

Data from pivotal Phase III trial for new Japanese Encephalitis virus vaccine (IC51) show good immunogenicity, safety and tolerability profile

- *96% of the study subjects who received vaccination with IC51 reached protective levels of antibodies (Seroconversion)*
- *Local tolerability profile of IC51 was favorable*
- *Primary endpoint of non-inferiority of IC51 compared with JE-VAX® was met, with no critical safety findings observed for IC51*

Basel, November 16, 2006 - Novartis announced today that the final results of the pivotal Phase III trial for the Japanese Encephalitis vaccine (IC51) were presented at the annual meeting of the American Society of Tropical Medicine and Hygiene (ASTMH) in Atlanta. The study met its primary endpoint and showed that the novel Japanese Encephalitis vaccine IC51 was both safe and effective in preventing infections from the Japanese Encephalitis virus.

The primary endpoint in this clinical trial comprised both the percentage of subjects reaching protective antibody titers (seroconversion rate) and the amount of antibodies in the blood (geometric mean titer or GMT). Seroconversion with IC51 was 96% versus 94% of the comparator vaccine JE-VAX®, and the GMT was 243 for vaccination with IC51, versus 102 for the comparator vaccine. In addition, the safety analysis unveiled no critical safety concerns for IC51 with a local tolerability profile which appeared to be more favorable for IC51 than for the comparator.

“IC51 may provide a highly immunogenetic, safe and tolerable option to protect people from the debilitating effects of the Japanese Encephalitis virus,” said Dr. Jörg Reinhardt, CEO of Novartis Vaccines and Diagnostics. “Novartis Vaccines is committed to disease prevention and strengthening its leadership position in human vaccines. By leveraging new technologies in vaccines development and manufacturing our goal is to provide reliable vaccine options in areas where high medical needs remain.”

The clinical trial was designed to compare the immunogenicity of the investigational vaccine IC51 with the mouse brain derived comparator JE VAX in a multicenter, multinational, observer-blinded, randomized controlled trial. The pivotal immunogenicity Phase III clinical trial was conducted at study sites in the United States, Austria, and Germany and included 868 randomized subjects. The pivotal Phase III clinical trial program is designed to meet the regulatory requirements for IC51 in the United States, Europe and Australia. The first market launch is expected to take place in the United States in 2007, pending approval from the regulatory authorities.

The full phase III clinical trial program for IC51 consists of several additional clinical trials including a pivotal safety trial, a single shot trial and a co-vaccination trial for travelers, which are all expected to be completed by early 2007. To date, all approximately 5,370 trial participants have been enrolled and vaccinated in these clinical trials. The regulatory process for IC51 with the U.S. Food and Drug Administration (FDA) was initiated by Intercell earlier this year. In addition, IC51 was granted orphan drug status by the European Commission. Further clinical data will be presented at the 10th Conference of the International Society of Travel Medicine, May 20-24, 2007 in Vancouver, Canada.

About IC51 investigational JEV vaccine

IC51 Japanese encephalitis (JE) vaccine is a purified, inactivated vaccine for active immunization of adults against the Japanese Encephalitis virus. With over three billion people living in endemic areas,

Japanese Encephalitis, a mosquito-borne flaviviral infection, is the leading cause of childhood encephalitis and viral encephalitis in Asia.

IC51 is a second-generation JE vaccine that leverages cell culture technology with the aim of providing an effective and safer product compared to the currently available vaccine, which was developed in the 1950s and is made from a virulent strain of the JE virus. IC51 does not contain any stabilizers or preservatives in its formulation.

Novartis and Intercell announced earlier this year, that the companies had reached an agreement for Novartis to acquire marketing and distribution rights to the Japanese Encephalitis Virus Vaccine IC51 in the United States, Europe and certain other markets in Asia and Latin America.

IC51 will complement the Novartis Vaccines portfolio of travel vaccines, which includes Encepur™ vaccine, a vaccine against tick-borne encephalitis (TBE); Rabipur®/RabAvert® vaccine, an effective pre- and post-exposure prophylaxis treatment against rabies; Typhoral™ L vaccine, an oral typhoid vaccine; HAVpur™ vaccine, and for the prevention of Hepatitis A.

About Japanese Encephalitis

Japanese Encephalitis (JE) disease is an acute inflammatory condition of the brain and spinal cord caused by the Japanese Encephalitis virus (JEV). Most JE virus infections are mild (fever and headache) or without apparent symptoms, but approximately one in 200 infections results in severe disease characterized by rapid onset of high fever, headache, neck stiffness, disorientation, coma, seizures, spastic paralysis and death. According to the WHO, the fatality rate can be as high as 60% among those with disease symptoms; 30% of those who survive suffer from lasting damage to the central nervous system. In areas where the JE virus is common, encephalitis occurs mainly in young children because older children and adults have already been infected and are immune. JE is a leading cause of viral encephalitis in Asia with 30,000 to 50,000 clinical cases reported annually.

The virus is transmitted by mosquitoes that breed particularly in flooded rice fields. The virus circulates in birds such as herons and egrets. Pigs are amplifying hosts, in that the virus reproduces in pigs and infects mosquitoes that take blood meals, but does not cause disease.

Japanese encephalitis occurs from the islands of the Western Pacific in the east to the Pakistani border in the west, and from Korea in the north to Papua New Guinea in the south. JE distribution is very significantly linked to irrigated rice production combined with pig rearing. Immunization in Europe and the US is currently recommended for travelers who visit countries where JE is prevalent and stay there for more than four weeks, predominantly in rural areas. This restrictive recommendation is influenced by the fact that health care specialists are concerned about the safety of the currently available prevention options.

Disclaimer

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 "expected", "plan to", "aimed at", "intend to", "we are hopeful" or similar expressions, or by express or implied discussions regarding potential marketing approvals or future sales of the IC51 Japanese Encephalitis vaccine. 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 IC51 or any candidate vaccines will reach any particular sales levels. In particular, management's expectations regarding commercialization of IC51 or other 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 the 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 and Diagnostics is a new division of Novartis focused on the development of preventive treatments and tools. It 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 United States. Leading 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 99,000 people and operate in over 140 countries around the world. For more information, please visit <http://www.novartis.com>.

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