

Novartis to build latest-technology influenza vaccines manufacturing site in North Carolina

- *Novartis Vaccines on track to be the first to manufacture new cell culture-derived influenza vaccines in the United States*
- *New site to support pandemic preparedness*
- *First submission of a cell culture-derived influenza vaccine in the European Union completed*

Basel, July 18, 2006 – Novartis announced today plans to build the first cell culture-derived influenza vaccines manufacturing plant in the United States at a site in Holly Springs, North Carolina, with construction expected to begin in 2007.

Novartis also announced today the first European Union submission of a cell culture-derived influenza vaccine, also commonly referred to as “flu cell culture influenza vaccines.” The submission to the Committee for Medicinal Products for Human Use (CHMP) was made in June after the successful completion of Phase III clinical studies. Novartis is also making additional investments in its Marburg, Germany, site to expand capacity for flu cell culture vaccines production in Europe.

Novartis is seeking to become the first to commercially produce and market flu cell culture vaccines for European markets. US clinical studies, which began in 2005, are ongoing. The vaccines for the EU and US clinical trials have been produced at the Novartis site in Marburg, where the product was developed.

“We are taking the lead in moving flu cell culture vaccine manufacturing closer to a commercial reality now that the site for a US manufacturing plant has been chosen and the first EU submission for a flu cell culture vaccine have been completed,” said Dr. Daniel Vasella, Chairman and CEO of Novartis. “Novartis is pioneering this innovative vaccine technology to bring reliability and flexibility of the manufacturing process to a next level and be able to meet the growing need for seasonal influenza vaccines and to quickly respond to a potential pandemic influenza threat once the factory has been completed.”

A total investment of approximately USD 600 million, which includes a recent USD 220 million award from the US Department of Health and Human Services, is planned to complete the Holly Springs site.

Once completed and approved for commercial production, the planned Holly Springs site is expected to annually produce up to 50 million doses of seasonal trivalent flu vaccines, which will be for use in the US. In the event of an influenza pandemic, the site is planned to have a capacity of up to 150 million monovalent doses annually within six months of a pandemic declaration.

New flu cell culture vaccine manufacturing technology promises many advantages over traditional egg-based production, including greater reliability and a reduction in production lead-time. These advantages could be pivotal in the event of an influenza pandemic. As flu cell culture vaccines move toward commercialization, egg-based influenza vaccine production is expected to continue playing a critical role in reducing the impact of influenza outbreaks and prepare for a potential influenza pandemic.

About the Novartis Vaccines influenza vaccines pipeline

Cell culture-derived influenza vaccines use modern biotechnology cell cultures rather than chicken eggs for primary production. Current egg-based influenza vaccines production requires several months of logistics for ordering and receiving eggs. This lead time can hinder the response to unanticipated demands such as the discovery of pandemic strains, production failures and seasonal influenza virus strain changes. In contrast, flu cell culture production enables flexible, faster start-up of vaccine manufacturing, and does not depend upon the availability of eggs, providing a particularly important advantage in the event of an influenza pandemic.

About influenza

Influenza is a contagious, potentially serious respiratory illness caused by influenza viruses that attack the upper respiratory tract. It can cause mild to severe illness, and at times can lead to death. Influenza viruses easily spread from person to person in respiratory droplets created by coughing and sneezing. Although difficult to assess, annual influenza epidemics are thought to result in between three and five million cases of severe illness and between 250,000 and 500,000 deaths annually around the world.

About pandemic influenza

Pandemic influenza occurs when a new influenza virus emerges that causes serious illness and is easily transmitted among humans. In this situation, the virus can result in a worldwide outbreak of disease, or pandemic. Pandemic influenza occurred three times in the last century. Avian influenza, or “bird flu,” does not normally infect humans, but recent outbreaks of H5N1 avian influenza in Asia and the Middle East have resulted in more than 200 human cases, with a mortality rate of more than 50%. Millions of birds have been destroyed in an effort to contain the virus, which is now considered endemic in parts of Asia.

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This release contains certain forward-looking statements, relating to the Novartis Group's business, which can be identified by the use of forward-looking terminology such as “planned”, “promises”, “expected”, “seeks”, or similar expressions, or by express or implied discussions regarding potential marketing approvals or future sales of candidate vaccines. Such statements reflect current views with respect to future events and are subject to certain risks, uncertainties and assumptions. There can be no guarantee that vaccine candidates will be approved for any indications in any market or that they will reach any particular sales levels or that final approvals from the state of North Carolina and the city of Holly Springs will be obtained as expected. In particular, management's expectations regarding commercialization of cell culture-derived influenza vaccines and particular vaccine candidates could be affected by, among other things, additional analysis of clinical data; new clinical data; unexpected clinical trial results; unexpected regulatory actions or delays or government regulation generally; the ability of Novartis to obtain or maintain patent or other proprietary intellectual property protection; competition in general; increased government, industry, and general public pricing pressures; and other risks and factors referred to in Novartis AG's current Form 20-F on file with the U.S. 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 anticipated, believed, estimated or expected. Novartis is providing the information in this press release as of this date and does not undertake any obligation to update any forward-looking statements contained in this press release as a result of new information, future events or otherwise.

About Novartis

Novartis Vaccines & Diagnostics is a new division of Novartis focused on the development of preventive treatments and tools and was formed following the recent acquisition of Chiron Corporation. The division has two businesses: Novartis Vaccines and Chiron. Novartis Vaccines is the world's fifth-largest vaccines manufacturer and second-largest supplier of flu vaccines in the US. Novartis Vaccines & Diagnostics' products also include meningococcal, pediatric and travel vaccines. Chiron, the blood testing and molecular diagnostics business, is dedicated to preventing the spread of infectious diseases through the development of novel blood-screening tools that protect the world's blood supply.

Novartis AG (NYSE: NVS) is a world leader in offering medicines to protect health, treat disease and improve well-being. Our goal is to discover, develop and successfully market innovative products to treat patients, ease suffering and enhance the quality of life. Novartis is the only company with leadership positions in both patented and generic pharmaceuticals. We are strengthening our medicine-based portfolio, which is focused on strategic growth platforms in innovation-driven pharmaceuticals, high-quality and low-cost generics, human vaccines and leading self-medication OTC brands. In 2005, the Group's businesses achieved net sales of USD 32.2 billion and net income of USD 6.1 billion. Approximately USD 4.8 billion was invested in R&D. Headquartered in Basel, Switzerland, Novartis Group companies employ approximately 97,000 people and operate in over 140 countries around the world. For more information, please visit <http://www.novartis.com>.

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Media materials

For images and video related to Novartis' flu cell culture vaccine development, please visit www.thenewsmarket.com/novartisvaccines. Journalists may register and download print-quality images and broadcast-standard video from this site at no charge.