


## Novartis delivers strong operational performance in H1 2009

Half Year / Second Quarter 2009 Results

July 16, 2009



## Disclaimer

These materials contain certain forward-looking statements relating to the Group's business, which can be identified by terminology such as "outlook", "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 potential future sales or earnings of the Novartis Group or any of its divisions or business units; or regarding the potential acquisition of any business by Novartis; 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 the Novartis Group, or any of its divisions or business units, will achieve any particular financial results. Neither can there be any guarantee that the proposed acquisition of any business will be completed in the expected form or within the expected time frame or at all. 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 proposed acquisition. In particular, management's expectations could be affected by, among other things, the uncertain outcome and progress of the ongoing global financial and economic crisis, including uncertainties regarding future global exchange rates and uncertainties regarding future demand for our products; uncertainties involved in the development of new pharmaceutical products; unexpected clinical trial results, including additional analysis of existing clinical data or unexpected new clinical data; unexpected regulatory actions or delays or government regulation generally; the Group's ability to obtain or maintain patent or other proprietary intellectual property protection; uncertainties regarding actual or potential legal proceedings, including, among others, 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; 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 these materials 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

Overview	J Reinhardt
Financials	R Breu
Pharmaceuticals: Strong double-digit growth	J Jimenez
Other divisions and outlook	J Reinhardt



## Novartis delivers strong operational performance in H1 2009 driven by sustained Pharma innovation

- Strong underlying Group performance in H1 2009
  - Net sales of USD 20.3 billion, +8% in local currencies, -2% in USD
  - Operating income of USD 4.7 billion, +11% in constant currencies and excluding exceptional items, -5% in USD
  - Free cash flow before dividends +33% to USD 3.4 billion
- Pharmaceuticals net sales growth of 12% in local currencies, driven by recently launched products
- Substantial R&D progress with approvals of Afinitor<sup>®</sup>, Ilaris<sup>®</sup>, Ixiaro<sup>®</sup> and Prevacid<sup>®</sup>24HR
- Novartis reaffirms expectations for strong operational performance in 2009 and record earnings in constant currencies<sup>1</sup>

<sup>1</sup> Barring unforeseen events

4 | Novartis H1 2009 results | July 16, 2009



## Solid performance in Q2 2009

USD m	Q2 2009	% growth vs. 2008		H1 2009	% growth vs. 2008	
		in USD	in lc <sup>1</sup>		in USD	in lc <sup>1</sup>
<b>Net sales</b>	<b>10 546</b>	-2	8	<b>20 255</b>	-2	8
<b>Operating income</b>	<b>2 364</b>	-4		<b>4 711</b>	-5	
<b>Net income</b>	<b>2 044</b>	-10		<b>4 019</b>	-12	
<b>Free cash flow before dividends</b>	<b>1 916</b>	57		<b>3 422</b>	33	
<b>Basic earnings per share</b>	<b>USD 0.90</b>	-9		<b>USD 1.76</b>	-12	

<sup>1</sup> Local currencies

5 | Novartis H1 2009 results | July 16, 2009



## Outstanding Pharma performance and solid results from Sandoz and Consumer Health contribute to good Group results

USD m	H1 2009		% growth vs. 2008			
	Sales	OpInc	Sales		OpInc	
<b>Pharma</b>	<b>13 548</b>	<b>4 275</b>	3	12	0	11
<b>V&amp;D</b>	<b>494</b>	<b>-234</b>	-9	-18	nm <sup>1</sup>	nm <sup>1</sup>
<b>Sandoz</b>	<b>3 500</b>	<b>538</b>	-9	4	-9	4
<b>Consumer Health</b>	<b>2 713</b>	<b>506</b>	-9	1	-11	7

■ USD   
 ■ Local currency   
 ■ Currency corrected

<sup>1</sup> Not meaningful

6 | Novartis H1 2009 results | July 16, 2009



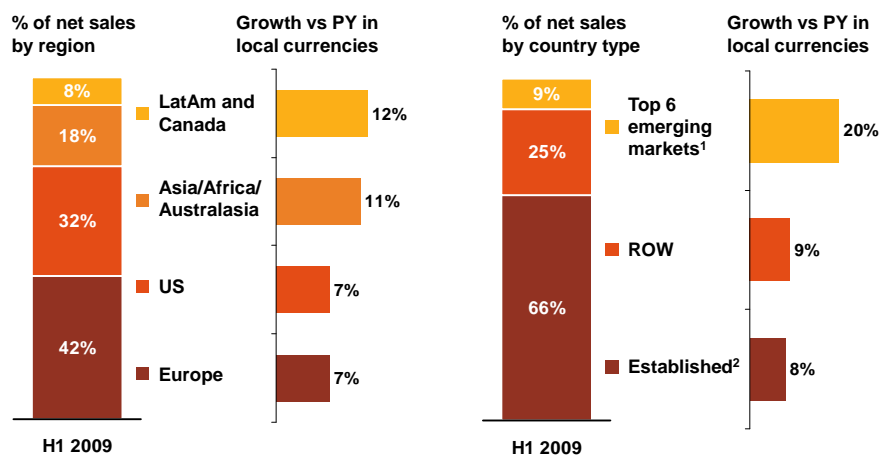
## Innovation in Pharmaceuticals a key driver of performance in H1 2009

- **Pharmaceuticals:** Solid growth led by launch products and emerging markets
- **Sandoz:** Dynamic growth in emerging markets, continuing progress towards US turnaround
- **Consumer Health:** CIBA Vision continues growth; Animal Health and OTC businesses still impacted by changes in consumer behavior
- **Vaccines and Diagnostics:** Sales decline with lower TBE and no pandemic influenza sales; operating income depressed by an exceptional charge for a legal issue

7 | Novartis H1 2009 results | July 16, 2009



## In H1 2009, dynamic growth in emerging markets, strong growth also in Europe and the US



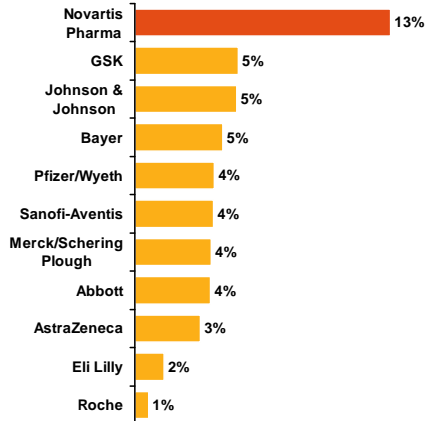
<sup>1</sup> Brazil, China, India, Russia, South Korea, Turkey  
<sup>2</sup> France, Germany, Italy, Japan, Spain, UK, US

8 | Novartis H1 2009 results | July 16, 2009



## Pharmaceuticals leading the industry in driving growth from new products

% of sales<sup>1</sup> (June 2008-May 2009) from products launched in 2007 and 2008



Source: IMS Monthly Midas  
<sup>1</sup> US, France, Germany, Italy, Spain and UK

9 | Novartis H1 2009 results | July 16, 2009



## Sustained innovation power

### Approvals achieved in 2009

- ✓ Afinitor® RCC<sup>1</sup> (US)
- ✓ Glivec® adjuvant GIST<sup>3</sup> (EU)
- ✓ Tekturna®+HCTZ (EU)
- ✓ Exforge®+HCTZ (US)
- ✓ Ixiaro® (Vaccines)
- ✓ Coartem® (US)
- ✓ Zolvix® (Animal Health)
- ✓ Ilaris® (US)
- ✓ Prevacid®24HR OTC<sup>2</sup> switch (OTC, US)
- ✓ Somatropin biosimilar (Japan)
- ✓ Reclast® post menopausal osteoporosis (US)
- ✓ Tekturna (Japan)

<sup>1</sup> Renal cell carcinoma

<sup>2</sup> Over the Counter

<sup>3</sup> Gastro-intestinal stromal tumors

10 | Novartis H1 2009 results | July 16, 2009



## Strong growth prospects mitigate 2012 patent expiries

- Recently launched products growing dynamically
- Strong pipeline in all divisions expected to continue to drive growth through 2012 period
  - Unique assets such as Afinitor®, FTY720, QAB149 family, meningitis vaccines and biosimilars
- Productivity efforts delivering above target, enabling accelerated investment in R&D and high-growth markets
- Strong position in high-growth emerging markets
- Expect to have limited exposure to US healthcare reform, with potential upsides including biosimilars



## Agenda

Overview	J Reinhardt
Financials	R Breu
Pharmaceuticals: Strong double-digit growth	J Jimenez
Other divisions and outlook	J Reinhardt



## Strong operational Q2 performance drives 57% increase in free cash flow

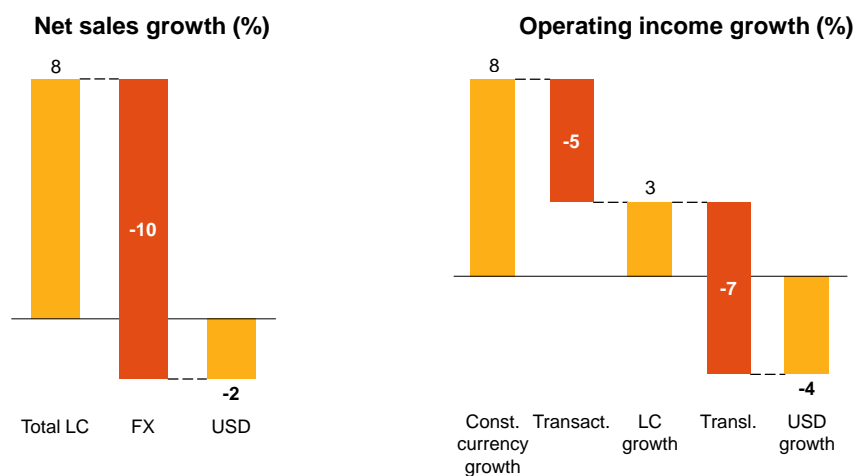
USD m	Q2 2009	Q2 2008	% USD	% lc <sup>1</sup>
Net sales	10 546	10 726	-2	8
Operating income	2 364	2 461	-4	
as % of net sales	22.4%	22.9%		
Net income	2 044	2 266	-10	
as % of net sales	19.4%	21.1%		
Free cash flow before dividends	1 916	1 219	57	
Basic EPS (USD)	0.90	0.99	-9	
Number of associates	98 906	97 657		

<sup>1</sup> Local currency

13 | Novartis H1 2009 results | July 16, 2009



## Q2 2009 strong underlying growth offset by currency



14 | Novartis H1 2009 results | July 16, 2009



## Productivity improvements finance investments in R&D, launches and EGM

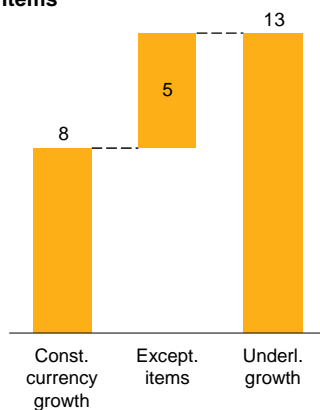
% pt change			
<b>Q2 2009 vs. Q2 2008</b>	-0.6	<b>Other revenues</b>	Betaseron royalties discontinued as of October 2008
<b>reported</b>	+0.6	<b>COGS</b>	Productivity improvements in Pharma
	+0.6	<b>M&amp;S</b>	Productivity gains in established markets offset investments in new launches and EGM (Pharma), efficiency gains in Sandoz and Consumer Health
	-0.6	<b>R&amp;D</b>	Increased investment in R&D in Pharma and Vaccines and Diagnostics
	+0.1	<b>G&amp;A</b>	Good cost management across all Divisions
	-0.6	<b>OIE</b>	Reduced divestment gains and increased legal provisions
<b>adjusted</b>	+0.6		Adjusted for intangible asset amortization and exceptional items, the operating margin increased vs. Q2 2008

15 | Novartis H1 2009 results | July 16, 2009



## Q2 2009 adjusted operating income in constant currencies up 13%

Op. income growth (%), adjusted for intangible asset charges and except. items



Selected exceptional items

- Pharmaceuticals: USD 26 million lower divestment gains, no positive impact from release of provisions (USD 104 million in previous year's Q2)
- Vaccines and Diagnostics: USD 45 million legal charge

16 | Novartis H1 2009 results | July 16, 2009



## Net income reflects cost of Alcon financing and increased tax charge

USD m	Q2 2009	Q2 2008	Change (% USD)
<b>Operating income from continuing operations</b>	<b>2 364</b>	<b>2 461</b>	<b>-4</b>
Income from associated companies	124	119	4
Financial result, net	- 45	24	nm
<b>Income before taxes</b>	<b>2 443</b>	<b>2 604</b>	<b>-6</b>
Taxes <sup>1</sup>	- 399	- 338	18
<i>Tax rate</i>	<i>16.3%</i>	<i>13.0%</i>	
<b>Net income from continuing operations</b>	<b>2 044</b>	<b>2 266</b>	<b>-10</b>
<b>Average Net Debt / Liquidity</b>	<b>-3 055</b>	<b>5 000</b>	

<sup>1</sup> During H1, a reassessment was made of the 2009 anticipated full year tax rate which is now expected to be 15.2%. Due to this reassessment, a catch-up was recorded for taxes in Q2 producing 16.3% for the quarter.

17 | Novartis H1 2009 results | July 16, 2009



## Free cash flow in Q2 2009 surges on strong operating performance

USD m	Q2 2009	Q2 2008	Change (% USD)
<b>Cash flow from operating activities</b>	<b>2 618</b>	<b>1 852</b>	<b>41</b>
Purchase of property, plant & equipment	- 485	- 564	-14
Purchase of intangible, financial and non-current assets	- 234	- 88	nm
Sale of property, plant & equipment, intangible, financial and non-current assets	17	19	-11
<b>Free Cash Flow before dividends</b>	<b>1 916</b>	<b>1 219</b>	<b>57</b>
Dividends	- 10	- 3	nm
Other	- 347	- 120	nm
<b>Change in net debt / liquidity</b>	<b>1 559</b>	<b>1 096</b>	<b>42</b>
Liquidity	11 815	16 198	-27
Financial debt	-13 869	-10 731	29
<b>Net debt / liquidity as of June 30</b>	<b>-2 054</b>	<b>5 467</b>	<b>nm</b>

18 | Novartis H1 2009 results | July 16, 2009



## Agenda

Overview	J Reinhardt
Financials	R Breu
Pharmaceuticals: Strong double-digit growth	J Jimenez
Other divisions and outlook	J Reinhardt



## Separating from the pack: Strong operating results

- **Strong top-line momentum**
  - Net sales growing 11% in local currency (+3% in USD)
  - New launches delivering USD 1.1 billion in Q2; 16% of sales
- **Productivity gains: Improving profits and funding growth investments**
  - Operating income growing 17% adjusted for exceptional items and currency (+2% reported in USD)
  - Productivity savings of USD 246 million realized during the quarter
- **Excellent pipeline progress**
  - Ilaris® (ACZ885): Approval in US for CAPS<sup>1</sup>
  - Afinitor®: Positive CHMP opinion in Europe
  - Glivec®: Approval in EU for post-surgery GIST
  - Exforge HCT®: Approval in US for hypertension
  - Reclast®: Approval in US for prevention of osteoporosis; approval in EU for steroid-induced osteoporosis

<sup>1</sup> Cryopyrin-Associated Periodic Syndrome



Double-digit local currency sales growth in Q2 2009; operating income growth, adjusted for currency and exceptional items, ahead of sales

USD m	Q2 2009	% growth vs. 2008		H1 2009	% growth vs. 2008	
		in USD <sup>1</sup>	in lc <sup>2</sup>		in USD <sup>1</sup>	in lc <sup>2</sup>
<b>Net sales</b>	<b>7 115</b>	3	11	<b>13 548</b>	3	12
<b>Operating income</b>	<b>2 213</b>	2		<b>4 275</b>	0	
<b>Return on net sales</b>	<b>31.1%</b>	-0.3 ppts		<b>31.6%</b>	-0.8 ppts	

<sup>1</sup> Q2 2009: Operating Income impact from foreign exchange -10ppts vs PY and exceptional items -5ppts  
H1 2009: Operating Income impact from foreign exchange -11ppts vs PY and exceptional items -4ppts

<sup>2</sup> Local currency



Pharmaceuticals tops competitors in IMS sales growth

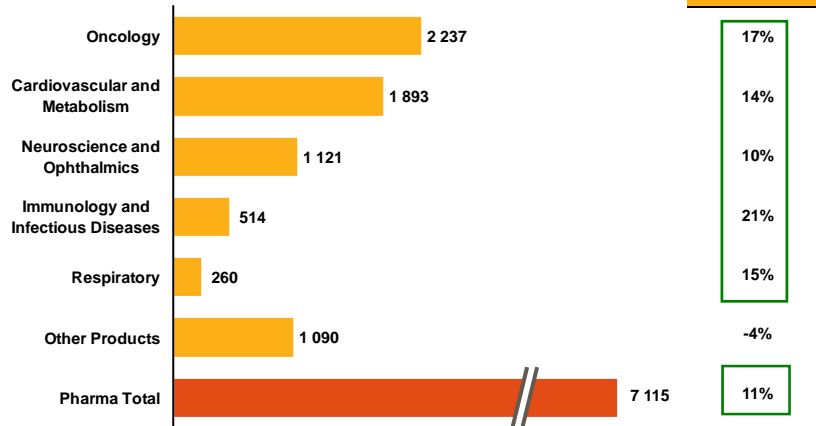
	May YTD Growth in LC% vs PY	YTD Sales (USD bn)	YTD Market Share	
			MS %	vs PY
<b>NOVARTIS PHARMA</b>	10.1%	10.6	3.8%	0.2%
LILLY	8.4%	7.7	2.8%	0.1%
ROCHE	8.2%	12.2	4.4%	0.1%
ASTRAZENECA	7.9%	13.3	4.8%	0.1%
BRISTOL-MYERS SQB.	5.4%	5.6	2.0%	0.0%
ABBOTT	4.4%	7.6	2.7%	0.0%
SANOFI-AVENTIS	3.2%	13.4	4.8%	-0.1%
WYETH	-0.4%	5.8	2.1%	-0.1%
PFIZER	-0.6%	16.4	5.9%	-0.3%
MERCK & CO	-4.9%	9.7	3.5%	-0.4%
GLAXOSMITHKLINE	-5.5%	12.8	4.6%	-0.5%
JOHNSON & JOHNSON	-7.5%	10.6	3.8%	-0.5%

Source: IMS PADDs Monthly, 56 Countries May 2009 YTD



## Strength is broad-based – All therapeutic areas growing at double-digit rates

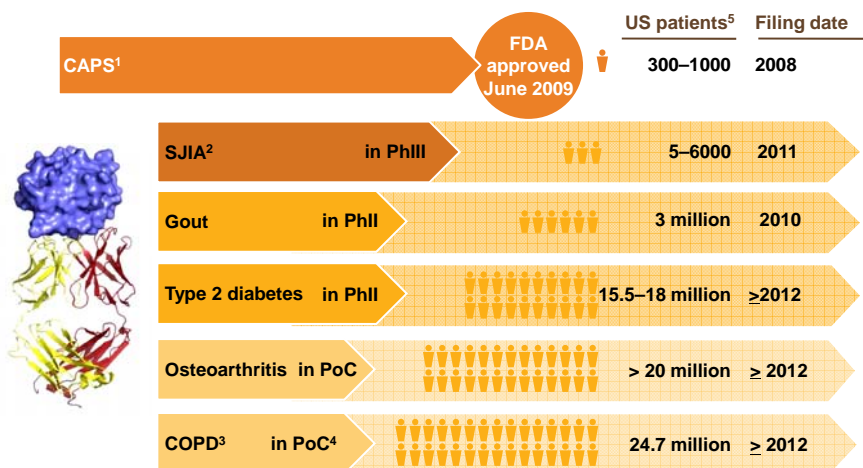
Sales by therapeutic area Q2 2009  
USD m at period rates



23 | Novartis H1 2009 results | July 16, 2009



## Ilaris®: Pathway-based R&D approach delivering



<sup>1</sup> Cryopyrin-Associated Periodic Syndromes  
<sup>2</sup> Systemic Onset Juvenile Idiopathic Arthritis  
<sup>3</sup> Chronic Obstructive Pulmonary Disease

<sup>4</sup> Proof of Concept

<sup>5</sup> Not all potential patients would be eligible for treatment with Ilaris, if approved

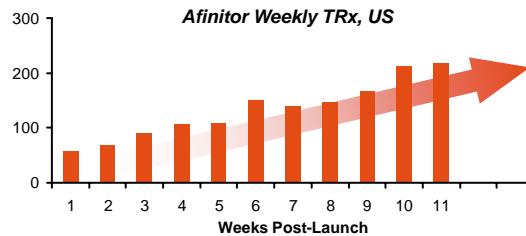
24 | Novartis H1 2009 results | July 16, 2009



## Afinitor with strong launch in advanced RCC and broad high-potential development program



- Strong RCC launch in the US for Afinitor
  - ~ 1 500 TRxs written so far
  - US RCC indication with ~ 17 000 eligible patients<sup>1</sup>
- More to come: > 500k patients could benefit from WIDE<sup>2</sup> program globally



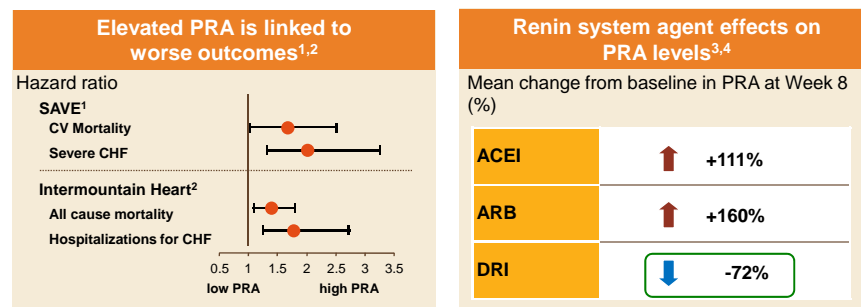
Tumor	Status	WW Eligible patients <sup>1</sup>
Renal cell cancer	Approved US <sup>3</sup>	~ 57 000
Neuroendocrine tumors	Enrolled	~ 67 000
Tuberous sclerosis complex	AML Enrolling	~ 16 000
Gastric cancer	Ph III 2009	~ 81 000
Breast cancer	ER+ Enrolling	~ 283 000
Lymphoma	Ph III 2009	~ 16 000
Liver cancer	Ph III 2009	~ 31 000

<sup>1</sup> Eligible patients for treatment based on target populations in clinical trials, WW estimate based on G7 plus ROW extrapolation  
<sup>2</sup> Worldwide Initiative to Develop Everolimus, Afinitor parallel development program. Afinitor is indicated for use after failure of sunitinib or sorafenib  
 Source: Plan A, Mattson Jack, American Cancer Society, TSC Alliance Patient Website, Market Research

25 | Novartis H1 2009 results | July 16, 2009



## Tektuma® / Rasilez® impact on Plasma Renin Activity (PRA) could suggest potential for better CV outcomes



- Still high level of negative cardiovascular outcomes despite ACEI and ARB treatment<sup>1</sup>
- Elevated PRA is linked to worse outcomes<sup>2,3</sup>
- Tektuma® / Rasilez® is the only RAAS<sup>4</sup> agent to reduce PRA<sup>5,6</sup>

<sup>1</sup> Yusuf et al. N Engl J Med 2000;342:145-53;

<sup>2</sup> Rouleau et al. J Am Coll Cardiol 1994;24:583-91;

<sup>3</sup> Bair et al. J Am Coll Cardiol 2009;53:A383;

<sup>4</sup> Renin Angiotensin Aldosterone System;

<sup>5</sup> Taylor et al. J Am Coll Cardiol 2007; 49:370A;

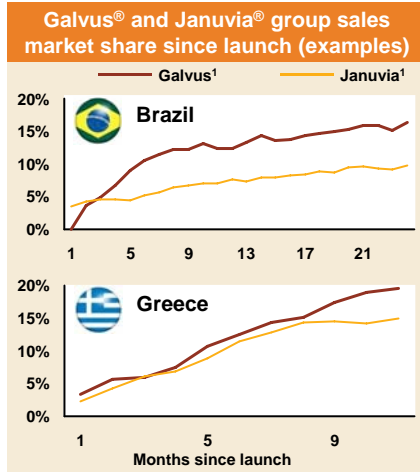
<sup>6</sup> Oparil et al. Lancet 2007; 370:221-29

26 | Novartis H1 2009 results | July 16, 2009





## Galvus® showing strong performance



- Galvus® strong uptake ex-US
  - Q2 sales were USD 39 million, up +491% vs 2008
- Oral diabetic market leader in several key countries
  - Approved in 60 countries
- Expected to contribute more than USD 500 million by 2012

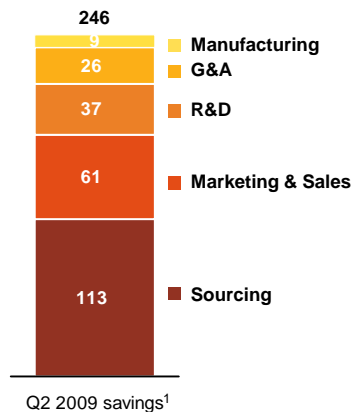
<sup>1</sup> Galvus® and Januvia® groups include related drugs; Januvia® is a registered trademark of Merck  
Source: IMS Monthly PADDs Data, April 2009

27 | Novartis H1 2009 results | July 16, 2009



## Q2 cost savings of USD 246 million driven by sourcing, process improvements, and offshoring

Productivity savings, Q2 2009  
USD m



- Global sourcing** through continued ramp up in key projects
  - Consolidation of local and global spend categories
  - Renegotiation of contracts to capitalize on opportunities arising from economic downturn
- Extensive **offshoring** activities in Development, Marketing, Finance and IT
  - Captive center in Hyderabad, India focused on Development and Marketing activities
- LEAN** efforts across the organization
  - Marketing
  - Development

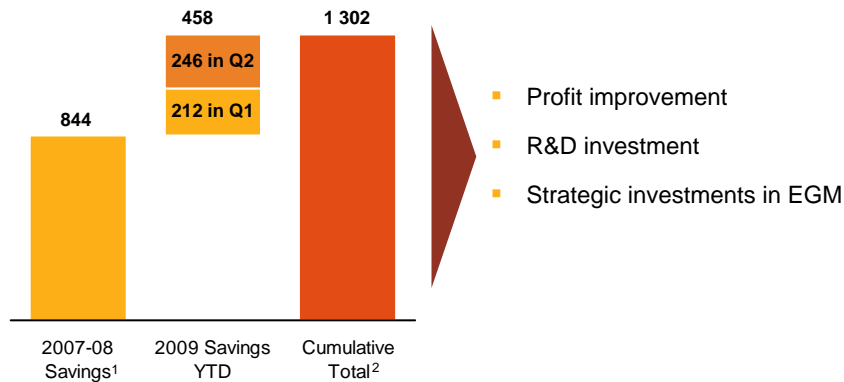
<sup>1</sup> Q2 2009 savings from Forward are USD 192 million

28 | Novartis H1 2009 results | July 16, 2009



## Productivity savings enabling key investments and performance improvement

Pharma Division productivity savings vs 2007 base  
USD m



<sup>1</sup> 2007-2008 includes both Project Forward and other productivity savings announced since September 2007 (mainly US restructuring)  
<sup>2</sup> 2007-2009 savings from Forward are USD 1 019 m

29 | Novartis H1 2009 results | July 16, 2009



## US healthcare reform expected to have moderate but manageable impact on business results



- Novartis supports efforts to increase coverage and improve access to high quality care in the US<sup>1</sup>
- Expect healthcare reform this year to affect 2010 and beyond, including:
  - Expanded coverage of the currently uninsured
  - Increased Medicaid and Medicaid Managed Care rebates
  - Medicare "doughnut hole" discounts
  - Follow-on biologics
- Moderate but manageable impact on business results

<sup>1</sup> Novartis is cooperating actively through PhRMA (Pharmaceutical Research and Manufacturers of America) and other efforts

30 | Novartis H1 2009 results | July 16, 2009

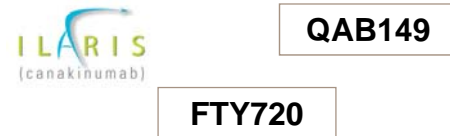


## Q2 performance confirms strong foundation for momentum through Diovan® patent expiration

- 1** Momentum of current launches (16% of sales projected to ~35% by 2014)



- 2** New products advancing through the pipeline



- 3** Acceleration of growth in key emerging markets (projected to double as percent of portfolio by 2014)

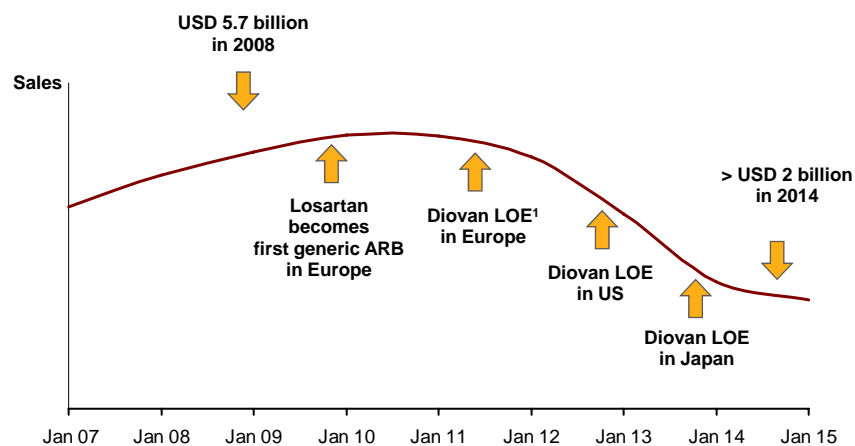


31 | Novartis H1 2009 results | July 16, 2009



## Diovan® loss of exclusivity will be a multi-year event, allowing growth plan to compensate

Diovan® expected sales (illustrative only)



<sup>1</sup> LOE = Loss of exclusivity

32 | Novartis H1 2009 results | July 16, 2009



## Diovan®: Clear advantages over Losartan expected to mitigate impact of generics

- Proven superior efficacy for blood pressure reduction<sup>1,2</sup>
- Outcomes-based indications
  - Heart failure
  - Post-myocardial infarction
- High-dose Diovan available
- Single pill combinations
  - Managing anti-hypertension as a franchise



<sup>1</sup> Fogari et al, *Curr Ther Res Clin Exp*, 2002: Diovan 80 mg provides patients with superior 24-hour BP efficacy vs losartan 50 mg Nixon et al., *IJCP*, 2009; 63:766-775: Diovan 160mg has shown superiority to losartan 100 mg  
<sup>2</sup> Superior Physicians efficacy perception of Diovan vs Cozaar.  
Source: US Adelphi Attribute Tracking Report - Wave11 – Oct 08

## Raising 2009 outlook for Pharmaceuticals

### Barring unforeseen events

- Minimum high-single digit sales growth for full-year 2009 in local currencies
  - First two quarters delivered consecutive double-digit net sales growth
  - Monitoring key second-half risks

## Agenda

Overview	J Reinhardt
Financials	R Breu
Pharmaceuticals: Strong double-digit growth	J Jimenez
Other divisions and outlook	J Reinhardt



## Continuing to deliver on priorities for 2009

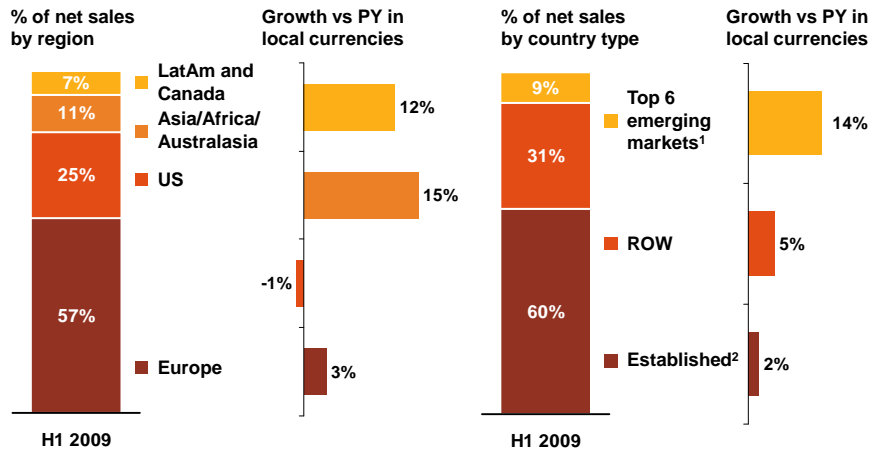
- Dynamic expansion of new Pharma products
  - Recently launched products reached 15% of Pharma sales in H1 2009<sup>1</sup>
- Successful new launches
  - Afinitor® in US, Galvus® in EU, Extavia® in EU
- Return Sandoz and Consumer Health to growth in the US
  - Group shows strong growth in US; Sandoz US returned to growth in Q2; Consumer Health at +3% growth in US in H1
- Continue to strongly expand in emerging markets
  - Group achieved +20%<sup>1</sup> net sales growth in top six emerging markets<sup>2</sup>
- Improve operational performance
  - Forward exceeded cumulative savings target of USD 1.6 billion 18 months ahead of schedule, COMPETE and Customers First programs progressing

<sup>1</sup> Local currencies

<sup>2</sup> Brazil, China, India, Russia, South Korea, Turkey



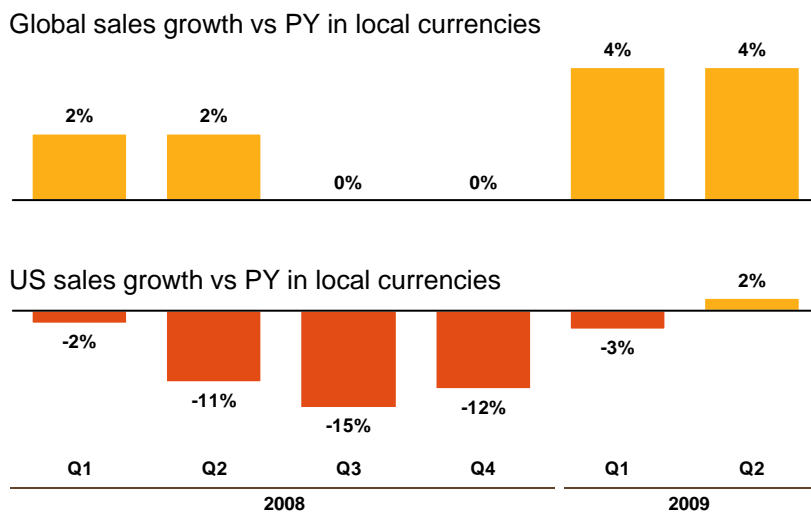
## Sandoz showing dynamic growth in most emerging markets in H1



<sup>1</sup> Brazil, China, India, Russia, South Korea, Turkey  
<sup>2</sup> France, Germany, Italy, Japan, Spain, UK, US



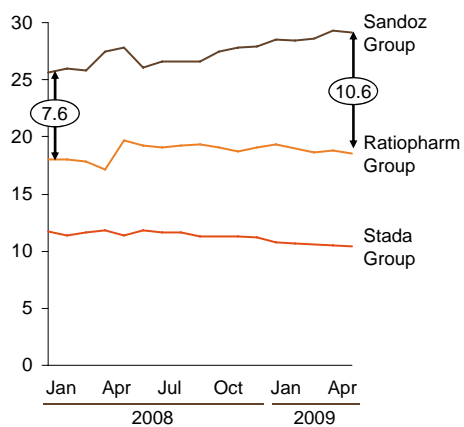
## Sandoz global and US sales growth continue positive trend



## Sandoz showing solid market share gains in Germany

- Sandoz Germany (including 1A Pharma) achieved market share of 29.1%<sup>1</sup> in May 2009
  - Hexal retained #1 position
  - 1A Pharma up by +34% reaching 4.7%<sup>1</sup> market share
- Multiple successful launches
  - Clopidogrel
  - Filgrastim
  - Pantoprazol

Sandoz share in Germany (% gross value)



<sup>1</sup> Monthly market share as percent of IMS reported total gross value of the Germany generic pharmaceuticals market  
Source: IMS, Insight-Health

39 | Novartis H1 2009 results | July 16, 2009



## Sandoz biosimilars in US, EU, Japan: Gaining experience in potentially high-growth market segment

**Omnitrope®**  
(hGH)  
US, EU, Japan  
Introduced in May 2006, the first biosimilar in the market

**Binocrit®**  
(epoetin)  
EU  
Introduced in October 2007, the first complex biosimilar

**Zarzio®**  
(filgrastim)  
EU  
Third Sandoz biosimilar receives EU approval in February 2009

- Biosimilar sales up +62% in H1 2009<sup>1</sup>
- First-ever biosimilar (Omnitrope) approval in Japan
- Strong demand in Germany and growth in US

**No other generic company has more than one approved, marketed biosimilar in US, Europe or Japan**

<sup>1</sup> vs. H1 2008 in local currencies

40 | Novartis H1 2009 results | July 16, 2009



## EBEWE Pharma strengthens Sandoz capabilities in oncology and injectables

- Sandoz to acquire EBEWE Pharma for EUR 925 million in cash (USD 1.3 billion)
- EBEWE is a specialty generic injectables business focused on anti-cancer medicines
- 2008 sales of EUR 188 million, operating income of EUR 53 million, growing dynamically
- As part of Sandoz, EBEWE's products can enjoy a much broader global reach
- EBEWE R&D portfolio will further strengthen our pipeline with many planned near-term launches



41 | Novartis H1 2009 results | July 16, 2009



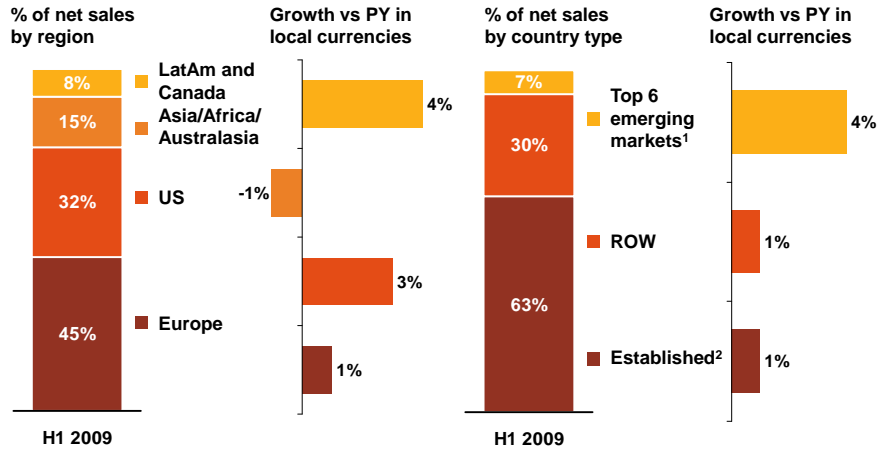
## Sandoz: Wilson plant remediation on track

- New site management team appointed
- Refocusing Wilson site on manufacturing core competence, and shifting R&D to Novartis campus in New Jersey
- FDA inspection of Wilson site anticipated in Q3 2009, remediation activities proceeding per plan
- Wilson facility continues to operate during remediation with > 30 products being actively shipped

42 | Novartis H1 2009 results | July 16, 2009



## Consumer Health: Solid growth in emerging markets, with US showing improved performance in H1 2009



<sup>1</sup> Brazil, China, India, Russia, South Korea, Turkey  
<sup>2</sup> France, Germany, Italy, Japan, Spain, UK, US

43 | Novartis H1 2009 results | July 16, 2009



## Consumer Health in attractive categories with 15 brands > USD 100 million<sup>1</sup> in annual sales

OTC	Cough & Cold	Pain	Derm	Lifestyle
Market share: 3.5% <sup>2</sup> Market size: USD 86 bn Market rank: #4				
CIBA Vision	Weekly/monthly/ext. wear	Daily	Cosmetic	
Market share: 21.6% <sup>3</sup> Market size: USD 7 bn Market rank: #2				
Animal Health	Companion animals	Farm animals		
Market share: 6.2% <sup>4</sup> Market size: USD 19 bn Market rank: #5				

**12 of 15 brands gaining market share**

<sup>1</sup> FY 2008 sales in USD  
<sup>2</sup> Source: IMS OTC reviewplus Analyzer  
<sup>3</sup> Source: GfK Group/ Nielsen/ CLI  
<sup>4</sup> Source: Vetnosis

44 | Novartis H1 2009 results | July 16, 2009



## Prevacid®24HR will be an important addition to the Consumer Health portfolio

- Prevacid®24HR approved in May 2009, launch planned for H2 2009
- Aim to make Prevacid®24HR a top 5 OTC brand in the US
- Strong label similar to Prevacid Rx
  - 15 mg capsule, 2 week treatment period clinically proven to provide relief for frequent heartburn sufferers
- 3-year Hatch Waxman marketing exclusivity granted – reflected in the Orange Book marketing exclusivity date (May 18, 2012)



45 | Novartis H1 2009 results | July 16, 2009



## Vaccines and Diagnostics: Promising late-stage vaccines pipeline








- |                   |                     |                                                                                                                                                                                                                                                                                                                        |
|-------------------|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Meningitis</b> | <br><b>MenB</b>     | <ul style="list-style-type: none"> <li>▪ Complete response letter obtained from FDA; answers expected to be submitted in 2009</li> <li>▪ EU CHMP<sup>1</sup> opinion expected in Q4 2009</li> <li>▪ Recruitment for US infant indication ongoing; expected filing 2011</li> </ul>                                      |
| <b>Travel</b>     |                     | <ul style="list-style-type: none"> <li>▪ Completed recruitment for pivotal Phase III in EU; results expected as planned in 2010</li> <li>▪ Results from additional pre-clinical studies requested by FDA expected in 2009</li> </ul>                                                                                   |
| <b>Influenza</b>  | <br><b>AFLUNOV®</b> | <ul style="list-style-type: none"> <li>▪ FDA approval: March 30, 2009</li> <li>▪ EU approval: April 2, 2009</li> <li>▪ License obtained in Switzerland; EU license obtained 2007</li> <li>▪ US submission planned 2009</li> <li>▪ IND<sup>2</sup> filing planned 2009</li> <li>▪ EU submission planned 2009</li> </ul> |

<sup>1</sup> Committee for Medicinal Products for Human Use  
<sup>2</sup> Investigational new drug

46 | Novartis H1 2009 results | July 16, 2009



## Menveo rollout planned for wide age and geography range

Indication (age)				
	Licensed	Filed	Filing planned	Licensed
11 - 55 years				
2 - 10 years			 (2010)	
2 months – 2 years			 (2011) (2010)	

<sup>1</sup> Same file as for ages 11 – 55 indication (adolescents and adults)  
Menactra® is a registered trademark of Sanofi-Pasteur Inc.

47 | Novartis H1 2009 results | July 16, 2009



## Vaccines and Diagnostics making rapid progress towards a vaccine for A(H1N1) influenza

### Demand

- US HHS formed two contracts, for USD 289 m and USD 690 m, for A(H1N1) antigen, and MF59 adjuvant
- Additional agreements formed with other countries
- Ongoing discussions with >35 governments

### Manufacturing & Supply

- Production started at all manufacturing sites in UK, Germany and Italy, with FCC<sup>1</sup>-based manufacturing weeks ahead of egg-based production
- Deliveries in 2009 will depend on yields (low at present, but work ongoing to improve) and regulatory timelines
- First deliveries expected in late 2009

### Development

- Clinical trials planned to start in July 2009
- Earliest licensure potentially obtainable in autumn

<sup>1</sup> Flu cell culture

48 | Novartis H1 2009 results | July 16, 2009



## Novartis Group outlook for 2009

---

### **Barring unforeseen events**

- Group net sales growing at a mid-single-digit rate in local currencies
- Pharmaceuticals net sales growing at a minimum high-single-digit rate in local currencies
- Record operating and net income in constant currencies

49 | Novartis H1 2009 results | July 16, 2009



## Appendix - Group

---



## H1 2009 results reflect currency impact

USD m	H1 2009	H1 2008	% USD	% lc <sup>1</sup>
Net sales	20 255	20 635	-2	8
Operating income <i>as % of net sales</i>	4 711 23.3%	4 949 24.0%	-5	
Net income <i>as % of net sales</i>	4 019 19.8%	4 574 22.2%	-12	
Free cash flow before dividends	3 422	2 574	33	
EPS (USD)	1.76	2.01	-12	
Number of associates	98 906	97 657		

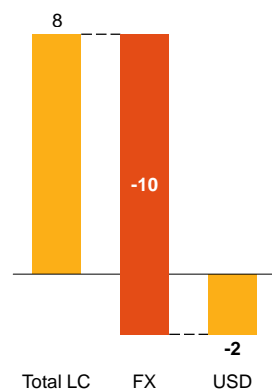
<sup>1</sup> Local currency

51 | Novartis H1 2009 results | July 16, 2009

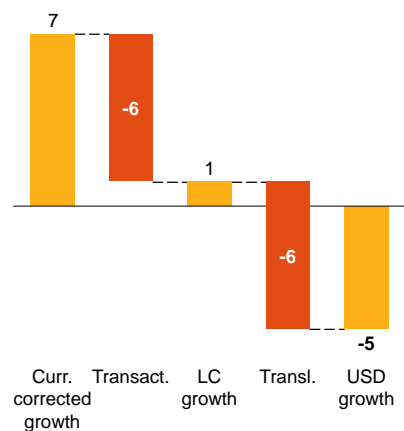


## H1 2009 underlying growth offset by currency movements

Net sales growth (%)



Operating income growth (%)



52 | Novartis H1 2009 results | July 16, 2009



## Operating income adjustments for intangible asset charges and significant exceptional items (Q2)

USD m	Q2 2009	Q2 2008	I/S Line
<b>Pharmaceuticals</b>	<b>114</b>	9	
<i>Mainly due to:</i>			
Intangible asset charges	109	121	
Exceptional divestment gains		-26	OIE
Legal and other settlements	11		OIE
Release of US government rebate provisions		-104	OIE
<b>V&amp;D</b>	<b>121</b>	91	
<i>Mainly due to:</i>			
Intangible asset charges	77	80	
Legal and other settlements	45		OIE
<b>Sandoz</b>	<b>67</b>	78	
<i>Mainly due to:</i>			
Intangible asset charges	61	78	
<b>Consumer Health</b>	<b>22</b>	18	
<i>Mainly due to:</i>			
Intangible asset charges	22	21	
<b>Corporate</b>	<b>-10</b>	2	
<i>Mainly due to:</i>			
Impairment of financial assets	-11	1	
<b>Total Group Adjustments</b>	<b>314</b>	198	

53 | Novartis H1 2009 results | July 16, 2009



## Operating income adjustments for intangible asset charges and significant exceptional items (H1)

USD m	H1 2009	H1 2008	I/S Line
<b>Pharmaceuticals</b>	<b>195</b>	33	
<i>Mainly due to:</i>			
Intangible asset charges	214	249	
Release of US government rebate prov.		-104	OIE
Exceptional restructuring	-15	47	OIE
Release of pre-launch inventory prov.		-45	OIE
Impairment of financial assets	1	21	OIE
Exceptional gains from divesting brands	-15	-141	OIE
<b>V&amp;D</b>	<b>199</b>	124	
<i>Mainly due to:</i>			
Intangible asset charges	153	162	
Legal and other settlements	45	-49	OIE, other revenue
<b>Sandoz</b>	<b>123</b>	162	
<i>Mainly due to:</i>			
Intangible asset charges	118	156	
<b>Consumer Health</b>	<b>41</b>	37	
<i>Mainly due to:</i>			
Intangible asset charges	41	40	
<b>Corporate</b>	<b>-6</b>	11	
<b>Total Group Adjustments</b>	<b>552</b>	367	

54 | Novartis H1 2009 results | July 16, 2009



## Net income reflects cost of Alcon financing and increased tax charge

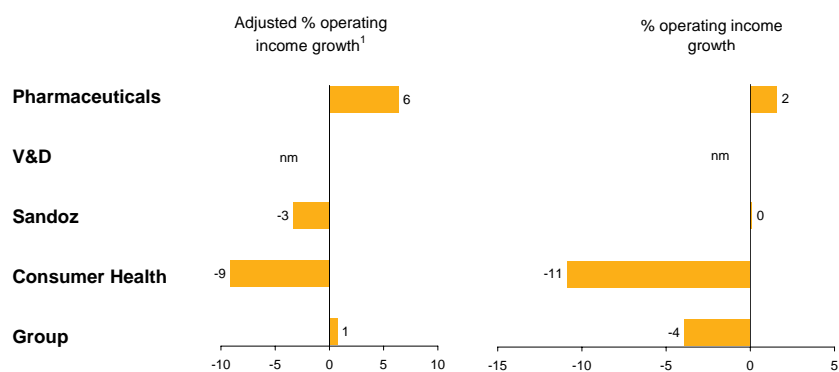
USD m	H1 2009	H1 2008	Change (% USD)
<b>Operating income from continuing operations</b>	<b>4 711</b>	<b>4 949</b>	<b>-5</b>
Income from associated companies	207	256	-19
Financial result, net	- 179	115	nm
<b>Income before taxes</b>	<b>4 739</b>	<b>5 320</b>	<b>-11</b>
Taxes <sup>1</sup>	- 720	- 746	-3
<i>Tax rate</i>	<i>15.2%</i>	<i>14.0%</i>	
<b>Net income from continuing operations</b>	<b>4 019</b>	<b>4 574</b>	<b>-12</b>
<b>Average Net Debt / Liquidity</b>	<b>-2 260</b>	<b>5 875</b>	

<sup>1</sup> During H1, a reassessment was made of the 2009 anticipated full year tax rate which is now expected to be 15.2%.

55 | Novartis H1 2009 results | July 16, 2009



## Adjusted<sup>1</sup> Group operating income up 1% in Q2, impacted by currencies

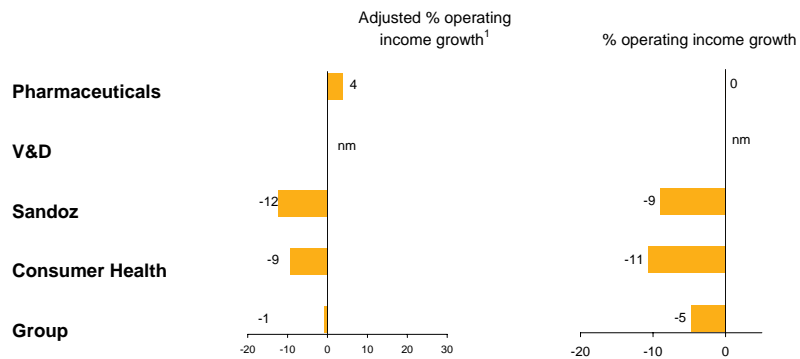


<sup>1</sup> Adjusted for intangible asset charges and significant exceptional items

56 | Novartis H1 2009 results | July 16, 2009



## Adjusted<sup>1</sup> Group operating income declines 1% in H1, mainly due to negative FX impact

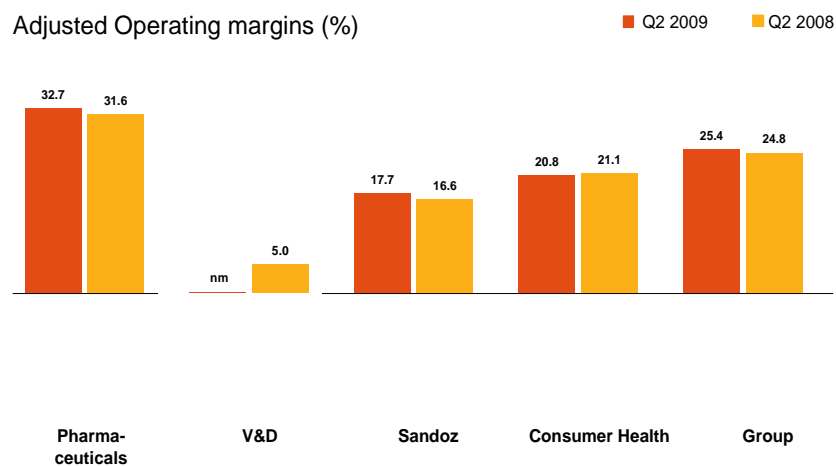


<sup>1</sup> Adjusted for intangible asset charges and significant exceptional items

57 | Novartis H1 2009 results | July 16, 2009



## Adjusted<sup>1</sup> Group operating margin at 25.4% in Q2

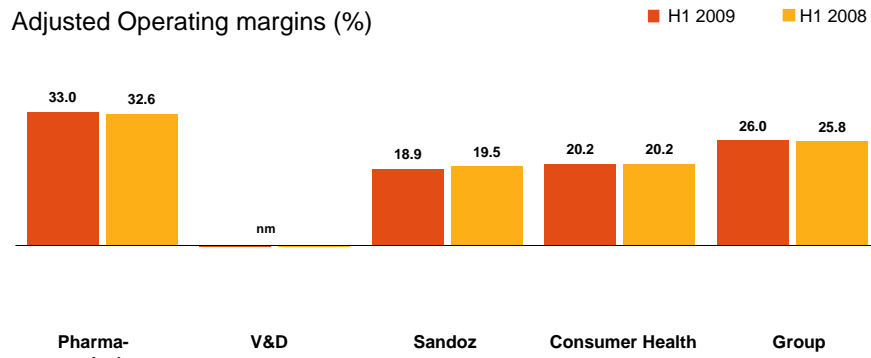


<sup>1</sup> Adjusted for intangible asset charges and significant exceptional items

58 | Novartis H1 2009 results | July 16, 2009



## Adjusted<sup>1</sup> Group operating margin at 26.0% in H1

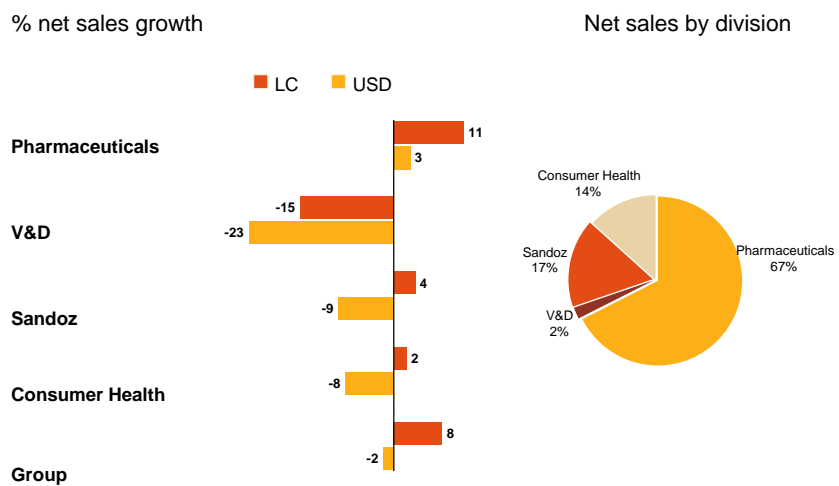


<sup>1</sup> Adjusted for intangible asset charges and significant exceptional items

59 | Novartis H1 2009 results | July 16, 2009



## Q2 sales growth driven by Pharmaceuticals

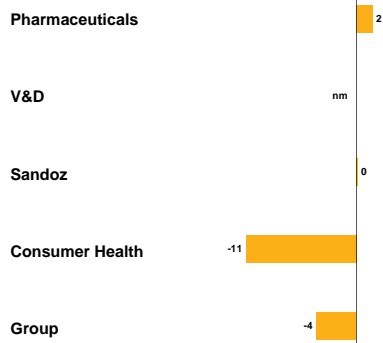


60 | Novartis H1 2009 results | July 16, 2009

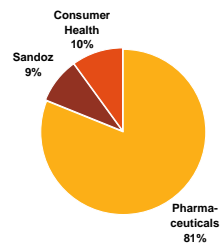


## Group operating income declines 4% in Q2 2009, due to currency impact<sup>1</sup>

% Operating income growth (USD)



Operating income by division



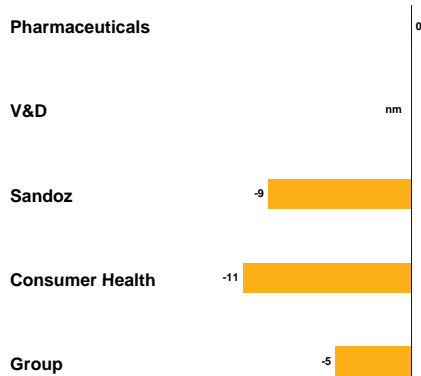
<sup>1</sup> Currency impact -12 percentage points

61 | Novartis H1 2009 results | July 16, 2009

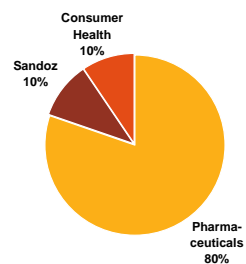


## Group operating income declines 5% in H1 2009, due to currency impact<sup>1</sup>

% Operating income growth (USD)



Operating income by division

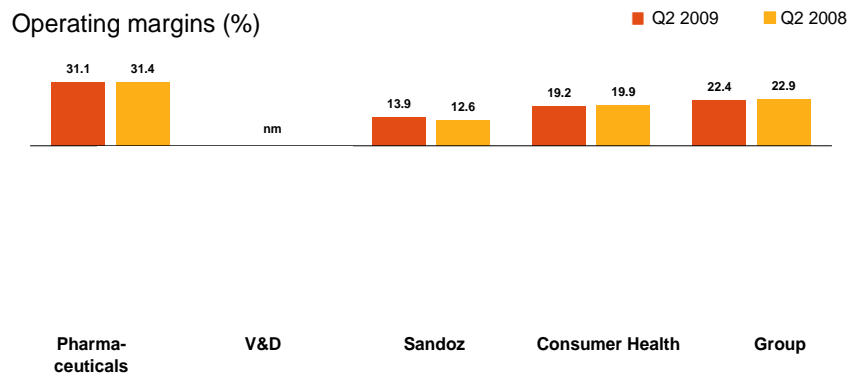


<sup>1</sup> Currency impact -12 percentage points

62 | Novartis H1 2009 results | July 16, 2009



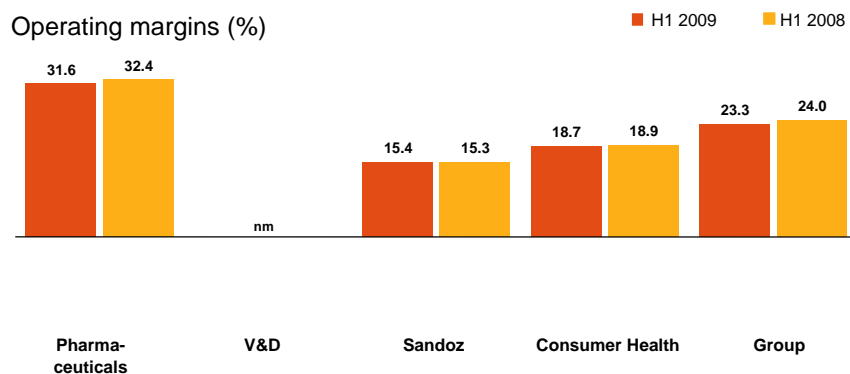
## Group operating margin at 22.4% in Q2 2009



63 | Novartis H1 2009 results | July 16, 2009



## Group operating margin at 23.3% in H1 2009



64 | Novartis H1 2009 results | July 16, 2009



## Q2 2009 income from associated companies

USD m	Q2 2009	Q2 2008	Change (% USD)
Share of est. Roche net income	143	145	-1
Depreciation and amortization of tangible and intangible assets	-31	-35	-11
<b>Net income effect Roche</b>	<b>112</b>	<b>110</b>	<b>2</b>
Share of est. Alcon net income	114		
Depreciation and amortization of tangible and intangible assets	-109		
<b>Net income effect Alcon<sup>1</sup></b>	<b>5</b>		
Income from others	7	9	-22
<b>Income from associated companies</b>	<b>124</b>	<b>119</b>	<b>4</b>

<sup>1</sup> Alcon associated company as from Q3 2008.

65 | Novartis H1 2009 results | July 16, 2009



## H1 2009 income from associated companies

USD m	H1 2009	H1 2008	Change (% USD)
Share of est. Roche net income	285	300	-5
Depreciation and amortization of tangible and intangible assets	-62	-69	-10
Catch-up for actual Roche previous year	-40	11	
<b>Net income effect Roche</b>	<b>183</b>	<b>242</b>	<b>-24</b>
Share of est. Alcon net income	229		
Depreciation and amortization of tangible and intangible assets	-217		
Catch-up for actual Alcon previous year	5		
<b>Net income effect Alcon<sup>1</sup></b>	<b>17</b>		
Income from others	7	14	-50
<b>Income from associated companies</b>	<b>207</b>	<b>256</b>	<b>-19</b>

<sup>1</sup> Alcon associated company as from Q3 2008.

66 | Novartis H1 2009 results | July 16, 2009



## Alcon financing and bond issuance result in Q2 net financial expense

USD m	Q2 2009	Q2 2008	Change (%)
Financial Income	62	103	-40
% of average liquidity <sup>1</sup>	2.7	3.3	
Interest expense	-110	-54	103
% of average debt <sup>1</sup>	3.6	2.8	
Currency gains/losses on operating activities	29	-18	
Treasury result, net	-19	31	*
Interest expense related to discounted long-term liabilities	-26	-7	*
Financial result, net	-45	24	
Average net debt / liquidity	-3 055	5 000	

<sup>1</sup> Annualized

67 | Novartis H1 2009 results | July 16, 2009



## Alcon financing and bond issuance result in H1 net financial expense

USD m	H1 2009	H1 2008	Change (%)
Financial Income	73	180	-59
% of average liquidity <sup>1</sup>	1.7	2.8	
Interest expense	-185	-98	89
% of average debt <sup>1</sup>	3.5	2.9	
Currency losses/gains on operating activities	-30	53	*
Treasury result, net	-142	135	*
Interest expense related to discounted long-term liabilities	-37	-20	85
Financial result net	-179	115	*
Average net debt/liquidity	-2 260	5 875	

<sup>1</sup> Annualized

68 | Novartis H1 2009 results | July 16, 2009



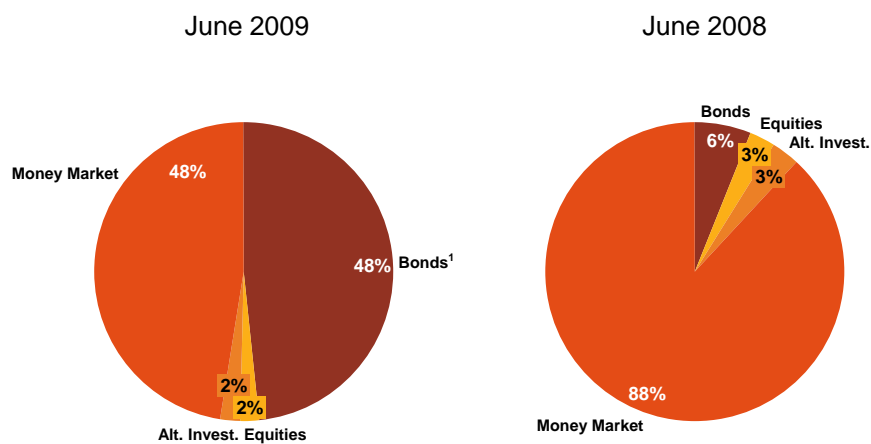
## Novartis has right to take majority ownership in Alcon as early as 2010

First step H2 2008		Optional second step January 2010 - July 2011	
2008	2009	2010	2011
<ul style="list-style-type: none"> <li>Novartis acquires 24.8% Alcon stake from Nestlé for USD 10.4 bn or USD 140.68 per share (approx. 74 m shares)</li> <li>Novartis has one seat on Alcon Board of Directors</li> </ul>		<ul style="list-style-type: none"> <li>Novartis has right to acquire remaining 52% stake from Nestlé for fixed price of approximately USD 28 bn or USD 181.00 per share (approx. 156 m shares)</li> <li>Nestlé has right to require Novartis to buy stake at 20.5% premium to Alcon's share price at exercise, subject to:                             <ul style="list-style-type: none"> <li>Not exceeding USD 181 per share</li> <li>No "Material Adverse Change" to Alcon's business</li> </ul> </li> </ul>	

69 | Novartis H1 2009 results | July 16, 2009



## Asset allocation of liquidity – Group Level



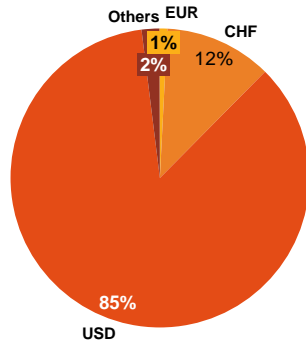
<sup>1</sup> 48% = 39% bonds with maturities < 1 year + 9% bonds with maturities ≥ 1 year

70 | Novartis H1 2009 results | July 16, 2009

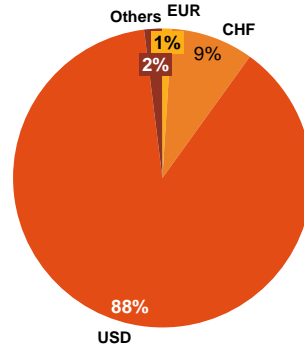


## Currency distribution of liquidity – Group Level

June 2009<sup>1</sup>



June 2008<sup>1</sup>

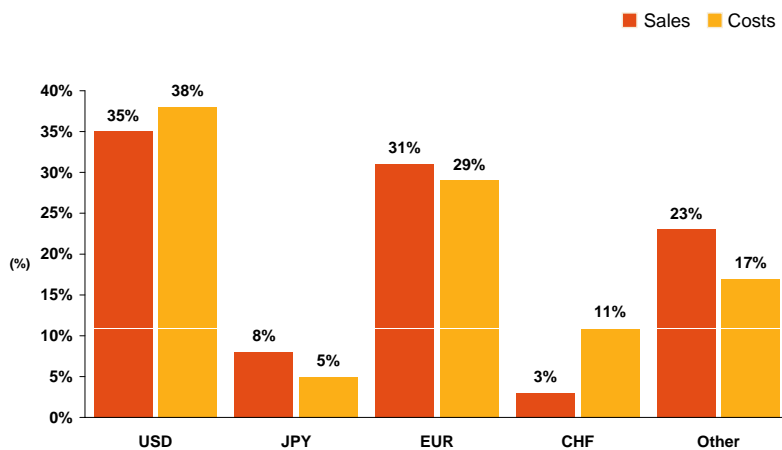


<sup>1</sup> Including hedges

71 | Novartis H1 2009 results | July 16, 2009



## USD is the predominant currency<sup>1</sup>

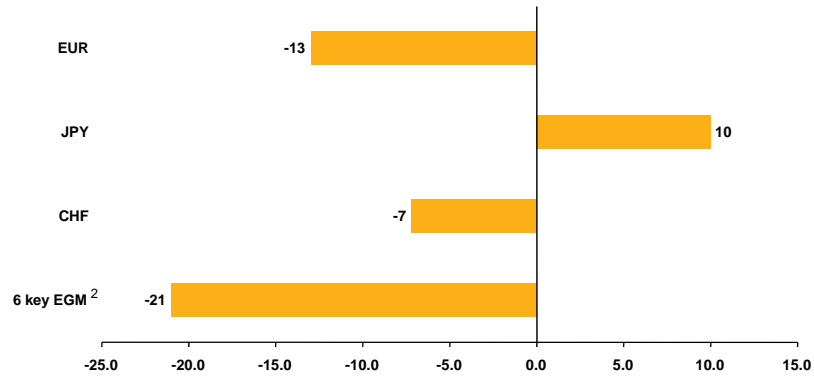


<sup>1</sup> The break-down by currency is an approximation and based on 2008 Full Year results. The results in the current year could be influenced by change of currency mix in a dynamic environment and hence this break-down needs to be used only as a broad guidance.



## Major EGM currencies<sup>1,2</sup> on average weaken 21% vs USD in H1 2009

Change in % vs. PY



<sup>1</sup> Based on YTD average rates

<sup>2</sup> Currencies of six key emerging markets (Brazil, Russia, India, China, South Korea, Turkey), not sales-weighted.

73 | Novartis H1 2009 results | July 16, 2009



## H1 2009 net sales growth components by division

	Volume	Price	Acq./div.	Total LC	Currency	Total USD
Pharmaceuticals	9%	3%	0%	12%	-9%	3%
V&D	-14%	5%	0%	-9%	-9%	-18%
Sandoz	11%	-7%	0%	4%	-13%	-9%
Consumer Health	0%	1%	0%	1%	-10%	-9%
<b>Group</b>	<b>7%</b>	<b>1%</b>	<b>0%</b>	<b>8%</b>	<b>-10%</b>	<b>-2%</b>

74 | Novartis H1 2009 results | July 16, 2009



## Impact of currency movements vs. USD on sales and on operating income<sup>1</sup>

### Impact of a 10% currency devaluation vs. USD on group sales

- EUR: -3.2%
- CHF: -0.2%
- JPY: -0.7%
- Others: -2.5%

### Impact of a 10% currency devaluation vs. USD on group operating income

- EUR: -4.4%
- CHF: +4.7%
- JPY: -1.5%
- Others: -3.9%

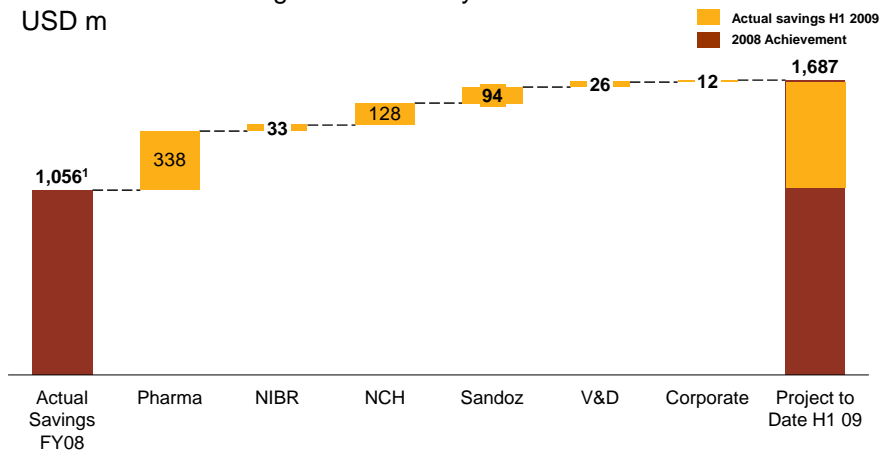
<sup>1</sup> Disclaimer: The break-down by currency is an approximation and based on 2008 Full Year results. The results in the current year could be influenced by change of currency mix in a dynamic environment and hence this break-down needs to be used only as a broad guidance.

75 | Novartis H1 2009 results | July 16, 2009



## Incremental Forward savings of USD 631 million in H1 2009

### Actual H1 2009 savings breakdown by division USD m



<sup>1</sup> Excluding cost savings of USD 230 m from US measures announced in October 2007

76 | Novartis H1 2009 results | July 16, 2009



## Planned filings 2009 to ≥ 2012

2009	2010	2011	≥ 2012	
FTY720 Multiple sclerosis	EPO906 Ovarian cancer	ASA404 Non small cell lung can.	LCI699 Heart failure	AEB071 Kidney & heart transpl.
ABF656 Hepatitis C	SOM230 Cushing's disease	PKC412 ASM <sup>2</sup>	CAD106 Alzheimer's	NIC002 Smoking cessation
Tektuma®-amlodipine SPC <sup>1</sup> Hypertension	LBH589 Hodgkin's lymphoma	SBR759 Hyperphosphatemia	ATI355 Spinal cord injury	QAX028 COPD <sup>8</sup>
Tobramycin dry powder inhaler Cystic Fibrosis	AIN457 Uveitis	SMC021 Osteoporosis	TKI258 Solid tumors	Mycograb® Severe fungal infection
Tasigna® GIST <sup>2</sup>	Lucentis® DME <sup>3</sup>	SMC021 Osteoarthritis	HCD122 Hem. tumors	LCZ696 Heart failure
	Tektuma®-amlodipine-HCTZ SPC <sup>4</sup> Hypertension	Certican® Liver transplantation	PTZ601 Hospital bacterial inf	AFQ056 PD-LID <sup>10</sup>
	Ilaris® Refractory gout	Ilaris® SJIA <sup>7</sup>	LCQ908 Type II diabetes	BAF312 Multiple sclerosis
	Tasigna® nd-CML <sup>5</sup>	SOM230 Acromegaly	PRT128 Thrombosis	AGO173 Depression
NME	Afinitor® Carcinoid tumors	SOM230 Carcinoid syndrome	BGS649 Endometriosis	AEB071 Liver transplantation
LCM	Zometa® Adjuvant breast cancer	QTI571 Pulm. arterial hyperten.	QMF149 COPD <sup>6</sup>	AEB071 Psoriasis
		QVA149 COPD <sup>6</sup>	QMF149 Asthma	LBH589 Hemat. & solid tumors
		NVA237 COPD <sup>6</sup>	AIN457 Psoriasis	PKC412 AML <sup>11</sup>
		Afinitor® pNET <sup>9</sup>	Ilaris® Type II diabetes	Afinitor® TSC <sup>12</sup>
			Afinitor® Solid tumors	Afinitor® ER+ Breast cancer

<sup>1</sup> Tektuma®-amlodipine single pill combination  
<sup>2</sup> Gastrointestinal stromal tumor  
<sup>3</sup> Diabetic macular edema  
<sup>4</sup> Tektuma®-amlodipine-hydrochlorothiazide single pill combination  
<sup>5</sup> Newly diagnosed chronic myeloid leukemia  
<sup>6</sup> Aggressive systemic mastocytosis  
<sup>7</sup> Systemic onset juvenile idiopathic arthritis  
<sup>8</sup> Chronic obstructive pulmonary disease  
<sup>9</sup> Pancreatic neuroendocrine tumor  
<sup>10</sup> Parkinson's disease L-dopa induced dyskinesia  
<sup>11</sup> Acute myeloid leukemia  
<sup>12</sup> Tuberous sclerosis complex