

## Novartis creates new strategic biomedical R&D center in Shanghai

- *Integrated Research & Development center the first Novartis site of its kind in China*
- *Primary focus on infectious causes of cancer endemic to China and Asia*
- *Center will capitalize on talent in emerging life sciences cluster in Shanghai*
- *Initial investment of USD 100 million to create Shanghai site – set to begin operations in May 2007*

**Shanghai, November 6, 2006** – Novartis announced plans today to build an integrated biomedical Research & Development center in Shanghai’s Zhangjiang Hi-Tech Park that will become an integral part of the Group’s global research and development network.

The establishment of this strategic site is a commitment by Novartis to conduct cutting-edge pharmaceutical research and development in China. It will also enable further expansion of the strong network of existing R&D alliances that Novartis has in China.

Research and development activities at the site will initially focus on addressing urgent medical needs in China and Asia, particularly infectious causes of cancer endemic to the region.

“The level of scientific expertise in China is rising rapidly. At the same time, the healthcare needs of the Chinese are growing, primarily the result of urbanization, lifestyle changes and associated chronic diseases,” said Dr. Daniel Vasella Chairman and CEO of Novartis. “The Shanghai center will allow us to combine modern drug discovery approaches with those of traditional Chinese medicine that have been used to treat patients in China for thousands of years. This new research center will help Novartis contribute to the needs of patients in China and elsewhere and has the potential to become a global center for biomedical innovation.”

### Expansion of global Novartis R&D network

The center will become the eighth site within Novartis Research and Development network. It will be staffed primarily by scientists recruited from Shanghai’s emerging cluster of innovative academic, biotech and pharmaceuticals research institutions.

Scientists will initially work in a 5,000 square meter start-up facility that is expected to open in May 2007. Construction of a permanent 38,000 square meter facility for approximately 400 scientists will begin in July 2007. An investment of USD 100 million has been planned for the design and construction of the two facilities.

### Focus on diseases prevalent in China

An initial area of research will be infectious causes of cancer. One disease is liver cancer caused by the hepatitis viruses. Some one-third of the 400 million people infected with the hepatitis B virus are in China, with experts estimating that the virus kills 300,000 people in mainland China each year.

“Shanghai is clearly emerging as a new epicenter of science globally, and is a magnet for the best and the brightest investigators. It is a perfect location for exploring novel scientific approaches for the discovery of new medicines that will ultimately benefit patients in China and around the world,” said Dr. Mark Fishman, President of the Novartis Institutes for BioMedical Research.

The site will also include an integrated exploratory development center that will closely collaborate with basic research and local academic centers to further develop the concept of mechanism-based medicine and leverage emerging new technologies.

“Our activities in the new R&D center will go far beyond conducting early clinical trials by expanding drug discovery with translational medicine principles enhanced with safety investigations, biomarker detection and bio-analytics as well as gene expression profiling. We aim to complement the search of useful and safe medicines with diagnostic tools to support local and global R&D efforts,” said Dr. Jean Jacques Garaud, Global Head of Exploratory Development at Novartis Pharma AG.

#### Long-term commitment to China

Novartis and its predecessor companies have been active in China since 1938 when Ciba opened its office in Shanghai, initially entering the country as a provider of dyestuff and later expanding into pharmaceuticals through steady investments.

Novartis currently ranks as the fourth largest pharmaceutical company in the Chinese hospital market with a compound annual sales growth rate of over 30% during the last five years. In February 2006, construction began on a USD 83 million development and production plant in Changshu, Jiangsu Province, which is expected to open in mid-2007.

A series of important research collaborations have been fostered with Chinese partners. Novartis has a six-year research partnership with the Shanghai Institute of Materia Medica (SIMM) to identify and test traditional medicines for pharmacological properties. Collaborations have also been established with WuXi PharmaTech Co, Ltd., Chinese University of Hong Kong National Institutes of Biological Sciences (NIBS) and Kunming Institute of Botany.

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