

Novartis enhances its vaccine pipeline by gaining access to Intercell's key technologies and vaccines programs

- *Comprehensive alliance broadens Novartis Vaccines portfolio by providing continuous access to more than 10 Intercell projects in preclinical and early-stage development for upfront payment of EUR 270 million, including equity investment*
- *Eligible candidates include IC43 for prevention of hospital-acquired pseudomonas infections and IC47 for prevention of pneumonia infections*
- *Alliance expands Novartis leadership in adjuvanted vaccines through exclusive rights to further develop IC31 adjuvant in influenza – designed to enhance effectiveness*
- *Novartis to assume responsibility for Phase III development, manufacturing and commercialization for any projects chosen after Phase II trials*

Basel, July 2, 2007 – Novartis and Intercell AG have formed one of the vaccines industry's most comprehensive and innovative strategic alliances, combining the research, development, manufacturing and commercialization capabilities of Novartis with Intercell's unique research skills and highly-respected pipeline.

Several unpartnered projects in the existing Intercell R&D portfolio, which currently includes more than 10 potential projects for which Novartis may choose for further development, will further strengthen the efforts of Novartis to building a broad range of vaccines to prevent life-threatening viral and bacterial diseases as well as strengthen its range of influenza vaccines.

Novartis has also secured opt-in rights to all future vaccine candidates discovered by Intercell during the long-term collaboration. The Austrian biotechnology company is focused on novel vaccines for prevention and treatment of infectious diseases with substantial unmet medical need.

“This novel alliance will further leverage the potential of various Intercell vaccine candidates with the research, development, manufacturing and commercialization expertise of Novartis,” said Jörg Reinhardt, CEO of Novartis Vaccines and Diagnostics. “We are pleased to have reached this alliance with Intercell, which shares our vision of science in vaccines and is widely regarded as having one of the most innovative pipelines.”

Among the various Intercell projects eligible to Novartis are the IC43 vaccine candidate for use in patients with hospital-acquired pseudomonas infections, which is now in Phase II trials and will expand the range of nosocomial vaccines in the Novartis pipeline, and the pre-clinical vaccine IC47 against pneumonia infections in the elderly and infants.

Pseudomonas is a life-threatening infection considered the fourth most common nosocomial pathogen and accounts for at least 10% percent of all hospital-acquired infections – particularly in burn victims, according to the US Centers for Disease Control and Prevention (CDC). IC47 is a next-generation vaccine in development for the prevention of diseases related to streptococcus pneumoniae, such as pneumonia or otitis media (ear infection).

This new collaboration with Intercell comes after Novartis signed in 2006 a marketing and distribution agreement with Intercell for IC51, a new vaccine currently in Phase III trials for use in preventing infections from the Japanese Encephalitis virus.

The alliance will specifically focus on the development of vaccines derived from Intercell's Antigen Identification Program (AIP), including IC31 adjuvant technology in selected areas. Intercell's AIP approach is complementary to the Reverse Vaccinology system used by Novartis, which selects vaccine candidates based on highly conserved antigen sequences.

Intercell has responsibility for all costs through the end of Phase II clinical trials, while Novartis will assume responsibilities for Phase III development, manufacturing and commercialization for any projects chosen during the collaboration.

Novartis has also gained exclusive rights to further develop the next-generation IC31 adjuvant for use in enhancing the effectiveness of influenza vaccines. An influenza vaccine formulated with this adjuvant began Phase I trials in June 2007. Rights have also been gained to develop IC31 in other disease areas.

The development of IC31 in influenza vaccines will further strengthen the leadership of Novartis in adjuvant technology. Novartis has the proprietary adjuvant MF59, which has been shown in influenza vaccines to boost the body's immune system and enhance protection with a lower dose of a viral antigen than other vaccines.

The complementary research approaches of both companies will also allow for the combination of various research efforts to leverage existing assets in key areas, including efforts to develop therapeutic vaccines for patients infected with the Hepatitis C virus.

Financial terms of the agreement

Novartis will make an upfront payment of EUR 270 million to Intercell for exclusive opt-in rights for any existing unpartnered vaccine project or any future projects following the completion of Phase II clinical trials. This upfront payment includes the purchase of 4.8 million new Intercell shares at a premium to the market price, which will increase the equity stake in Intercell to 16.1% from the current 6.1% acquired at the time of the IC51 vaccine agreement in 2006. The agreement is subject to customary regulatory approvals, including in the United States.

About Novartis

Novartis Vaccines and Diagnostics is a division of Novartis focused on the development of preventive treatments and tools. The division has two activities: Novartis Vaccines and Chiron. Novartis Vaccines is the world's fifth-largest manufacturer and second-largest supplier of influenza vaccines in the US. The division's products include influenza, meningococcal, pediatric and travel vaccines. Chiron, the blood testing and molecular diagnostics business, is dedicated to preventing the spread of infectious diseases through the development of novel blood-screening tools. For more information, please visit <http://www.novartisvaccines.com>

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. 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. Novartis is the only company with leadership positions in these areas. In 2006, the Group's businesses achieved net sales of USD 37.0 billion and net income of USD 7.2 billion. Approximately USD 5.4 billion was invested in R&D. Headquartered in Basel, Switzerland, Novartis Group companies employ approximately 100,000 associates and operate in over 140 countries around the world.

For more information, please visit <http://www.novartis.com>

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