaccine manufacturing, and is independent of the availability of eggs, providing a particularly important advantage in the event of an influenza pandemic.

“This HHS contract confirms the strategic investment of Novartis in vaccines to further enhance innovation of new technologies for preventive healthcare measures,” said Dr. Joerg Reinhardt, CEO of Novartis Vaccines & Diagnostics. “Flu cell culture could represent the next generation of flu vaccines, which will enable us to consistently meet demand and quickly respond to any surges of need.”

The award made to Novartis is part of a larger HHS initiative to expand US domestic influenza vaccines infrastructure. The government’s objective is to have capabilities to producing 600 million doses of

pandemic influenza vaccine within six months of the declaration of a pandemic, with up to 150 million doses coming from a planned Novartis US facility.

The HHS contract commits up to USD 220 million over five years to support product development as well as facility and equipment design and validation. Novartis plans to invest additional resources to ensure the successful establishment of a US-based vaccine manufacturing facility. Discussions between Novartis and potential US site candidates are ongoing.

This contract follows the initiation last fall of a US Phase I/II study of an investigational cell culture-derived influenza vaccine. Additional clinical studies are ongoing in both the US and Europe, with an expected European filing for approval of the investigational flu cell culture vaccine later this year. The investigational vaccine was developed and is produced at the company's flu cell culture vaccine manufacturing facility in Marburg, Germany.

About influenza

Influenza is a contagious, potentially serious respiratory illness caused by influenza viruses that attack the upper respiratory tract. It can cause mild to severe illness, and at times can lead to death. Influenza viruses easily spread from person to person in respiratory droplets created by coughing and sneezing. Although difficult to assess, annual influenza epidemics are thought to result in between three and five million cases of severe illness and between 250 000 and 500 000 deaths every year around the world.

About pandemic influenza

Pandemic influenza is a virulent human flu virus that causes a global outbreak, or pandemic, of serious illness. Because there is little natural immunity, the disease can spread easily from person to person with severe disease symptoms and a high mortality.

This release contains certain forward-looking statements, relating to the Group's business, which can be identified by the use of forward-looking terminology or by express or implied discussions regarding potential marketing approvals or future sales of candidate vaccines. Such statements reflect current views with respect to future events and are subject to certain risks, uncertainties and assumptions. There can be no guarantee that vaccine candidates will be approved for any indications in any market or that they will reach any particular sales levels. In particular, management's expectations regarding commercialization of vaccine candidates could be affected by, among other things, additional analysis of clinical data; 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; increased government, industry, and general public 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 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.

About Novartis

Novartis Vaccines & Diagnostics is a new division of Novartis focused on the development of preventive treatments and tools. The division has two business units: Novartis Vaccines, and Chiron, the blood testing and molecular diagnostics unit. Novartis Vaccines is the world's fifth-largest vaccines manufacturer and second-largest supplier of flu vaccines in the US. Novartis Vaccines & Diagnostics' products also include meningococcal, pediatric and travel vaccines. The Chiron business unit is

dedicated to preventing the spread of infectious diseases through the development of novel blood-screening tools that protect the world's blood supply.

Novartis AG (NYSE: NVS) is a world leader in offering medicines to protect health, cure disease and improve well-being. Our goal is to discover, develop and successfully market innovative products to treat patients, ease suffering and enhance the quality of life. Novartis is the only company with leadership positions in both patented and generic pharmaceuticals. We are strengthening our medicine-based portfolio, which is focused on strategic growth platforms in innovation-driven pharmaceuticals; high-quality, low-cost generics; human vaccines and leading self-medication OTC brands. In 2005, the Group's businesses achieved net sales of USD 32.2 billion and net income of USD 6.1 billion. Approximately USD 4.8 billion was invested in R&D. Headquartered in Basel, Switzerland, Novartis Group companies employ approximately 96,000 people and operate in over 140 countries around the world. For more information, please visit <http://www.novartis.com>.

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