Q4 and Full Year 2011 Results

Investor presentation

January 25, 2012

NOVARTIS

Disclaimer

This presentation contains forward-looking statements that can be identified by terminology such as “planned,” “expected,” “will,” “potential,” “pipeline,” 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 future sales or earnings of the Novartis Group or any of its divisions; 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 any existing products in any market, or that any approvals which are obtained will be obtained at any particular time, or that any such products will achieve any particular revenue levels. Nor can there be any guarantee that the Group, or any of its divisions, will achieve any particular financial results. In particular, management's expectations could be affected by, among other things, unexpected regulatory actions or delays or government regulation generally, including the potential outcomes of our ongoing discussions with health authorities concerning Rasilez/Tekturna® as a result of the ALTITUDE study, and including the outcome of health authority reviews of the benefits and risks of Gilenya®; unexpected clinical trial results, including additional analyses of existing clinical data or unexpected new clinical data, including any potential new analyses of the ALTITUDE study which may occur; the Group's ability to obtain or maintain patent or other proprietary intellectual property protection, including the ultimate extent of the impact on the Group of the loss of patent protection on key products which commenced last year and will continue this year; unexpected product manufacturing issues, including the potential outcomes of the Warning Letter issued to us with respect to three Sandoz manufacturing facilities, and the potential outcome of the shutdown of the OTC manufacturing facility at Lincoln, Nebraska; government, industry, and general public pricing pressures; uncertainties regarding actual or potential legal proceedings, including, among others, actual or potential product liability litigation, litigation regarding sales and marketing practices, shareholder litigation, government investigations and intellectual property disputes; competition in general; 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.

NOVARTIS

Agenda

Group overview	Joseph Jimenez *Chief Executive Officer*
Financial review	Jon Symonds *Chief Financial Officer*
Pharmaceuticals	David Epstein *Division Head, Novartis Pharmaceuticals*
Alcon	Kevin Buehler *Division Head, Alcon*
Sandoz	Jeff George *Division Head, Sandoz*
Outlook 2012	Joseph Jimenez *Chief Executive Officer*
Q&A session	Executive team

Strong sales and operating income growth in 2011

- **Strong double digit sales growth: +12% CC[1]**
- **Continued operating leverage with Core operating income[2] +16% CC**
- **Strong free cash flow of USD 12.5 billion**
- **Continued leadership in product innovation with major approvals across Divisions**
  - **15 Major approvals in Pharmaceuticals, including Afinitor® (US[3]), Gilenya® (EU[4]), Lucentis® (EU[5])**
  - **4 Major approvals in Alcon, including Dailies Total 1® (EU[6]), BAK-Free Travatan® (EU[7])**
  - **11 Sandoz First-to-Files in the US**

[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 2011 Form 20-F on file with US SEC for further information*
[3] *Neuroendocrine tumor of pancreatic origin ;* [4] *Multiple Sclerosis;* [5] *Retinal vein occlusion and Diabetic macular edema*
[6] *Disposable contact lenses;* [7] *Solution to treat open angle glaucoma*

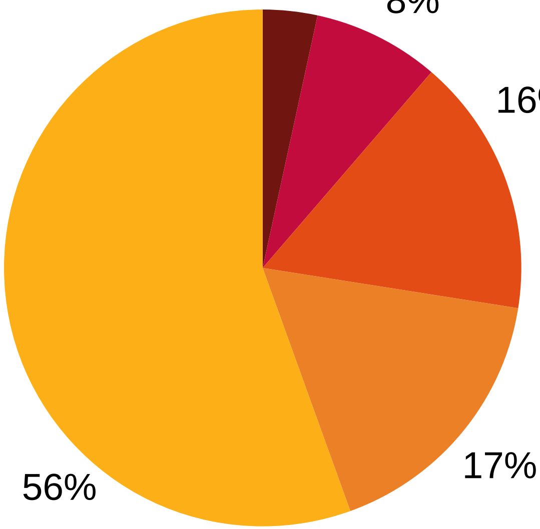
Summary of Q4 2011 financial results

(in USD m)	Q4 2011	% USD	% CC
Net sales	14 781	+4	+5
Operating income			
Core	3 550	+12	+17
Reported	1 317	-47	-38
Net income	1 210	-47	-37
Free cash flow	3 909	-6	
EPS (USD)			
Core	1.23	+8	
Reported	0.49	-48	

NOVARTIS

Diversified portfolio paying off, with sales growth driven by Alcon, Sandoz and Pharmaceuticals

2011 Sales by division[1]
(in USD bn)



	Full year (in USD bn)	Growth CC (in % vs. PY)	Growth (vs. market[2])
Group	**58.6**	**+12%**	✓
Vaccines & Diagnostics	2.0	+22% (-34% Incl. A(H1N1))	✓
Consumer Health	4.6	+3%	✓
Sandoz	9.5	+7%	✓
Alcon	10.0	+7%[1]	✓
Pharmaceuticals	32.5	+4%	✓

[1] *Alcon growth rates based on 2010 pro forma numbers*
[2] *IMS dataYTD Nov 2011*

NOVARTIS

Focusing on our strategic priorities drives growth

Strategic Priorities:
Delivering innovation, growth and productivity

1 Extend lead in innovation
- Strengthen industry-leading pipeline
- Focus on high unmet medical need and differentiation

2 Accelerate growth
- Drive recently launched products
- Expand aggressively in emerging markets

3 Drive productivity to improve margins
- Improve profitability

NOVARTIS

Great innovation progress in 2011 with 15 major approvals in Pharmaceuticals

		Selected program	Indication	2011 approvals
Pharma-ceuticals	☑	AFINITOR (everolimus) Tablets	pNET[1]	US, Japan
	☑	arcapta neohaler (indacaterol inhalation powder)	COPD[2]	US, Japan
	☑	GILENYA (fingolimod) capsules	Multiple sclerosis	EU, Japan
	☑	LUCENTIS RANIBIZUMAB INJECTION	RVO[3] and DME[4]	EU
	☑	AFINITOR (everolimus) Tablets	pNET[1] and TSC SEGA[5]	EU
	☑	Rasilamlo	High blood pressure	EU
	☑	Rasitrio	High blood pressure	EU
	☑	Sandostatin LAR octreotide IM INJECTION	Carcinoid tumors	Japan
	☑	CERTICAN® everolimus	Renal transplantation	Japan
	☑	ILARIS (canakinumab)	CAPS[6]	Japan

1 *Neuroendocrine tumor of pancreatic origin*
2 *Chronic obstructive pulmonary disease; approved as Onbrez® in Japan*
3 *Retinal vein occlusion*
4 *Diabetic macular edema*
5 *Tuberous sclerosis subependymal giant cell astrocytoma, approved as Votubia®*
6 *Cryoporin associated periodic syndrome*

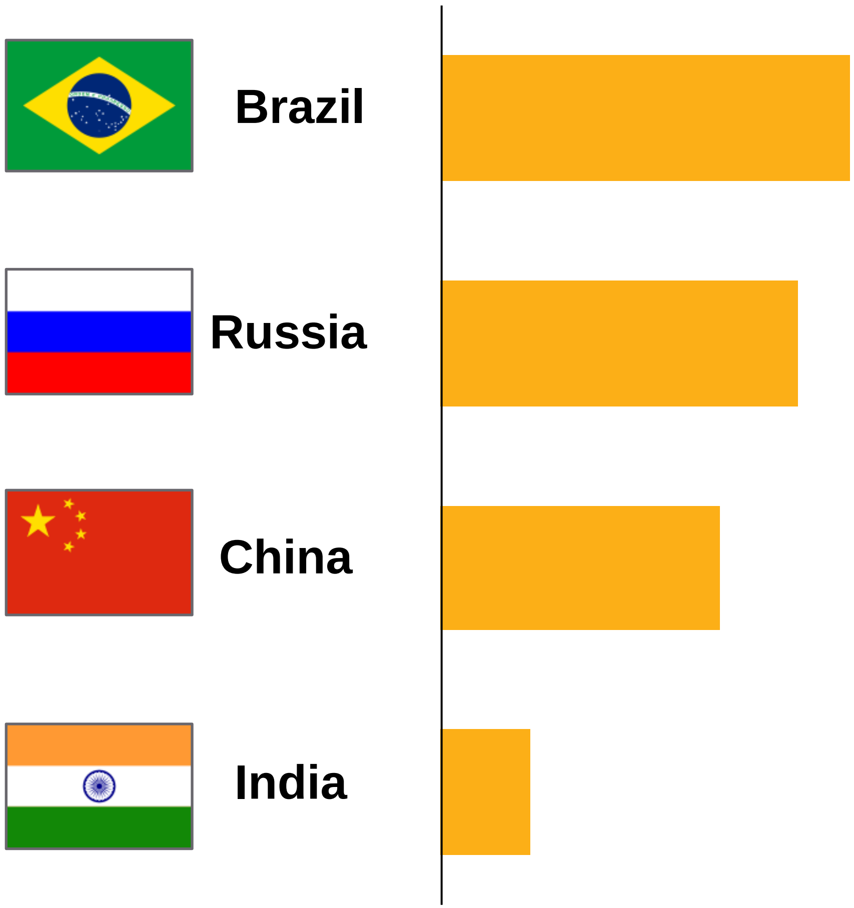
Great innovation progress with 4 major approvals in Alcon and 11 First-to-Files in Sandoz in 2011

	Selected program	Indication	2011 achievement
Alcon & Sandoz	☑ DUOTRAV	Glaucoma	EU approval
	☑ TRAVATAN 40 micrograms/ml eye drops, solution Travoprost	Glaucoma	EU approval
	☑ DAILIES TOTAL 1 ONE-DAY CONTACT LENSES	Contact lens	EU approval
	☑ LenSx	Refractive surgery	US approval
	☑ SANDOZ	11 First-to-Files	US filings

NOVARTIS

We accelerated growth in emerging markets

2011 Sales



Growth vs. PY
(in % CC[1])

+2%

+17%

+24%

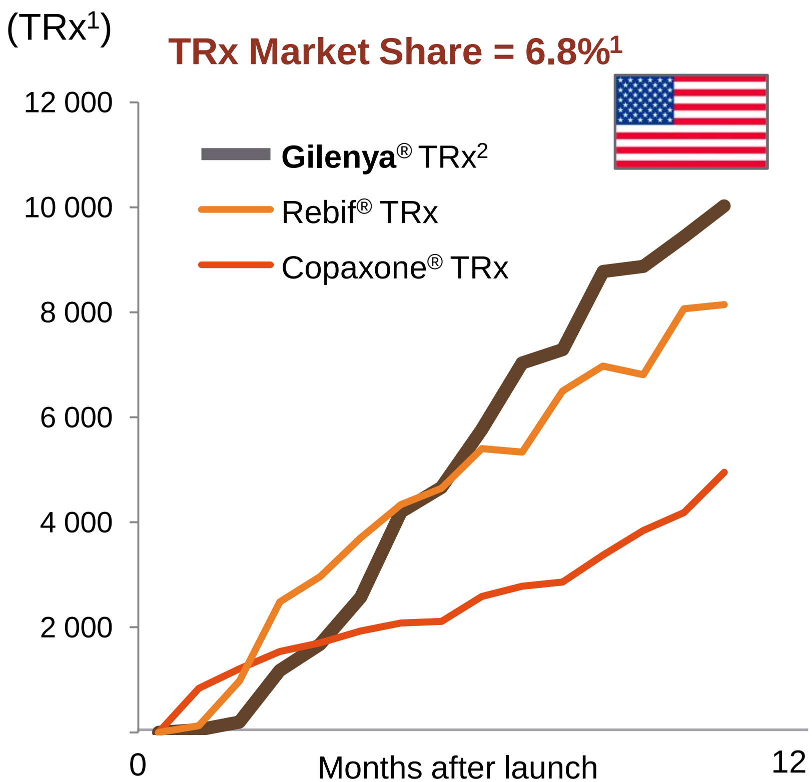
+17%

[1] *Constant currencies including comparable Alcon sales pro forma for 2010*

NOVARTIS

Pharmaceuticals' best in class launch of Gilenya®, only one driver of our successful portfolio transformation

US Monthly launch uptake



Recently launched products[3]

- Group sales of USD 14.4 bn
- 25% of Group sales
- Growth +38% vs. 2010
- Including major growth drivers
  - Afinitor®
  - Galvus®
  - Gilenya®
  - Lucentis®

Source: IMS NPA monthly through November 2011

Note: All product names marked with an (R) are the registered trademarks of the companies which own them

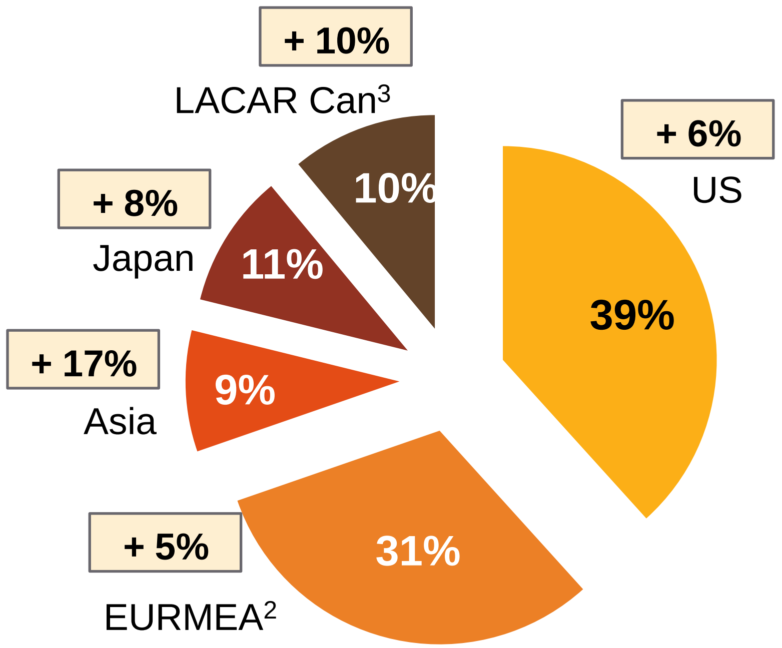
1 Tysabri ® data not available from IMS for US

2 Gilenya ® units in 28-day packs; for market share calculation 1 pack = 1 unit (including 3-months packages)

3 Major products launched since 2007 including 2010 Alcon pro forma numbers, except Sandoz (all launches in the last 24 months), excluding A(H1N1); growth in USD

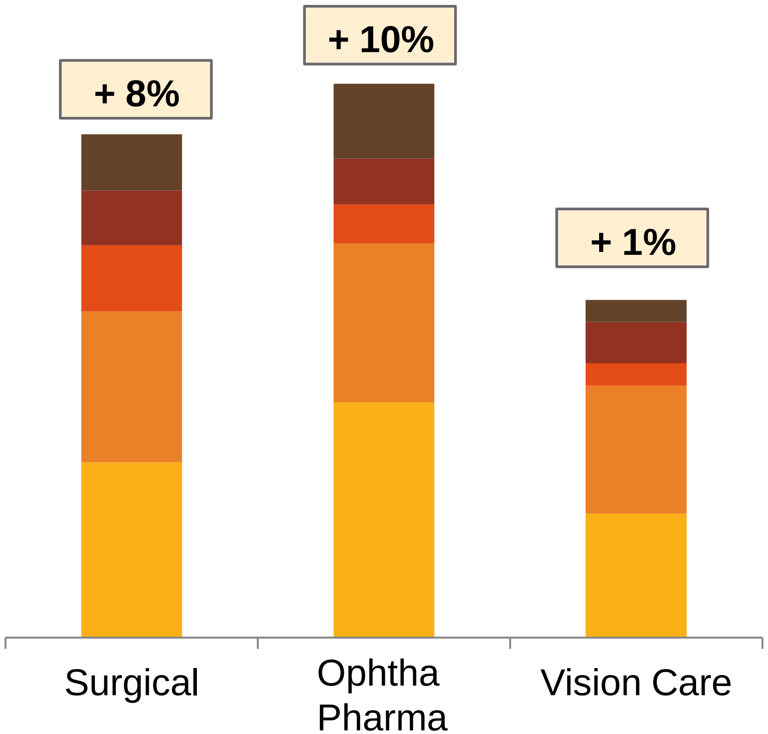
Alcon integration was successful and its business showed strong growth in 2011

Sales by geography[1]
(in % of sales)



Growth in CC vs. PY on a pro forma basis

Sales by franchise[1]
(in USD)



Surgical	Ophtha Pharma	Vision Care
3.6 bn	3.9 bn	2.4 bn

[1] FY 2011 pro forma; [2] Europe, Middle East, Africa ; [3] Latin America, Caribbean

Sandoz continues to strengthen its leadership in differentiated products

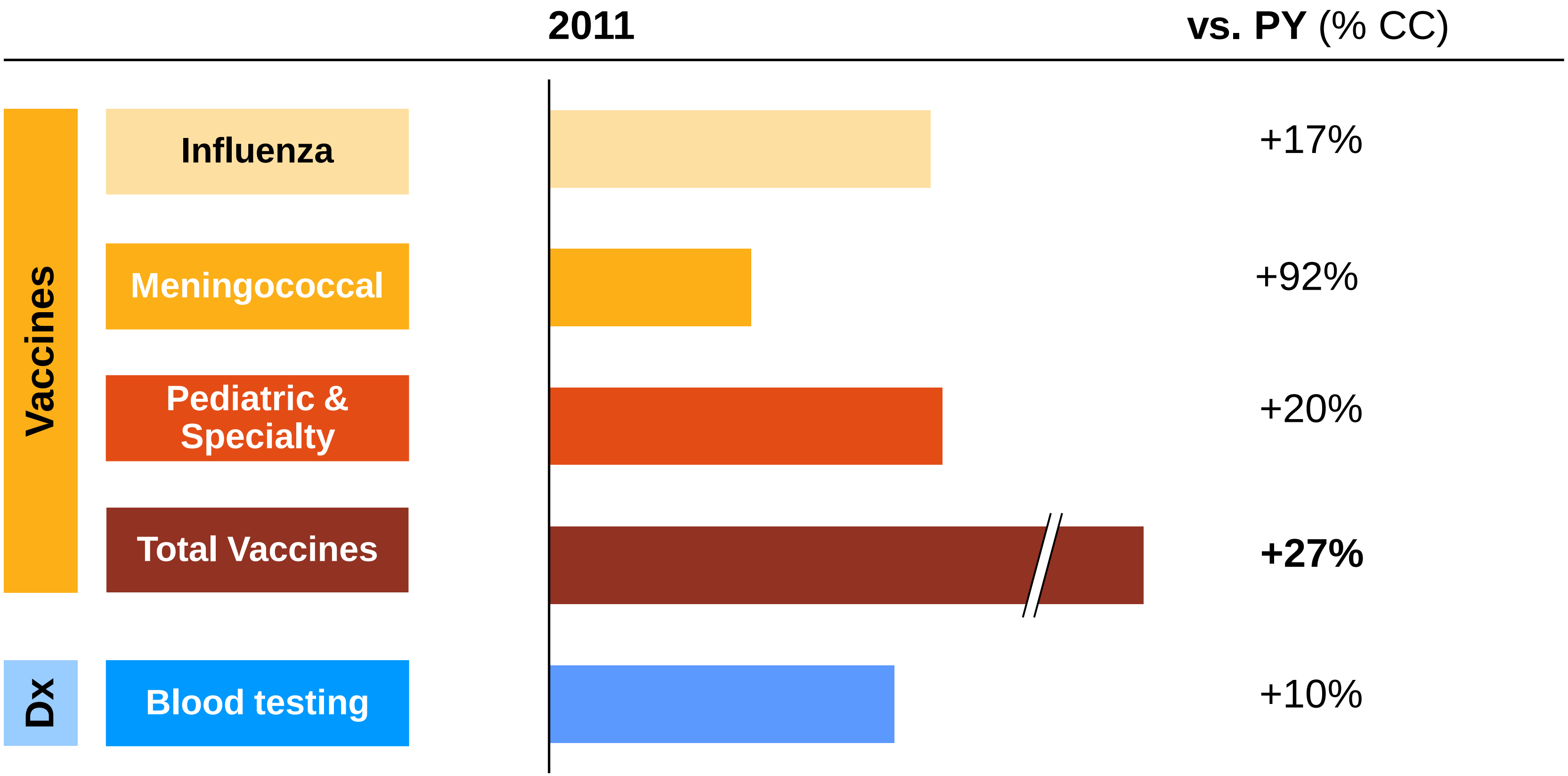
	Key categories	Global Gx segment position	2011 highlights[1]
	**Biosimilars**	#1	▪ Sales +37% vs. PY
	**Injectables**	#1	▪ Enoxaparin sales over USD 1 bn
	**Ophthalmics**	#1	▪ Growth of +24% vs. PY
	**Respiratory**	Top 5	▪ Continued progress on US and European pipeline

[1] *All figures in CC*

NOVARTIS

Vaccines and Diagnostics with double digit growth in all franchises

Third party sales



Total (excluding A(H1N1))	**+22%**
Total	-34%

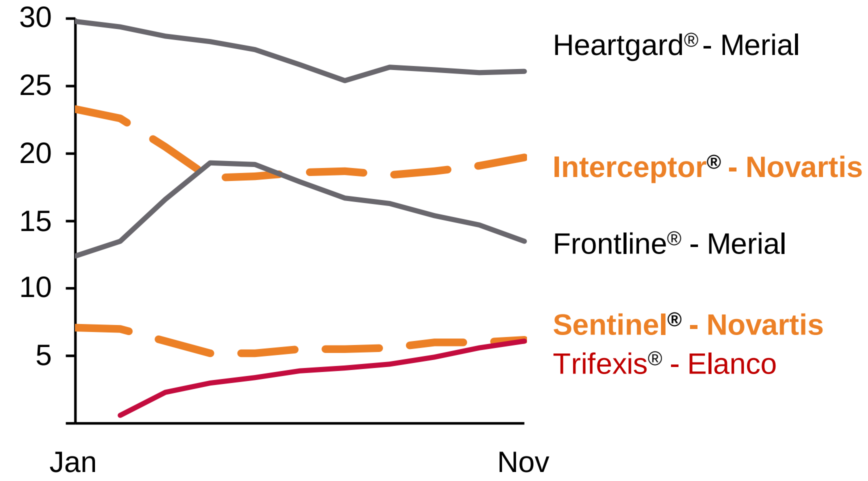
Consumer Health continued strengthening key brands in major markets

OTC

2011 Sales growth	Growth vs. PY	Market growth
Brazil	+9%	+12%
Russia	+26%	+18%
China	+30%	+8%
India	+15%	+11%
Korea	+28%	+2%
Turkey	+11%	+18%
Top 6 emerging markets	**+21%**	**+10%**

Animal Health

Market segment volume share[1] (%)



Key growth factors in 2011

- +21% CC growth in emerging markets ahead of market

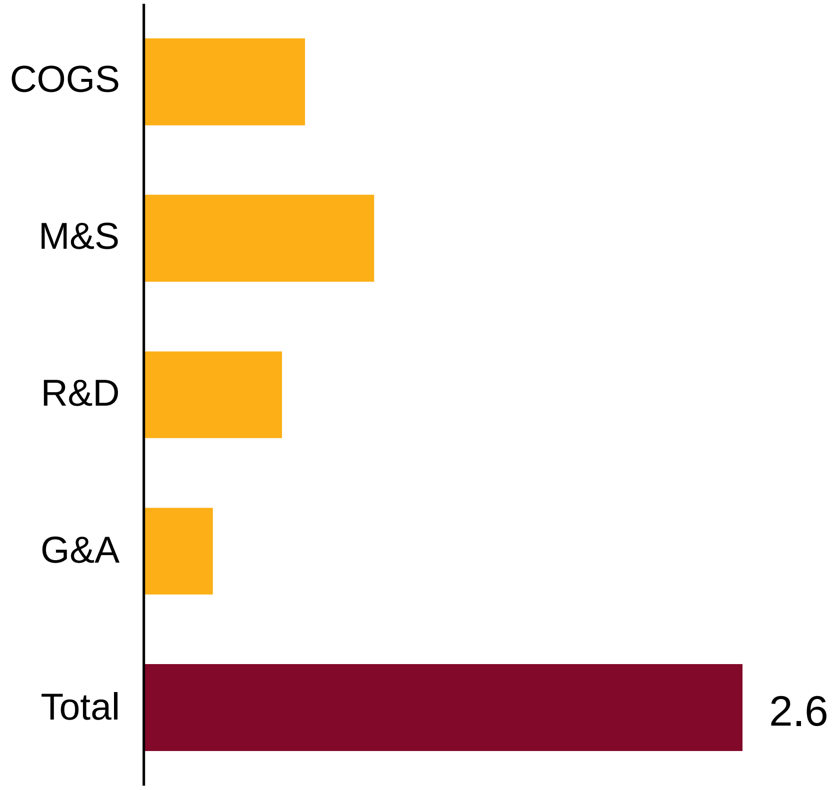
Key growth factors in 2011

- Successful defense plan against Trifexis®
- +20% CC growth in Top 6 emerging markets ahead of market[2]

[1] Source: Vetstreet data. Canine parasiticides market; [2] Top 6 emerging markets comprising Brazil, Russia; China, India, Korea and Turkey;

Group cost savings 2011 exceeded 2010 savings

2011 Group savings of USD 2.6 bn exceed 2010 savings by >30%
(in USD bn)

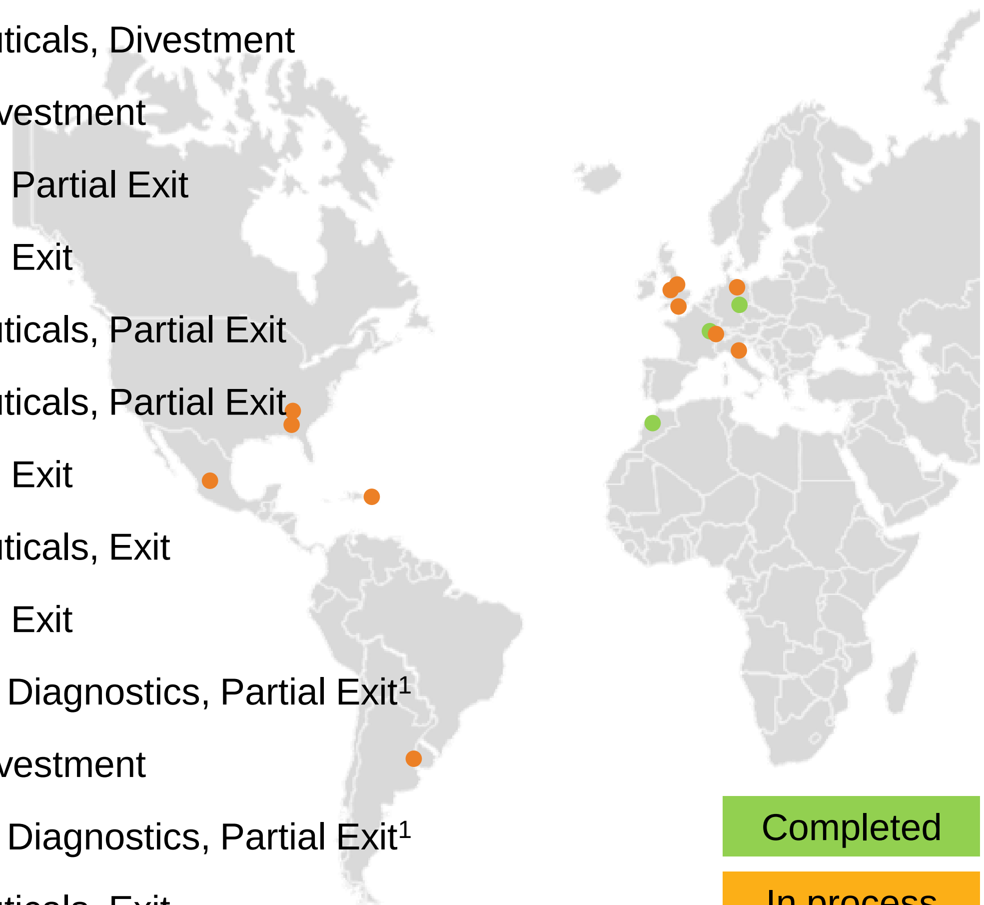


Summary of all cost-saving initiatives in 2011

- Division programs
- Group wide streamlining and simplification programs
  - Finance
  - IT
  - Procurement
  - HR
  - Technical operations

Good progress on reducing excess manufacturing capacity

Casablanca, Morocco	Pharmaceuticals, Divestment
Huningue, France	Pharmaceuticals, Divestment
Jena, Germany	Sandoz, Divestment
Atlanta , United States	CibaVision, Partial Exit
Amwiler, United States	CibaVision, Exit
Basel, Switzerland	Pharmaceuticals, Partial Exit
Torre, Italy	Pharmaceuticals, Partial Exit
Cidra, Puerto Rico	CibaVision, Exit
Horsham, UK	Pharmaceuticals, Exit
Farnham, UK	CibaVision, Exit
Liverpool, UK	Vaccines & Diagnostics, Partial Exit[1]
Buenos Aires, Argentina	Sandoz, Divestment
Marburg, Germany	Vaccines & Diagnostics, Partial Exit[1]
Mexico City, Mexico	Pharmaceuticals, Exit



Completed

In process

[1] *Consolidate flu vaccine platforms*

NOVARTIS

Not everything went well in 2011

Quality issues

- Sandoz: FDA warning letter for three sites
  - Boucherville (Canada)
  - Broomfield (US)
  - Wilson (US)
- Consumer Health: Suspension of production and product recall
  - Lincoln (US)

Product issues

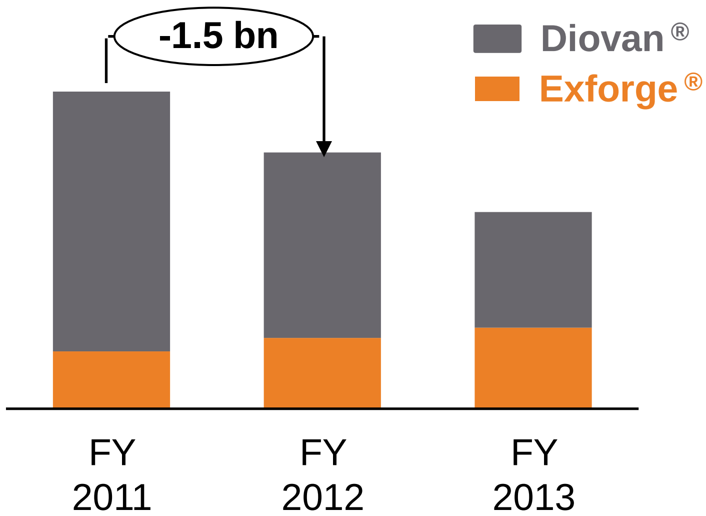
- Tekturna®/Rasilez®: ALTITUDE trial
- NVA247/QVA149 (COPD[1]) in US
- Ilaris®: Gouty arthritis in US

[1] *Chronic obstructive pulmonary disease*

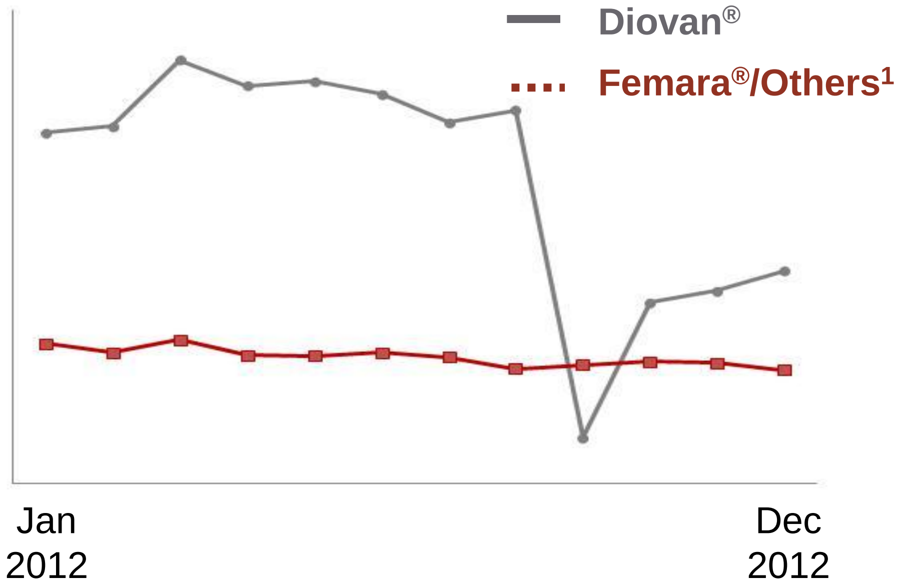
NOVARTIS

We have been planning for the Diovan® impact ...

Sales expectation for Valsartan group
(llustrative)



Monthly sales expectation
(Illustrative)



Expected decline of around USD 2.6 bn from patent expiry of Diovan®, Femara® and others[1] in 2012

[1] *Others includes Comtan®, Stalevo®, Lescol®, Exelon® Caps, Lotrel®, Ritalin®*

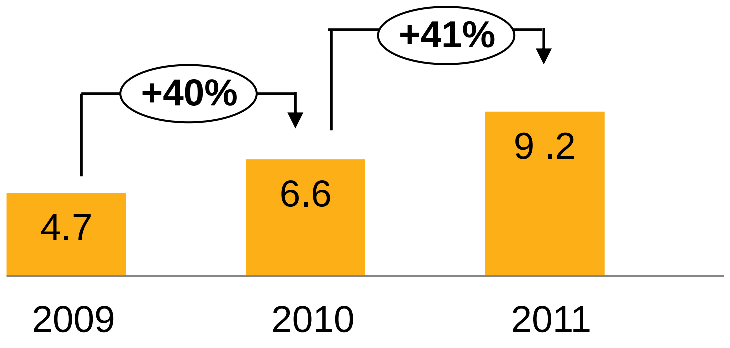
NOVARTIS

... Our launch brands are capable of covering

Recently launched products delivered gain of USD 4 bn in 2011 offsetting price and generic erosion

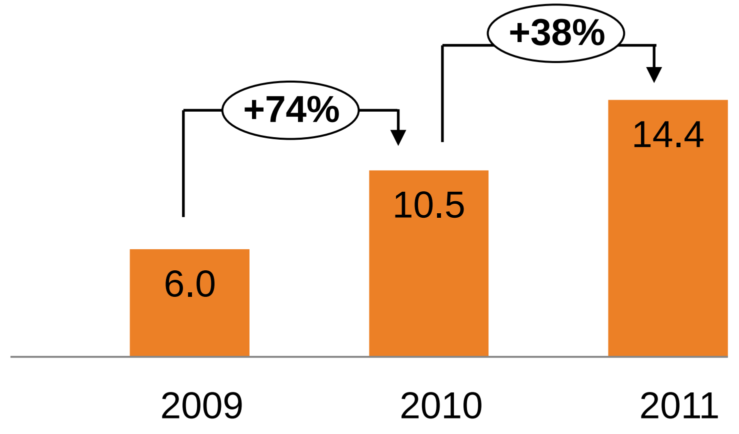
Pharmaceuticals

Launch brand sales[1]
(USD bn)



Group

Launch brand sales[2]
(USD bn)



Growth in USD

[1] Major products launched since 2007 including Lucentis®, Tasigna®, Exjade®, Sebivo/Tyzeka ®, Exforge®, Galvus®, Aclasta®/Reclast ®, Cubicin®, Exelon® Patch, Afinitor ®, Tekturna®/Rasilez®, Extavia®, Onbrez® and Gilenya®

[2] Major products launched since 2007 including Alcon for 2010 and 2011 (2010 pro forma), except Sandoz (all launches in the last 24 months), excluding A(H1N1);

NOVARTIS

Agenda

Group overview	Joseph Jimenez *Chief Executive Officer*
Financial review	Jon Symonds *Chief Financial Officer*
Pharmaceuticals	David Epstein *Division Head, Novartis Pharmaceuticals*
Alcon	Kevin Buehler *Division Head, Alcon*
Sandoz	Jeff George *Division Head, Sandoz*
Outlook 2012	Joseph Jimenez *Chief Executive Officer*
Q&A session	Executive team

2011 – We met our external financial targets

2011 Full Year Guidance[1]	2011 Results
“Group sales growth to be around double-digit mark”	+12% cc
“Pharmaceuticals sales growth low- to mid-single digit”	+4% cc
“Alcon sales growth mid- to high-single digit”	+7% cc[2]
”Sandoz sales growth mid-single digit“	+7% cc
“Improve cc core operating income margin”	+1.1ppt cc

[1] As announced in Q4 2010 Earnings Report on January 25,2011; [2] based on 2010 pro forma numbers

NOVARTIS

We finished the year strongly ... and delivered double digit growth in Sales and Core Operating Income

(in USD m)	Q4 2011	Growth vs. PY in CC Reported	Growth vs. PY in CC Core	FY 2011	Growth vs. PY in CC Reported	Growth vs. PY in CC Core
Net sales	**14 781**	5%		**58 566**	12%	
Core operating income	**3 550**		17%	**15 909**		16%
Operating income	**1 317**	-38%		**10 998**	1%	
Core net income	**3 011**		12%	**13 490**		15%
Net income	**1 210**	-37%		**9 245**	-2%	
Core EPS (USD)	**1.23**		13%	**5.57**		11%
EPS (USD)	**0.49**	-40%		**3.83**	-5%	
Free Cash Flow	**3 909**	-6%		**12 503**	1%	

NOVARTIS

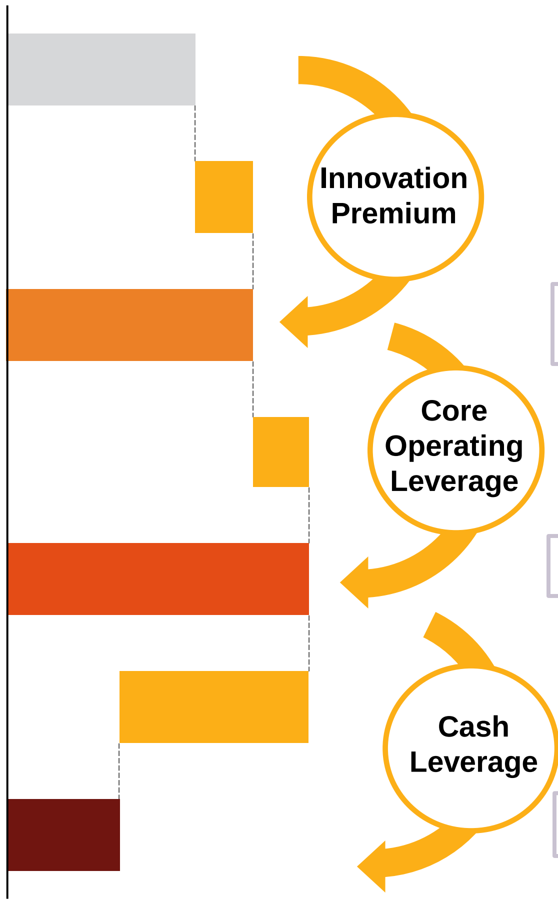
Exceptional charges were significant in Q4 and the full year

	Q4 2011	CC Growth vs. PY	FY 2011	CC Growth vs. PY
Core operating income	**3 550**	**17 %**	**15 909**	**16 %**
Income				
Divestment income			480	
Contingent consideration reduction	106		106	
Insurance recovery	85		85	
Others (incl. legal settlement)	-5		346	
	186		**1 017**	
Expenses				
Tekturna®	-903		-903	
Lincoln related costs	-115		-115	
Restructuring, of which mainly:	-288		-492	
Swiss restructuring	*-207*		*-254*	
Other restructuring	*-42*		*-69*	
Non-Swiss Manufacturing Footprint	*-39*		*-169*	
Alcon integration costs	-61		-243	
Charges related to development programs	-163		-348	
Other impairments	-57		-298	
Others	-90		-501	
	-1 677		**-2 900**	
Acquisition accounting (mostly Alcon)	-742		-3 028	
	-2 419		**-5 928**	
Reported operating income	**1 317**	**- 38 %**	**10 998**	**1 %**

NOVARTIS

Core operating leverage delivered in 2011

FY 2011 Growth in CC[1]



	Group	Pharmaceuticals	V&D[2]	Sandoz	Consumer Health	Alcon[3]
Industry sales growth						
Innovation Premium		✓	X	✓	✓	✓
Novartis sales growth	**12%**	4%	-34%	7%	3%	7%
Core Operating Leverage		✓	X	✓	✓	✓
Novartis core operating income growth	**16%**	8%	- 85%	11%	12%	9%
Cash Leverage						
Free cash flow growth	**1%**					

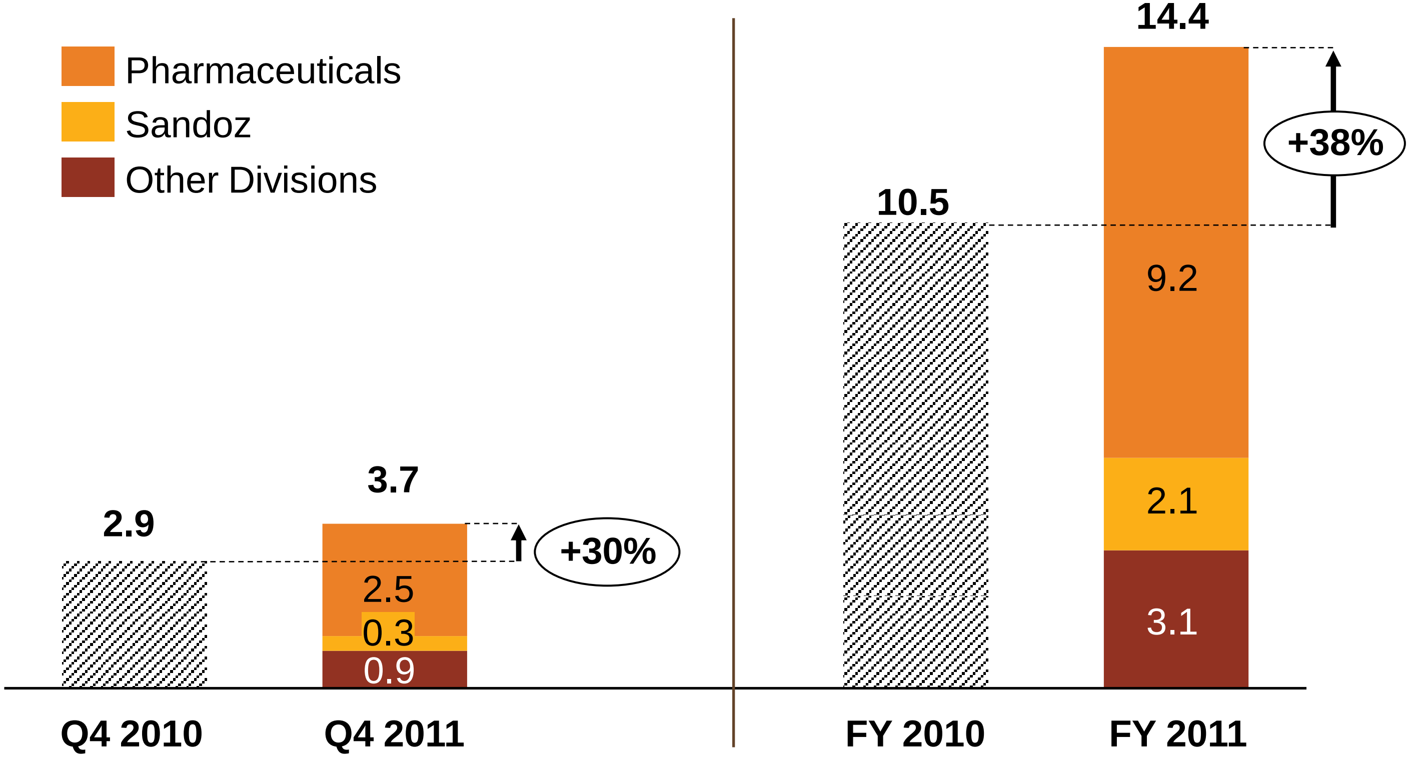
[1] Except for industry and cash flow; [2] Including A(H1N1); [3] Alcon growth on pro forma basis

Growth in sales of recently launched products is at the heart of our patent expiry defense strategy

(in USD bn)

Recently launched products[1]
% of Group net sales

Q4 2010	FY 2011
25%	25%



[1] Major products launched since 2007 including 2010 Alcon pro forma numbers, except Sandoz (all launches in the last 24 months for 2010 and 2011); excluding A(H1N1); growth in USD

Strong margin improvement in Q4 (+2.7 ppt) and FY (+1.1 ppt)

Q4 and FY 2011

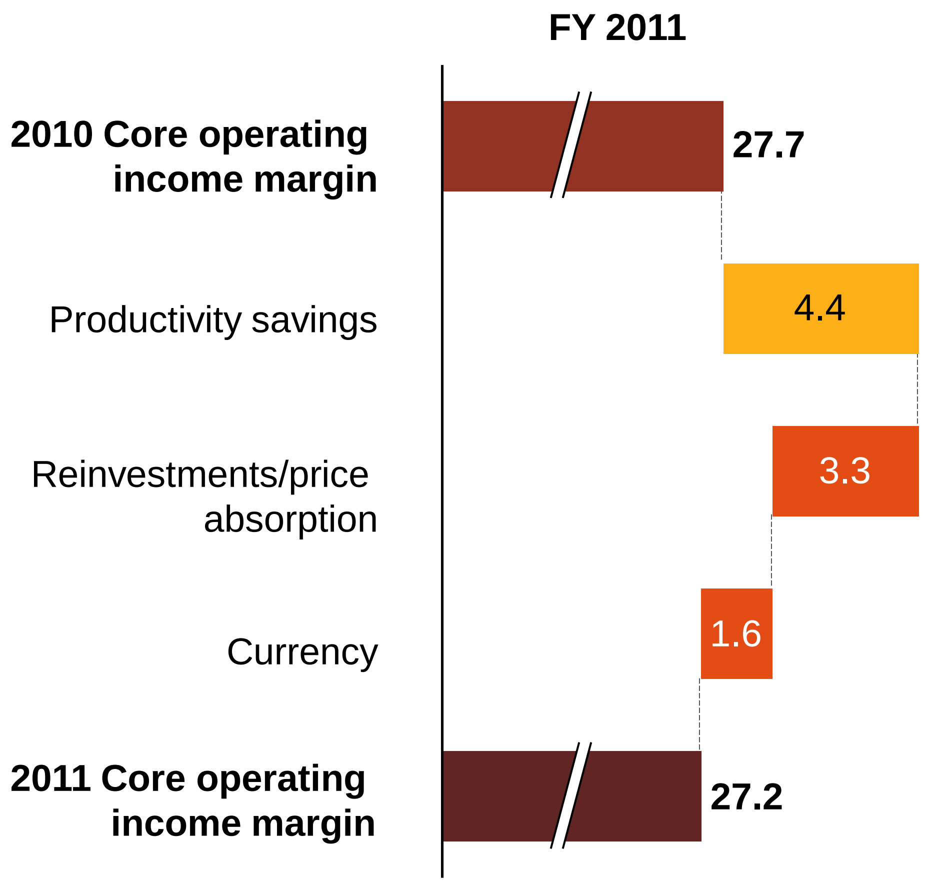
	Q4 2011		FY 2011	
	Operating leverage	Change in CC Core margin[1] (bps)	Operating leverage	Change in CC Core margin[1] (bps)
Pharmaceuticals	↑	190	↑	140
Alcon[2]	↑	20	↑	70
Sandoz	↔	0	↑	80
V & D	↑	nm	↓	nm
Consumer Health	↑	470	↑	180
Group	↑	**270**	↑	**110**

[1] *bps based on margin rounded to one decimal*
[2] *On pro forma basis*

NOVARTIS

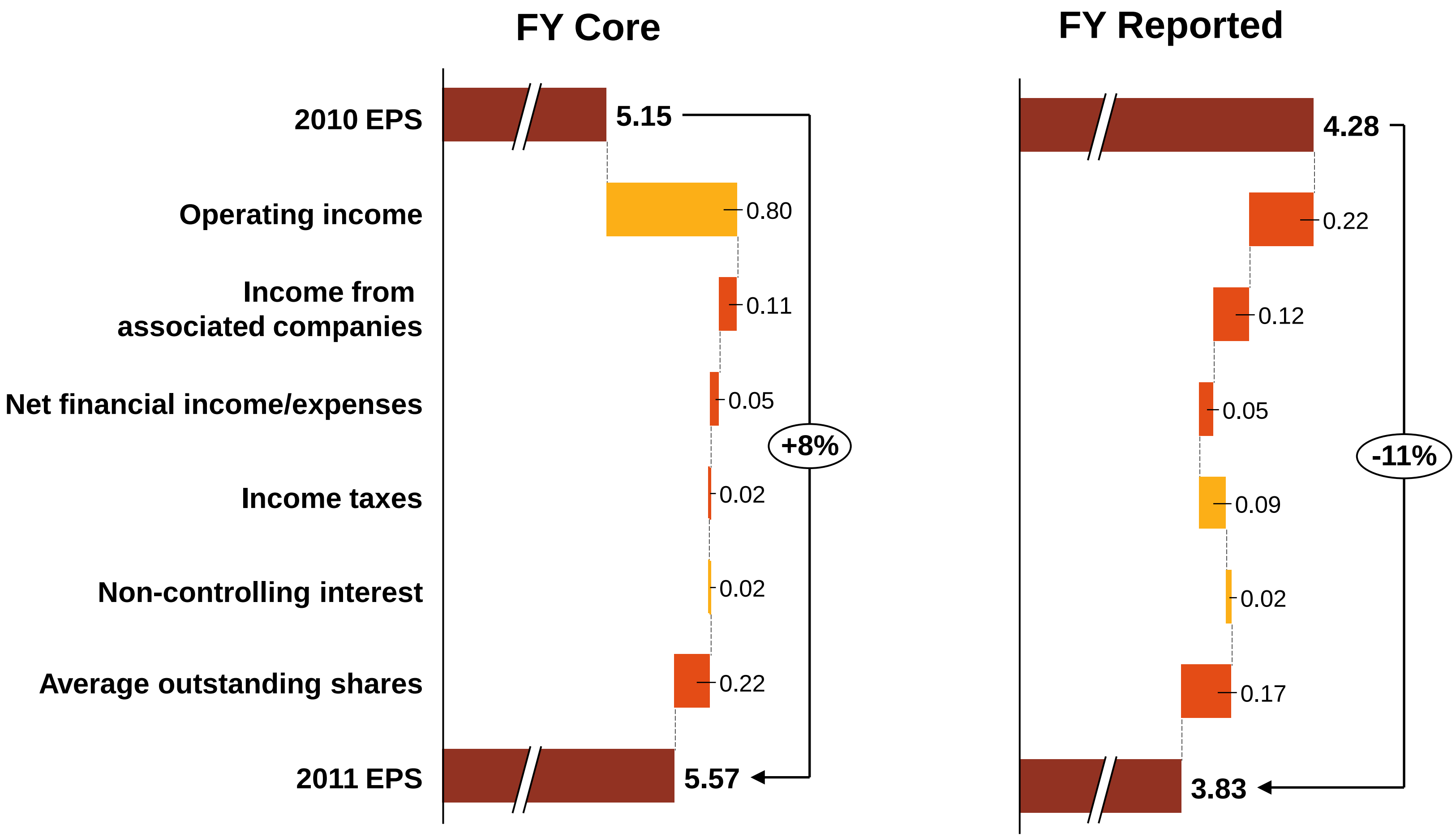
Productivity was a critical driver to improve profitability in 2011 (+4.4 ppt)

(in ppt)



Core EPS grows 8% in 2011 – still impacted by April 2011 Alcon merger

(in USD)

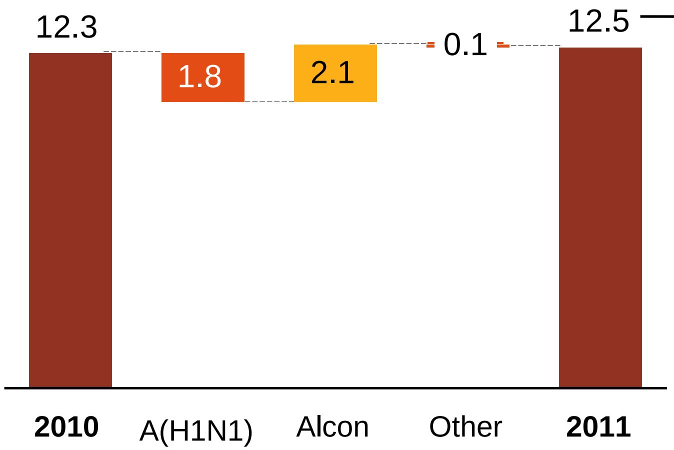


NOVARTIS

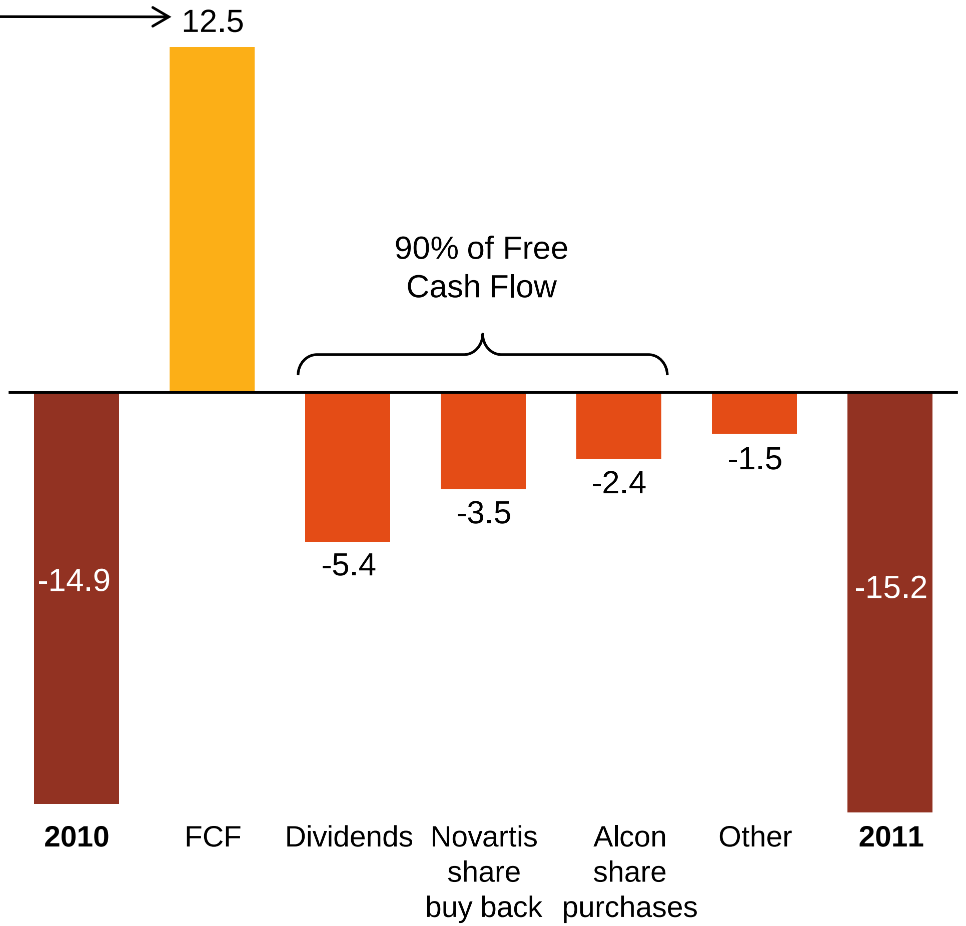
90% of 2011 Free Cash Flow used for dividends and share purchases

(in USD bn)

Free cash flow



Movement in net debt



2012 outlook: Key assumptions and moving parts

Revenues		Core Operating Income
Revenues lost to patent expiries *EU Diovan® (11/11)* *US Diovan® (9/12)* *Enoxaparin (potential additional competition)*	→	High profit margin post resource reductions
Government pricing measures	→	Full flow through to profit
Growth recently launched products	→	**Incremental contribution less incremental investments**
		Productivity

Supply – Assumes mid-year start of shipment out of Lincoln[1]

Impact of exchange rates

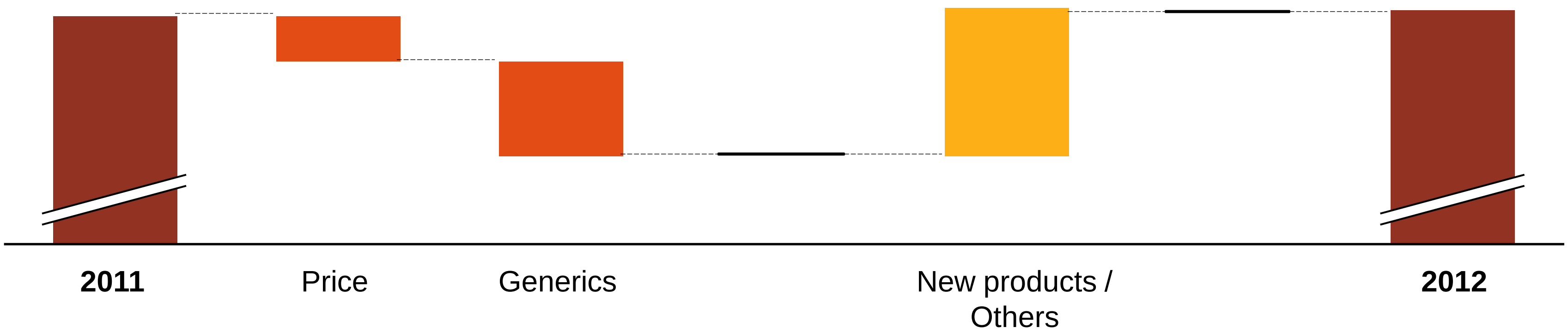
[1] *Assumed for purposes of financial projections*

NOVARTIS

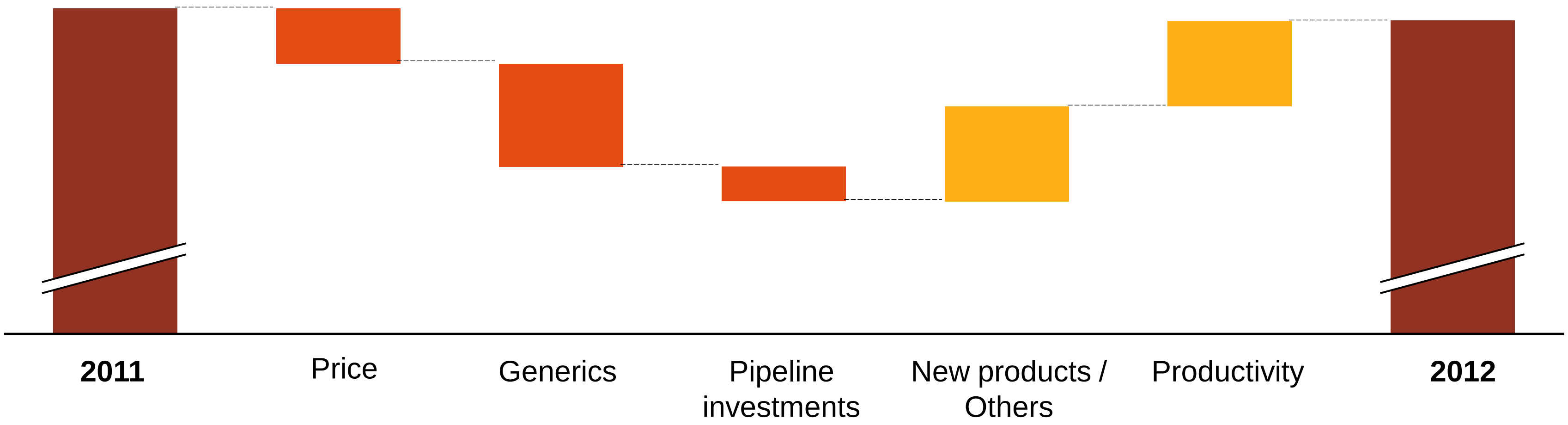
2012: How this might look pictorially

(illustrative)

Sales



Core operating income



NOVARTIS

Summary of guidance for 2012

Barring unforeseen events

- Sales: Net sales in line with 2011 (cc)

- Core Operating Income margin: Slightly below 2011 (cc)

- Supply: Mid-year start of shipments out of Lincoln site assumed

Agenda

Group overview	Joseph Jimenez *Chief Executive Officer*
Financial review	Jon Symonds *Chief Financial Officer*
Pharmaceuticals	David Epstein *Division Head, Novartis Pharmaceuticals*
Alcon	Kevin Buehler *Division Head, Alcon*
Sandoz	Jeff George *Division Head, Sandoz*
Outlook 2012	Joseph Jimenez *Chief Executive Officer*
Q&A session	Executive team

NOVARTIS

Pharmaceuticals ended 2011 strongly: Solid sales, profit and cash flow growth

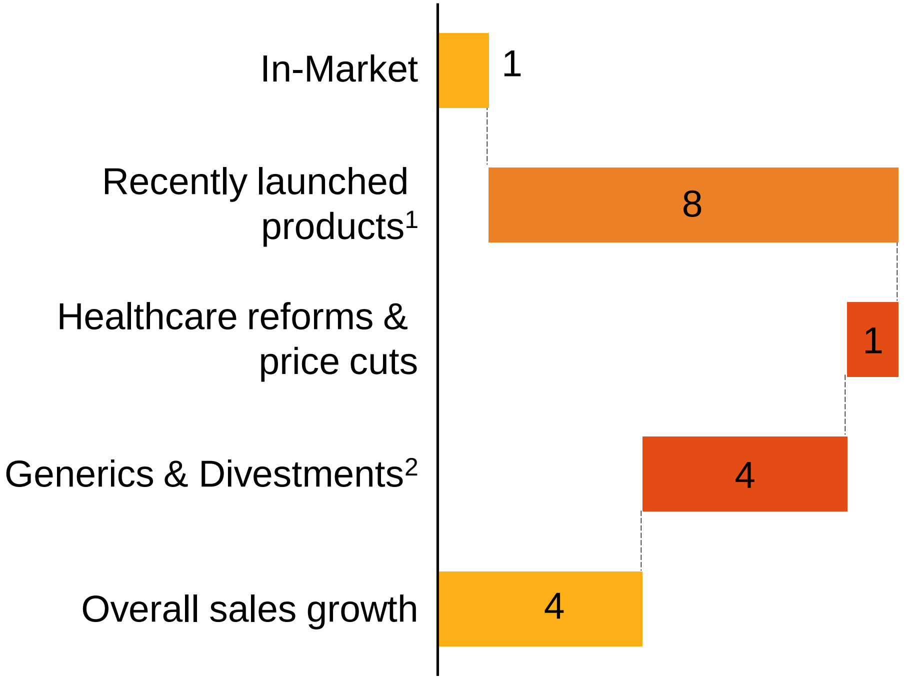
(in USD m)	2011	2010	Growth (% USD)	Growth (% CC)
Net sales	**32 508**	30 306	**7**	**4**
Core operating income	**10 040**	9 586	**5**	**8**
Operating income	8 296	8 471	-2	4
Core operating income margin[1]	**30.9**	31.6		
Operating income margin	25.5	28.0		
Free cash flow	**10 789**	10 355	**+4%**	

[1] *Excluding negative FX impact of -2.1%, Core Operating Margin is 33.0%*

NOVARTIS

Recently launched products[1] driving overall sales growth offsetting revenue loss to generics

2011 contribution to growth
(in % CC)



- Overall sales grew 4% in CC, despite Femara® and Diovan® generic competition
- Recently launched brands[1] grew 35% in CC and now account for 28% of sales

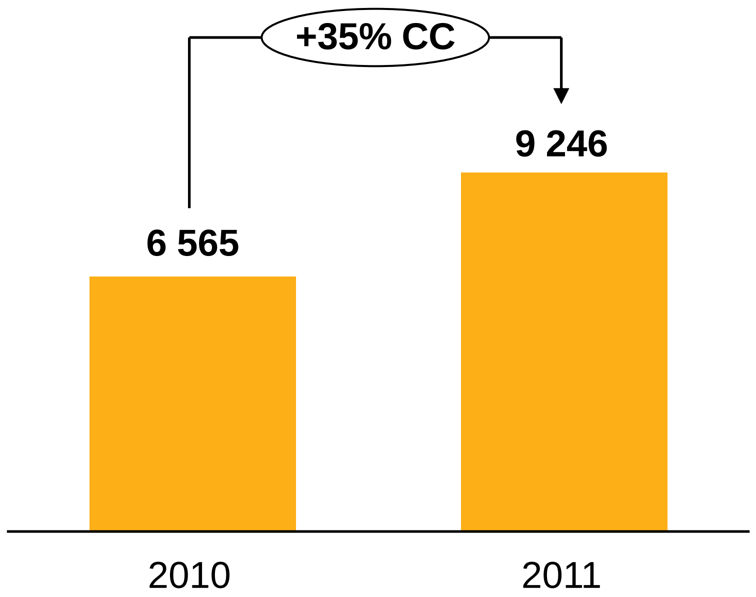
[1] *Major products launched since 2007 including Lucentis®, Tasigna®, Exjade®, Sebivo/Tyzeka®, Exforge®, Galvus®, Aclasta®/Reclast®, Cubicin®, Exelon® Patch, Afinitor®, Tekturna®/Rasilez®, Extavia®, Onbrez® and Gilenya®*

[2] *Primarily Femara® (US and some European countries), Diovan® (Region Europe)*

NOVARTIS

Recently launched products[1] grew 35% in constant currency and now represent 28% of sales

Recently launched product sales[1]
(in USD m)



% of total sales

2010	2011
22%	**28%**

[1] *Major products launched since 2007 including Lucentis®, Tasigna®, Exjade®, Sebivo®/Tyzeka®, Exforge®, Galvus®, Aclasta®/Reclast®, Cubicin®, Exelon® Patch, Afinitor®, Tekturna®/Rasilez®, Extavia®, Onbrez® and Gilenya®*

Novartis Pharmaceuticals ranked as one of the industry's fastest growing companies

	YTD Nov 2011 % Growth vs. PY	YTD Sales (LC[2] USD bn)	YTD Market Share MS %	YTD Market Share vs. PY
NOVARTIS PHARMACEUTICALS	6.2%	29.5	4.41%	0.08%
LILLY	6.2%	21.3	3.18%	0.06%
ABBOTT	5.1%	18.4	2.75%	0.02%
MERCK & CO	4.2%	32.0	4.78%	0.00%
AMGEN	2.9%	14.6	2.18%	-0.03%
ROCHE	2.4%	28.3	4.23%	-0.08%
ASTRAZENECA	0.4%	32.2	4.80%	-0.19%
JOHNSON & JOHNSON	-1.7%	20.5	3.06%	-0.19%
SANOFI	-2.5%	31.6	4.73%	-0.33%
GLAXOSMITHKLINE	-3.2%	26.4	3.94%	-0.30%
PFIZER	-3.2%	47.0	7.03%	-0.54%

+4.3%[1]
Pharma Market

[1] *IMS estimate. Novartis internal estimate 0-2%;* [2] *local currencies*
Novartis Pharmaceuticals excludes Sandoz products, however for competitors generics are included
Source: IMS PADDS Monthly database, November 2011 YTD

An unparalleled platform for growth with current and potential blockbusters

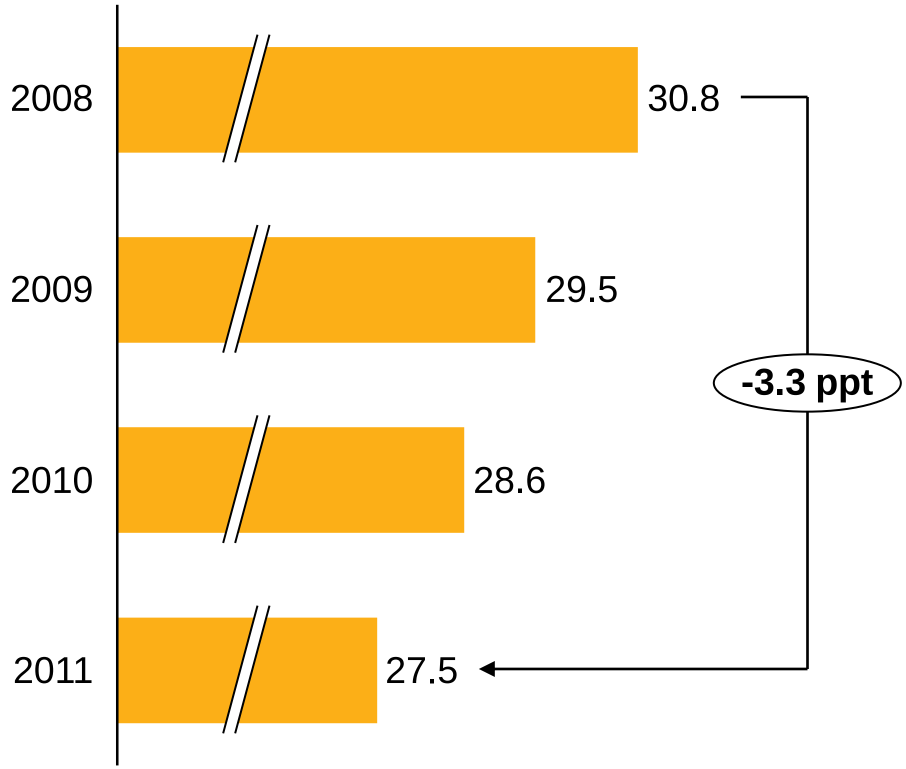
	Indication	2011 Sales (USD m)	Growth vs. PY (% CC)
LUCENTIS RANIBIZUMAB	Wet Age-related macular degeneration, DME[1], RVO[2]	2 050	+26%
Xolair omalizumab	Moderate to severe asthma	478[3]	+29%
Tasigna (nilotinib)	Chronic myeloid leukemia	716	+74%
Galvus vildagliptin	Diabetes mellitus, Type 2	677	+66%
GILENYA (fingolimod) capsules 0.5 mg	Multiple sclerosis	494	n/a
AFINITOR (everolimus) Tablets	Metastatic renal cell carcinoma, TSC SEGA[4], pNET[5]	443	+77%
Once Daily onbrez breezhaler[6]	Chronic obstructive pulmonary disease	103	+201%

[1] Diabetic macular edema; [2] Retinal vein occlusion; [3] Ex-US sales, booked by Novartis; US sales booked by Genentech/Roche Total sales > 1 bn (including sales booked by Genentech); [4] Tuberous sclerosis complex subependymal giant cell astrocytoma ; [5] Pancreatic neuroendocrine tumors; [6] Approved as Arcapta® Neohaler® in the US

NOVARTIS

M&S spend as percent of sales continues to decrease despite launch investment

Marketing & Sales spend
(in % of sales)

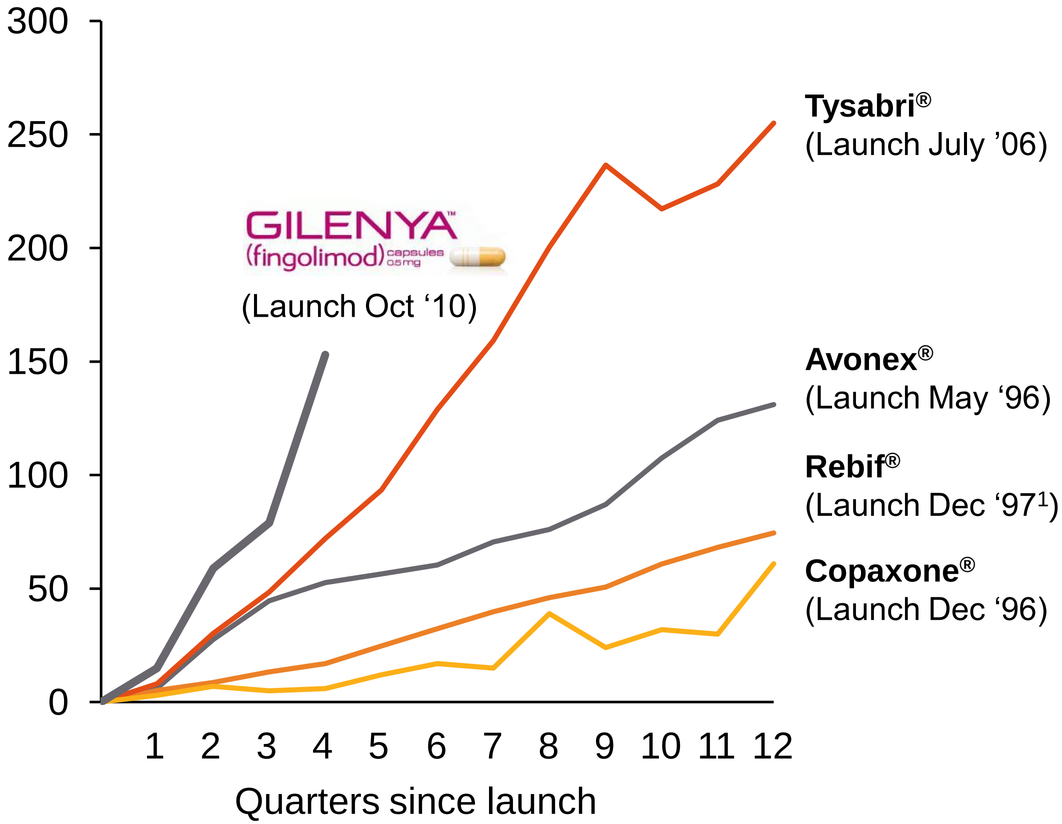


Decreasing M&S spend driven by

- Geographic reallocation of spend
- Portfolio shift to Specialty Care
- Sourcing optimization

Gilenya® setting a new benchmark for global launch uptake in multiple sclerosis

Quarterly sales
(in USD m)



Gilenya®:

- Launch initially driven by US
- Initial uptake in rest of world now even stronger
- More than 25.000 patients on commercial drug
- Sales 2011 USD 494 million

[1] Rebif launched ex-US Dec 97, in US in 2002;
Source: Evaluate Pharma, Dec 2011. Betaferon data not available
Note: All products marked with an ® are registered trademarks of the companies which own them.

Overview of current[1] situation with regards to mortality in MS patients on fingolimod

GILENYA™ (fingolimod) capsules 0.5 mg

More than 30,000 MS patients treated since 2003 (trials and post-marketing)

11 deaths of potential interest[2]

- 3 complications of advanced MS
- 3 myocardial infarctions
- 2 drownings
- 2 sudden unexplained deaths during sleep
- 1 hypertensive cardiovascular disease

One death occurred during first 24 hours after taking fingolimod

20 other cases

- 6 suicides
- 5 off drug at time of death[3]
- 4 progression of MS
- 2 infections[4]
- 1 traffic accident, 2 others

Controlled trials show no increased rate of death compared to placebo

Rates of overall death in line with background rates in a comparable population

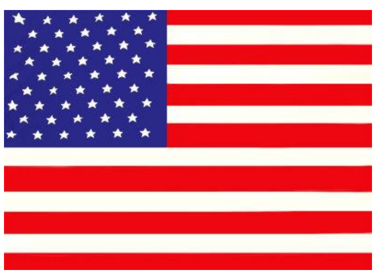
[1] Status as of December 13, 2011
[2] January 19, 2011 EMA Q&A
[3] Off fingolimod for between 3 months and 3 years
[4] 1 disseminated herpes zoster, 1 herpes encephalitis

NOVARTIS

Gilenya® Regulatory Review Status

EMA initiated CHMP Art. 20 review

- Expected to be completed in May 2012
- Once completed, decision binding for all member states
- EMA issued interim recommendation, including 6-hour continuous ECG monitoring, dear doctor letter
- France issued more stringent interim recommendation, including 24-hour continuous ECG monitoring



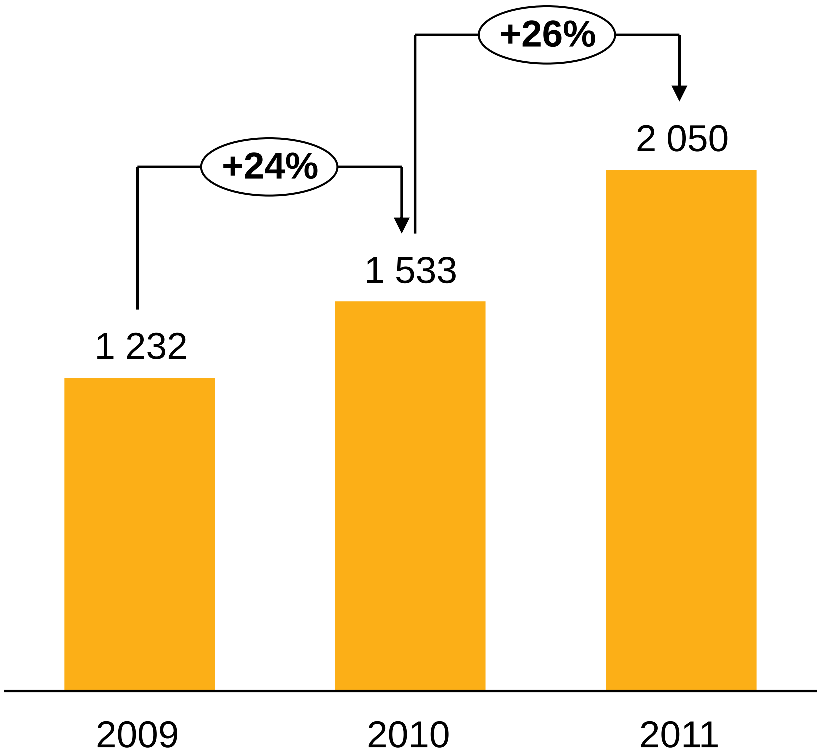
FDA continues ongoing safety review and issues statement

- “At this time, FDA cannot conclude whether the drug resulted in the patient's death.”
- “At this time, FDA continues to believe that Gilenya® provides an important health benefit when used as directed.”
- No interim recommendation beyond current label

Lucentis® accelerating growth in 2011 driven by wAMD[1] with 2 new indications approved

FY sales and growth

(in USD m, growth in CC)



- +26% sales growth vs. 2010 mainly driven by expansion of wAMD[1] patient pool[2]
- Significant future opportunity in
  - DME[3] (620.000 patients)[4] and
  - RVO[5] (210.000 patients)[4]

NOTE: Genentech has rights to Lucentis® in the US

[1] *Wet age-related macular degeneration*

[2] *Lucentis® wAMD, DME, RVO Tracking Study Wave 10 (June-July 2011)*

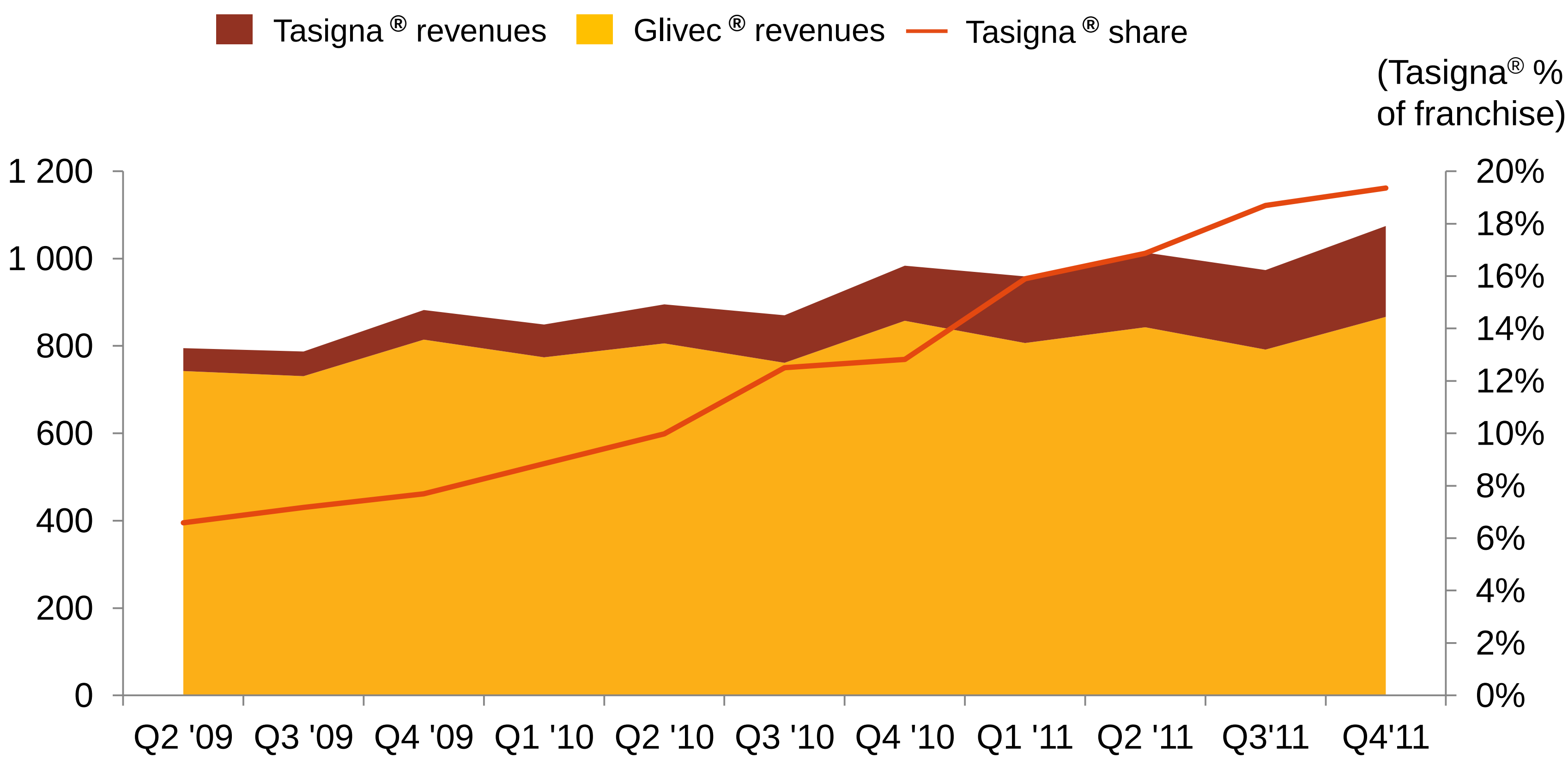
[3] *Diabetic macular edema; launched in Canada, Denmark, Germany, Greece, Netherlands, Sweden, Switzerland & Spain*

[4] *Source: Global patient forecast 2012 (EU5,CAN, AUS, JPN)*

[5] *Macular edema secondary to Retinal vein occlusion; launched in Germany & Greece*

Tasigna® share of CML franchise constantly growing in 2011, now over 19%

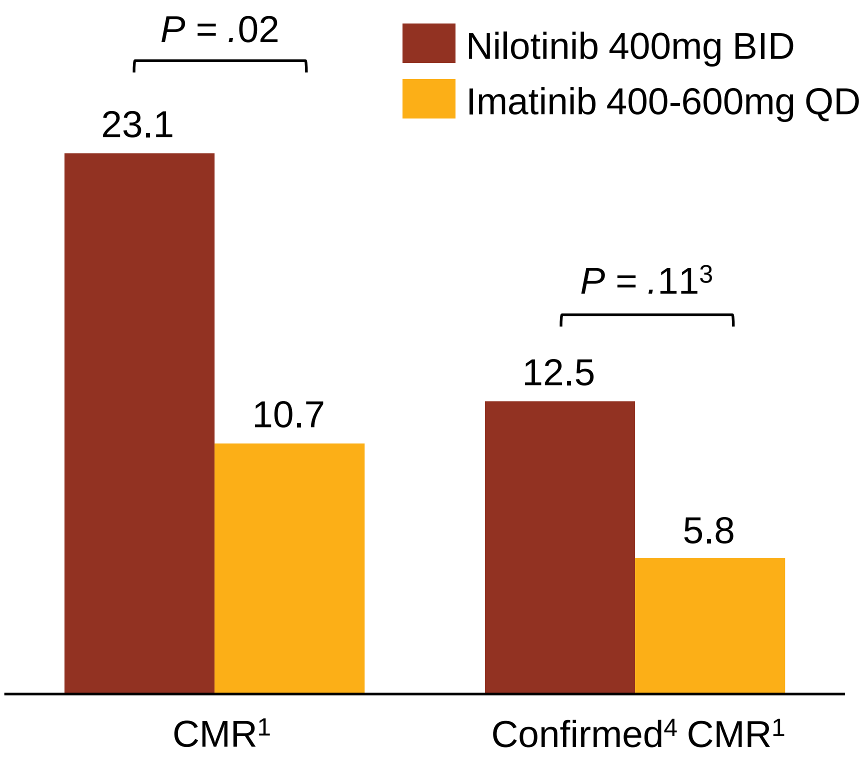
WW Tasigna®/Glivec® CML[1] sales
(USD m)



[1] *Assumes 70% of current Glivec® revenues and 100% of Tasigna® revenues from CML(chronic myeloid leukemia)*
Source: CML sales based on Novartis reported earnings; Tasigna® market share based on IMS

Switching to Tasigna® after 2 years on Glivec® doubles complete molecular response rate

Rate of CMR[1]

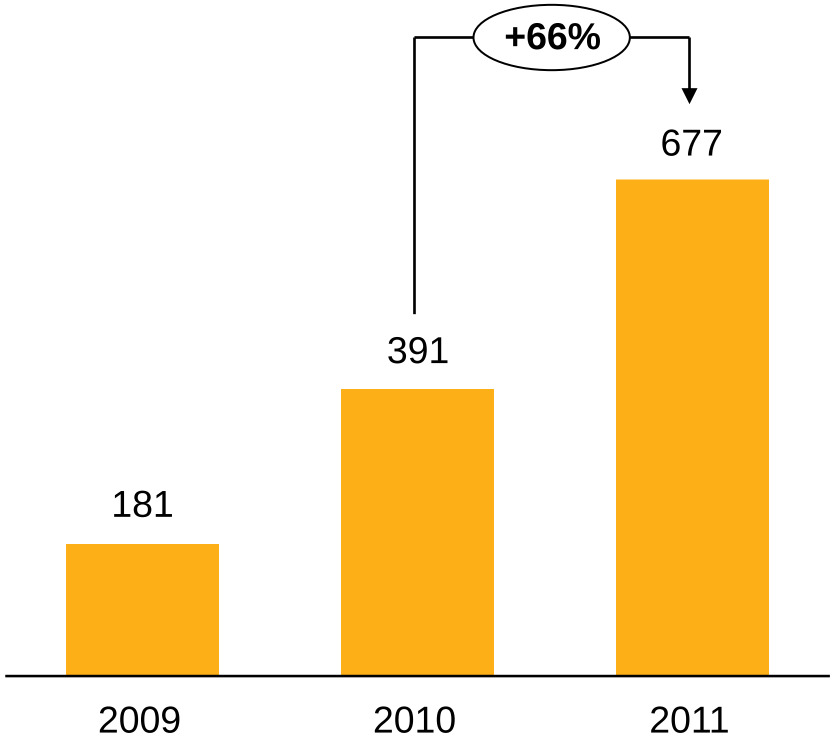


- 23% of patients switched to Tasigna® achieved undetectable levels of Bcr-Abl within 12 months compared to 11% who remained on Glivec®
- Result consistent with 3-year ENESTnd trial showing 32% CMR[1] on Tasigna® compared to 15% on Glivec®[5]

[1] Complete molecular response in patients with Ph+CML CP[2] treated for 2 years with Glivec®, then switched to Tasigna®
[2] Philadelphia chromosome positive chronic myeloid leukemia, chronic phase
Source: ENESTcmr trial. Hughes et al. ASH 2011 (Abstract #606)
[3] Not statistically significant
[4] Undetectable levels of BCR-ABL in two consecutive samples
[5] In both studies Tasigna achieved twice the CMR rates vs. Glivec although in different patient populations

Galvus® franchise grew 66% in 2011: On track to become a blockbuster

FY sales and growth
(in USD m, growth in CC)



- Many patients switched from Actos®[1]
- Roll out of 2 label enhancements
  - Elderly patients with diabetes (EU)
  - Renal impaired patients
- Leading DPP-4[2] inhibitor in 6 countries[1], beating competition despite 2nd to market: Brazil, Argentina, Greece, Russia, India, Bulgaria
- Now approved and being launched in China

[1] Source IMS YTD November [2] Dipeptidyl peptidase-4

Rasilez® /Tekturna® ALTITUDE study discontinued

- ALTITUDE study in high risk patients with type 2 diabetes and renal impairment discontinued based on DMC[1] recommendation
  - unlikely to show benefit
  - higher rate of adverse events compared to placebo
- Regulatory review ongoing
- Dear doctor letter sent

- Promotion of product in combination with ACE or ARB stopped
- Impairment of USD 903 million booked
  - Property, Plant & Equipment
  - Intangible assets
  - Inventory
- US restructuring accelerated and extended
- Discussions with health authorities worldwide ongoing

[1] *Independent data monitoring committee*

Q4 2011: Positive data on several development projects

	Trial	Program	News	Status
GILENYA (fingolimod)	FREEDOMS-2	RRMS[1]	Phase III trial showing 48% relapse rate reduction and brain volume loss reduction	in market
INC424	COMFORT-II	Myelofibrosis	Phase III trial showing significantly reduced disease burden	EU filed, US in market[2]
AFINITOR (everolimus) Tablets	BOLERO-2	ER+HER2-[3] Breast Cancer	Longer term data showing time to disease progression improving to 7.4 vs. 3.2 months[4]	filed
EXJADE deferasirox	THALASSA	NTDT[5]	Pivotal trial showing significant reduction of iron overload	submitted
ACZ885	G2301	SJIA[6]	Pivotal Phase III trial showing substantially reduced steroid use in 45% of patients	Exp. filing 2012
AIN457	A2211 A2212 A2220	Psoriasis	3 Phase II trials showing rapid and significant relief of symptoms in up to 81% of patients	Phase III

[1] *Relapsing/remitting Multiple Sclerosis*
[2] *Marketed in US through Incyte*
[3] *Estrogen receptor positive, Human Epidermal Growth Factor 2 negative*
[4] *Versus hormone therapy, alone*
[5] *Non-transfusion-dependent thalassemia*
[6] *Systemic Juvenile Idiopathic Arthritis*

Expected Pharmaceuticals newsflow highlights

H1 2012	✓ Glivec®/Gleevec®:	CHMP opinion / FDA action for GIST label-update[1]
	✓ SOM230:	CHMP opinion in Cushing's disease
	INC424:	CHMP opinion in myelofibrosis
	ACZ885:	CHMP opinion in gouty arthritis
H2 2012	Afinitor®:	CHMP opinion / FDA action for advanced breast cancer
		CHMP opinion / FDA action for tuberous sclerosis-AML[2]
	EXJADE®:	CHMP opinion / FDA action in non-transfusion-dependent thalassemia
	Certican®:	FDA action in liver transplantation
	NVA237:	CHMP opinion in chronic obstructive pulmonary disease
	ACZ885:	CHMP opinion in SJIA[3]
	QVA149:	Phase III data in chronic obstructive pulmonary disease
	RLX030:	Phase III data in acute heart failure

[1] Gastrointestinal stromal tumors, label update for treatment extension (3 years); [2] Angiomyolipoma; [3] Systemic juvenile idiopathic arthritis

NOVARTIS

Pharmaceuticals: Priorities and Outlook 2012

- **Grow sales** from new products to offset Diovan® LoE[1]
  - Primary care growth drivers: Galvus®, Exforge®, Onbrez®
  - Specialty & Oncology growth drivers: Gilenya®, Lucentis®, Tasigna®, Afinitor®
- **Lock in leading performance in key emerging growth markets**
- **Deliver innovation targets (filings and approvals)**
- **Deliver productivity enhancements**
- **Implement Pharmaceuticals quality plans**

- **Outlook 2012**: Sales broadly flat compared to 2011

[1] *Loss of exclusivity*

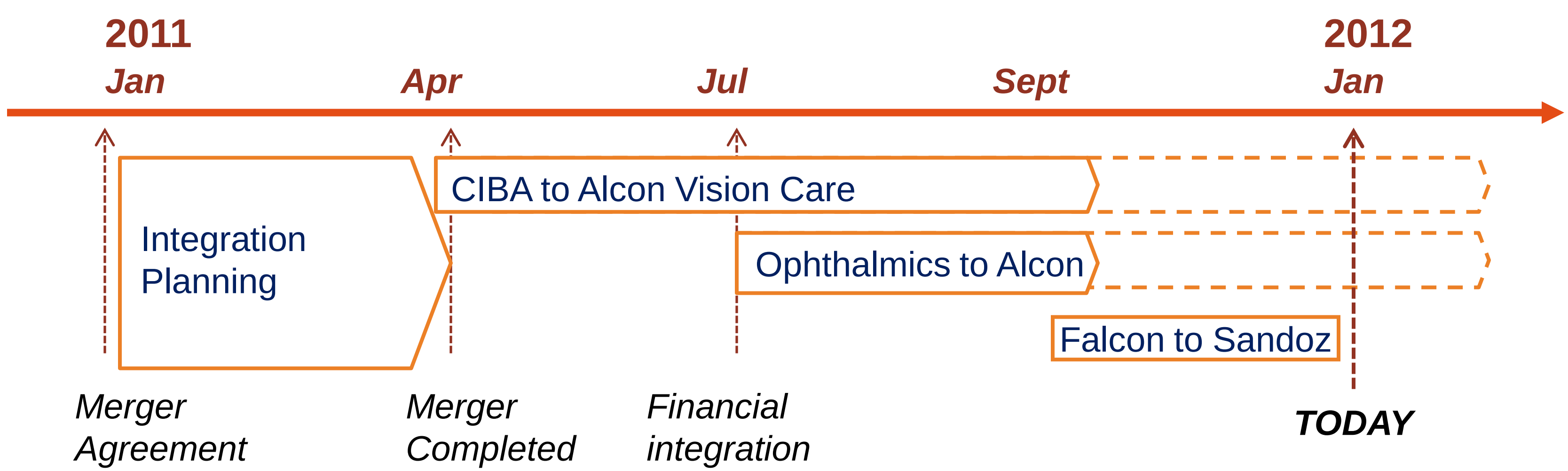
NOVARTIS

Agenda

Group overview	Joseph Jimenez *Chief Executive Officer*
Financial review	Jon Symonds *Chief Financial Officer*
Pharmaceuticals	David Epstein *Division Head, Novartis Pharmaceuticals*
Alcon	Kevin Buehler *Division Head, Alcon*
Sandoz	Jeff George *Division Head, Sandoz*
Outlook 2012	Joseph Jimenez *Chief Executive Officer*
Q&A session	Executive team

The Alcon Division

Integration timeline



NOVARTIS

Alcon delivered strong operating leverage and Core ROS in 2011

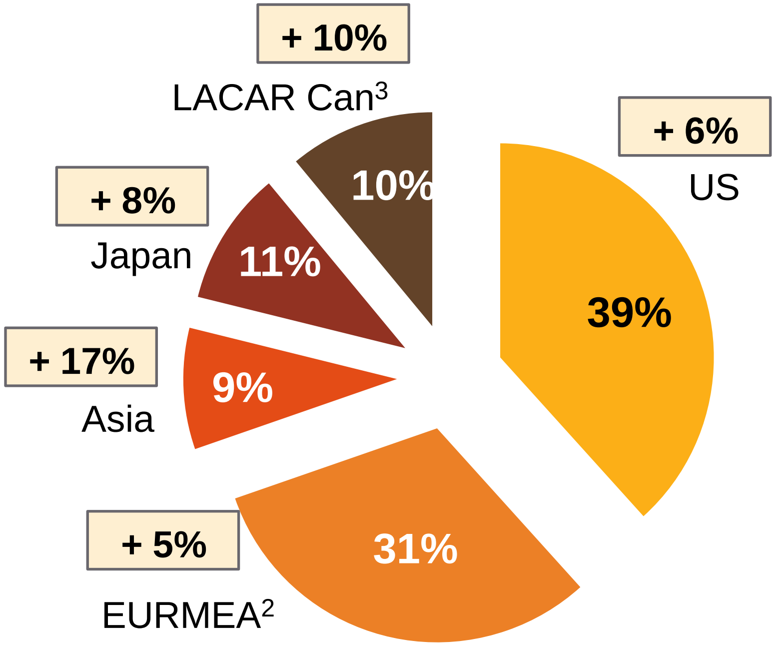
Pro forma[1] (in USD m)	**2011**	**2010**	**Growth** (% USD)	(% CC)
Net sales	**9 949**	9 031	**10**	**7**
Core operating income	**3 490**	**3 095**	**13**	**9**
Operating income	1 461	1 181	24	14
Core operating income margin	**35.1%**	**34.3%**		
Operating income margin	14.7%	13.1%		
Free cash flow	**3 498**	nm	nm	

[1] *Growth rates based on 2010 pro forma numbers*

NOVARTIS

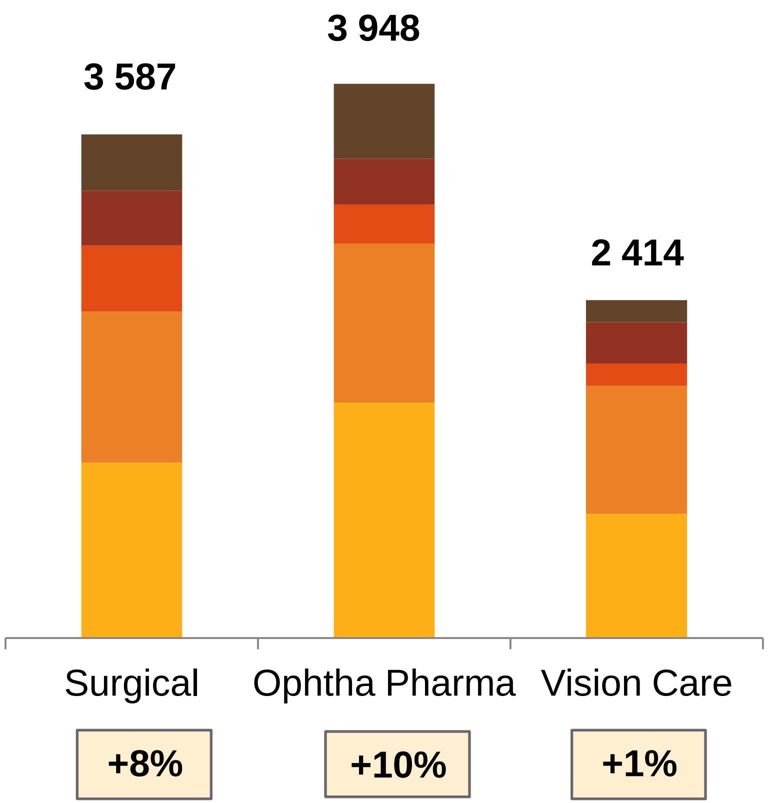
Alcon: Balanced by geography and franchise

Sales by geography[1]
(in % of sales)



Growth in cc vs. PY on a pro forma base

Sales by franchise[1]
(in USD m)

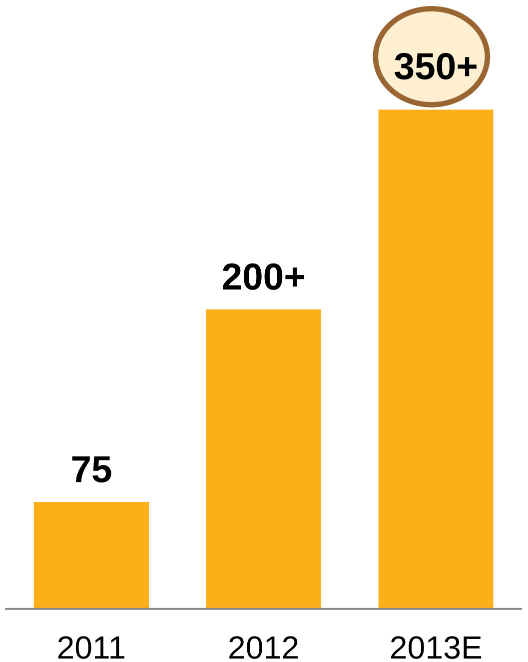


[1] Growth rates based on 2010 pro forma numbers
[2] Europe, Middle East, Africa
[3] Latin America, Caribbean

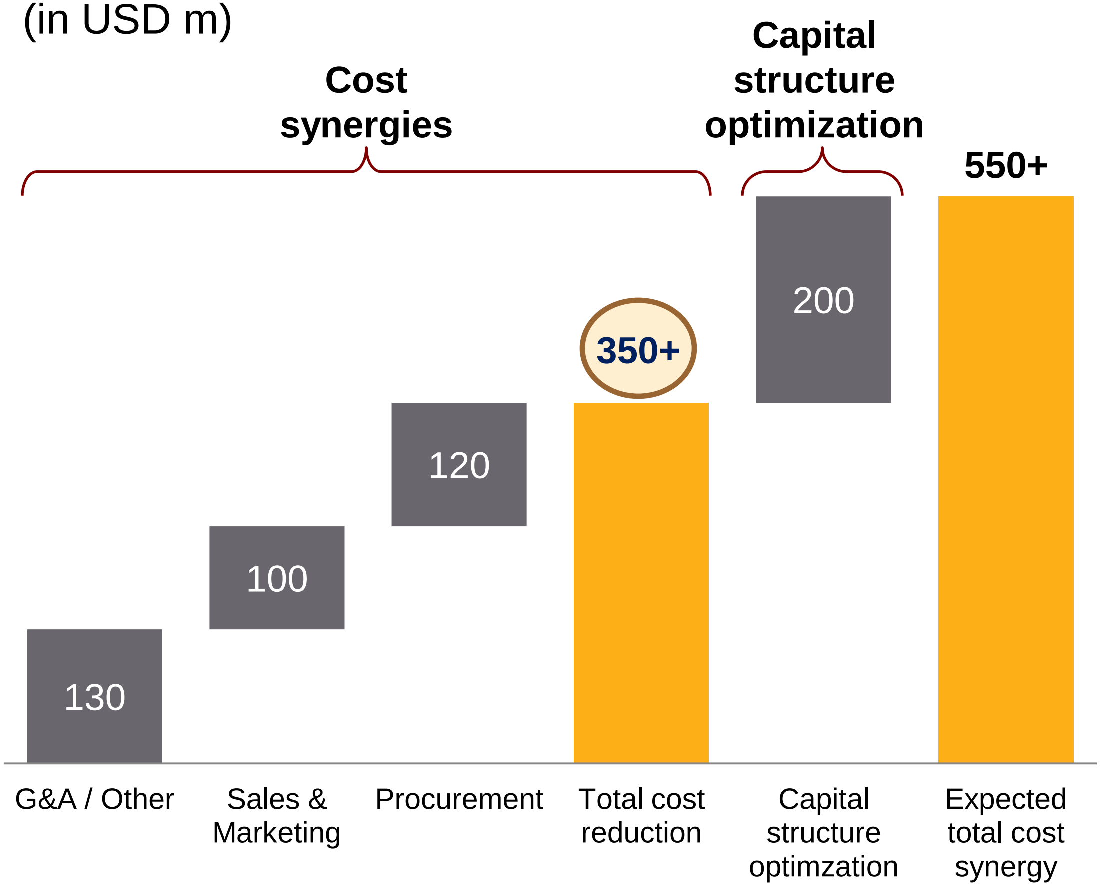
NOVARTIS

On track to exceed ~ USD 350 m cost synergies by 2013

Cost synergies annual progression
(in USD m)



2013 Cost synergies expected composition[1]
(in USD m)



[1] *Procurement savings will be reported across entire P&L; cost reductions are pre-tax*

NOVARTIS

2011 Alcon franchise key achievements

Surgical

- AcrySof® Toric +22% CC vs. PY
- Ex-US IOL unit sales +6% vs. PY
- Strong LenSx® global rollout underway

Ophthalmic Pharmaceuticals

- Strong growth in glaucoma +10% CC vs. PY
- Systane® franchise sales +24% CC vs. PY
- Infection/Inflammation sales +14% CC vs. PY

Vision Care

- Air Optix® franchise +18% CC vs. PY
- Clear Care disinfecting solution +13% CC vs. PY
- DAILIES® Total 1 launch underway

Commercializing Innovation: Global launches underway for LenSx® and DAILIES® Total 1

LenSx® Cataract Refractive Laser

- **Designed to deliver femtosecond laser precision to cataract surgery**
  - Increases surgical predictability
  - Reduces manual aspects of procedure
- **Global commercialization underway**
  - Over 500 trained surgeons representing 7,200+ procedures

DAILIES® Total 1 Silicone Hydrogel Contact Lens

DAILIES®TOTAL 1™ entering high-growth segment

- Daily Disposables (DD) fastest growing contact lens segment
- Exceptional comfort from beginning to end of day
- Launched in select EU markets in Q4 2011

NOVARTIS

Alcon Division priorities in 2012

- **Surgical**
  - Advanced technology intraocular lens (ATIOL) opportunity
  - Continued launch of LenSx® refractive cataract laser
  - Phacoemulsification conversion in emerging markets
- **Ophthalmic Pharmaceuticals**
  - Glaucoma: Travatan® portfolio growth and benzalkonium chloride (BAK)-free formulations
  - Market share gains in diverse Pharmaceuticals portfolio
- **Vision Care**
  - Build the organizational capabilities and leverage synergies
  - Launch of Dailies® Total 1
- **Outlook 2012**: Sales growth in cc expected to be mid- to high-single digit

Agenda

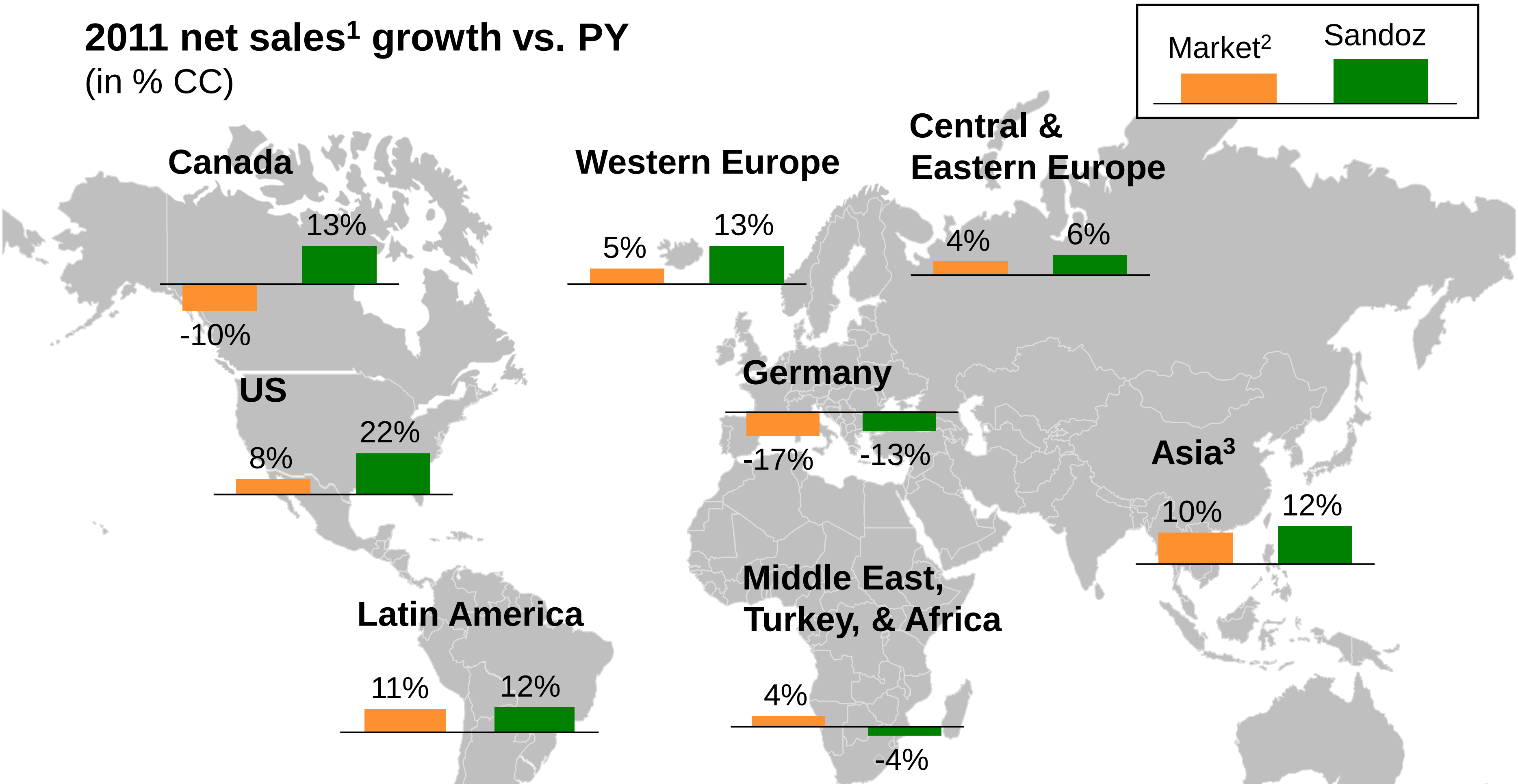
Group overview	Joseph Jimenez *Chief Executive Officer*
Financial review	Jon Symonds *Chief Financial Officer*
Pharmaceuticals	David Epstein *Division Head, Novartis Pharmaceuticals*
Alcon	Kevin Buehler *Division Head, Alcon*
Sandoz	Jeff George *Division Head, Sandoz*
Outlook 2012	Joseph Jimenez *Chief Executive Officer*
Q&A session	Executive team

Sandoz delivered strong results in 2011

(in USD m)	2011	2010	Growth (% USD)	Growth (% CC)
Net sales	**9 473**	8 592	**10**	**7**
Core operating income	**1 921**	**1 742**	**10**	**11**
Operating income	1 442	1 321	8	10
Core operating income margin	**20.3%**	**20.3%**		
Operating income margin	15.0%	15.4%		
Free cash flow	**1 587**	**2 141**	-26%	

Sandoz outperformed the market in most regions

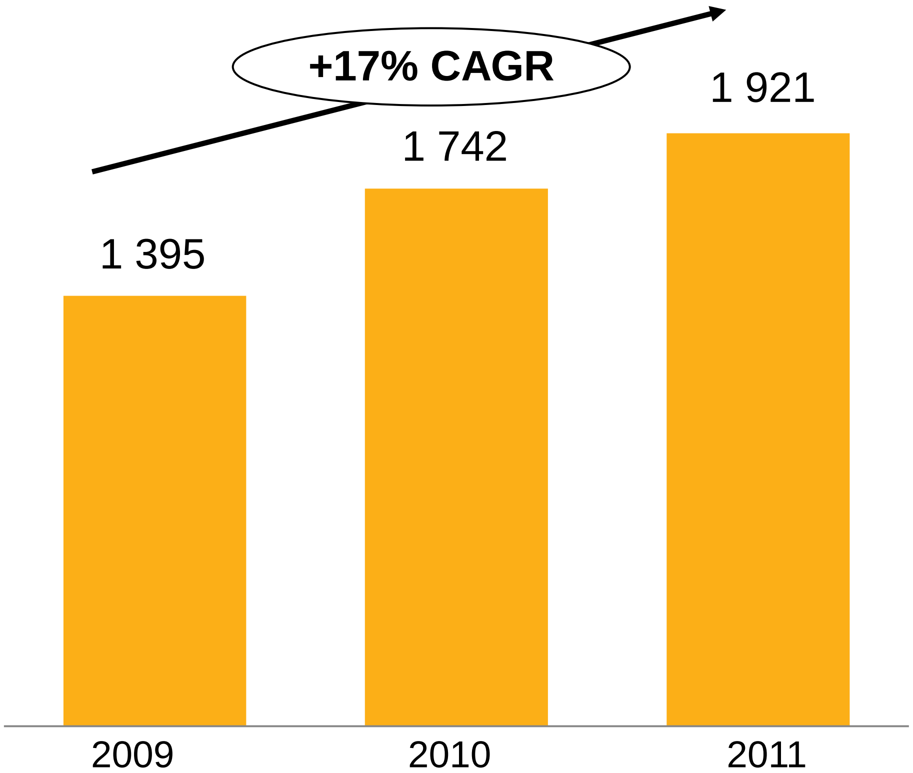
2011 net sales[1] growth vs. PY
(in % CC)



[1] Includes Retail and Biosimilars; Full-year estimate for market
[2] Net market growth estimate vs. previous year based on IMS gross sales data and management estimates
[3] Excludes Australia and New Zealand, where Sandoz is exiting a distributor business

Sandoz profits have improved markedly since 2009

Sandoz Core operating income[1]
(in USD m)



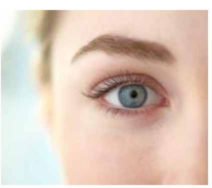
Key drivers:

- Strong sales growth
- USD 1.4 bn of cost savings in past 3 years

[1] Includes Falcon for 2010 and 2011

NOVARTIS

Sandoz continues to strengthen its leadership in differentiated products

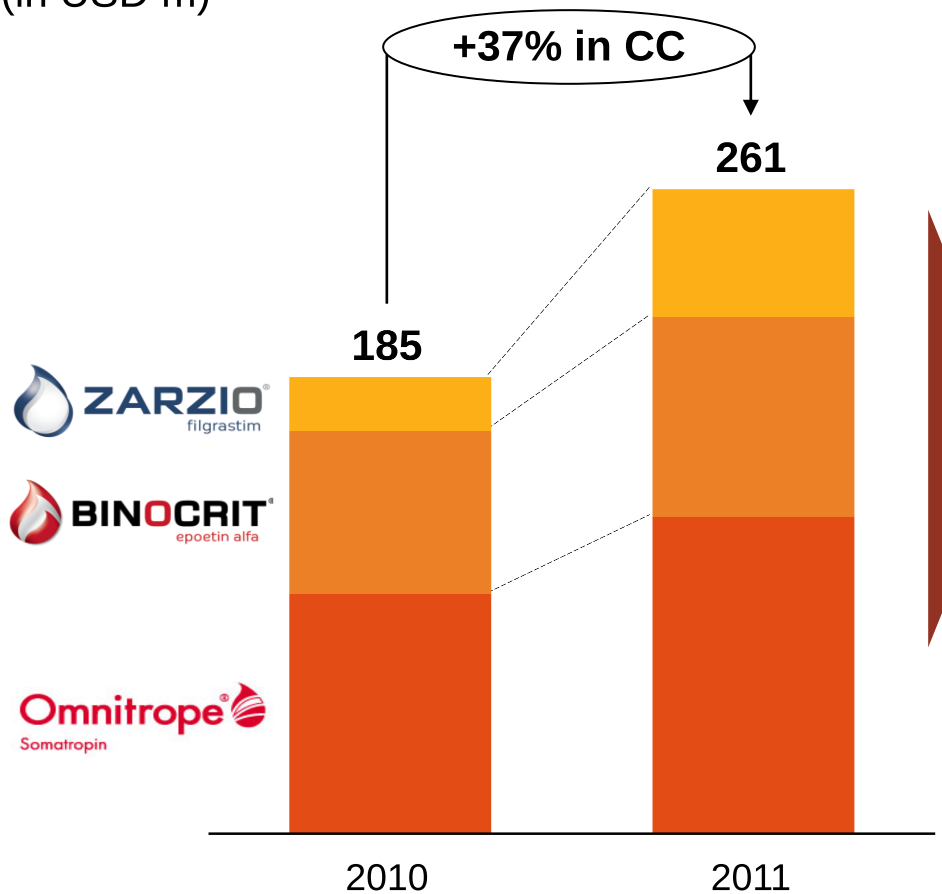
Key categories		Global Gx market segment position	2011 highlights[1]
	**Biosimilars**	**#1**	▪ Sales +37% vs. PY, +48% in Q4 ▪ Initiated phase III clinical studies for rituximab[2] and filgrastim (Neupogen)
	**Injectables**	**#1**	▪ 2011 Enox sales of over USD 1 billion – likely the first time for any generic product ▪ Retail anti-infective sales +10% vs. PY
	**Ophthalmics**	**#1**	▪ Successful integration of Alcon's former generics business ▪ Growth of +24% vs. PY
	**Respiratory**	**Top 5**	▪ Continued progress on US and European pipeline

[1] All figures in CC; [2] Roche's Rituxan® for follicular lymphoma indication

NOVARTIS

Biosimilars: +37% CC growth in 2011 to USD 261 m and continued development progress

Sandoz Biosimilars sales
(in USD m)



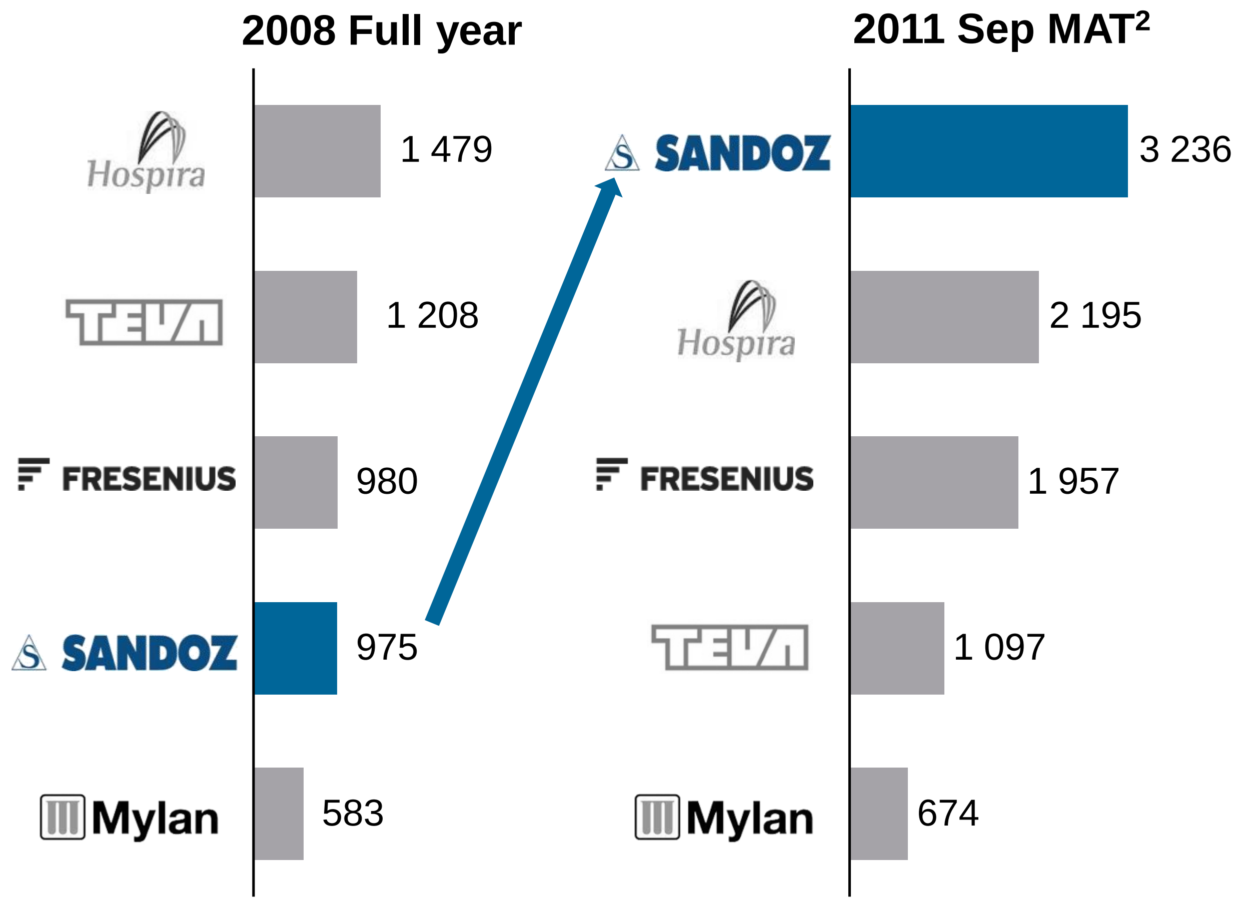
- Biosimlars sales grew +48% in Q4 in CC
- Key development milestones
  - Rituximab phase III in FL[1] and phase II in RA[2]
  - Filgrastim US phase III
  - Pegfilgrastim phase III

[1] Follicular Lymphoma, [2] Rheumatoid Arthritis

NOVARTIS

Injectables: Sandoz is now #1 globally

Global Generic injectables IMS sales by company[1]
(in USD m)



- Enoxaparin believed to be first-ever billion-dollar generic blockbuster
- Retail anti-infective sales +10% vs. PY

[1] IMS sales, trailing 12 months, generics only, excluding biosimilars, hospital solutions and original products; [2] Moving annual total based on IMS sales in USD

NOVARTIS

Injectables: Sandoz is currently the only generic enoxaparin on the market in the US

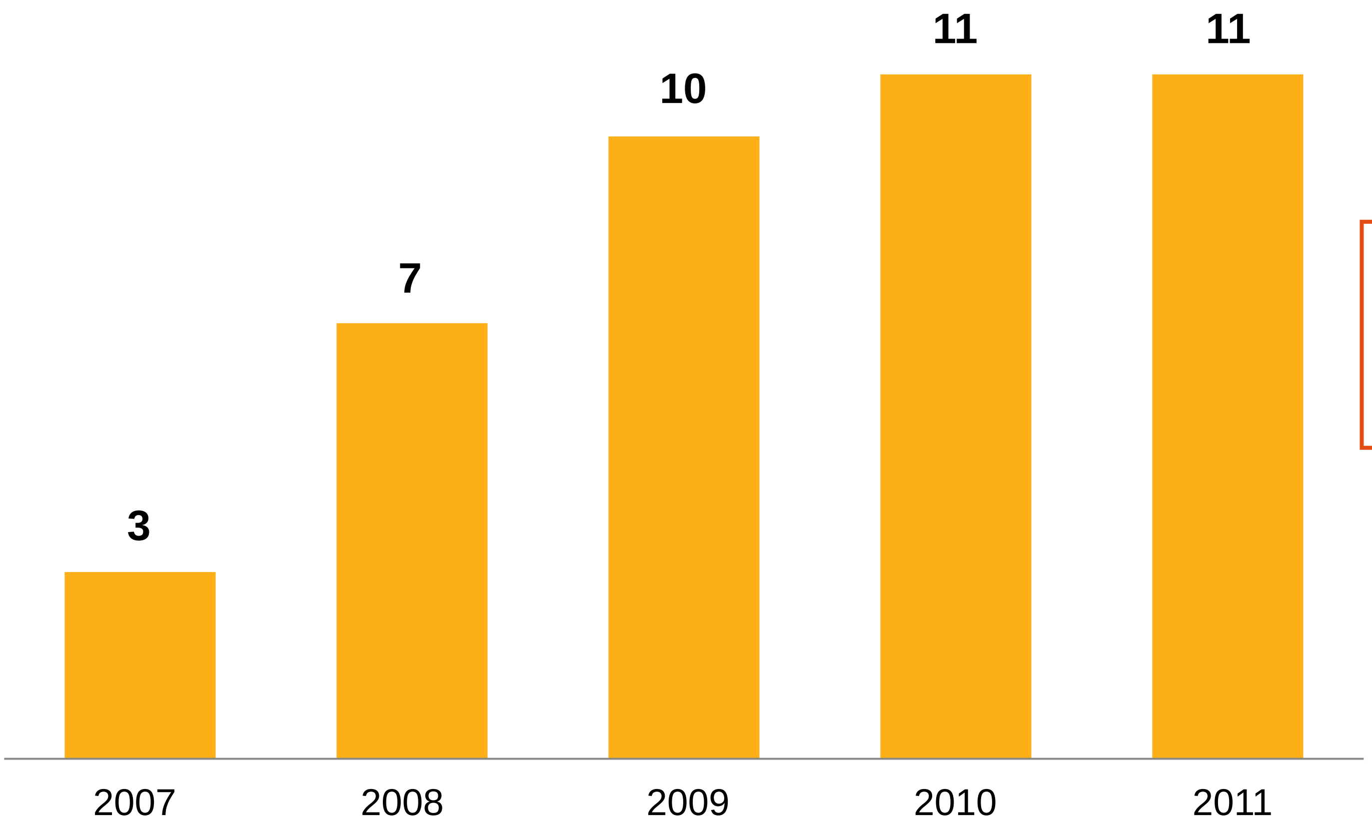
- Sandoz and Momenta successfully received a PI[1] against Watson / Amphastar, the 2nd approved generic; new hearing in January 2012
- Sanofi pulled its Winthrop AGx[2] from market
- Additional competitors' launch still uncertain

[1] Preliminary injunction; [2] Authorized Generic

NOVARTIS

US first-to-file performance maintained

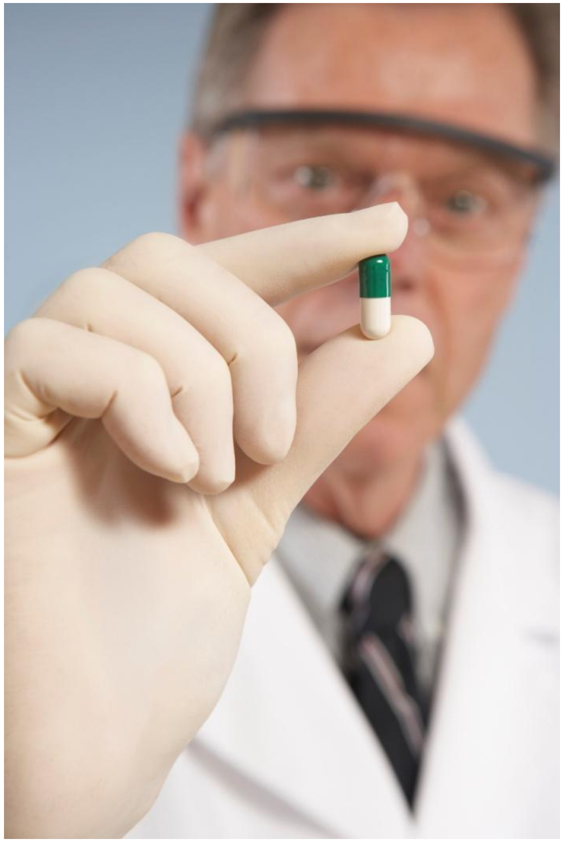
Sandoz annual number of confirmed US First-to-Files



Total of 165 pending ANDAs with 104 paragraph IV

NOVARTIS

Addressing Quality issues is #1 priority



- Submitted response to FDA Warning Letter and met in person with FDA January 17, 2012
- Fully committed to fulfilling all FDA obligations
- Investing USD 170 million over 3 years across the 3 sites; each site has a new management team
- Production will continue, with a few products discontinued in alignment with FDA
- The 3 North American sites comprise 12% of Sandoz US sales

NOVARTIS

2012 outlook is more challenging than last 3 years

2012 Positive catalysts:

- Leadership in biosimilars and differentiated generics
- Outperforming market in Europe and emerging markets
- Productivity focus (USD 1.4 bn in cost savings in past three years)

2012 Key challenges:

- Enoxaparin competition expected
- Quality investments and remediation expenditure
- Biosimilars and respiratory R&D investments increasing significantly as projects move to phase III

Outlook 2012: Slight decline in sales (cc) expected

NOVARTIS

Agenda

Group overview	Joseph Jimenez *Chief Executive Officer*
Financial review	Jon Symonds *Chief Financial Officer*
Pharmaceuticals	David Epstein *Division Head, Novartis Pharmaceuticals*
Alcon	Kevin Buehler *Division Head, Alcon*
Sandoz	Jeff George *Division Head, Sandoz*
Outlook 2012	Joseph Jimenez *Chief Executive Officer*
Q&A session	Executive team

NOVARTIS

Solid progress on 2011 strategic priorities

Progress 2011

1 Extend lead in innovation	▪ 15 Major approvals in Pharmaceuticals ▪ 4 Major approvals in Alcon ▪ 11 First-to-Files in Sandoz ✓
2 Accelerate growth	▪ Recently launched products contributed 25% of Group sales ▪ Emerging markets[1] with strong growth across divisions ✓
3 Drive productivity	▪ Delivered more than USD 2 billions of savings ▪ Reducing our cost base ✓

[1] *Top 6 emerging markets: Brazil, Russia, India, China, Turkey, South Korea*

We have strong plans in place to succeed in 2012

2011 Progress

- ✓ Strong launch execution
- ✓ Cross divisional R&D approach
- ✓ Alcon integration without business disruption
- ✓ Right sizing organization
- ✓ Fifteenth consecutive increase in dividend

Success factors in 2012

- Product approvals including
  - Afinitor® for Breast Cancer
  - INC424 for Myelofibrosis
  - Bexsero® for Men B
- Continue launch trajectories
- Efficient remediation of quality issues

NOVARTIS

Outlook for 2012

Barring unforeseen events

- Group sales expected to be in line with 2011 (CC):
  - Pharmaceuticals sales expected to be broadly flat
  - Alcon sales growth expected to be mid- to high-single digit
  - Sandoz sales expected to slightly decline
- Group Core operating income margin (CC) expected to be slightly below 2011
  - While absorbing price cuts, generic competition, impact from Aliskiren and mid-year start of shipments out of Lincoln plant

Agenda

Group overview	Joseph Jimenez *Chief Executive Officer*
Financial review	Jon Symonds *Chief Financial Officer*
Pharmaceuticals	David Epstein *Division Head, Novartis Pharmaceuticals*
Alcon	Kevin Buehler *Division Head, Alcon*
Sandoz	Jeff George *Division Head, Sandoz*
Outlook 2012	Joseph Jimenez *Chief Executive Officer*
Q&A session	Executive team

Q4 and Full Year 2011 Results

Q&A Session

January 25, 2012

NOVARTIS

Appendix

NOVARTIS

Planned filings 2012 to ≥ 2016

2012
- ACZ885 SJIA[1]
- Lucentis Pathological myopia
- QTI571 Pulm. arterial hyperten.
- SOM230 Acromegaly
- QVA149 COPD[2]

2013
- AFQ056 Fragile X syndrome
- AIN457 Psoriasis
- DEB025 HCV infection
- LBH589 Multiple Myeloma
- PKC412 ASM[3]
- RLX030 Acute heart failure
- TKI258 Renal cell carcinoma
- Afinitor® HER2+ Breast cancer
- Afinitor® HCC[4]
- AIN457 Arthritides (RA,AS,PsA)[5]
- SOM230 Carcinoid
- Xolair CIU[6]

2014
- BEZ235 Solid tumors
- BKM120 Solid tumors
- LCQ908 Metabolic diseases
- LCZ696 Heart failure
- LDE225 Basal cell carcinoma
- AFQ056 PD-LID[7]
- Gilenya® CIDP[8]
- INC424 Polycythemia vera
- LCZ696 Hypertension
- PKC412 AML[9]
- Tasigna® cKIT Melanoma
- Tekturna® Heart failure[10]

2015
- QGE031 Allergic diseases
- Afinitor® Lymphoma
- QMF149 COPD[2]
- QMF149 Asthma

≥ 2016
- AEB071 Kidney transplantation
- ATI355 Spinal cord injury
- AUY922 Solid tumors
- BAF312 Multiple sclerosis
- BCT197 COPD[2]
- BGS649 OHH[11]
- BYL719 Solid tumors
- CAD106 Alzheimer's
- HCD122 Hemat. tumors
- LCI699 Solid tumors
- LGT209 Hypercholesterolemia
- LFF571 Cl.difficile infections
- MEK162 Solid tumors
- NIC002 Smoking cessation
- QAW039 Asthma
- ACZ885 Diabetes
- ACZ885 Sec. Prev. CV events[12]
- AEB071 Liver transplantation
- AEB071 Psoriasis
- AIN457 Multiple sclerosis
- Lucentis CNV and ME[13]
- LDE225 Solid Tumors
- Tekturna® CV events in elderly
- TKI258 Solid tumors

1 *Systemic onset juvenile idiopathic arthritis*
2 *Chronic obstructive pulmonary disease*
3 *Aggressive systemic mastocytosis*
4 *Hepatocellular carcinoma*
5 *Rheumatoid arthritis, ankylosing spondylitis and psoriatic arthritis*
6 *Chronic idiopathic urticaria*
7 *Parkinson's disease L-dopa induced dyskinesia*
8 *Chronic inflammatory demyelinating polyneuropathy*
9 *Acute myeloid leukemia*
10 *Reduction of CV death/hospitalization in chronic heart failure patients*
11 *Obese hypogonadotropic hypogonadism*
12 *Secondary prevention of cardiovascular events*
13 *Choroidal neovascularization (CNV) and macular edema (ME) secondary to conditions other than age related macular degeneration, diabetic macular edema, Retinal vein occlusion and pathologic myopia*

New molecule
New Indication
New formulation