NOVARTIS CORP
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SCHEDULE 14A

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Presentation to Shareholders Regarding

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Agenda

Introduction

An Opportunity for Growth but Not Without Risks

$45 Per Share is a Full Value for Chiron

Until Recently, Novartis Has Been a Long-term Financial Investor in Chiron

Passive Investor

1994	Ciba-Geigy enters into strategic partnership with Chiron Increase existing 4.3% stake to 49.9% Contribution of diagnostics business (8.3%) $1.4bn purchase of shares (37.3%) Enters into Governance Agreement
1996	Ciba-Geigy and Sandoz merge to form Novartis Limited strategic interaction with Chiron
2000	Chiron acquires PathoGenesis, a Seattle-based biotech company for $700 million
2003	Chiron acquires PowderJect, a U.K.-based vaccines company for $881 million
2004	Chiron s license to manufacture at the Liverpool facility suspended
2005	Chiron independent directors reject Novartis $40 per share offer to acquire the remaining stake in Chiron and unanimously approve Novartis revised $45 per share offer

The Transaction Merits Need to Be Seen Together with Chiron s Challenges and Risks

Novartis transaction rationale	**Chiron s challenges and risks**
Strategic platform in vaccines	Strategically overstretched underinvestment in Vaccines
Blood Testing business provides a potential basis to be extended into personalized medicine	High risk, early stage pipeline in Biopharma
	Flu vaccine manufacturing: Remediation ongoing
Potentially interesting early stage oncology assets	
	Growing competition in flu vaccine market declining market share
Preserve value of existing 44% stake	
	Significant operational and investment hurdles to meet targets and expectations

$45 Per Share is a Full Offer

Well above Novartis view on the stand-alone value (USD 34.75 per share)

In excess of Wall Street target prices

Compares favorably to key valuation benchmarks

Offer value allocates more than 70% - beyond fair share to non-Novartis shareholders (USD 8.40 per share)

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An Opportunity for Growth but Not Without Risks

$45 Per Share is a Full Value

Chiron Has Mid- and Long-Term Opportunities

Vaccines	Blood testing	BioPharmaceuticals
Flu	**NAT: HIV, HCV, HBV, WNV**	**Cystic fibrosis**
		Skin / renal cancer
Meningococcus C	**Immunoassays: HIV, HCV**	**Multiple sclerosis**
Travel	*Procleix Ultrio (US)*	*Specialty antibiotics*
Pediatrics	***Molecular diagnostics***	***Oncology***
Meningococcus B, ACWY		
Therapeutic vaccines, cancer vaccines		

Marketed products

Pipeline

Long-term opportunities

But Many Issues Remain Unresolved

Ongoing remediation at Liverpool, Marburg and Siena facilities

Open FDA 483 issues in Liverpool, Marburg and Emeryville

Ongoing sterility issues in Marburg facility prevented BEGRIVAC vaccine supply for 2005-2006 and may delay cell flu program

High risk, early-stage pipeline

Ongoing legal issues and distractions relating to the disclosure of Chiron s manufacturing problems in 2004

Remediation of Manufacturing Sites is Ongoing and Will Take Time and Capital to Complete

Liverpool	Further investments needed 1960s facility requires environmental upgrades, air handling and water systems improvements
Marburg	Remediation ongoing Substandard engineering Improvement in flu cell culture facility design needed
Siena	Past maintenance minimised catch-up needed to ensure ongoing critical operations
Emeryville	Ongoing upgrades required for BioPharma and Blood Testing

Incremental remediation Capex through 2010 to reach $200m

The Biopharmaceuticals Pipeline is High Risk and Dependent on the Success of Tifacogin

Product	Phase	Earliest launch	Peak sales(1)	PoS(1)	Comments
PULMINIQ	Registr	NA	$ 50m	50%	Approvable letter ; further clinical studies required but not planned
Tifacogin	Phase III	2008	$ 750m	25%	OPTIMIST Phase III trial in 1,754 patients failed
Tobramycin DPI	Phase III	2009	$ 64m(2)	70%	Significant technical risks/hurdles
CHIR 258	Phase I	2010	$ 300m	10%	Early stage
CHIR 12.12	Phase I	2010	$ 300m	10%	Early stage
CHIR 265	Preclinical	NA	NA	NA	Early stage

(1) Source: Lehman Brothers, PharmaPipelines, October 2005

(2) These are incremental sales beyond peak sales estimate for TOBI, as these will be cannibalised

and Tifacogin s Success Remains Questionable

Tifacogin failed a Phase III study to measure efficacy and safety in 1,754 patients with severe sepsis

no survival benefit vs placebo on the primary endpoint (mortality at 28 days) and on all pre-specified sub-group analyses

safety issues, particularly CNS bleeds, were more frequent with tifacogin than with other anticoagulants (e.g. heparin)

In one *retrospective* sub-group analysis of 157 patients (sCAP patients with documented bacterial infection and not treated with heparin) tifacogin showed a benefit vs placebo

However, other tifacogin treated sub-groups showed a trend to greater mortality, including sCAP patients not treated with heparin without documented evidence of infection

Even if successful in showing benefit in this sCAP population in the ongoing study, commercial prospects are likely to be limited

Only 30% of sCAP patients don t receive heparin

56 000 patients / year in the US(1)

(1) Am J Resp & Crit Care Med 165:766 (2002)

Whilst the Vaccine Market is an Attractive Growth Platform

Innovative vaccines for established and novel targets, including therapeutic vaccines

New opportunities through break-through technologies (e.g. recombinant vaccines)

Increasing awareness of the potential of vaccines to reduce health care burden

Improving pricing and funding

Global vaccine market ($ bn)

[CHART]

Source: Historical data based on annual reports and equity research. 2009 based on average growth projections by Evaluate Pharma, IMS, Deutsche Bank, West LB and Datamonitor

Chiron Has Under-Invested in Vaccines R&D Resulting in a Smaller Late Stage Portfolio

2004A Chiron R&D spend ($ m)

[CHART]

2004A vaccine companies R&D spend ($ m)

[CHART]

Current Phase II & III vaccine products

[CHART]

Source: **Company filings and equity research**

1: **Based on GSK s indication that vaccine R&D spend is in-line with overall Pharma**

as a Result Chiron Lacks Projects in Major Growth Areas

Blockbuster vaccine launches 2000-2010

Product	Indication	Projected peak sales ($ m)	Projected launch
Gardasil (Merck)	**HPV**	[CHART]	**2006**
Prevnar (Wyeth)	**Pneumococcus**		**2000**
Cervarix (GSK)	**HPV**		**2007**
Streptarix (GSK)	**Pneumococcus**		**2009**
Gardasil (Sanofi)	**HPV**		**2008**
Rotarix (GSK)	**Rotavirus**		**2006**
Rotateq (Merck)	**Rotavirus**		**2006**

Source: Peak sales estimates and launch dates are per Lehman Pharma Pipeline

In Addition Competition is Increasing Capacity in Chiron s Key Franchise - Flu Vaccines

Planned capacity of main players

[CHART]

Market evolving from a duopoly to five strong suppliers

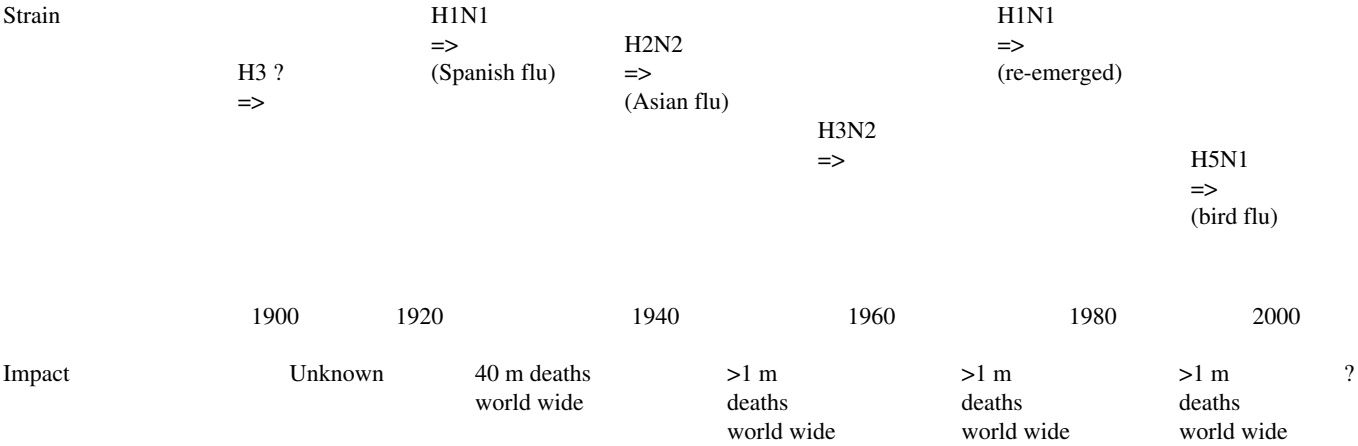
Expected total capacity of approximately 280 m doses in 2009 equal to the US population

A general vaccination recommendation will be needed to avoid oversupply

Source: Data presented at the National Influenza Summit 2006 and company announcements

Pandemics Continue to Be a Threat to Public Health with a Potential Unmet Need

Influenza A subtypes in the human population



Source: Adapted from Palese, *Nature Medicine*, 10(12): S82-S87 (2004); CDC

...but History Teaches Us That They May Not Necessarily Materialize

1976 - swine flu

February: Influenza A Hsw1N1 strain caused severe respiratory illness in 13 soldiers with one death in Fort Dix, NJ

Summer: Initial vaccination campaign foreseen to target 150 m patients only 43 m were actually vaccinated

December: Epidemic viewed as unlikely by Center for Disease Control (CDC), campaign stopped

And in the Event of an Avian Flu Pandemic
There May Be Little Commercial Value

Regulatory pathway still needs to be clarified with different Governments focusing on different specifications

The strain may still mutate making existing products obsolete. As such, there is unclear pricing and stockpiling needs

Production of H5N1 has low yields and will cannibalize existing flu vaccine capacity today only small quantities are produced in the winter

Twelve companies are involved in the development of a H5N1 vaccine with five phase II programs and over 20 earlier stage programs ongoing

History suggests that a real pandemic will most likely require an altruistic approach by industry - which can only be funded by larger companies

The Status Quo is Less Attractive Than Novartis Offer

Overstretched across three different business units, all of which are sub critical in size

Underinvestment in Vaccines and Diagnostics

Suboptimal R&D output from BioPharma

Business is highly dependent on royalties

Investment requirement cannot be sustained

Over $ 600 m in capex required in vaccines by 2010(1)

Stand-Alone case is highly dependent on tifacogin, which has a low probability of success

A stronger international sales and marketing platform will be required to realize Chiron s pipeline potential

(1) Estimated capex need including investment in flu cell culture

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An Uninspiring Investment Since 1994

From Novartis initial investment to offer

[CHART]

Source: Factset

Near-Term Management Forecasts Are Below Wall Street Expectations, Long-Term Forecasts Are Very Aggressive

Revenue ($bn)

[CHART]

Net Income ($m)

[CHART]

Note: 2005A Net Income adjusted for normalized tax rate of 25.0%
Chiron s management projections underlying Chiron s valuation analysis

Business is Dependent on Royalties

Chiron royalties provide only short-term cash flow and flatter Chiron s valuation parameters

Significant patent expiries from 2008 onwards

Chiron projected royalty revenue

[CHART]

2005 adjusted P&L

($m)	Adj. Incl. Royalties	Excluding Royalties
Revenues	1,920	1,603
Gross Profit	1,189	871
Operating Profit	232	(85)
Adj. Net Income	214	(24)
EPS ($)	1.11	(0.13)
Implied P/E at $45	40.5x	NM

Note: Adjusted net income assuming recurring 25% tax rate
Net income from royalties tax effected at a 25% tax rate

$45 Offer Grants More Than 70% of Synergy Value to non-NVS Shareholders

Methodology	Value per share ($)	Comments
52-Week Trading Range	[CHART]	Trading Range post Fluvirin announcement: $30.80-38.63 Average prices: $36.23 / 36.12 (3M/6M)
Research Target Prices		Target prices published prior to 31-Aug offer Consensus recommendation: Hold Outliers excluded
DCF Standalone		Sum-of-parts DCF 10% discount rate Sensitivity is a range of 3.5% - 4.5% terminal growth rate for Fluvirin
DCF with 50% Synergies		Standalone DCF plus 50% of expected synergy value over all outstanding shares
DCF with 100% Synergies		Standalone DCF plus 100% of expected synergy value over all outstanding shares

Source: Goldman Sachs analysis filed in the 13E-3

Limited Upcoming Share Price Catalysts

Chiron delayed negotiations for 11 months to capture positive newsflow during discussions

First contact December 2004

Negotiations ended October 2005

Newsflow incorporated in price

Re-entry to U.S. flu market

First Phase 3 trial in EU for flu cell culture

Initiation of Phase 1 / Phase 2 in U.S. for flu cell culture

Positive data on MF59 adjuvant with potential pandemic strain

Initiation of Phase 3 for TIP

Initiation of Phase 1 for CHIR-12.12

Geographic expansion and ex. U.S. PROCLEIX ULTRIO penetration

Limited upcoming newsflow left

Wall Street Analysts See Few Remaining Growth Drivers and Have Price Targets Below $ 45

Pre-offer views	Post-offer views
We see few remaining growth drivers over the next 12 18 months... (...) as the **flu vaccine business comes under significant pressure from competition** *(Morgan Stanley, 31-Aug-2005)*	Thus, we believe **Chiron shareholders would get more value and reduce risk through an all-cash acquisition by Novartis than if existing management continued to run the business** *(Merrill Lynch, 06-Sep-2005)*
In our opinion, **Chiron lacks depth in regards to a product pipeline** in comparison to its peer group (...) *(Citigroup, 27-Jul-2005)*	We believe it is unlikely that there will be other offers/bidders... **and recommend taking profits at or above our target price of $42 per share** *(Citigroup, 01-Sep-2005)*
We believe the **continued funding** of further development of Proleukin, as well as resurrected programs such as Tifacogin, and attempts at diversification in the testing business, **will fail to bear fruit** *(Bernstein, 28-Jul-2005)*	Our sum-of-the-parts valuation suggests that the company is **fairly valued with a range of $37-$44 per share...** *(AG Edwards, 02-Sep-2005)*

Source: Wall Street research

Conclusion

Chiron is overstretched in all three businesses

Stand-alone option is not in the best shareholder interest

Novartis is offering a full and fair price

No significant value-driving milestone in the near term

Turnaround period of 3-5 years