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FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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THE SECURITIES EXCHANGE ACT OF 1934

Report on Form 6-K dated January 20, 2006

(Commission File No. 1-15024)

Novartis AG

(Name of Registrant)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

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Enclosure: **Novartis AG Announces Results for the Fourth Quarter and Full Year of 2005**

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Novartis delivers strong performance with record results in 2005

Group full-year net sales up 14% in USD (+13% lc) thanks to dynamic expansion of Novartis Pharmaceuticals and Sandoz, the latter supported by acquisitions

Pharmaceuticals continues to gain market share, net sales rise 10% (+9% lc) based on excellent performances from strategic products

Group operating income rises 10%, while Pharmaceuticals advances 12% through productivity gains and the operating margin rises 0.7 percentage points to 29.7%

Net income up 10% to USD 6.1 billion and EPS rises 11% to USD 2.63 per share

Free cash flow advances 42% to USD 4.7 billion

Proposed dividend for 2005 increased 10% to CHF 1.15 per share

Novartis preparing important submissions for 2006: Galvus (formerly LAF237, type 2 diabetes), Rasilez (formerly SPP100, hypertension) and LDT600 (hepatitis B)

Key figures

Full year

	2005		2004		% Change	
	USD m	% of net sales	USD m	% of net sales	USD	Lc
Net sales	**32 212**		28 247		14	13
Pharmaceuticals	***20 262***		*18 497*		*10*	*9*
Sandoz	***4 694***		*3 045*		*54*	*54*
Consumer Health	***7 256***		*6 705*		*8*	*8*
Operating income	**6 905**	21.4	6 289(1)	22.3	10	
Net income	**6 141**	19.1	5 601(1)	19.8	10	
Basic earnings per share/ADS	**USD 2.63**		USD 2.37(1)		11	

Fourth quarter

	Q4 2005		Q4 2004		% Change	
	USD m	% of net sales	USD m	% of net sales	USD	Lc
Net sales	**8 657**		7 578		14	18
Pharmaceuticals	***5 248***		*4 969*		*6*	*9*
Sandoz	***1 573***		*867*		*81*	*91*
Consumer Health	***1 836***		*1 742*		*5*	*9*
Operating income	**1 488**	17.2	1 500(1)	19.8	-1	
Net income	**1 352**	15.6	1 354(1)	17.9		
Basic earnings per share/ADS	**USD 0.58**		USD 0.58(1)			

(1) Pro forma basis: This report reflects the adoption of new IFRS accounting standards that became effective on January 1, 2005, and other presentational changes. In order to provide a comparable basis, the 2004 pro forma statements reflect these changes as if they had been in effect already during 2004.

Basel, January 19, 2006 Commenting on the results, Dr. Daniel Vasella, Chairman and CEO of Novartis, said, *It gives me great pleasure to present once again a strong performance and record results in 2005. We gained market share and concluded strategic acquisitions to strengthen our leadership position in areas with high growth potential and unmet patient needs. Our strong performance has allowed us to increase our access-to-medicines programs to reach 6.5 million people in 2005 with USD 696 million of products donated or sold at cost. We are confident of delivering in 2006 another year of dynamic growth with record sales and earnings.*

Net sales

Full year

Group net sales rose 14% (+13% in local currencies, or lc) to USD 32.2 billion based on dynamic expansion in Pharmaceuticals and Sandoz, which was supported by the acquisitions of Hexal and Eon Labs in 2005, as well as a good performance in Consumer Health, particularly OTC. Volume increases were the primary driver, contributing nine percentage points to Group net sales growth. Currency benefits added one percentage point and acquisitions five percentage points. Prices across the Group declined one percentage point. Pharmaceuticals accounted for 63% of Group net sales, Sandoz for 15% and Consumer Health for 22%. The US remained the largest market, accounting for 39% of Group net sales, while Europe contributed 37% and the rest of the world 24%.

Pharmaceuticals net sales were up 10% (+9% lc) to USD 20.3 billion, delivering dynamic growth ahead of the market and in all regions. The Cardiovascular and Oncology franchises each generated more than USD 5 billion in annual net sales while also maintaining double-digit growth rates. Many leading products, particularly *Diovan, Lotrel* and *Gleevec/Glivec* were the No. 1 products by sales in their therapeutic categories. New data continued to underpin the strong position of *Femara,* which delivered sales growth of nearly 40% for the year. Volume and product mix accounted for nine percentage points of net sales growth in USD, while currency benefits added one percentage point. Net price changes had no impact.

Sandoz net sales surged 54% (+54% lc) to USD 4.7 billion, bolstered by USD 1.4 billion in sales contributions from Hexal (starting from June 6) and Eon Labs (starting from July 20). Excluding these acquisitions, Sandoz sales rose 9% (+8% lc) thanks to strong retail generics sales in Europe and Russia as well as new launches in the US.

Consumer Health net sales climbed 8% (+8% lc) to USD 7.3 billion, helped by a double-digit growth performance in OTC tied to its focus on strategic brands and the contribution of the North American OTC business of Bristol-Myers Squibb. This acquisition, effective September 1, added USD 100 million in sales to the division.

Fourth quarter

Group net sales rise 14% (+18% lc) to USD 8.7 billion

Net sales maintained a high growth rate, reflecting the strong ongoing performances of the divisions. Thanks to the dynamic growth, Novartis increased its share of the global health care market (including Pharmaceuticals and Sandoz) to 5.3% for the first 11 months of 2005 compared to 5.0% in the 2004 period (restated to include Hexal and Eon Labs), according to IMS Health. Pharmaceuticals increased its share of the global health-care market to 3.9% over 3.8% in the year-ago period. Volume increases contributed nine percentage points and acquisitions ten percentage points to net sales growth. Currencies had a negative impact of four percentage points, while net prices declined one percentage point.

Pharmaceuticals net sales rise 6% (+9% lc) to USD 5.2 billion

Pharmaceuticals sales rose 6% in the fourth quarter but were up 9% in local currencies, thanks to double-digit sales growth from many leading products that led to market share gains. Cardiovascular franchise sales advanced 16% (+20% lc), supported by ongoing strong performances from *Diovan/Co-Diovan* and *Lotrel* amid increasing awareness about the need to better control hypertension. Oncology net sales rose 15% (+19% lc) thanks to recent clinical data for *Femara, Gleevec/Glivec* and *Zometa*.

Net sales in the US rose 14% to USD 2.2 billion based on strong growth from many products, including *Diovan, Lotrel, Gleevec/Glivec, Femara* and *Zelmac/Zelnorm*. This performance was partly offset by lower sales of *Elidel* as well as generic competition for *Sandostatin* SC and increased competition for *Visudyne*. In Europe, net sales were down 2% in USD but rose 6% in local currencies based on good performances from *Diovan* and *Glivec*, which offset the impact of generic versions of *Lamisil* and *Foradil* in some countries. Net sales in Japan, the world s second-largest pharmaceutical market, fell 3% but advanced 8% in local currencies. Emerging growth markets continued to perform well, with sales rising 10% (+14% lc) based on excellent performances in Turkey, China and Russia.

Sandoz net sales advance 81% (+91% lc) to USD 1.6 billion

Performing well in a highly competitive market environment, net sales for Sandoz excluding Hexal and Eon Labs rose 2% but advanced 9% in local currencies in the fourth quarter. Strong performances in markets including Italy, Germany, Russia and France as well as in the US through new product introductions supported underlying growth. The anti-infectives business delivered double-digit growth. Hexal (three months of sales) and Eon Labs (four months of sales) contributed net sales of USD 688 million for the quarter, performing well ahead of expectations and contributing 79 percentage points to net sales growth in USD.

Consumer Health net sales up 5% (+9% lc) to USD 1.8 billion

Supported by robust growth in OTC, Consumer Health net sales rose 5% (+9% lc) in the fourth quarter. OTC benefited from a strong cough-and-cold season in the US as well as the Bristol-Myers Squibb OTC business acquisition, which contributed USD 72 million in sales. Gerber (formerly Infant & Baby) delivered double-digit growth, thanks to further expansion in the US. Medical Nutrition (including Nutrition & Santé) sales were flat, with good sales in key regions offsetting price pressure in the US and changes in health guidelines in Germany. Animal Health sales were lower, affected by a reduction in net sales from the fall US sales offer. CIBA Vision sales were lower as a lens-care product supply issue offset the successful rollout of O_2OPTIX contact lenses.

Operating income

Full year

	2005		2004(1)		Change
	USD m	% of net sales	USD m	% of net sales	In %
Pharmaceuticals	**6 014**	29.7	5 366	29.0	12
Sandoz	**342**	7.3	263	8.6	30
Consumer Health	**1 055**	14.5	1 006	15.0	5
Corporate income & expense, net	-506		-346		
Total	**6 905**	21.4	6 289	22.3	10

(1) Pro forma basis

Fourth quarter

	Q4 2005		Q4 2004(1)		Change
	USD m	% of net sales	USD m	% of net sales	In %
Pharmaceuticals	**1 358**	25.9	1 341	27.0	1
Sandoz	**119**	7.6	28	3.2	325
Consumer Health	**190**	10.3	175	10.0	9
Corporate income & expense, net	-179		-44		
Total	**1 488**	17.2	1 500	19.8	-1

(1) Pro forma basis

Full year

Group operating income advanced 10%, at a slightly lower pace than sales as strong volume expansion and productivity improvements were partially offset by one-time costs related to acquisitions.

Pharmaceuticals operating income expansion outpaced sales growth, rising 12% from productivity gains in all areas that led to an operating margin of 29.7%, an increase of 0.7 percentage points over 2004. One-time gains of USD 231 million from the divestment of product rights for *Cibadrex/Cibacen* in Europe and the sale of license rights for Restasis® partially offset an impairment of USD 332 million after Novartis decided the profile of the development compound NKS104 (pitavastatin) was no longer competitive from Novartis point of view.

Sandoz operating income rose 30% to USD 342 million, benefiting from a good underlying business performance. Also supporting growth was an operating income contribution of USD 344 million from Hexal and Eon Labs, which more than offset the one-time acquisition and related integration costs of USD 237 million and the amortization of intangible assets of USD 100 million. These businesses exceeded expectations and performed well since their acquisition in mid-2005.

Consumer Health operating income was up 5% over the year-ago period, rising at a slower pace than sales due to investments in strategic brands and acquisition-related costs. The BMS acquisition provided operating income of USD 17 million, which was more than offset by related one-time charges of USD 40 million.

Fourth quarter

Group operating income declines 1% to USD 1.5 billion

Operating income declined 1%, affected by the impairment of USD 266 million for NKS104 in Pharmaceuticals as well as other one-time items. Excluding the impact of these one-time items in both years, Group operating income would have risen 21%.

Pharmaceuticals operating income up 1% to USD 1.4 billion

Productivity gains, particularly in marketing and sales, led excluding exceptional factors to a 21% increase in operating income and an improved operating margin of 31% compared to the 2004 period. However, reported operating income rose 1%, reflecting an operating margin of 25.9% due to the one-time charges related to NKS104. Cost of Goods Sold improved 0.7 percentage points, reflecting productivity gains and a better product mix. Other Revenues contributed to the improved operating margin by 0.6 percentage points, supported by the US contribution of the asthma medicine *Xolair*. R&D costs rose 32% but were up only 3% when excluding the impairment. Marketing & Sales costs declined by 2.9 percentage points to 32.5% of sales, thanks to productivity improvements, particularly in the US, that were partially offset by launch and pre-launch investments in *Enablex* and *Exjade* as well as *Xolair* in Europe. General & Administrative expenses were slightly lower than the year-ago level, contributing 0.3 percentage points to the margin improvement.

Sandoz operating income rises sharply to USD 119 million

Sandoz operating income excluding the Hexal and Eon Labs acquisitions as well as one-time charges in both periods rose 23%, reflecting particularly the strong volume expansion in Europe and in the anti-infectives business supported by ongoing cost-containment efforts and operational efficiencies. The acquisitions of Hexal and Eon Labs contributed USD 155 million in operating income, which was partially offset by USD 78 million in integration and related restructuring costs as well as USD 33 million in amortization of intangible assets.

Consumer Health operating income rises 9% to USD 190 million

Operating income rose 9% in the fourth quarter. The BMS acquisition had integration-related costs of USD 24 million against a contribution of USD 8 million. OTC delivered good underlying growth through its focus on strategic brands.

Group net income for 2005 up 10% to USD 6.1 billion

Net income for the year advanced 10% to USD 6.1 billion from USD 5.6 billion (pro forma) in the year-ago period. As a percentage of sales, net income fell to 19.1% from 19.8% in the year-ago period, mainly the result of acquisitions that caused one-time purchase accounting and restructuring costs as well as lower net financial income.

Chiron acquisition on track for completion in first half of 2006

The acquisition and integration planning of Chiron Corporation remains on track to be completed in the first half of 2006. A meeting of Chiron shareholders is expected to take place in early 2006 to vote on the offer of Novartis to acquire the remaining 56% of the company that it does not already own. (Novartis held approximately 42% of Chiron at the time of the acquisition announcement and then acquired a further approximately 2% for USD 300 million in December.) Novartis has already received US regulatory approval to acquire Chiron. Additional regulatory approvals, including in Europe, are expected to be received soon. Annual synergies of USD 200 million are expected to be realized through the transaction.

The vaccines and blood testing businesses of Chiron will together form a new division within Novartis, joining the Pharmaceuticals, Sandoz and Consumer Health divisions. The biopharmaceuticals business will be merged into Novartis Pharmaceuticals, primarily in the oncology, respiratory and infectious diseases businesses. Novartis is planning to invest significant management skill into the Chiron businesses, with a particular focus on ensuring influenza vaccine supply for the 2006/2007 season and subsequent years through remediation of the Chiron manufacturing sites in Liverpool, England, and Marburg, Germany, as well as through the development of novel technologies, such as cell culture production.

Sandoz integration progressing better than planned

Sandoz is positioned well for future growth based on the success to date in integrating Hexal and Eon Labs following their acquisition in 2005. Novartis is committed to achieving the annual synergies target of USD 200 million expected within three years after closing, of which 50% are to be realized within 18 months. Hexal and Eon Labs have been performing well and exceeding expectations, generating a sales contribution of USD 1.4 billion. The operating income contribution of USD 344 million more than offset one-time acquisition and related integration costs of USD 237 million and the amortization of intangible assets of USD 100 million for the year.

Group outlook

(Barring any unforeseen events and excluding the impact of the planned Chiron acquisition)
Novartis expects further dynamic growth of its businesses in 2006, as it prepares for the launches of several new products and further expanding its well-regarded pipeline. High-single-digit net sales growth is anticipated for the Group in local currencies, while Pharmaceuticals net sales are seen growing in the mid-to-high single digits. Record levels of operating and net income are expected in 2006.

Pharmaceutical business and key product highlights

Note: All growth figures refer to worldwide sales growth in local currencies, unless otherwise specified.

General Medicines

Diovan (2005: USD 3.7 billion, +19% local currencies) (Q4: USD 994 million, +26% lc), the leading angiotensin-receptor blocker (ARB) worldwide, continued its strong performance. Sales in the US were positively impacted by normalization of the very low inventory levels in the 2004 fourth quarter. The quarterly underlying performance was slightly below growth rates seen for the full year. Key drivers have been recently approved indications and the global rollout of higher strengths of *Co-Diovan* (a combination of *Diovan* and a diuretic) as well as disease-awareness and education programs (BP Success Zone) in the US. *Diovan* is the only agent in its class worldwide indicated to treat high blood pressure, high-risk heart attack survivors (VALIANT trial) and patients with heart failure (Val-HeFT trial). In the US, *Diovan* is the leader with a 38% share of the ARB market segment (Source: IMS).

Lotrel (2005: USD 1.1 billion, +17% only in US) (Q4: USD 297 million, +17% US), the No. 1 fixed combination treatment for hypertension in the US since 2002, kept up strong double-digit growth based on new guidelines recommending more aggressive treatment of elevated blood pressure with multiple medicines and the US disease awareness campaign.

Lamisil (2005: USD 1.1 billion, -2% lc) (Q4: USD 251 million, -13% lc), the leading treatment worldwide for fungal nail infections, had lower overall sales from generic competition in most major European markets. In the US, sales were slightly higher, further increasing its leadership despite the launch in 2005 of a generic version of the competitor itraconazole.

Zelnorm/Zelmac (2005: USD 418 million, +39% lc) (Q4: USD 123 million, +69% lc), a novel therapy for irritable bowel syndrome with constipation (IBS-C) and the first and only prescription medicine for chronic idiopathic constipation, maintained robust double-digit growth rates in the US and other key markets, reflecting the product s therapeutic benefits and increasing disease awareness. In the US, the performance in the fourth quarter was driven by the continued strong uptake of *Zelnorm/Zelmac* in its new chronic constipation indication and also benefited from the normalization of inventories compared to below-average levels in the year-ago period. Novartis will appeal an opinion from a European Medicines Agency (EMEA) committee recommending against EU approval of Zelnorm. This product has been approved in 56 countries for treatment of women with irritable bowel syndrome with constipation (IBS-C).

Elidel (2005: USD 270 million, -23% lc) (Q4: USD 53 million, -42% lc) had a sharp decline in sales for the fourth quarter based on the continued impact of a FDA health advisory statement issued in March 2005. Following

discussions with the FDA, prescribing information for *Elidel* (dispensed only as a topical cream) will be updated in early 2006. A boxed warning and medication guide make clear that no causal link has been established between the use of *Elidel* and rare post-marketing reports of malignancy. The concern of the FDA for a potential risk for malignancies exists based on the use of oral calcineurin inhibitors at high doses. A similar change in labeling will be made for other products in this class. While Novartis believes this action is not substantiated by scientific or clinical evidence, Novartis has agreed to make the requested changes and will communicate them to physicians and patients so that they can continue to use *Elidel* as labeled to effectively manage eczema. Novartis is confident in the safety and efficacy of *Elidel*, which is one of the most thoroughly researched dermatology products in the world and continues to be supported with significant ongoing clinical trials.

Specialty Medicines

Oncology

Gleevec/Glivec (2005: USD 2.2 billion, +32% lc) (Q4: USD 590 million, +32% lc), indicated for all stages of Philadelphia-chromosome positive (Ph+) chronic myeloid leukemia (CML) and certain forms of gastro-intestinal stromal tumors (GIST), maintained robust growth rates through further penetration of the CML and GIST markets. Also supporting growth have been an increase in average daily dose as well as increasing number of patients thanks to improved survival benefits. Data from the IRIS study showed that more than 90% of patients with newly-diagnosed chronic phase CML who are taking *Gleevec/Glivec* are still alive after 4.5 years. Moreover, less than 1% of patients progressed to advanced disease in the fourth year, indicating an overall decreased rate of progression. *Gleevec/Glivec* received EU approval in 2005 for increasing the average daily dose to 800 mg from 400 mg or 600 mg in patients with chronic phase CML and in GIST patients whose cancer is progressing on the lower dose. *Gleevec/Glivec* has been submitted in the US, EU and Japan for Ph+ acute lymphoblastic leukemia (ALL).

Zometa (2005: USD 1.2 billion, +13% lc) (Q4: USD 314 million, +11% lc), the leading intra-venous bisphosphonate for bone metastases, reached a record 75% market segment share in a maturing US market. Greater use in prostate and lung cancer was somewhat offset by slowing growth in breast cancer and myeloma due to high penetration rates. In the EU, *Zometa* is growing market share despite new competition.

Femara (2005: USD 536 million, +38% lc) (Q4: USD 146 million, +32% lc), a leading therapy for early and advanced breast cancer in postmenopausal women, benefited from further penetration of the extended adjuvant setting after five years of tamoxifen usage. New data from the landmark MA-17 trial reported at a major medical meeting found that postmenopausal women with early breast cancer received significant benefit from *Femara* therapy even after a prolonged period of no anti-cancer treatment. In addition, *Femara* received US approval in December for use as an initial treatment immediately after surgery in patients with hormone-sensitive early breast cancer (adjuvant setting), becoming the only medicine in its class approved in the US for use as an initial treatment as well as after completion of five years of tamoxifen therapy. This new US indication was based on results of the BIG 1-98 study, which were published for the first time in a December issue of *The New England Journal of Medicine.* Submissions for this new indication have been made in Europe, where it has already been approved in the UK. *Femara* is also awaiting approval in Japan for use in the treatment of breast cancer.

Sandostatin (2005: USD 896 million, +8% lc) (Q4: USD 224 million, +3% lc), for patients with the hormone condition acromegaly as well as for symptoms of gastro-entero-pancreatic neuroendocrine tumors, reported flat worldwide sales and a decline in the US, where the subcutaneous formulation faces generic competition. However, sales of the long-acting LAR version expanded at a double-digit rate in the US and rest of the world.

Ophthalmics

Net sales increased 7% in local currencies for 2005 but ***Visudyne*** (2005: 484 million, +7% lc) (Q4: USD 107 million, -9% lc), the leading treatment for wet AMD (age-related macular degeneration), reported a decline in fourth-quarter sales after the entry of off-label competition in the US. *Visudyne* growth, however, was strong in the rest of the world, including the UK, Germany and France, with sales outside the US up 18% in local currencies.

Transplantation

Net sales for the year declined 1% in local currencies based on lower sales of ***Neoral/Sandimmun*** (2005: USD 953 million, -6% lc) (Q4: USD 241 million, -5% lc) from the impact of ongoing generic competition.

Pharmaceuticals product and regulatory update

Novartis has been rated consistently as having one of the strongest pipelines in the pharmaceuticals industry, particularly for R&D productivity and its focus on truly novel compounds. A total of 76 projects are currently in clinical development, of which 50 are in Phase II, Phase III or registration and of which 45 are new molecular entities (NMEs).

A number of important submissions are planned for 2006, in particular *Galvus* (type 2 diabetes) and *Rasilez* (hypertension) in the US in the first quarter of the year.

Among the recent developments:

Galvus(1) (vildagliptin, formerly LAF237), a potentially first-in-class oral pancreatic islet enhancer for the treatment of type 2 diabetes, is on track to be submitted in the first quarter of 2006 in the US, while EU submission remains planned to occur before the end of the year. New data confirmed that *Galvus* reduces HbA1c levels (longer-term measure of average blood sugar levels) in a dose-proportional, clinically meaningful manner, both as a monotherapy and in combination with other anti-diabetic agents. This compound has demonstrated a significant additive effect in reducing HbA1c levels in combination trials with metformin and with a sulfonylurea. *Galvus*, which has showed excellent tolerability without causing weight gain or edema, has also been able to sustain meaningful HbA1c reductions out to one year of treatment. Due to its novel effects on pancreatic islet dysfunction, *Galvus* has the potential to become a significant new treatment for type 2 diabetes.

Rasilez(1) (aliskiren, formerly SPP100), the first in a new class of anti-hypertension agents called renin inhibitors, is also on track for US submission in the first quarter of 2006. EU submission remains planned for the fourth quarter of 2006. Phase III data has confirmed the efficacy and safety of *Rasilez* as a once-daily oral treatment with powerful double-digit reductions in blood pressure combined with excellent 24-hour blood pressure control. *Rasilez* is being developed as a monotherapy and in combination with other anti-hypertensive agents. This compound has shown powerful additional blood pressure lowering effects when combined with hydrochlorothiazide (diuretic), ramipril (ACE inhibitor) or amlodipine (calcium channel blocker). Developed in collaboration with Speedel, *Rasilez* also has the potential to offer improved end-organ protection due to its inhibition of plasma renin activity, an emerging risk factor for cardiovascular disease, and an extensive profiling program is underway. Additional Phase III data is expected to be available during 2006.

Exforge(1), a fixed-dose combination of the calcium channel blocker (CCB) amlodipine and *Diovan*, is on track for submission in 2006. This would mark the first fixed-dose combination of the two most prescribed anti-hypertensives in the marketplace, bringing together all the benefits of these two leading agents in one pill.

FTY720 (fingolimod)**,** seeking to become the oral once-daily treatment for relapsing forms of multiple sclerosis, has been approved in several European countries to start the first Phase III trial. Discussions are underway with the FDA on starting this trial in the US, which is a two-year, double-blind pivotal trial in relapsing-remitting MS patients comparing 1.25 mg and 0.50 mg doses with placebo. A second trial in relapsing-remitting MS patients is

scheduled to start later in 2006 in which 1.25 mg and 0.50 mg doses will be compared to an interferon. Data for 12 months in a Phase II study presented in 2005 confirmed the substantial efficacy of FTY720 in significantly reducing the relapse rates of patients with this disease. MS is estimated to affect more than two million people worldwide and the leading cause of neurological disability in young adults.

(1) Brand name awaiting approval by regulatory authorities, compound not yet submitted for approval

All key filings for **LDT600 (**telbivudine) are planned to be completed by the end of the first quarter of 2006 following submission in the US in December 2005. Results from the GLOBE study, a Phase III trial in patients with chronic hepatitis B, presented in November 2005 showed that treatment of patients after one year with LDT600 provided superior response on all evaluated virologic markers compared to lamivudine, the current standard of care. The study successfully reached its primary endpoint of therapeutic response, which was designed to assess if telbivudine was at least as effective as lamivudine in both HBeAg-positive and HBeAg-negative patients.

A decision by the FDA on the use of ***Aclasta (***zoledronic acid 5 mg) for the treatment of Paget s disease of the bone is expected in the first quarter of 2006 after an approvable letter was issued for this indication in March 2005. *Aclasta* was first launched in Germany in May 2005, with other major EU launches planned for 2006. Phase III trials are ongoing to demonstrate the benefits of *Aclasta* as a once-yearly treatment for osteoporosis. US and EU submissions for osteoporosis are planned for 2007.

Xolair (omalizumab), a first-in-class monoclonal antibody for the treatment of severe persistent allergic asthma, received EU approval in October 2005. Launches are underway in key European markets for *Xolair*, considered by many experts to be one of the most significant advances in the last 15 years for helping patients with asthma. *Xolair* was first approved in the US in June 2003, where it has since been prescribed to an estimated 55,000 patients. *Xolair* has been developed under an agreement between Novartis Pharma AG, Genentech and Tanox.

Exjade (deferasirox, formerly ICL670) received accelerated US regulatory approval in November 2005, its first worldwide, as the first and only once-daily oral iron chelator for treatment of chronic iron overload due to blood transfusions in adults and children age two and older. This approval is expected to greatly enhance the acceptance of iron chelation therapy, especially for children, and offer a new alternative to the burdensome continuous infusion therapy. *Exjade* has also been approved in Switzerland. Designated an orphan drug in the US, Australia, and the EU, Exjade has also been granted a priority review in Canada, Australia and New Zealand. Additional regulatory submissions have been made around the world.

QAB149 (indacaterol)**,** which has the potential to be the first once-daily long-acting beta-2 agonist, is set to begin Phase III trials in the first quarter of 2006. Global pivotal studies are planned for both asthma and chronic obstructive pulmonary disease (COPD). QAB149 offers a quick onset of action and true 24-hour control.

Lucentis (ranibizumab), seeking to become the new gold standard for the treatment of wet age-related macular degeneration (AMD), is planned to be submitted for EU approval in the first quarter of 2006. Phase III study results from ANCHOR showed *Lucentis* met its one-year primary efficacy endpoint of maintaining or improving vision. *Lucentis* was submitted in December for approval in the US by Genentech, where the company maintains the rights to develop and market this product.

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Corporate

Corporate income & expense, net

Net corporate expenses were USD 179 million in the fourth quarter, up from a net expense of USD 44 million in 2004 tied to several factors, including increased provisioning for product liability risks. For the full year, net corporate expenses were USD 506 million compared to USD 346 million in 2004.

Financial income, net

Net financial income in the fourth quarter amounted to USD 43 million, a decline from USD 66 million in the 2004 fourth quarter. Acquisitions led to a decline in average net liquidity, which contributed to the reduction in net financial income to USD 167 million compared to USD 227 million in 2004. The overall return on net liquidity for the year was 4.2%, up from 3.7% in 2004, principally due to currency gains.

Result from associated companies

Associated companies generated a net contribution of USD 67 million in the fourth quarter, an increase from USD 23 million in the year-ago quarter. The 44% investment in Chiron contributed income of USD 21 million in the fourth quarter compared to a loss of USD 6 million in the year-ago period due to influenza vaccine manufacturing issues. The investment in Roche provided income of USD 43 million. This amount consists of an estimated share of USD 72 million of Roche s net income for the fourth quarter of 2005, partially offset by charges of USD 29 million related to amortization of intangible assets. In total, associated companies provided income of USD 193 million in 2005, up from USD 177 million in 2004.

Balance sheet

The Group s equity increased by USD 1.8 billion in 2005 to USD 33.2 billion. The increase was the result of higher net income of USD 6.1 billion, which was partially offset by a dividend payment of USD 2.1 billion, translation losses of USD 2.0 billion and other net equity reductions of USD 0.2 billion.

Net liquidity fell by USD 4.5 billion to a total of USD 2.5 billion at December 31, 2005, compared to USD 7.0 billion at the start of the year, reflecting the acquisitions made during the year. Acquisitions amounted to approximately USD 8.8 billion to acquire Hexal and Eon Labs as well as the North American OTC business of BMS and also USD 300 million to acquire an additional 2% stake in newly issued shares of Chiron through an existing agreement. The debt/equity ratio at the end of 2005 increased to 0.25:1 from 0.22:1 at December 31, 2004.

Novartis repurchased no shares in the fourth quarter through its share repurchase program via a second trading line on the SWX Swiss Exchange, leaving the total of shares repurchased in 2005 via the second trading line unchanged at 10.2 million for USD 0.5 billion. A total of 25.4 million shares have been repurchased for USD 1.2 billion following the start of the fourth share-repurchase program in August 2004. A proposal will be made at the forthcoming Annual General Meeting to reduce the share capital by 10.2 million shares bought through the repurchase program on the second trading line.

Novartis is one of the few non-financial companies worldwide to have attained the highest credit ratings from Standard & Poor s and Moody s, the two benchmark rating agencies. S&P rates Novartis as AAA for long-term maturities and A1+ for short-term maturities, while Moody s has rated the company as Aaa and P1, respectively.

Corporate income & expense, net	29

Cash flow

Cash flow from operating activities rose very strongly by USD 1.4 billion in 2005 to USD 8.1 billion, reflecting the strong business expansion and strict management of working capital by the divisions. In the fourth quarter, cash flow from operating activities increased by USD 0.4 billion to USD 2.3 billion. Free cash flow after dividends (excluding the impact of acquisitions) in 2005 was USD 4.7 billion, an increase of USD 1.4 billion.

Dividend

The Board of Directors proposes for approval at the next Annual General Meeting on February 28, 2006, a dividend payment of CHF 1.15 per share for 2005, up 10% from CHF 1.05 in 2004. This higher dividend marks the ninth consecutive higher payout per share since the creation of Novartis in December 1996. If approved by shareholders, dividends paid for 2005 on outstanding shares are expected to total USD 2.1 billion. The dividend payout ratio for 2005 would be 33% of Group net income. Based on the 2005 year-end share price of CHF 69.05, the Novartis dividend yield would be 1.7% compared to 1.8% in 2004. The payment date for the 2005 dividend has been set for March 3, 2006. All issued shares are dividend bearing, with the exception of 258.1 million Treasury shares.

Proposed changes in the Board of Directors

Professor Helmut Sihler, who has played a vital role in shaping the success of Novartis since its creation, will retire from the Board of Directors at the forthcoming Annual General Meeting on February 28, 2006. In his capacity as independent Lead Director, Professor Sihler will be succeeded by Professor Ulrich Lehner, a current board member who will additionally serve, together with Hans-Jörg Rudloff, as Vice Chairman of the Board of Directors.

Proposed changes to the Articles of Incorporation

The Board of Directors will propose to shareholders the elimination of the 12-year limitation on board memberships, as outlined in Article 21 of the Articles of Incorporation.

Disclaimer

This release contains certain forward-looking statements relating to the Group s business, which can be identified by the use of forward-looking terminology such as preparing important submissions , confident , expected , will , future growth , committed , expected , outlook , exp potentially , on track , planned , potential , would mark , seeking to become , set to begin , would be , could be , or similar expressions or implied discussions regarding potential future sales of new or existing products, potential new products or potential new indications for existing products, or by other discussions of strategy, plans or intentions. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. There can be no guarantee that any products, or the Group as a whole, will reach any particular sales levels, or 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. In particular, management s expectations could be affected by, among other things, uncertainties involved in the development of new pharmaceutical products, including unexpected clinical trial results; unexpected regulatory actions or delays or government regulation generally; the Group s ability to obtain or maintain patent or other proprietary intellectual property protection; competition in general; government, industry, and general public pricing pressures and other risks and factors referred to in the Group 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 press release as of this date and does not undertake any obligation

Corporate income & expense, net	31

to update any forward-looking statements contained in this press release as a result of new information, future events or otherwise.

About Novartis

Novartis AG (NYSE: NVS) is a world leader in offering medicines to protect health, cure 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 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 91,000 people and operate in over 140 countries around the world. For more information, please visit http://www.novartis.com.

Further Important Dates

February 28, 2006	Annual General Meeting
April 24, 2006	First quarter 2006 results
July 17, 2006	Second quarter 2006 results
October 19, 2006	Third quarter 2006 results

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Consolidated income statements

Full year

	2005 USD m	2004(1) USD m	Change USD m	%	Restated historical 2004(2) USD m
Total net sales	**32 212**	**28 247**	**3 965**	**14**	**28 247**
Other revenues	314	154	160	104	154
Cost of Goods Sold	-8 868	-7 268	-1 600	22	-7 268
Gross profit	**23 658**	**21 133**	**2 525**	**12**	**21 133**
Marketing & Sales	-9 802	-8 873	-929	10	-8 873
Research & Development	-4 846	-4 077	-769	19	-4 171
General & Administration	-1 742	-1 540	-202	13	-1 540
Other income & expense	-363	-354	-9	3	-397
Operating income	**6 905**	**6 289**	**616**	**10**	**6 152**
Result from associated companies	193	177	16	9	68
Financial income	461	488	-27	-6	486
Interest expense	-294	-261	-33	13	-261
Income before taxes	**7 265**	**6 693**	**572**	**9**	**6 445**
Taxes	-1 124	-1 092	-32	3	-1 065
Net income	**6 141**	**5 601**	**540**	**10**	**5 380**
Attributable to:					
Equity holders of the parent	6 130	5 586	544	10	5 365
Minority interests	11	15	-4	-27	15
Average number of shares outstanding - Basic (million)	**2 332.8**	**2 355.5**		**-1**	**2 355.5**
Basic earnings per share (USD) (3)	**2.63**	**2.37**	**0.26**	**11**	**2.28**
Average number of shares outstanding - Diluted (million)	2 342.5	2 367.4		-1	2 367.4
Diluted earnings per share (USD)(3)	2.62	2.36	0.26	11	2.27

(1) Pro forma basis: This report reflects the adoption of new IFRS accounting standards that became effective on January 1, 2005, and other presentational changes. In order to provide a comparable basis, the 2004 pro forma statements reflect these changes as if they had been in effect already during 2004. Further information is available in the 2005 Financial Report.

(2) Restated historical basis (Further information is available in the 2005 Financial Report)

(3) Earnings per share (EPS) is calculated on the amount of net income attributable to the equity holders of the parent

Consolidated statement of recognized income and expense

Full year

	2005 USD m	2004(1) USD m	Change USD m
Net income	6 141	5 380	761
Fair value adjustments on financial instruments	-75	297	-372
Actuarial gains/losses from defined benefit plans	-400	-1 038	638
Additionally recognized amounts by associated companies	41	24	17
Translation movements	-1 978	950	-2 928
Recognized income and expense	**3 729**	**5 613**	**-1 884**

(1) Restated historical basis (see notes to the 2005 Financial Report for further information)

Consolidated income statements (unaudited)

Fourth quarter

	Q4 2005 USD m	Q4 2004(1) USD m	Change USD m	%	Restated historical Q4 2004(2) USD m
Total net sales	**8 657**	**7 578**	**1 079**	**14**	**7 578**
Other revenues	96	52	44	85	52
Cost of Goods Sold	-2 517	-2 051	-466	23	-2 051
Gross profit	**6 236**	**5 579**	**657**	**12**	**5 579**
Marketing & Sales	-2 629	-2 500	-129	5	-2 500
Research & Development	-1 472	-1 140	-332	29	-1 225
General & Administration	-508	-452	-56	12	-452
Other income & expense	-139	13	-152		9
Operating income	**1 488**	**1 500**	**-12**	**-1**	**1 411**
Result from associated companies	67	23	44	191	-3
Financial income	110	129	-19	-15	130
Interest expense	-67	-63	-4	6	-63
Income before taxes	**1 598**	**1 589**	**9**	**1**	**1 475**
Taxes	-246	-235	-11	5	-208
Net income	**1 352**	**1 354**	**-2**		**1 267**
Attributable to:					
Equity holders of the parent	1 350	1 351	-1		1 264
Minority interests	2	3	-1	-33	3
Average number of shares outstanding - Basic (million)	**2 335.5**	**2 337.6**			**2 337.6**
Basic earnings per share (USD) (3)	**0.58**	**0.58**			**0.54**
Average number of shares outstanding - Diluted (million)	2 350.1	2 349.5			2 349.5
Diluted earnings per share (USD)(3)	0.57	0.58	-0.01	-2	0.54

(1) Pro forma basis: This report reflects the adoption of new IFRS accounting standards that became effective on January 1, 2005, and other presentational changes. In order to provide a comparable basis, the 2004 pro forma statements reflect these changes as if they had been in effect already during 2004. Further information is available in the 2005 Financial Report.

(2) Restated historical basis (Further information is available in the 2005 Financial Report)

(3) Earnings per share (EPS) is calculated on the amount of net income attributable to the equity holders of the parent

Consolidated statement of recognized income and expense (unaudited)

Fourth quarter

	Q4 2005 USD m	Q4 2004(1) USD m	Change USD m
Net income	1 352	1 267	85
Fair value adjustments on financial instruments	-51	78	-129
Actuarial gains/ losses from defined benefit plans	114	-269	383
Additionally recognized amounts by associated companies	7	-10	17
Translation movements	-227	1 472	-1 699
Recognized income and expense	**1 195**	**2 538**	**-1 343**

(1) Restated historical basis (see notes to the 2005 Financial Report for further information)

Condensed consolidated balance sheets

	Dec 31, 2005 USD m	Dec 31, 2004(1) USD m	Change USD m
Assets			
Total non-current assets	**36 289**	**28 568**	**7 721**
Current assets			
Inventories	3 725	3 558	167
Trade accounts receivable	5 343	4 851	492
Other current assets	1 442	1 619	-177
Cash, short-term deposits and marketable securities	10 933	13 892	-2 959
Total current assets	**21 443**	**23 920**	-2 477
Total assets	**57 732**	**52 488**	**5 244**