

First Quarter 2011 Results

Investor presentation

April 19, 2011



Disclaimer

This presentation contains forward-looking statements that can be identified by terminology such as "growth platform," "to be mitigated," "recommendations," "potential," "pipeline," "promise," "recommendation," "promising," "strategy," "will," "commitment," "goal," "recommended," "priority review," "seek," "promise," "may," "committed," "opportunities," "expected," "strategic," "awaiting," "ongoing," "expect," "plan," "launched," "can," "could," "outlook," "expectations," "would," "momentum," "underway," "recommend," "opinion," "recommending," or similar expressions, or by express or implied discussions regarding potential new products, potential new indications for existing products, or regarding potential future revenues from any such products, or regarding potential growth opportunities from the merger of Alcon and Novartis, or the potential impact on Alcon or Novartis of the merger, or any potential synergies, strategic benefits or opportunities as a result of the merger, or regarding potential future sales or earnings of the Novartis Group or any of its divisions as a result of the merger or otherwise; or by discussions of strategy, plans, expectations or intentions. You should not place undue reliance on these statements. Such forward-looking statements reflect the current views of the Group regarding future events, and involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. There can be no guarantee that any new products will be approved for sale in any market, or that any new indications will be approved for existing products in any market, or that such products will achieve any particular revenue levels. Nor can there be any guarantee that Novartis will be able to realize any of the potential synergies, strategic benefits or opportunities as a result of the merger with Alcon. Nor can there be any guarantee that the Novartis Group, or any of its divisions, will achieve any particular financial results, whether as a result of the merger or otherwise. In particular, management's expectations could be affected by, among other things, unexpected regulatory actions or delays or government regulation generally; unexpected clinical trial results, including additional analyses of existing clinical data or unexpected new clinical data; the Group's ability to obtain or maintain patent or other proprietary intellectual property protection; disruptions from the merger and integration with Alcon making it more difficult to maintain business and operational relationships, and relationships with key employees; unexpected product manufacturing issues; uncertainties regarding actual or potential legal proceedings, including, among others, litigation seeking to prevent the merger from taking place, product liability litigation, litigation regarding sales and marketing practices, government investigations and intellectual property disputes; competition in general; government, industry, and general public pricing and other political pressures; uncertainties regarding the after-effects of the recent global financial and economic crisis; uncertainties regarding future global exchange rates and uncertainties regarding future demand for our products; uncertainties involved in the development of new healthcare products; the impact that the foregoing factors could have on the values attributed to the Group's assets and liabilities as recorded in the Group's consolidated balance sheet; and other risks and factors referred to in Novartis AG'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 presentation as of this date and does not undertake any obligation to update any forward-looking statements as a result of new information, future events or otherwise.



Agenda

Q1 2011 Results

Joseph Jimenez
Chief Executive Officer

Alcon – our new division in eye care

- Strategy and integration update
- Alcon Q1 2011 update and value creation opportunities
- Financial integration of Alcon into Novartis

Joseph Jimenez
Chief Executive Officer

Kevin Buehler
CEO Alcon

Jon Symonds
Chief Financial Officer

Q1 2011 Financials

Jon Symonds
Chief Financial Officer

Pharmaceuticals – update on key brands

David Epstein
Division Head Pharmaceuticals

Closing

Joseph Jimenez
Chief Executive Officer

Q&A session

3 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Strong growth of underlying business in Q1 2011

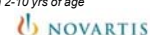
- **Sales growth +14% in constant currencies (CC¹)**
 - Despite over USD 1 billion of A(H1N1) in year ago base
- **Drove operating income growth of underlying business**
 - Core operating income: +13% USD, excluding Alcon and A(H1N1)²
 - Core EPS -3% to USD 1.41
- **Significant progress on innovation continues**
 - Three major approvals (Gilenya[®] EU, Lucentis[®] DME, Menveo[®] US)³

¹ Constant currencies

² Core results for operating income, net income and EPS exclude amortization of intangible assets, impairment charges, expenses relating to the integration of acquisitions as well as other significant items. Please see our current Form 20-F on file with US SEC for further information

³ Lucentis[®] approved in EU for DME: diabetic macular edema; Menveo[®] approved by FDA for meningococcal disease in children 2-10 yrs of age

4 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Summary of Q1 2011 financial results

(USD m)	Q1 2011	% USD	% CC
Net sales	14 027	+16	+14
Operating income			
Core	4 012	+4	+6
Reported	3 408	-3	0
Net income	2 821	-4	
Free cash flow ¹	1 622	-44	
EPS (USD)			
Core	1.41	-3	
Reported	1.21	-6	

¹ FCF before dividends

5 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



All Divisions contributed strongly to overall growth

Q1 2011 Sales by division (USD m)	Growth vs. PY (% CC)
Pharma	7 765 +5%
Sandoz	2 318 +15%
Alcon ¹	1 931 +10%
Consumer Health	1 642 +9%
V&D	371 +43% excluding A(H1N1) ²

¹ Q1 2010 is comprised of the figures reported by Alcon, Inc., on April 26, 2010, adjusted on a pro forma basis as from January 1, 2010 for the impact of the change in control and related purchase price allocation arising from the Novartis acquisition of 77% majority ownership on August 25, 2010. These Q1 2010 pro forma figures of Alcon, Inc. are given solely for the purpose of providing a basis of comparison for the Q1 2011 results

² Novartis V&D -73% CC, including USD 1.1 billion A(H1N1) pandemic flu vaccines sales in 2010 base

6 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



We are focusing on our 2011 strategic priorities

Strategic Priorities:
Delivering innovation, growth and productivity



7 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Innovation

Great innovation progress in Q1 2011

	Selected program	Indication	Q1 2011 achievement
Pharma	<input checked="" type="checkbox"/> GILENYA (fingolimod)	Multiple sclerosis	EU approval
	<input checked="" type="checkbox"/> LUCENTIS RANIBIZUMAB INJECTION	Diabetic macular edema	EU approval
	LUCENTIS RANIBIZUMAB INJECTION	Retinal vein occlusion	CHMP recommendation ¹
	Rasilamlo®	High blood pressure	CHMP recommendation ¹
	QAB149	COPD ²	FDA Advisory Comm. recommendation ²
	INC424	Myelofibrosis	Positive Phase III study
V&D	<input checked="" type="checkbox"/> MENVEO Meningococcal ACWY (2-10 yrs)	Meningococcal disease ACWY (2-10 yrs)	US approval

¹ CHMP recommendation for approval in EU

² FDA Advisory Committee recommends US approval of 75 mcg QAB149 (Arcapta™) in Chronic Obstructive Pulmonary Disease (COPD)

8 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation

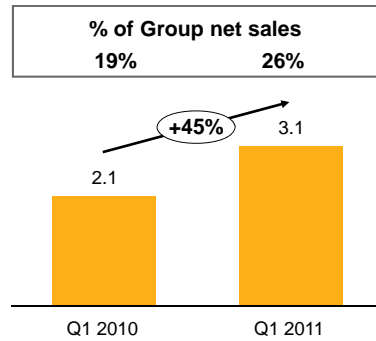


Growth

Recently launched products driving growth ahead of Diovan patent expiry



Recently launched product sales¹
(USD bn)



¹ Major Group products launched since 2007, except Sandoz (includes all launches in the last 24 months); excluded are products from Alcon Division and A(H1N1) pandemic flu vaccines



Growth

Strong underlying growth in emerging markets

Q1 2011 sales growth¹
(in % CC)

	Brazil	+8%	<i>Building local V&D plant in Pernambuco</i>
	China	+15%	<i>Strengthening local organization</i>
	India	+19%	<i>Leveraging cross-divisional portfolio and capabilities</i>
	Russia	+20%	<i>Building local manufacturing plant and expanding R&D capabilities</i>

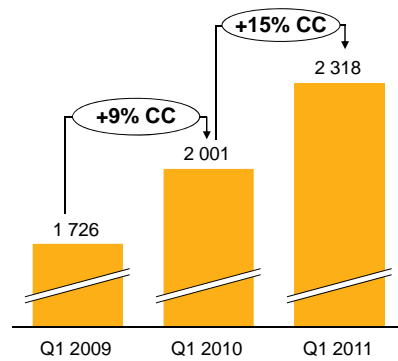
¹ Excluding Alcon and A(H1N1)



Growth

Outstanding Sandoz performance in key categories and markets

Sandoz Q1 2011 sales
(USD m)



- **US enoxaparin** sales USD 247 million with market share approaching 50%
- **Biosimilars** +32% CC growth
- **Oncology injectables** +26% CC growth
- **Strong growth across regions** despite Germany decline (-27% CC)

11 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Growth

Consumer Health up +9% with continued focus on key brands in major markets

OTC		▪ Strong global growth (+19% CC)
		▪ Strong Cough & Cold season in US (+50% CC)
CIBA Vision		▪ Continued growth in silicone hydrogel lenses (+27% CC)
Animal Health		▪ #1 European de-wormer for dogs and cats ▪ Strong growth +19% CC
		▪ Established brand up +17% vs. PY driven by Asia

12 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Growth

Vaccines & Diagnostics achieved significant milestones for growth



Emerging markets expansion

- Closed Zhejiang Tianyuan vaccines deal in China
- Integrated portfolio and pediatric combinations to drive future innovative vaccines leadership in China



Building meningococcal franchise

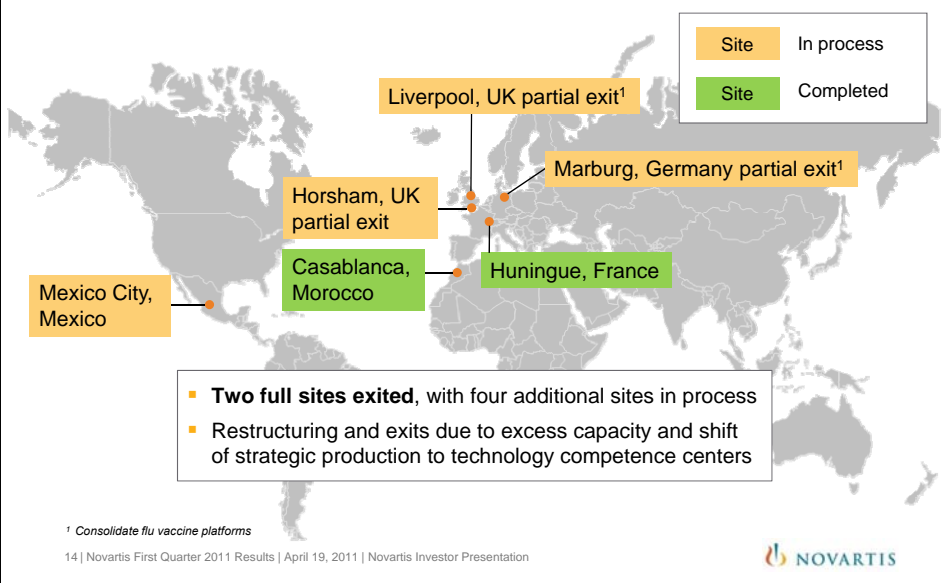
- US Approval of Menveo® for 2-10 years of age
- Submitted Menveo® infants/toddlers in US and awaiting FDA feedback

13 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Productivity

We have made progress in optimizing our manufacturing network



¹ Consolidate flu vaccine platforms

14 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Agenda

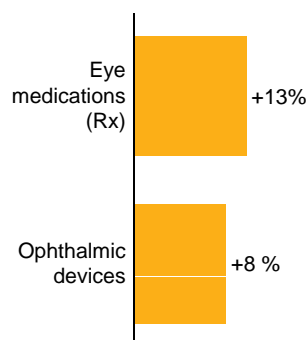
Q1 2011 Results	Joseph Jimenez Chief Executive Officer
Alcon – our new division in eye care	Joseph Jimenez Chief Executive Officer
<ul style="list-style-type: none"> • Strategy and integration update • Alcon Q1 2011 update and value creation opportunities • Financial integration of Alcon into Novartis 	Kevin Buehler CEO Alcon Jon Symonds Chief Financial Officer
Q1 2011 Financials	Jon Symonds Chief Financial Officer
Pharmaceuticals – update on key brands	David Epstein Division Head Pharmaceuticals
Closing	Joseph Jimenez Chief Executive Officer
Q&A session	

15 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation






Eye care is an attractive, high growth sector in healthcare benefiting from industry trends

Historical sector growth¹ (CAGR, 2004-2010)



Future growth drivers Selected examples

	Aging population	<ul style="list-style-type: none"> • Population >65 years will grow ~75% (2000-2020)
	Unmet medical need	<ul style="list-style-type: none"> • 25 million² people with AMD³ • 60 million people with open-angle glaucoma by 2020⁴
	Emerging markets	<ul style="list-style-type: none"> • 600,000 people in China blinded by cataracts per year⁵

¹ Source: EvaluatePharma; World Pharmaceutical Frontiers and Health Research International

² American Optometric Association

³ AMD: Age-related macular degeneration

⁴ Quigley et al; Br J Ophthalmol 2006;90:262-265

⁵ China Primary Health Care Foundation: <http://www.cphcf.org.cn/xw.asp?ArticleId=145>

16 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



A new Alcon Division will be created



* excluding Lucentis®

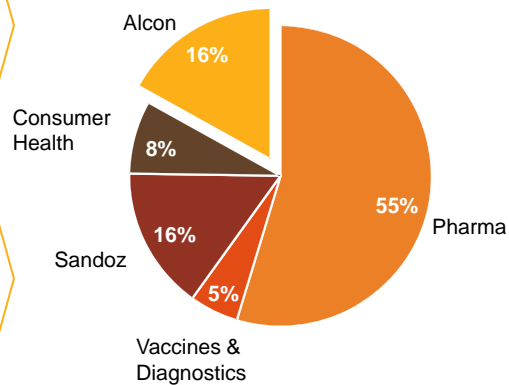
17 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



With the merger, Alcon will be the second largest growth platform for Novartis



2010 Pro forma % of sales
Total Group pro forma sales USD 55.3 bn



18 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Together we form a global “powerhouse” in eye care

2010 pro forma sales¹
Total Alcon Division: USD 9 bn

Surgical	Pharma ²	Vision Care
USD 3.2 bn	USD 3.5 bn	USD 2.3 bn
		






¹ Rounded pro forma sales, restating 2010 sales for Alcon, CibaVision, Falcon, and NVS Pharma Ophtha

² Includes Novartis other Ophthalmics excluding Lucentis®

19 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



We will maximize value creation opportunities

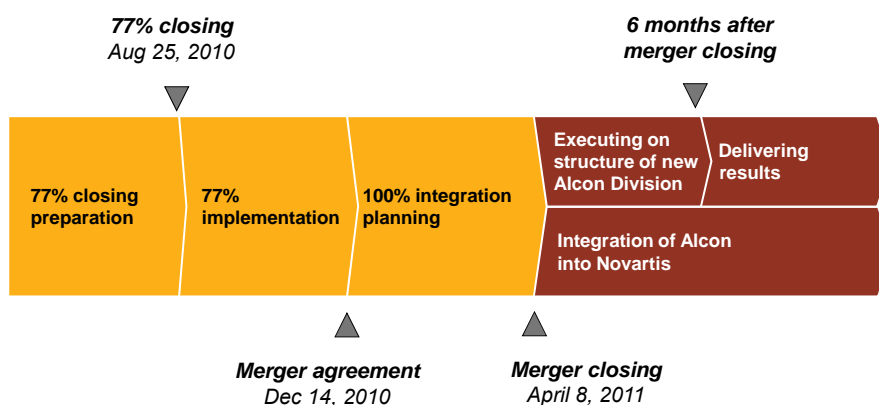
Innovation	Revenue growth	Productivity
 <ul style="list-style-type: none"> NIBR¹ discovery to expand potential targets for Alcon 	 <ul style="list-style-type: none"> Broaden portfolio to eye care professionals (ECPs) Expand market access for Alcon portfolio Leverage Novartis scale and capabilities in other channels (e.g. generics) 	 <p>USD 300+ million cost synergies per year</p> <ul style="list-style-type: none"> Global procurement Manufacturing optimization Streamline G&A functions Leverage Sales & Marketing infrastructure
 <ul style="list-style-type: none"> Leverage respective Pharmaceutical development capabilities 		
 <ul style="list-style-type: none"> Ability to enhance link between lens and lens care 		

¹ Novartis Institute for BioMedical Research

20 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Integration timeline



21 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Agenda

Q1 2011 Results	Joseph Jimenez <i>Chief Executive Officer</i>
Alcon – our new division in eye care	Joseph Jimenez <i>Chief Executive Officer</i>
<ul style="list-style-type: none"> • Strategy and integration update 	
<ul style="list-style-type: none"> • Alcon Q1 2011 update and value creation opportunities 	Kevin Buehler <i>CEO Alcon</i>
<ul style="list-style-type: none"> • Financial integration of Alcon into Novartis 	Jon Symonds <i>Chief Financial Officer</i>
Q1 2011 Financials	Jon Symonds <i>Chief Financial Officer</i>
Pharmaceuticals – update on key brands	David Epstein Division Head Pharmaceuticals
Closing	Joseph Jimenez <i>Chief Executive Officer</i>
Q&A session	

22 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Strong performance in Q1 2011¹

(USD m)	Q1 2011	Q1 2010	Growth	
			(% USD)	(% CC)
Net sales	1 931	1 721	12%	10%
Core operating income	722	649	11%	11%
Operating income	207	165	25%	24%
Core operating income margin	37.4%	37.7%		
Operating income margin	10.7%	9.6%		
Free cash flow	523	267		

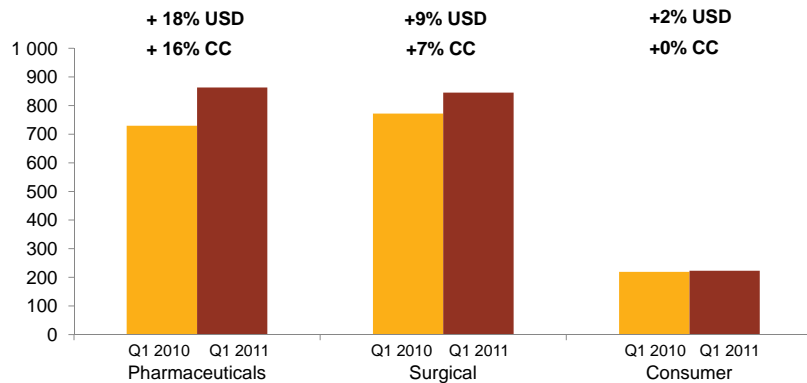
¹ Q1 2010 is comprised of the figures reported by Alcon, Inc., on April 26, 2010, adjusted on a pro forma basis as from January 1, 2010 for the impact of the change in control and related purchase price allocation arising from the Novartis acquisition of 77% majority ownership on August 25, 2010. These Q1 2010 pro forma figures of Alcon, Inc. are given solely for the purpose of providing a basis of comparison for the Q1 2011 results

23 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Q1 2011 Performance in therapeutic areas

Q1 2011 Global sales by franchise¹
(in USD m)



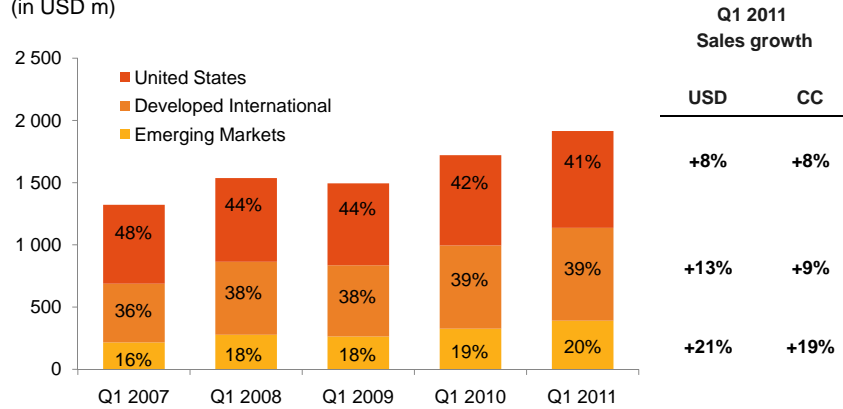
¹ Q1 2010 is comprised of the figures reported by Alcon, Inc., on April 26, 2010, adjusted on a pro forma basis as from January 1, 2010 for the impact of the change in control and related purchase price allocation arising from the Novartis acquisition of 77% majority ownership on August 25, 2010. These Q1 2010 pro forma figures of Alcon, Inc. are given solely for the purpose of providing a basis of comparison for the Q1 2011 results

24 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Q1 2011: Balanced global growth

US / Non – US sales growth¹ (in USD m)



¹ Q1 2010 is comprised of the figures reported by Alcon, Inc., on April 26, 2010, adjusted on a pro forma basis as from January 1, 2010 for the impact of the change in control and related purchase price allocation arising from the Novartis acquisition of 77% majority ownership on August 25, 2010. These Q1 2010 pro forma figures of Alcon, Inc. are given solely for the purpose of providing a basis of comparison for the Q1 2011 results

25 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Focus for the next months: integration of eye care businesses into new Alcon Division

Building the new Alcon Division



Objectives:




- Create new organization that utilizes best of both companies
- Optimize commercial platform across all eye care categories
- Quickly deliver incremental and sustainable growth
- Capture operational efficiencies between Alcon and CIBA Vision

26 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Alcon

Our new operating model is planned to operate along three dimensions

	Geographies	<ul style="list-style-type: none"> Americas Europe Asia
	Franchises	<ul style="list-style-type: none"> Surgical Pharmaceuticals Vision Care
	Functions	<ul style="list-style-type: none"> Research & Development Manufacturing G&A

27 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Alcon

Leading global brands in eye care

	Brand	Global position
Surgical	   	<ul style="list-style-type: none"> #1 Intraocular Lenses #1 Cataract Equipment #1 Vitreoretinal Equipment #2 Refractive Equipment
Pharma	     	<ul style="list-style-type: none"> #1 Allergy #1 Anti-infectives #2 Glaucoma
Vision Care	   	<ul style="list-style-type: none"> #2 Weekly / Monthly Contact Lens #2 Disposable Contact Lens #1 Multi-Purpose Solution #1 Peroxide Solution

28 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Alcon

Comprehensive sales coverage

Franchise	Categories	Customer channel
Surgical (1500+ sales reps)	<ul style="list-style-type: none">CataractVitreoretinalRefractive	Cataract, refractive & vitreoretinal surgeons
Pharma (2000+ sales reps)	<ul style="list-style-type: none">GlaucomaAllergyInfectionDry eye	General ophthalmologists, allergists, selected primary care physicians
Vision Care (1400+ sales reps)	<ul style="list-style-type: none">Contact lensesContact lens care	Optometrists and opticians, general ophthalmologists

29 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Alcon

Accomplishments during the last 90 days

- ✓ Operating model established
- ✓ Global leadership team appointed
- ✓ Country management selected
- ✓ Functional integration commenced
- ✓ Synergy capture underway
- ✓ Value creation plan launched

30 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Value creation opportunities

Innovation



Revenue Growth



Productivity



Value creation opportunities

Novartis Institutes for BioMedical Research (NIBR) discovery

- Access to extensive library of compounds not available to Alcon in the past
- Greater link of commercial needs for eye care and scientific solutions

Pharmaceutical development

- Novartis brings scale for Alcon to leverage
- Leverage technical expertise (e.g. clinical operations, statistical analysis)

Materials / optics technology

- Integrated development of contact lenses and solutions
- Leverage next generation multifocal technology across IOLs and contact lenses

Growth

Value creation opportunities

Broaden portfolio to Eye Care Practitioners (ECP)

- Promote contact lenses and solutions to optometrists / opticians
- Further expand share of voice in eye care

Expand market access

- Reimbursement for value-added products outside of the US
- Accelerate penetration of emerging markets

Generics

- Leverage Sandoz portfolio breadth and key account management in US
- Capitalize on Sandoz global presence and capabilities

33 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Productivity

Value creation opportunities

Procurement

- Apply category management and eSourcing to USD 3 billion spend in Alcon
- Leverage Novartis scale

Manufacturing

- Leverage lens care manufacturing scale
- Optimize third-party manufacturing

G&A functions

- Eliminate public company functions
- Consolidate affiliate back offices

34 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Agenda

Q1 2011 Results	Joseph Jimenez <i>Chief Executive Officer</i>
Alcon – our new division in eye care	Joseph Jimenez <i>Chief Executive Officer</i>
• Strategy and integration update	
• Alcon Q1 2011 update and value creation opportunities	Kevin Buehler <i>CEO Alcon</i>
• Financial integration of Alcon into Novartis	Jon Symonds <i>Chief Financial Officer</i>
Q1 2011 Financials	Jon Symonds <i>Chief Financial Officer</i>
Pharmaceuticals – update on key brands	David Epstein Division Head Pharmaceuticals
Closing	Joseph Jimenez <i>Chief Executive Officer</i>
Q&A session	

35 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Financial integration of Alcon into Novartis

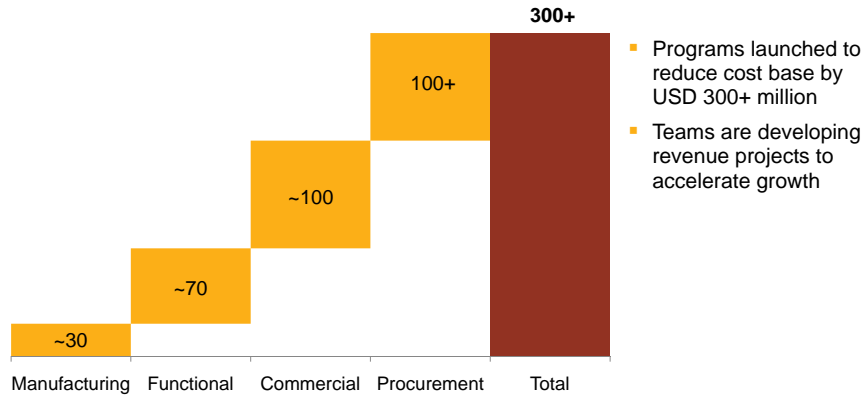
- Streamlining the cost base and delivering cost savings
- Capitalizing on the growth opportunities
- Improving CFROI
- Mitigating EPS dilution from the merger

36 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Cost synergies for 100% ownership

2013 expected pre-tax cost synergies (USD m)



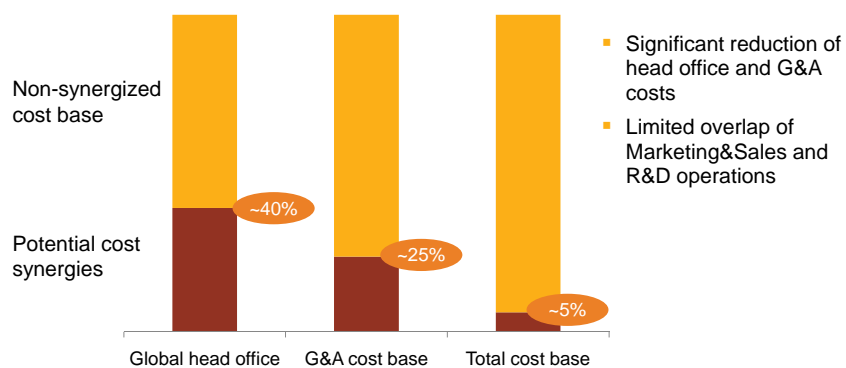
¹ Procurement savings will be reported across entire P&L

37 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Significant opportunity in G&A

2010 combined company¹ cost base



¹ Combined company cost base includes Alcon and CIBA Vision

38 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Cost synergies for 100% ownership

Potential annual pre-tax cost synergies (USD m)

	2011	2012	2013	Source
Cost of Goods Sold	~5	~20	~50	<ul style="list-style-type: none"> • Manufacturing optimization • Procurement savings
R&D	~5	~10	~20	<ul style="list-style-type: none"> • Support function consolidation • Procurement savings
SG&A	~40	~160	~230	<ul style="list-style-type: none"> • Corporate function consolidation • Commercial structure streamlining • Procurement savings
Total	~50	~190	300+	

Note: Procurement synergies allocated across COGS, R&D, and SG&A

39 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



One time cost items associated with closing

One time costs (USD m)	Total	2011	2012	2013
Severance, Retention & Relocation	~150 ¹	~50	~60	~20
IT	~60	~30	~30	0
Facilities / Other	~60	~30	~30	0
Sub-total	~270	~110	~120	~20
IT ERP system	~350			
Total	~620			

¹ Some costs to be incurred beyond 2013

40 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Estimated EPS accretion/dilution

	2011		
	December 15, 2010 ¹	April 8, 2011 ²	USD 5 bn buy-back ³
EPS	~(5)%	~(4)%	~(3)%
Core EPS	~(3)%	~(1)%	~0%
Fully synergized Core EPS			~2%

Note: Calculation based on IBES broker consensus for Alcon and Novartis

¹ Assumed share issue of 215 million Novartis shares

² As a result of Alcon and Novartis shares acquired between December 15, 2010 and closing, only 165 million Novartis shares were actually issued in connection with the merger

³ Shares issued at acquisition for completion of merger adjusted for incremental repurchase of additional shares up to USD 5 billion

41 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Improving Alcon CFROI¹

	Alcon	+	CIBA Vision	=	Merger benefits
Sales growth	High single digit		Mid single digit		Revenue synergies (share of voice, emerging markets, breadth of portfolio)
Core operating margin²	37%		23%		Cost synergies of USD 300+ million
Cash flow / sales²	31%		24%		CFROI ¹ expansion (cost and revenue synergies; reduction of invested capital)

¹ Cash flow return on investment

² 2010 FY Actuals

42 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Reporting structure from Q2 2011 onwards



- Full pro forma's to be presented on May 18, 2011 in an Analyst Call with Jon Symonds / Kevin Buehler / Robert Karsunky
- Accounting implications unchanged from December 2010
- Regulatory impacts of acquisition included in Q1 2011 results

¹ excluding Lucentis®

43 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Agenda

Q1 2011 Results	Joseph Jimenez <i>Chief Executive Officer</i>
Alcon – our new division in eye care	Joseph Jimenez <i>Chief Executive Officer</i>
• Strategy and integration update	
• Alcon Q1 2011 update and value creation opportunities	Kevin Buehler <i>CEO Alcon</i>
• Financial integration of Alcon into Novartis	Jon Symonds <i>Chief Financial Officer</i>
Q1 2011 Financials	Jon Symonds <i>Chief Financial Officer</i>
Pharmaceuticals – update on key brands	David Epstein Division Head Pharmaceuticals
Closing	Joseph Jimenez <i>Chief Executive Officer</i>
Q&A session	

44 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Group Financial summary – Q1 2011

(in USD m)	Q1	Group growth		Group growth excl. Alcon/A(H1N1)	
		Reported CC	Core CC	Reported CC	Core CC
Net sales 3rd party	14 027	14%		8%	
Core operating income	4 012		6%		16%
Operating income	3 408	0%		30%	
Core net income	3 376		4%		
Net income	2 821	-1%			
Core EPS (USD)	1.41		0%		
EPS (USD)	1.21	-3%			
Free Cash Flow	1 622	-44% ¹			

¹ growth in USD

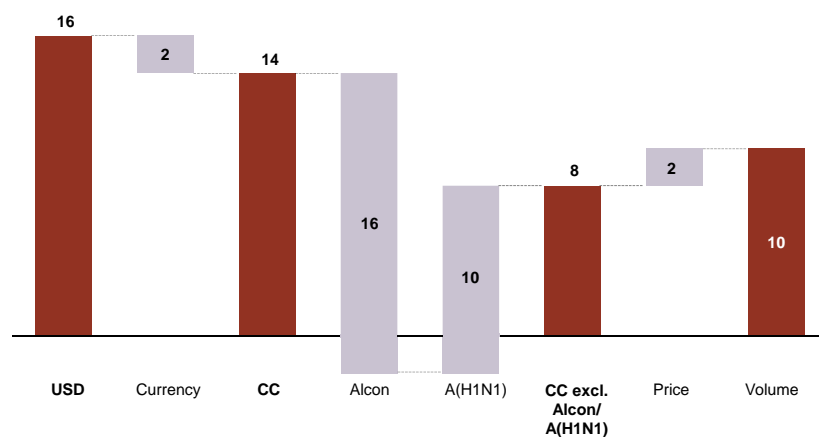
45 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Innovation premium

Strong volume growth and Alcon drive sales growth

Q1 2011 Components of Group sales growth
(% growth)



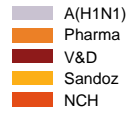
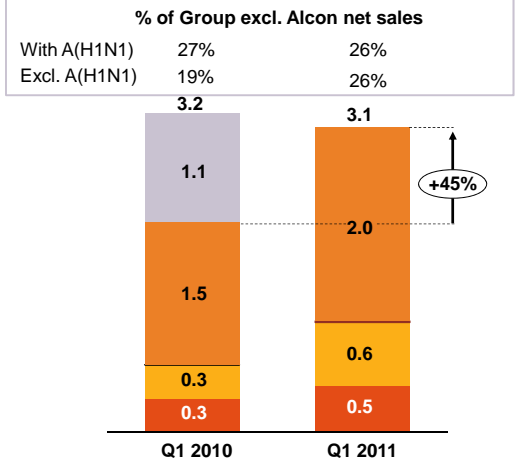
46 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Innovation premium

Recently launched products¹ are growing 45% excluding A(H1N1)

Q1 2011
(in USD m)



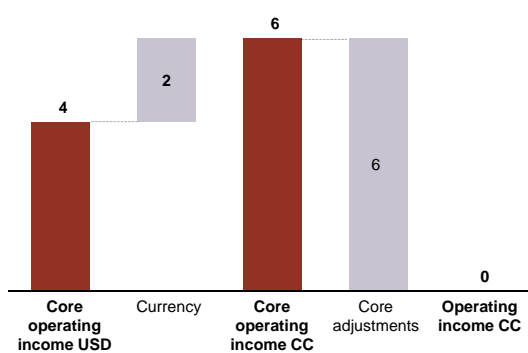
¹ Major Group products launched since 2007; except Sandoz (includes all launches in the last 24 months); excluded are products from Alcon Division
47 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Operating leverage

Exceptional items in Q1 2011 and PPA¹ offset growth in Core operating income

Components of operating income growth
(in %)



Key exceptionals	USD m
Alcon related divestments	+102
CIBA Vision Patent settlement	+183
OTC divestment	+43
Manufacturing restructuring	-55
Sandoz legal provision	-28
Alcon related PPA ¹	-501

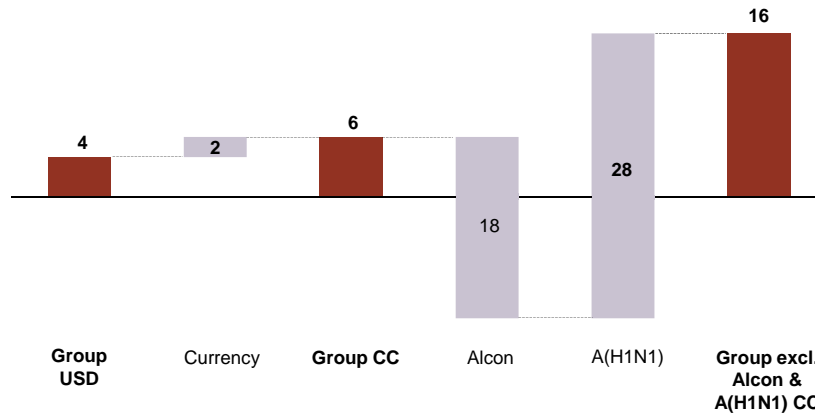
¹ Purchase price allocation
48 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Operating leverage

Core Operating income from underlying business grows 16% in CC

Core operating income growth
(% growth)



49 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Operating leverage

Strong divisional performance – margin impacted by currency

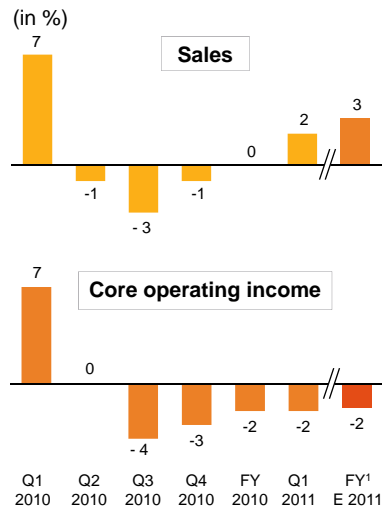
Q1 2011	Sales growth (% CC)	Core operating income growth (% CC)	Operating leverage	Change in USD margin (bps) ¹	Change in CC margin (bps) ¹
Consumer Health	9	30	↑	230	370
Pharma	5	11	↑	50	200
Alcon	10	11	↑	-30	+30
Sandoz	15	11	↓	-130	-70
Vaccines and Diagnostics	-73	nm	nm	nm	nm
Group	14	6		-330	-220
Group excl. Alcon/A(H1N1)	8	16		70	200

¹ bps based on margin rounded to one decimal

50 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Currency impact positive on sales and negative on core operating income diluting margin



- Currency impact in Q1 2011 generated from EUR/CHF mismatch
 - USD weakened by 12% against the Swiss franc, but strengthened against the euro by 1%
- If Q1 2011 rate persists for FY 2011
 - impact on sales to be positive (+3%)
 - impact on core operating income to be negative (-2%)

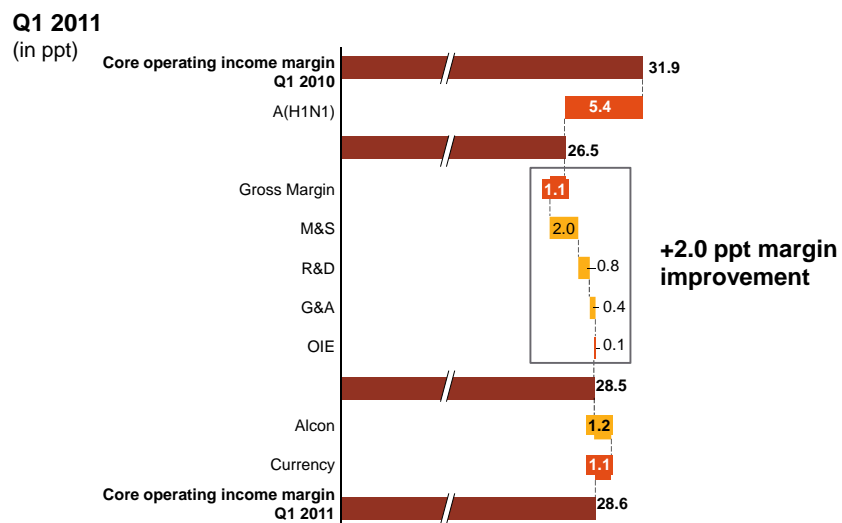
¹ FY 2011 Estimate based on YTD March exchange rates

51 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Operating leverage

Underlying margin improves by 2 percentage points in constant currencies

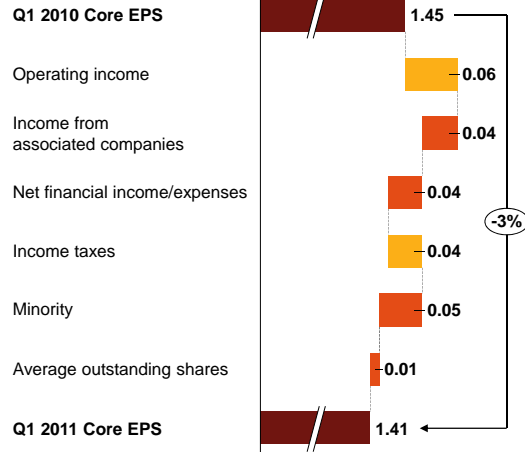


52 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Higher Alcon minority impacts Core EPS

Variance vs. PY (in USD)



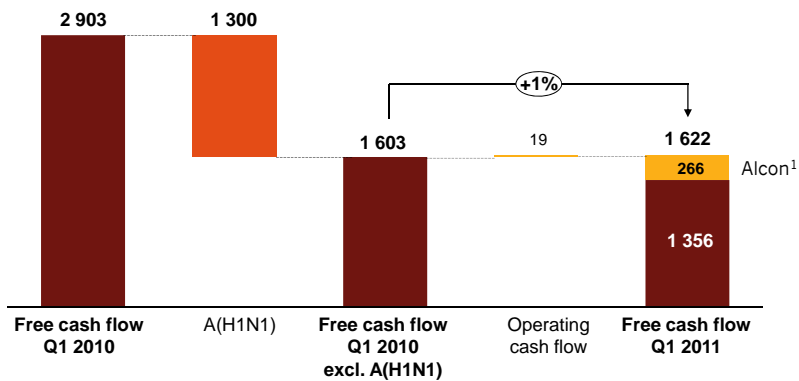
53 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Cash leverage

Q1 Free cash flow impacted by 2010 A(H1N1) and higher working capital

Q1 2011 Free cash flow before dividends (USD m)



¹ Including Alcon corporate tax payments of USD -257m

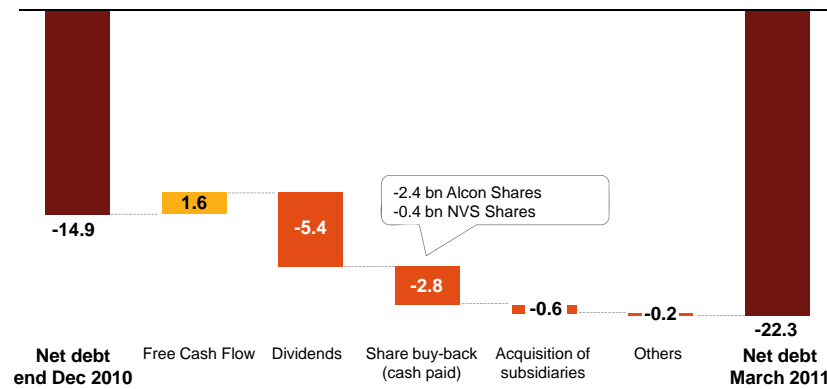
54 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Cash leverage

Dividends and share buy-back increases net debt to USD 22 billion

Net debt
(USD bn)



55 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Agenda

Q1 2011 Results	Joseph Jimenez <i>Chief Executive Officer</i>
Alcon – our new division in eye care	Joseph Jimenez <i>Chief Executive Officer</i>
• Strategy and integration update	
• Alcon Q1 2011 update and value creation opportunities	Kevin Buehler <i>CEO Alcon</i>
• Financial integration of Alcon into Novartis	Jon Symonds <i>Chief Financial Officer</i>
Q1 2011 Financials	Jon Symonds <i>Chief Financial Officer</i>
Pharmaceuticals – update on key brands	David Epstein <i>Division Head Pharmaceuticals</i>
Closing	Joseph Jimenez <i>Chief Executive Officer</i>
Q&A session	

56 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation

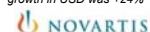


Q1 2011 Pharmaceuticals sales growth 5% in CC

(USD m)	Q1 2011	Q1 2010	Growth	
			(% USD)	(% CC)
Net sales	7 765	7 291	7	5
Core operating income	2 580	2 385	8	11
Operating income	2 499	2 280	10	13
Core operating income margin	33.2	32.7		
Operating income margin	32.2	31.3		
Free cash flow¹	1 714	1 808	-5%	

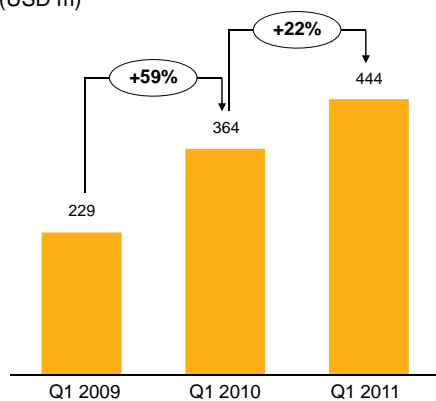
¹ Including intercompany transactions. Excluding one-time cash events (e.g. Velez, Trileptal, US restructuring and Genoptix), FCF growth in USD was +24%

57 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Blockbuster Lucentis[®] expected to continue to drive growth with expansion into new indications

Lucentis[®] sales
(USD m)



- DME¹ indication launched in 4 EU countries in January
- Positive EU CHMP opinion for RVO² received March 18
- RVO² expected EU launch in Q2 2011

¹ Diabetic Macular Edema

² Retinal Vein Occlusion

NOTE: Genentech has rights to Lucentis[®] in the US

58 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



CATT data available in May unlikely to address critical Avastin® related safety issues

LUCENTIS
RANIBIZUMAB INJECTION



LUCENTIS
RANIBIZUMAB INJECTION

- Safety based on 750,000+ patient years of exposure
- Designed specifically for intra-ocular use



AVASTIN®
(bevacizumab)

- Not licensed for ocular conditions or administration
- Questions of systemic adverse events, including stroke and mortality, are emerging with unlicensed use¹



Comparisons of Age-Related Macular Degeneration Treatments Trials (CATT)

- Insufficiently powered to assess safety
- Specially prepared, single-use Avastin vial

¹ Curtis et al Duke University

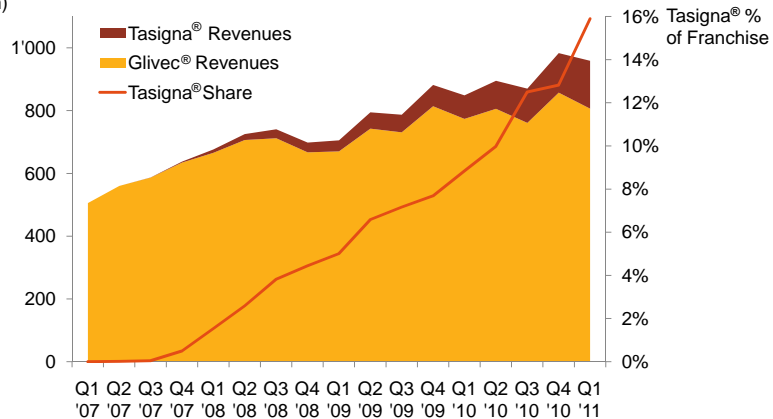
59 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation

NOVARTIS

Tasigna® increased share of CML market segment to 16% in Q1 2011

Tasigna®
(nilotinib)

Tasigna®/Glivec® CML¹ sales by quarter, 2007-2011
(USD m)



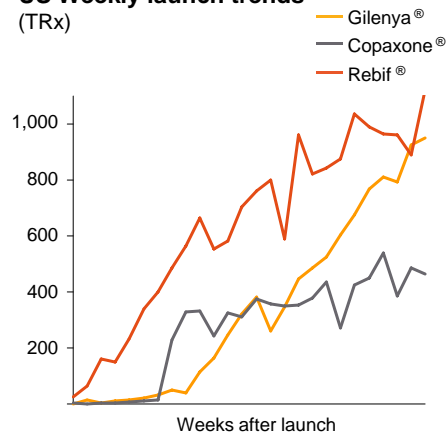
¹ Assumes 75% of Glivec revenues and 100% of Tasigna revenues from CML.
Source: Novartis reported earnings, 2007-2010, including Growth Emerging Markets Region

60 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation

NOVARTIS

Gilenya® launch exceeding expectations

US Weekly launch trends (TRx)

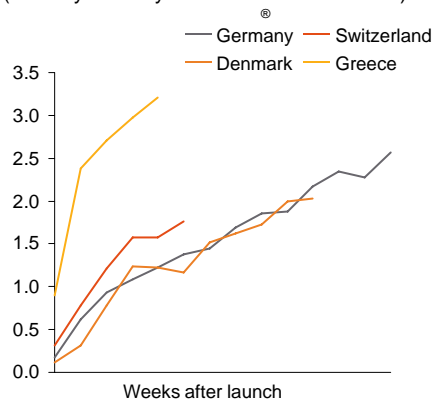


- Over 6,500 patients¹ on drug and over 2,000 prescribing physicians
- 90% of covered patients² have zero co-pay with Gilenya® co-pay program
- US Sales of USD 54 million³
- European Commission approval March 21
- Launched in Germany end of March

¹ Includes patients on starter packs
² ~80% commercial lives have unrestricted coverage and ~40% lives under Medicare Part D; most incl. prior authorization. Average co-pay is 60-80 USD
³ Includes product stocking, Mar 2011 YTD
 Source: IMS, as of March 25, 2011

Onbrez® Breezhaler® launch continues to gain momentum

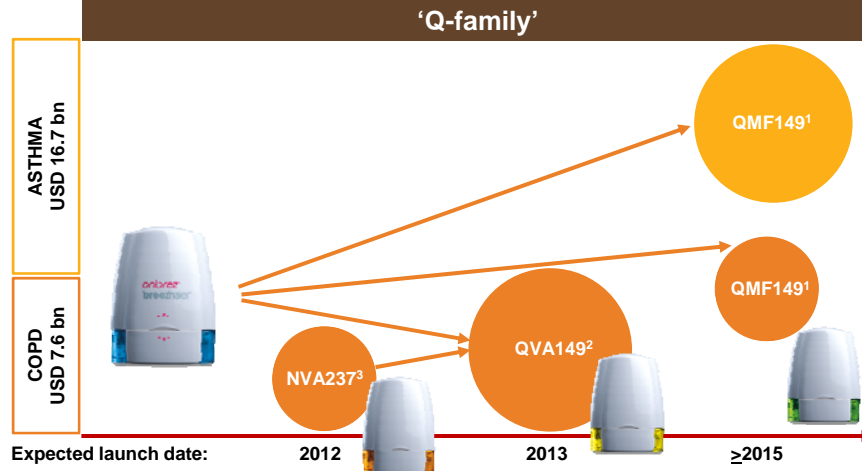
EU Sales & market share¹ growth (Country monthly value market share in %)



- Onbrez® Breezhaler®² available in more than 15 EU countries
- US FDA Advisory Committee recommended approval for patients with COPD³ on March 8
- Japan regulatory decision expected by mid year

¹ Includes Spiriva®, Advair®/Seretid®e, Symbicort® and other inhaled agents indicated for COPD
² 150mcg & 300mcg doses approved
³ US FDA Advisory Committee approval recommended for 75mcg dose; COPD: Chronic obstructive pulmonary disease
 Source: IMS PADDs Jan 2011 YTD

Respiratory Portfolio positioned for blockbuster sales



¹ Onbrez (LABA; long-acting β_2 -agonist) and mometasone (corticosteroid) combination; alliance with Schering-Plough
² Onbrez (LABA) and NVA237 (LAMA; long-acting muscarinic antagonist); licensed from Sosei R&D & Vectura Group plc
³ LAMA; licensed from Sosei R&D & Vectura Group plc

63 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Expected Pharma newsflow

- | | |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Q2 2011 | <ul style="list-style-type: none"> ▪ ACZ885 (Ilaris®): Phase III data for gouty arthritis at EULAR¹ ▪ Lucentis®: EU regulatory action for RVO² ▪ Afinitor®: Regulatory action for NET³ (US/EU) and TSC SEGA⁴ (EU) ▪ Rasilamlo®: EU regulatory action for hypertension ▪ INC424: Global filings and Phase III data for myelofibrosis ▪ Onbrez®: Japan regulatory action for COPD⁵ |
| Q3 2011 | <ul style="list-style-type: none"> ▪ Arcapta™ (known as Onbrez® ex-US): US regulatory decision for COPD⁵ ▪ ACZ885 (Ilaris®): US & EU regulatory action for gouty arthritis ▪ ACZ885 (Ilaris®): Phase III data in SJIA⁶ ▪ NVA237: GLOW 1 Phase III data in COPD⁵ presented |

¹ European League Against Rheumatism
² Retinal vein occlusion
³ NET: neuroendocrine tumors, US: Pancreatic neuroendocrine tumors only
⁴ Tuberous Sclerosis Complex Subependymal giant cell astrocytomas
⁵ Chronic obstructive pulmonary disease
⁶ Systemic onset juvenile idiopathic arthritis

64 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Agenda

Q1 2011 Results	Joseph Jimenez <i>Chief Executive Officer</i>
Alcon – our new division in eye care	Joseph Jimenez <i>Chief Executive Officer</i>
• Strategy and integration update	
• Alcon Q1 2011 update and value creation opportunities	Kevin Buehler <i>CEO Alcon</i>
• Financial integration of Alcon into Novartis	Jon Symonds <i>Chief Financial Officer</i>
Q1 2011 Financials	Jon Symonds <i>Chief Financial Officer</i>
Pharmaceuticals – update on key brands	David Epstein Division Head Pharmaceuticals
Closing	Joseph Jimenez <i>Chief Executive Officer</i>
Q&A session	

65 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Our priorities for 2011 are clear

- 1 Extend lead in innovation**
 - Strengthen pipeline
 - Pharmaceuticals (INC424, ACZ885, DEB025, NVA237)
 - Vaccines (Menveo®, Bexsero®)
- 2 Accelerate growth**
 - Increase contribution of recently launched products
 - Accelerate growth in emerging markets
 - Integrate Alcon, capture growth opportunities and cost synergies
- 3 Drive productivity**
 - Continue optimization of manufacturing network
 - Increase procurement savings through e-sourcing

66 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Reaffirm outlook for 2011

Barring unforeseen events

- **Group sales growth (CC): around double-digit mark**
 - Pharmaceuticals: low- to mid-single digit
 - Sandoz: mid-single digit

- **Group Core operating income margin (CC): aim to improve**

Agenda

Q1 2011 Results	Joseph Jimenez <i>Chief Executive Officer</i>
Alcon – our new division in eye care	Joseph Jimenez <i>Chief Executive Officer</i>
• Strategy and integration update	
• Alcon Q1 2011 update and value creation opportunities	Kevin Buehler <i>CEO Alcon</i>
• Financial integration of Alcon into Novartis	Jon Symonds <i>Chief Financial Officer</i>
Q1 2011 Financials	Jon Symonds <i>Chief Financial Officer</i>
Pharmaceuticals – update on key brands	David Epstein Division Head Pharmaceuticals
Closing	Joseph Jimenez <i>Chief Executive Officer</i>

Q&A session

Appendix

69 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation



Planned filings 2011 to ≥ 2015

2011	2012	2013	2014	≥ 2015
INC424 Myelofibrosis	AFQ056 Fragile X syndrome	AIN457 Psoriasis	AEB071 Kidney & heart transpl.	BAF312 Multiple sclerosis
ACZ885 SJIA ¹	AGO178 Depression	DEB025 HCV infection	BE2235 Solid tumors	CAD106 Alzheimer's
Afinitor® TSC AML ²	LDE225 Gorlin's syndrome	LBH589 Multiple Myeloma	BKM120 Solid tumors	HCD122 Hemat. tumors
Certican® Liver transplantation	Afinitor® ER+ Breast cancer	PKC412 ASM ⁷	BGS649 Endometriosis	NIC002 Smoking cessation
Exjade® NTDT ³	Afinitor® Gastric cancer	PTK796 ABSSSI ⁴ , CABP ⁵	LCQ908 Metabolic diseases	PRT128 Acute coronary syndrome
NVA237 COPD ⁴	Lucentis Pathological myopia	RLX030 Acute heart failure	LCZ696 Heart failure	QAW039 Asthma
QT1571 Pulm. arterial hyperten.	SOM230 Carcinoid	TKI258 Renal cell carcinoma	AFQ056 PD-L1D ⁸	QGE031 Allergic diseases
SOM230 Acromegaly	Tasigna® cKIT Melanoma	Afinitor® HER2+ Breast cancer	INC424 Polycythemia vera	AT1355 Spinal cord injury
SMC021 Osteoporosis	Tekturna® Diabetic nephropathy	Afinitor® HCC ⁹	LCZ696 Hypertension	ACZ885 Diabetes
	QVA149 COPD ⁴	AIN457 Arthritides (RA, AS, PsA) ¹⁰	LDE225 Solid tumors	ACZ885 Secondary prevention of cardiovascular events
		AIN457 Non infectious uveitis	PKC412 AML ¹³	Afinitor® Lymphoma
		Xolair CIU ¹¹	QMF149 COPD ¹²	AEB071 Liver transplantation
		Tekturna® Heart failure	QMF149 Asthma	AEB071 Psoriasis
				Gilenya® CIDP ¹¹
				LBH589 Hemat. tumors
				Tekturna® CV events in elderly

¹ Systemic onset juvenile idiopathic arthritis

² Tuberous sclerosis complex

³ angiodyslipomas

⁴ Non-transfusion-dependent thalassemia

⁵ Chronic obstructive pulmonary disease

⁶ Acute bacterial skin and skin structure infections

⁷ Community acquired bacterial pneumonia

⁸ Aggressive systemic mastocytosis

⁹ Parkinson's disease L-dopa induced

¹⁰ dyskinesia

⁹ Hepatocellular carcinoma

¹⁰ Rheumatoid arthritis,

Ankylosing spondylitis and psoriatic

arthritis

¹¹ Chronic inflammatory demyelinating

polyneuropathy

¹² Chronic idiopathic urticaria

¹³ Acute myeloid leukemia

New molecule
New Indication
New formulation

70 | Novartis First Quarter 2011 Results | April 19, 2011 | Novartis Investor Presentation

