

Eric Althoff
Novartis Vaccines and Diagnostics
+1 510-923 6500 (direct)
+41-79-593 4202 (mobile)
+1-510-387 7604 (US mobile)
eric.althoff@novartis.com

John Gilardi
Novartis Global Media Relations
+41 61 324 3018 (direct)
+41 79 596 1408 (mobile)
john.gilardi@novartis.com

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Novartis expands late-stage vaccines pipeline with novel vaccine for prevention of Japanese Encephalitis virus infections

- *Novartis enters into agreement with Intercell AG to acquire marketing and distribution rights to IC51, a Phase III vaccine for prevention of Japanese Encephalitis virus infections with orphan status in Europe*
- *IC51 a novel second-generation vaccine with better tolerability over current prophylaxis for the leading cause of viral encephalitis in Asia*
- *Transaction underlines focus on vaccine innovation, with strong in-house activities complemented by strategic partnerships*

Basel, June 13, 2006 – Novartis announced today the expansion of its late-stage vaccines pipeline through an agreement to acquire marketing and distribution rights for IC51, a vaccine in Phase III clinical trials for the prevention of infections from the Japanese Encephalitis virus.

With this agreement, Novartis will gain the rights to the future commercialization of IC51, which received orphan status from the European regulatory agency earlier this year. Novartis has the rights to IC51 for the United States, Europe and certain other markets including Asia and Latin America, except for markets where Intercell has pre-existing agreements. Submission for US approval is anticipated to start in the second half of 2006. This vaccine will complement the company's offering of vaccines for travelers to endemic countries.

Novartis will make an equity investment in Intercell of up to EUR 30 million, which grants Novartis the first negotiation rights to certain existing product candidates derived from Intercell's technology, and also milestone payments related to IC51 for final Phase III data as well as US and EU regulatory approvals, which are assumed to occur in 2007 and 2008, respectively.

"Novartis Vaccines is committed to disease prevention and strengthening its leadership position in human vaccines," said Dr. Jörg Reinhardt, CEO of Novartis Vaccines & Diagnostics. "No effective treatment is currently approved to prevent the debilitating effects of Japanese Encephalitis, leaving an urgent need for new vaccines such as IC51. This agreement reinforces our commitment to develop innovative vaccines through our own development activities as well as strategic partnerships."

Japanese Encephalitis (JE) disease is an acute inflammatory condition of the brain and spinal cord caused by the Japanese Encephalitis virus (JEV), which is transmitted by mosquitoes that transmit the virus from infected animals, mostly domestic pigs, to humans at seasonal intervals. JE is a leading cause of viral encephalitis in Asia with 30,000 to 50,000 clinical cases reported annually.

About IC51

IC51 is a second-generation JE vaccine that leverages cell culture technology with the aim of providing an effective but safer product compared to the currently available vaccine, which was developed in the 1950s and is made from a virulent strain of the JE virus (Nakayama strain) and propagated in mouse brains and then formulated with stabilizers and thimerosal.

IC51 is produced using an attenuated virus strain and mammalian cell culture technology. Formulation is completed with an adjuvant (aluminum hydroxide) to increase potency but without stabilizers and thimerosal.

This vaccine complements the Novartis portfolio of travel vaccines, which includes Encepur™ vaccine, a vaccine against tick-borne encephalitis (TBE); Rabipur®/RabAvert® vaccine, an effective pre-exposure and post-exposure prophylaxis treatment against rabies; Typhoral™ L vaccine, an oral typhoid vaccine; HAVpur™ vaccine, for the prevention of Hepatitis A; and Dukoral™ vaccine to prevent cholera.

About Japanese Encephalitis

Japanese encephalitis (JE) is a disease caused by a virus that affects the membranes around the brain. Most JE virus infections are mild (fever and headache) or without apparent symptoms, but approximately one in 200 infections results in severe disease characterized by rapid onset of high fever, headache, neck stiffness, disorientation, coma, seizures, spastic paralysis and death. According to the WHO, the fatality rate can be as high as 60% among those with disease symptoms; 30% of those who survive suffer from lasting damage to the central nervous system. In areas where the JE virus is common, encephalitis occurs mainly in young children because older children and adults have already been infected and are immune.

The virus is transmitted by mosquitoes that breed particularly in flooded rice fields. The virus circulates in birds such as herons and egrets. Pigs are amplifying hosts, in that the virus reproduces in pigs and infects mosquitoes that take blood meals, but does not cause disease.

Japanese encephalitis occurs from the islands of the Western Pacific in the east to the Pakistani border in the west, and from Korea in the north to Papua New Guinea in the south. JE distribution is very significantly linked to irrigated rice production combined with pig rearing.

Immunization in Europe and the US is currently recommended for travelers who visit countries where JE is prevalent and stay there for more than four weeks, predominantly in rural areas. This restrictive recommendation is influenced by the fact that health care specialists are concerned about the safety of the currently available prevention options.

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 "is anticipated", "will complement", "will make", "could amount to", "the aim of", or by express or implied discussions regarding potential marketing approvals or future sales of IC51. 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 IC51 will be approved for sale in any market or that it will reach any particular sales levels. Management's expectations regarding IC51 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 U.S. 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, paediatric 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 and 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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Media contacts

Eric Althoff

Novartis Vaccines and Diagnostics
Global Communications
+41 61 324 6392(CH direct)
+1 510 923 3301 (US direct)
+41 79 593 4202 (CH mobile)
+1 510 387 7604 (US mobile)
eric.althoff@novartis.com

John Gilardi

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+41 79 596 1408 (mobile)
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