NOVARTIS AG
Form 6-K
January 23, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 or 15d-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

Report on Form 6-K dated January 22, 2008

(Commission File No. 1-15024)

This Report on Form 6-K shall be incorporated by reference in our Registration Statements on Form F-3 as filed with the Commission on May 11, 2001 (File No. 333-60712) and our Registration Statements on Form S-8 as filed with the Commission on September 5, 2006 (File No. 333-137112) and on October 1, 2004 (File No. 333-119475), in each case to the extent not superseded by documents or reports subsequently filed by us under the Securities Act of 1933 or the Securities Exchange Act of 1934, in each case as amended

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Novartis AG

(Name of Registrant)

Lichtstrasse 35

4056 Basel

Switzerland

(Address of Principal Executive Offices)

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

Form 20-F: x Form 40-F: o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes: o **No**: x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes: o **No**: x

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes: o **No**: x

Enclosure: **Novartis AG Announces Results for 2007**

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Novartis achieves record results in 2007 underscoring benefits of strategic healthcare portfolio

- ***Group results in 2007 set new record as net sales rise 8% (+3% in local currencies) to USD 39.8 billion and net income reaches USD 12.0 billion (+ 66%) with earnings per share up 68% to USD 5.15***

- *Results include contributions from Medical Nutrition and Gerber until divestments during 2007 and after-tax divestment gains of USD 5.2 billion in net income*

- ***Continuing operations now focused solely on healthcare***

- *Full-year net sales rise 11% (+6% in local currencies) to USD 38.1 billion on strong contributions particularly from Sandoz and Vaccines and Diagnostics*

- *Pharmaceuticals in the US adversely impacted by generic competition and Zelnorm suspension*

- *One-time charges in 2007 of approximately USD 1 billion for Corporate environmental provision and Forward initiative to improve competitiveness*

- *Excluding these one-time charges, operating income rises 2%. Including these charges, but excluding gains from nutrition business divestments, operating income declines 11%*

- *Net income from continuing operations falls 4% to USD 6.5 billion, while earnings per share decline 3% to USD 2.81*

- ***Launches progressing well for recently approved products including Exforge, Tekturna/Rasilez, Lucentis, Exjade and Xolair with 15 approvals in the US and the European Union***

- ***Increasing returns to shareholders while maintaining sound financial foundation***

- *New CHF 10 billion share repurchase program proposed for shareholder approval following share repurchases totaling CHF 4.7 billion in 2007*

- *Dividend of CHF 1.60 per share proposed for 2007, up 19% from 2006 and represents dividend payout ratio of 49% of net income from continuing operations*

- ***Novartis expects record results in 2008 from continuing operations on strong growth outlook for Sandoz, Vaccines and Diagnostics, and Consumer Health***

- *First-half 2008 results in Pharmaceuticals to show ongoing negative impact of lost net sales in the US; new growth phase set to emerge in second half of the year*

Basel, January 17, 2008 Commenting on the results, Dr. Daniel Vasella, Chairman and CEO of Novartis said: *Novartis delivered a strong performance in all major regions and in all divisions, with the exception of Pharmaceuticals in the US hit by generic competition and a product withdrawal. The dynamic growth of Sandoz and Vaccines & Diagnostics and the strong contribution of Consumer Health underscore the benefits of our focused diversification strategy in healthcare businesses to tap new sources of growth and balance risks. The 15 approvals for new prescription medicines obtained in the US and in the EU lay the foundation for a new growth cycle in Pharmaceuticals, which is expected to emerge in the second half of 2008, while our initiative Forward is designed to improve the efficiency and productivity of the organization providing savings of USD 1.6 billion in 2010. I am confident Novartis will deliver record results in 2008 and is well-positioned to benefit from current and future trends in healthcare.*

TOTAL GROUP

Key figures Full year

	2007		2006		% change	
	USD m	% of net sales	USD m	% of net sales	USD	lc
Total Group						
Net sales	**39 800**		37 020		8	3
Operating income and divestment gains[1]	**12 933**	**32.5**	8 174	22.1	58	
Net income	**11 968**	**30.1**	7 202	19.5	66	
Basic earnings per share	**USD 5.15**		USD 3.06		68	

(1) Operating income includes charge for Corporate environmental provision increase of USD 590 million in the 2007 third quarter and a USD 444 million restructuring charge in the 2007 fourth quarter for the Forward initiative as well as pre-tax divestment gains of USD 5.8 billion from Medical Nutrition and Gerber.

Summary

Novartis achieved record results for the total Group in 2007, with net sales rising 8% (+3% in local currencies) and net income advancing 66% to USD 12.0 billion. Sandoz and Vaccines and Diagnostics led the expansion with double-digit net sales growth and strong contributions to operating income, while Consumer Health provided additional support with a solid performance. The slowdown in Pharmaceuticals in 2007 reflected the negative impact of generic competition in the US for some products and the loss of *Zelnorm.*

Included in total Group results for 2007 were contributions from Medical Nutrition (until June 30) and Gerber (until August 31) before divestments in separate transactions. These were the final divestments as part of the Group s strategy to focus solely on growth areas of healthcare with innovative medicines as well as generic pharmaceuticals, preventive vaccines and diagnostics, and targeted consumer health products.

The 2007 results further include significant charges of approximately USD 1 billion for a Corporate environmental provision increase of USD 590 million, including costs for the related share of any potential remediation costs for historical landfills in the Basel region as well as restructuring charges for Forward of USD 444 million. This strategic initiative was launched in December 2007 to improve competitiveness and help Novartis more rapidly meet the needs of patients and customers. This initiative, which is now underway and will be implemented in 2008 and 2009, will simplify organizational structures, accelerate and decentralize decision-making processes, redesign the way Novartis operates and

provide productivity gains. Pre-tax annual cost savings of approximately USD 1.6 billion are targeted in 2010.

CONTINUING OPERATIONS

Full year

Key figures

	2007		2006		% change	
	USD m	% of net sales	USD m	% of net sales	USD	lc
Net sales	**38 072**		34 393		11	6
Operating income excl. environmental provision and Forward charges [1]	**7 815**	**20.5**	7 642	22.2	2	
Operating income	**6 781**	**17.8**	7 642	22.2	11	
Net income	**6 540**	**17.2**	6 825	19.8	4	
Basic earnings per share	**USD 2.81**		USD 2.90		3	

(1) Excludes approximately USD 1 billion in charges (USD 590 million for Corporate environmental provision increase and USD 444 million for the Forward initiative)

Net sales

	2007	2006	% change	
	USD m	USD m	USD	lc
Pharmaceuticals	**24 025**	22 576	6	2
Vaccines and Diagnostics	**1 452**	956	52	47
Sandoz	**7 169**	5 959	20	13
Consumer Health continuing operations	**5 426**	4 902	11	6
Net sales from continuing operations	**38 072**	34 393	11	6

Group

Sandoz and Vaccines and Diagnostics led the expansion with double-digit growth in local currencies, along with support from Consumer Health. The Pharmaceuticals slowdown reflected the impact of generic competition in the US and the loss of *Zelnorm*. Higher volumes accounted for five percentage points of the increase in net sales from continuing operations, acquisitions added two percentage points and currencies provided five percentage points to net sales growth. However, net prices declined one percentage point.

Pharmaceuticals

Europe, Latin America and key emerging markets generated double-digit growth as many top products strengthened their leading positions. The high blood pressure medicine *Diovan* (USD 5.0 billion, +16% lc) exceeded USD 5 billion for the first time, while the cancer therapy *Gleevec/Glivec* (USD 3.1 billion, +14% lc) topped USD 3 billion. US net sales fell 8% after the loss of *Lotrel*, *Lamisil, Trileptal* and *Famvir* to generics and the suspension of *Zelnorm*. However, worldwide net sales rose 10% for the unaffected product portfolio. The rollout of recently approved products made progress, including *Exforge, Tekturna/Rasilez, Lucentis, Aclasta/Reclast, Exelon Patch, Exjade* and *Xolair*.

Vaccines and Diagnostics

Excellent performance driven by a rise in sales of TBE (tick-borne encephalitis), pediatric and seasonal influenza vaccines as well as NAT (nucleic acid test) blood testing products. On a comparable full-year basis, net sales rose 25% (including unaudited net sales from Chiron for four months in the year-ago period before the April 2006 acquisition).

Sandoz

Dynamic growth in the US and other fast-growing markets, particularly Eastern Europe, provided an incremental contribution of more than USD 1 billion to annual net sales. Recent launches for various difficult-to-make and authorized generics underpinned growth.

Consumer Health continuing operations

OTC and Animal Health led the performance, driven by a focus on strategic brands, new product launches and geographic expansion. CIBA Vision net sales were higher, supported mainly by improved supplies of contact lenses and lens-care products.

Operating income

	2007		2006		Change
	USD m	% of net sales	USD m	% of net sales	In %
Pharmaceuticals	**6 086**	25.3	6 703	29.7	9
Vaccines and Diagnostics	**72**	5.0	26		
Sandoz	**1 039**	14.5	736	12.4	41
Consumer Health continuing operations	**812**	15.0	761	15.5	7
Corporate income & expense, net	1 228		532		131
Operating income from continuing operations	**6 781**	17.8	7 642	22.2	11

Operating income excluding environmental provision and Forward charges

	2007		2006		Change
	USD m	% of net sales	USD m	% of net sales	In %
Pharmaceuticals[1]	**6 393**	26.6	6 703	29.7	5
Vaccines and Diagnostics	**72**	5.0	26		
Sandoz	**1 039**	14.5	736	12.4	41
Consumer Health continuing operations[1]	**909**	16.8	761	15.5	19
Corporate income & expense, net[1],[2]	598		532		12
Operating income from continuing operations excluding Corporate environmental charge and Forward restructuring charge	**7 815**	20.5	7 642	22.2	2
Corporate environmental provision increase	590				
Forward restructuring charges	444				
Operating income from continuing operations	**6 781**	17.8	7 642	22.2	11

(1) Excludes respective component of the Forward restructuring charge in the 2007 fourth quarter of USD 444 million (Pharmaceuticals: USD 307 million, Consumer Health: USD 97 million and Corporate: USD 40 million)

(2) Excludes Corporate environmental provision increase of USD 590 million in the 2007 third quarter

Group

Operating income from continuing operations was affected significantly by one-time charges in 2007 that included approximately USD 1 billion in total for Corporate environmental provisions (USD 590 million) and restructuring charges for the Forward initiative (USD 444 million). Excluding these two charges, operating income from continuing operations rose 2%.

Pharmaceuticals

Among the factors contributing to the decline were lost operating income in the US due to the entry of generic competition for four products and the suspension of *Zelnorm,* major investments in late-stage development compounds, new product launches and restructuring charges. The operating margin declined to 25.3% of net sales (or to 26.7% of net sales excluding total restructuring charges) from 29.7% in 2006. Research & Development investments rose 19% to USD 5.1 billion and represented 21% of net sales, mainly to support the rich late-stage pipeline that includes the projects FTY720, QAB149, MFF258, ACZ885, ABF656, RAD001 and *Exforge*. Marketing & Sales expenses were up 9% to support many new product launches and rollouts, which was partly offset by productivity initiatives. Cost of Goods Sold was higher due mainly to a USD 320 million intangible asset impairment charge for *Famvir* product rights.

Vaccines and Diagnostics

The strong business performance supported significant investments in R&D, particularly for late-stage trials involving meningococcal meningitis vaccine candidates and a new strategic alliance with Intercell. The adjusted operating margin was 21.3% of net sales excluding legal settlement gains of USD 83 million in 2007 as well as restructuring and amortization charges for intangible assets.

Sandoz

Advancing broadly twice as fast as net sales, operating income expansion was driven by efficiency improvements throughout the division, economies of scale in marketing and productivity gains in R&D. As a result, the operating margin improved to 14.5% of net sales from 12.4% in 2006. Excluding one-time items and acquisition-related amortization of intangible assets in both periods, adjusted operating income rose 20% and the adjusted operating margin reached 20.0%.

Consumer Health continuing operations

Excluding the charge for Forward, operating income rose 19% and supported continued investments in R&D and marketing for new product launches and geographic expansion.

CONTINUING OPERATIONS

Fourth quarter

Key figures

	Q4 2007		Q4 2006		% change	
	USD m	% of net sales	USD m	% of net sales	USD	lc
Net sales	**9 931**		9 398		6	1
Operating income excl. Forward[1]	**1 341**	**13.5**	1 725	18.4	22	
Operating income	**897**	**9.0**	1 725	18.4	48	
Net income	**931**	**9.4**	1 596	17.0	42	
Basic earnings per share	**USD 0.41**		USD 0.67		39	

(1) Excludes USD 444 million in restructuring charges for the Forward initiative

Net sales

	Q4 2007 USD m	Q4 2006 USD m	% change USD	lc
Pharmaceuticals	**6 152**	6 049	2	5
Vaccines and Diagnostics	**398**	455	13	18
Sandoz	**1 971**	1 653	19	9
Consumer Health continuing operations	**1 410**	1 241	14	6
Net sales from continuing operations	**9 931**	9 398	6	1

Group

Overall good net sales growth in reported US dollars was achieved as Sandoz and Consumer Health offset the negative developments in Pharmaceuticals in the US and a weaker quarter in Vaccines and Diagnostics. Sales volumes and price changes each resulted in a loss of one percentage point in net sales, but were offset by acquisitions that provided one percentage point and currency translation that added seven percentage points to net sales.

Pharmaceuticals

Europe, Latin America and key emerging markets generated high-single-digit growth, but US net sales fell 21% due to generic competition for four products *Lotrel, Lamisil, Trileptal* and *Famvir* and the suspension of *Zelnorm*. However, worldwide net sales rose 8% for the unaffected product portfolio. *Diovan* (USD 1.4 billion, +12% lc) and *Gleevec/Glivec* (USD 0.8 billion, +12% lc) both improved their leadership positions as

the Oncology, Cardiovascular and Neuroscience franchises all delivered solid performances. The continued rollout of many new products including *Tekturna/Rasilez, Exforge, Exjade, Lucentis, Aclasta/Reclast, Exelon Patch* and *Xolair* in key markets around the world provided combined net sales of USD 427 million for the quarter.

Vaccines and Diagnostics

The net sales decline reflected deliveries of seasonal influenza vaccines occurring mainly in the third quarter of 2007 due to earlier availability as a result of high viral strain production yields for the vaccine. In comparison, poor production yields for vaccines last year led to more shipments occurring in the fourth quarter of 2006 than in the third quarter. Further expansion in Europe of the blood testing business supported the ongoing positive performance in Diagnostics.

Sandoz

Ongoing dynamic expansion as US net sales increased at a fast pace, while contributions from Eastern Europe, Asia and Latin America underpinned the performance. Key drivers were solid growth in the base retail generics business as well as recent launches of difficult-to-make and authorized generics.

Consumer Health continuing operations

Animal Health led the division with double-digit growth, reflecting the benefits of new product launches, recent sales force investments and the integration of Sankyo Lifetech in Japan. OTC grew at a slower pace, mainly due to the weak cough and cold season in the US. CIBA Vision was supported by new product launches, including *Air Optix Toric* contact lenses in Europe, with the year-ago period negatively impacted by a product recall.

Operating income

	Q4 2007		Q4 2006		Change
	USD m	% of net sales	USD m	% of net sales	In %
Pharmaceuticals	**925**	15.0	1 621	26.8	43
Vaccines and Diagnostics	**107**		2	0.4	
Sandoz	**250**	12.7	204	12.3	23
Consumer Health continuing operations	**85**	6.0	74	6.0	15
Corporate income & expense, net	256		176		45
Operating income from continuing operations	**897**	9.0	1 725	18.4	48

Operating income excluding Forward charge

	Q4 2007		Q4 2006		Change
	USD m	% of net sales	USD m	% of net sales	In %
Pharmaceuticals[(1)]	**1 232**	20.0	1 621	26.8	24
Vaccines and Diagnostics	**107**		2		0.4
Sandoz	**250**	12.7	204	12.3	23
Consumer Health continuing operations[(1)]	**182**	12.9	74	6.0	146
Corporate income & expense, net[(1)]	216		176		23
Operating income from continuing operations excluding Forward[(1)]	**1 341**	13.5	1 725	18.4	22
Forward restructuring charge	444				
Operating income from continuing operations	**897**	9.0	1 725	18.4	48

(1) Excludes a USD 444 million restructuring charge in the 2007 fourth quarter for the Forward initiative (Pharmaceuticals: USD 307 million, Consumer Health: USD 97 million and Corporate: USD 40 million)

Group

Operating income from continuing operations declined 22% excluding the restructuring charge of USD 444 million for the Forward initiative.

Pharmaceuticals

The significant decline reflected reduced income contributions from the US due to the loss of sales from products that have been suspended or face generic competition as well as ongoing investments in R&D, new product launches and restructuring charges. Excluding total restructuring charges, operating income fell 22% and the operating margin was 20.4% of net sales. Research & Development rose 19% in the fourth quarter of 2007 to represent 23% of net sales, mainly based on investments in late-stage development projects but also reflecting partial impairments of in-process R&D assets. Marketing & Sales expenses rose 3% as productivity initiatives helped offset some of the major investments being made in new product launches. Cost of Goods Sold was affected by the unfavorable product mix resulting from the loss of products in the US to generic competition and the suspension of *Zelnorm*.

Vaccines and Diagnostics

The results reflected the timing of seasonal influenza vaccine shipments, with more occurring in the third quarter of 2007 than in the fourth quarter. In contrast, poor production yields in 2006 led to more seasonal influenza vaccine sales in the fourth quarter than in the third quarter of 2006. Increased investments were made during the fourth quarter of 2007 in Research & Development in the meningitis vaccine portfolio and in technical infrastructure.

Sandoz

Operating income expanded largely in line with net sales, with the operating margin rising to 12.7% of net sales while supporting significant additional investments for expansion in emerging markets and product development. Excluding one-time items and the amortization of intangible assets in both periods, adjusted operating income advanced 22% and the corresponding operating margin reached 17.8%.

Consumer Health continuing operations

The improvement in operating income reflected improvements in Cost of Goods Sold due to a better product mix as well as a reduction in total operating costs. General & Administrative expenses declined, while Marketing & Sales investments benefited from targeted spending to support new product launches and geographic expansion. The year-ago quarter included a provision for a CIBA Vision recall of contact lenses.

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Corporate

Full year

	2007 USD m	2006 USD m	Change USD m	% change
Operating income from continuing operations excl. environmental provision and Forward[1]	**7 815**	**7 642**	**173**	**2**
Corporate environmental provision increase	590		590	
Forward restructuring charge	444		444	
Operating income from continuing operations	**6 781**	**7 642**	**861**	**11**
Income from associated companies	412	264	148	56
Financial income	531	354	177	50
Interest expense	237	266	29	11
Taxes	947	1 169	222	19
Net income from continuing operations	**6 540**	**6 825**	**285**	**4**
Net income from discontinued Consumer Health operations	5 428	377	5 051	
Total net income	**11 968**	**7 202**	**4 766**	**66**

(1) Excludes a Corporate environmental provision increase of USD 590 million in the 2007 third quarter and a USD 444 million restructuring charge in the 2007 fourth quarter for the Forward initiative

Fourth quarter

	Q4 2007 USD m	Q4 2006 USD m	Change USD m	% change
Operating income from continuing operations excl. Forward[1]	**1 341**	**1 725**	**384**	**22**
Forward restructuring charge	444		444	
Operating income from continuing operations	**897**	**1 725**	**828**	**48**
Income from associated companies	104	71	33	46
Financial income	245	95	150	158
Interest expense	61	57	4	7
Taxes	254	238	16	7
Net income from continuing operations	**931**	**1 596**	**665**	**42**
Net income from discontinued Consumer Health operations	18	67	85	127
Total net income	**913**	**1 663**	**750**	**45**

(1) Excludes a USD 444 million restructuring charge in the 2007 fourth quarter for the Forward initiative

Income from associated companies

Income from associated companies rose to USD 412 million in 2007, nearly double the USD 264 million in 2006 that included exceptional charges for Chiron. The investment in Roche provided income in 2007 of USD 391 million, up 35% from 2006. This represented USD 509

million in anticipated 2007 income from Roche that includes a positive prior-year adjustment of USD 13 million, which was offset by USD 118 million for amortization of intangible assets. Other associated companies added USD 21 million in income for 2007. In the fourth quarter, income rose 46% to USD 104 million from the comparable 2006 period.

Financial income, net

Net financial income more than tripled to USD 294 million in 2007 from USD 88 million in 2006, reflecting increased liquidity due to divestment proceeds and excellent currency management in very challenging conditions. In the fourth quarter, net financial income rose to USD 184 million from USD 38 million in the 2006 period, benefiting from improved liquidity and currency gains.

Taxes

The tax rate for continuing operations fell to 12.6% in 2007 from 14.6% in 2006 due to several factors that included the restructuring and environmental provision increases, a reduced corporate tax rate in Germany and a benefit from the restructuring of the Chiron business on integration into the Novartis Group. The Chiron restructuring, however, had a negative impact on the fourth quarter of 2007 as the tax rate rose to 21.4%, up from 13.0% in the comparable 2006 period.

Net income

Net income from continuing operations declined 4% to USD 6.5 billion in 2007, with basic earnings per share down 3% to USD 2.81 from USD 2.90 in 2006. Higher contributions of income from associated companies, improved net financial income and a lower tax rate all helped to mitigate the decline.

In the fourth quarter of 2007, net income from continuing operations fell 42% to USD 931 million, while basic earnings per share was down 41% to USD 0.40. The sharp reduction in net income was largely in line with reduced operating income, which was adversely impacted by lost income contributions from the US pharmaceuticals business and the Forward restructuring charge taken in the quarter.

Balance sheet

The Group s equity rose to USD 49.4 billion at December 31, 2007, from USD 41.3 billion at December 31, 2006. The net increase of USD 8.1 billion included USD 14.8 billion in total recognized income and expenses (comprised of USD 12.0 billion in net income, USD 2.2 billion in currency translation gains, USD 0.4 billion in actuarial gains on pension plans and USD 0.2 billion in other net movements) that were offset by USD 6.7 billion in transactions with shareholders (mainly a payment of USD 2.6 billion for the dividend and USD 4.1 billion in net share repurchases and share-based compensation).

Thanks to divestment proceeds and the strong cash flow from continuing operations, net liquidity rose sharply to USD 7.4 billion at the end of 2007 from USD 0.7 billion at the end of 2006. The debt/equity ratio at the end of 2007 improved to 0.12:1 compared to 0.18:1 at the end of 2006.

Novartis is one of the few non-financial services companies worldwide with the highest credit ratings from Standard & Poor s, Moody s and Fitch, the three benchmark rating agencies. S&P has rated Novartis as AAA for long-term maturities and as A1+ for short-term maturities. Moody s has rated the Group as Aaa and P1 for long- and short-term, while Fitch has rated Novartis as AAA for long-term maturities and F1+ for short-term maturities.

Cash flow

Cash flow from continuing operating activities was USD 9.2 billion in 2007, an increase of USD 0.9 billion from 2006 due mainly to the underlying business expansion and continued strict control of working capital. Net cash used for investing activities in continuing operations was USD 6.2 billion, mainly the result of USD 2.9 billion in net investments for intangible and tangible assets and USD 3.3 billion in financial assets (including marketable securities). Free cash flow from continuing operations after dividends was USD 3.8 billion, a decline from USD 4.0 billion in 2006 due to the larger dividend payment and higher capital expenditures. Among the reasons for the increased capital expenditures, which were USD 2.5 billion and represented 6.7% of net sales from continuing operations, were capacity expansion projects in Vaccines and Diagnostics, Sandoz and Pharmaceuticals.

Dividend proposal for 2007

The Board of Directors has proposed a dividend payment of CHF 1.60 per share for 2007, a 19% increase from the dividend of CHF 1.35 per share in 2006. Shareholders will vote on this proposal at the next Annual General Meeting on February 26, 2008. This proposal marks the eleventh consecutive year of a higher dividend payout since the creation of Novartis in December 1996. If approved by shareholders, dividends paid for 2007 on outstanding shares are expected to total approximately USD 3.2 billion. The dividend payout ratio for 2007 will be 49% of the Group s net income from continuing operations. Based on the year-end 2007 share price of CHF 62.10, the dividend yield is 2.6% compared to 1.9% in 2006. The payment date for the 2007 dividend is set for February 29, 2008. All issued shares are dividend bearing, with the exception of 272.7 million treasury shares.

Proposal for new CHF 10 billion share repurchase program

Utilizing the Group s strong free cash flow and proceeds from recent divestments, Novartis completed its fourth and fifth share repurchase programs during 2007, with a total of 85.3 million shares worth CHF 4.7 billion repurchased via a second trading line on the SWX Swiss Stock Exchange where Novartis is the exclusive buyer. Shareholders will also be asked to approve the cancellation of these shares acquired in 2007 along with a corresponding reduction of 3.1% in the Group s registered share capital. The Board of Directors will propose to shareholders the approval of a new CHF 10 billion repurchase program at the next Annual General Meeting in February 2008.

Preparing for a new growth cycle

Novartis believes it has an excellent portfolio to address a dynamically changing healthcare environment one that is diversified, yet focused solely on healthcare and in businesses with dynamic growth potential going beyond patented prescription pharmaceuticals to include generic pharmaceuticals, preventive vaccines and diagnostics, and targeted consumer health products.

The Sandoz, Vaccines and Diagnostics and Consumer Health Divisions are expected to again deliver strong performances in 2008. These businesses are expanding quickly and compete in some areas that are expected to grow faster than the global market for patented pharmaceuticals.

Thanks to leading positions for many top products and the ongoing launches for many new medicines, the Pharmaceuticals Division is expected to return to dynamic growth in the second half of 2008. Launches are progressing well for recently approved products, including *Exforge, Tekturna/Rasilez, Lucentis, Tasigna, Exelon Patch* and *Aclasta/Reclast,* following 15 major regulatory approvals in 2007 in the US and Europe.

However, the results of Pharmaceuticals in the first two quarters of 2008 will be negatively affected by the full-year effect of having lost significant sales contributions from five products in the US during 2007. These products Ze*lnorm*, *Lotrel*, *Trileptal*, *Lamisil* and *Famvir* had combined total net sales in the US of USD 3.1 billion in 2006, and net sales for this group fell to USD 1.7 billion in 2007, mainly from the entry of generic competition. The year-on-year impact of lost sales from these products will only diminish later in 2008. At the same time, underlying growth of the unaffected product portfolio driven by launches of many new products and further expansion of flagship products such as *Diovan* and *Gleevec/Glivec* are expected to support high-single digit net sales growth in the Pharmaceuticals Division by the

fourth quarter of 2008, and for net sales growth at a low-single-digit rate for the full year, both in local currencies.

To help Novartis more rapidly meet the needs of patients and customers, the Forward initiative was launched in December 2007 to improve competitiveness. This initiative, which is now underway and will be implemented in 2008 and 2009, will simplify organizational structures, accelerate and decentralize decision-making processes, redesign the way Novartis operates and provide productivity gains. Pre-tax annual cost savings of USD 1.6 billion are expected in 2010, with a pre-tax restructuring charge of USD 444 million taken in the 2007 fourth quarter. Approximately 2,500 full-time positions are expected to be reduced from among the currently nearly 100,000 full-time positions within the Group. Many reductions will be handled through normal fluctuation in staffing levels, which has traditionally averaged about 8% of the Group s annual workforce, as well as through vacancy management and social programs.

Ranked as having one of the industry s best pharmaceutical product pipelines, Novartis will continue making major investments in drug discovery, particularly biologic therapies. The Novartis Biologics unit was created in 2007 as a dedicated innovation unit with a strong biotech culture in the areas of discovery and development unique to biologics, and with full access to the extensive Novartis organization. These types of therapies are increasingly a priority and now total approximately 25% of the pre-clinical research pipeline.

Group outlook

(Barring any unforeseen events)

Given the outlook for strong contributions from most of its healthcare businesses, Novartis continuing operations expect another year of record net sales and earnings in 2008. Net sales from continuing operations for the Group are expected to rise at a mid-single-digit rate, and at a low-single-digit growth rate in the Pharmaceuticals Division, both in local currencies.

Pharmaceuticals products performance review

Note: All net sales growth figures refer to 2007 worldwide performance in local currencies

Diovan (USD 5.0 billion, +16% lc) reached another important milestone in 2007 as net sales reached USD 5 billion for the first time. *Diovan* has consistently grown thanks to new indications and clinical data underpinning its status as the world s No. 1 branded high blood pressure medicine. Many key countries, particularly the US, Japan and Germany, delivered double-digit growth. *Diovan* held in the US a 40% share among angiotensin receptor blockers (ARBs), the fastest-growing segment of the antihypertensive market. *Co-Diovan/Diovan HCT,* a single-tablet combination with a diuretic, was driven by growing use of multiple therapies.

Gleevec/Glivec (USD 3.1 billion, +14% lc), a therapy for certain forms of chronic myeloid leukemia (CML) and gastrointestinal stromal tumors (GIST), reinforced its leadership in helping patients with these and other often-fatal forms of cancer. New data from the IRIS study in patients with newly diagnosed Philadelphia chromosome-positive CML (Ph+ CML) showed *Gleevec/Glivec* halted disease progression to more advanced stages completely in the sixth year of treatment and that 88% of *Gleevec/Glivec* patients in the trial were still alive. *Gleevec/Glivec* has also benefited from wider use in patients with GIST and in various rare diseases. Competition in the CML market in 2007 had little impact on underlying demand.

Zometa (USD 1.3 billion, 2% lc), an intravenous bisphosphonate therapy for patients with cancer that has spread to the bones, delivered a steady performance amid signs that demand stabilized during 2007 in the US and Europe. Overall growth for this class of medicines has slowed with many patients receiving treatment less frequently and for a shorter course of therapy. However, this trend was balanced by increasing use in patients with lung cancer as well as rapid growth in Japan and markets outside the US and Europe. In December, the US Food and Drug Administration granted *Zometa* an additional six months of marketing exclusivity until 2013 following the completion of pediatric studies.

Sandostatin (USD 1.0 billion, +7% lc), for acromegaly and various neuroendocrine and carcinoid tumors, reached annual net sales of USD 1 billion for the first time thanks to increasing use of the long-acting-release *Sandostatin LAR* version given once a month that accounts for 85% of net sales. The once-daily *Sandostatin* version faces generic competition.

Neoral/Sandimmun (USD 944 million, 2% lc), for organ transplantation, has maintained generally stable worldwide net sales despite ongoing generic competition thanks to its pharmacokinetic profiles and reliability.

Femara (USD 937 million, +25% lc), an oral treatment for women with hormone-sensitive breast cancer, delivered ongoing dynamic growth primarily from expanded use in patients immediately after surgery (early adjuvant) in the US and Europe as well as from the 2006 launch in Japan. *Femara* has outpaced competitors and gained market share in the aromatase inhibitor segment due to its unique benefits.

Lotrel (USD 748 million, 45% lc, only in US) has been negatively affected since May 2007 following the at risk launch of a generic copy by Teva Pharmaceuticals despite a valid US patent until 2017. Sandoz also launched an authorized generic version of this high blood pressure medicine. A trial date has not been set for the ongoing lawsuit against Teva, which risks potentially significant damages if Novartis prevails.

Voltaren (USD 747 million, +3% lc), a therapy for inflammation and pain, showed steady growth, primarily in Latin America and Asia, based on long-term trust in the brand. Patent

protection for *Voltaren* in many key markets around the world has expired.

Trileptal (USD 692 million, 6% lc), a treatment for epilepsy seizures, generated growth until the expected entry of US generic competition in October 2007, which led to a sharp decline in US net sales in the fourth quarter of 2007.

Lescol (USD 665 million, 12% lc), a statin drug used to reduce cholesterol, was primarily impacted by decisions to reduce reference prices in Europe, while the introduction of generic simvastatin and a highly competitive market for this class weighed on US net sales.

Exelon (USD 632 million, +14% lc), for mild to moderate forms of Alzheimer s disease and dementia associated with Parkinson s disease, delivered solid growth. Several launches are underway for ***Exelon Patch*** in the US and Europe following regulatory approvals in 2007. This once-daily skin patch provides a novel treatment approach with a smooth and continuous delivery of *Exelon* to patients. *Exelon Patch* provides equivalent efficacy to the highest doses of capsules, but with three times fewer reports of nausea or vomiting.

Lamisil (USD 595 million, 40% lc), a therapy for fungal nail infections, fell sharply after the entry of US generic competition in July 2007. Basic patent protection for *Lamisil* s active ingredient has now expired worldwide, with generics already available in Europe and Japan.

Lucentis (USD 393 million), for treatment of the eye disease wet age-related macular degeneration (AMD), experienced dynamic growth in Europe and other markets in its first year after EU approval in January 2007. *Lucentis* is the only treatment proven in clinical trials to maintain and improve vision in these patients with this form of AMD, which is the leading cause of blindness in people over age 50. Genentech holds the US rights.

Exjade (USD 357 million, +141% lc) delivered strong growth based on its unique status as the first once-daily oral therapy for iron overload associated with various blood disorders. First launched in the US in November 2005 and in Europe starting in August 2006, *Exjade* is now approved in over 85 countries. In 2007 *Exjade* was submitted in Japan, a year ahead of schedule. About half of patients being given this medicine are new to iron chelation.

Xolair (USD 140 million, +30% lc), a biotechnology drug that offers a new approach for the treatment of moderate to severe allergic asthma, has benefited from rapid acceptance and is now available in 54 countries after EU approval in October 2005. *Xolair* is administered as an injection every two to four weeks and is proven to target a root cause of allergic asthma. Novartis co-promotes *Xolair* with Genentech in the US and shares a portion of operating income. Genentech reported US sales of USD 472 million for *Xolair* in 2007.

Zelnorm/Zelmac (USD 88 million, 84% lc), for irritable bowel syndrome and chronic constipation, was suspended in the US in March 2007, and subsequently in many other countries, to comply with a request from the FDA to review cardiovascular safety data. A treatment access program was started in the US to provide *Zelnorm* to appropriate patients. Novartis continues to believe *Zelnorm/Zelmac* offers important benefits to appropriate patients, and discussions continue with various health authorities.

Prexige (USD 91 million), an oral COX-2 inhibitor for osteoarthritic pain, was withdrawn in the European Union and many other countries in 2007. These actions were taken after the first withdrawal in August in Australia based on post-marketing reports of serious liver side-effects allegedly associated with long-term use of higher doses, including the deaths of two patients. In September, the FDA issued a not approvable letter for the 100 mg once-daily dose, which is the lowest available formulation. Novartis believes *Prexige*, which continues to

be available in some countries, is a valuable therapy option for appropriate patients, particularly those at risk of serious gastrointestinal complications, and will continue discussions with health authorities.

Exforge (USD 103 million), a single-tablet combination of two proven high blood pressure medicines, the angiotensin receptor blocker *Diovan* and the calcium channel blocker amlodipine, delivered the strongest launch performance of any Novartis anti-hypertensive medicine thanks to rapid growth in the US and Europe following approvals in 2007. Clinical data have shown nine of ten patients treated with *Exforge* reached treatment goals, confirming strong efficacy coupled with improved convenience.

Aclasta/Reclast (USD 41 million) was launched in September 2007 in the US as a 15-minute, once-yearly infusion for women with postmenopausal osteoporosis, while initial launches were started in Europe in Germany and the UK after European Union approval in October 2007. *The New England Journal of Medicine* published in September the results of the first-ever clinical study involving more than 2,100 men and women with osteoporosis who had suffered a hip fracture, showing that *Aclasta/Reclast* reduces the risk of further fractures.

Tekturna/Rasilez (USD 40 million), the first new type of high blood pressure medicine in more than a decade, has performed well in a highly competitive US marketplace following its approval and launch in March 2007. Launches are also underway after European approval in August 2007. Known as *Tekturna* in the US and as *Rasilez* in other markets, key drivers have been broad clinical data demonstrating efficacy in lowering blood pressure, its safety profile and rising reimbursement rates in US formulary plans. Initial results of trials related to the ASPIRE HIGHER program showed potential benefits of *Tekturna/Rasilez* in reducing a key biomarker of kidney disease (AVOID) and in reducing the severity of heart failure (ALOFT). *Rasilez HCT,* a single-tablet combination with a diuretic, was submitted for EU approval in late 2007, while US approval of *Tekturna HCT* is expected in early 2008. This medicine was discovered by Novartis and developed in collaboration with Speedel.

Tasigna was launched during the fourth quarter of 2007 in the US and Europe following regulatory approvals as a new therapy for patients with Philadelphia chromosome-positive chronic myeloid leukemia (Ph+ CML) who are resistant or intolerant to treatment with *Gleevec/Glivec* (imatinib). *Tasigna* is now approved in about 40 countries, and was also submitted for approval in Japan in June. *Tasigna* was designed to be a more potent and selective inhibitor of Bcr-Abl, the cause of Ph+ CML, and its mutations than *Gleevec/Glivec*. Separate Phase III studies are underway comparing *Tasigna* and *Gleevec/Glivec* in newly diagnosed CML patients as well as those with sub-optimal responses to previous therapy. A registration study is also underway in patients with gastrointestinal stromal tumors (GIST) who are resistant or intolerant to prior treatment.

Research & Development update

Pharmaceuticals

Galvus (vildagliptin), a new oral treatment for type 2 diabetes, is expected to be first made available in Europe in the first half of 2008. European health authorities announced in November 2007 their support for changes proposed by Novartis to prescribing information that would reduce the recommended daily doses to 50 mg once-daily or 50 mg twice-daily in combination with various other oral anti-diabetes medicines. EU approval was granted in November 2007 for ***Eucreas***, a single-tablet combination of *Galvus* with the oral anti-diabetes medicine metformin. In the US, Novartis is continuing discussions with the FDA on steps needed for approval after having received an approvable letter in February 2007 that included a request for additional clinical trial data. A resubmission for US regulatory approval is not expected before 2010.

FTY720 (fingolimod) is on track for regulatory submissions at the end of 2009 after clinical trial enrollment required for global submissions was completed in 2007. FTY720, an oral therapy, is currently being investigated in the largest worldwide Phase III program to be conducted in relapsing-remitting multiple sclerosis (MS) to further evaluate its efficacy and safety. The program includes FREEDOMS and FREEDOMS II, two-year placebo-controlled trials measuring reductions in relapse rates and disability progression, and the one-year TRANSFORMS trial comparing FTY720 with interferon beta-1a (Avonex®). FTY720 has the potential to be the first in a new class of disease-modifying MS therapies that action on inflammation and could potentially have a direct impact on the Central Nervous System.

QAB149 (indacaterol), a once-daily long-acting beta-agonist with 24-hour bronchodilation and a fast onset of action, completed enrollment in 2007 in a pivotal Phase III monotherapy trial as a treatment for chronic obstructive pulmonary disease (COPD), a condition in which the lungs have been damaged, usually from smoking. QAB149 is also being developed for use in combination with other respiratory medicines and development compounds in patients with COPD. Other combination trials are being done in asthma.

RAD001 (everolimus), a once-daily oral inhibitor of the mTOR pathway that has demonstrated broad clinical activity in multiple tumors, is progressing toward a potential first regulatory submission in 2008. Enrollment has been completed in the registration trial involving metastatic renal cell carcinoma, a form of kidney cancer. Registration trials are also underway in chemotherapy-refractory pancreatic islet cell tumors (pICT) in the first- and second-line setting and for chemotherapy-refractory carcinoid (slow growing) tumors. RAD001 acts by directly inhibiting tumor cell growth and metabolism as well as the formation of new blood vessels (angiogenesis).

SOM230 (pasireotide), a next-generation somatostatin analogue therapy, has completed Phase II studies for acromegaly, carcinoid tumors and Cushing s disease. A Phase III registration study is enrolling patients with Cushing s disease, a rare disorder characterized by excessive excretion of the hormone cortisol from a pituitary adenoma (tumor) and a condition for which there is no approved medical therapy. Additional registration studies for acromegaly and refractory carcinoid patients are set to begin in the first quarter of 2008.

Vaccines and Diagnostics

Menveo (MenACWY-CRM), in development as a vaccine against four common types of meningococcal meningitis, showed in a Phase II trial that it may protect infants as young as two months old. *Menveo* was well tolerated and showed high immunogenicity against four types A, C, W135 and Y. Infants and adolescents have the highest rate of this disease, with the highest attack rates in infants from age three to 12 months. This rare, but potentially

fatal, bacterial disease causes an infection of membranes around the brain and spinal cord. Existing vaccines have not worked in very young children.

Disclaimer

These materials contain certain forward-looking statements relating to the Group s business, which can be identified by the use of forward-looking terminology such as proposed, expects, outlook , to show, set, strategy , expected , designed to, confident, will future trends, potential , targeted, proposal, believes, pipelines , approvable, may, or similar expressions, or by express or implied dis 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 by discussions of strategy, plans, expectations or intentions. 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. In particular, management s expectations could be affected by, among other things, 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, including the uncertainties involved in the US litigation process; competition in general; government, industry, and general public pricing and other political pressures; 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.

About Novartis

Novartis AG provides healthcare solutions that address the evolving needs of patients and societies. Focused solely on growth areas in healthcare, Novartis offers a diversified portfolio to best meet these needs: innovative medicines, cost-saving generic pharmaceuticals, preventive vaccines and diagnostic tools, and consumer health products. Novartis is the only company with leading positions in these areas. In 2007, the Group s continuing operations (excluding divestments in 2007) achieved net sales of USD 38.1 billion and net income of USD 6.5 billion. Approximately USD 6.4 billion was invested in R&D activities throughout the Group. Headquartered in Basel, Switzerland, Novartis Group companies employ approximately 98,200 full-time associates and operate in over 140 countries around the world. For more information, please visit http://www.novartis.com.

Important dates

February 26, 2008	Annual General Meeting
April 21, 2008	First quarter 2008 results
July 17, 2008	Second quarter and first half 2008 results
October 20, 2008	Third quarter and first nine months 2008 results

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statements (audited)

Full year

	2007 USD m	2006 USD m	Change USD m	Change %
Net sales from continuing operations	**38 072**	**34 393**	**3 679**	**11**
Other revenues	875	712	163	23
Cost of Goods Sold	-11 032	-9 411	-1 621	17
Of which amortization and impairments of product and patent rights and trademarks	*-1 329*	*-763*	*-566*	*74*
Gross profit	**27 915**	**25 694**	**2 221**	**9**
Marketing & Sales	-11 126	-10 092	-1 034	10
Research & Development	-6 430	-5 321	-1 109	21
General & Administration	-2 133	-1 882	-251	13
Other Income & Expense[1]	-1 445	-757	-688	91
Operating income from continuing operations	**6 781**	**7 642**	**-861**	**-11**
Income from associated companies	412	264	148	56
Financial income	531	354	177	50
Interest expense	-237	-266	29	-11
Income before taxes from continuing operations	**7 487**	**7 994**	**-507**	**-6**
Taxes	-947	-1 169	222	-19
Net income from continuing operations	**6 540**	**6 825**	**-285**	**-4**
Net income from discontinued Consumer Health operations	5 428	377	5 051	
Total net income	**11 968**	**7 202**	**4 766**	**66**
Attributable to:				
Equity holders of Novartis AG	*11 946*	*7 175*	*4 771*	*66*
Minority interests	*22*	*27*	*-5*	*-19*
Average number of shares outstanding Basic (million)	**2 317.5**	**2 345.2**	**-27.7**	**-1**
Basic earnings per share (USD)[2]				
Total	**5.15**	**3.06**	**2.09**	**68**
Continuing operations	**2.81**	**2.90**	**-0.09**	**-3**
Discontinued operations	**2.34**	**0.16**	**2.18**	
Average number of shares outstanding Diluted (million)	2 328.9	2 360.5	-31.6	-1
Diluted earnings per share (USD)[2]				
Total	5.13	3.04	2.09	69
Continuing operations	2.80	2.88	-0.08	-3
Discontinued operations	2.33	0.16	2.17	

(1) Includes Corporate environmental provision increase of USD 590 million taken in the third quarter of 2007 and a restructuring charge of USD 444 million taken in the fourth quarter of 2007 for the Forward initiative

(2) Earnings per share (EPS) is calculated on the amount of net income attributable to the equity holders of Novartis AG

Consolidated income statements (unaudited)

Fourth quarter

	Q4 2007 USD m	Q4 2006 USD m	Change USD m	Change %
Net sales from continuing operations	**9 931**	**9 398**	**533**	**6**
Other revenues	240	256	-16	-6
Cost of Goods Sold	-3 013	-2 677	-336	13
Of which amortization and impairments of product and patent rights and trademarks	*-250*	*-223*	*-27*	*12*
Gross profit	**7 158**	**6 977**	**181**	**3**
Marketing & Sales	-3 045	-2 904	-141	5
Research & Development	-1 847	-1 540	-307	20
General & Administration	-634	-593	-41	7
Other Income & Expense[1]	-735	-215	-520	242
Operating income from continuing operations	**897**	**1 725**	**-828**	**-48**
Income from associated companies	104	71	33	46
Financial income	245	95	150	158
Interest expense	-61	-57	-4	7
Income before taxes from continuing operations	**1 185**	**1 834**	**-649**	**-35**
Taxes	-254	-238	-16	7
Net income from continuing operations	**931**	**1 596**	**-665**	**-42**
Net income from discontinued Consumer Health operations	-18	67	-85	-127
Total net income	**913**	**1 663**	**-750**	**-45**
Attributable to:				
Equity holders of Novartis AG	*904*	*1 654*	*-750*	*-45*
Minority interests	*9*	*9*		
Average number of shares outstanding Basic (million)	**2 278.0**	**2 348.8**	**-70.8**	**-3**
Basic earnings per share (USD)[2]				
Total	**0.40**	**0.70**	**-0.30**	**-43**
Continuing operations	**0.41**	**0.67**	**-0.26**	**-39**
Discontinued operations	**-0.01**	**0.03**	**-0.04**	**-133**
Average number of shares outstanding Diluted (million)	2 287.2	2 367.5	-80.3	-3
Diluted earnings per share (USD)[2]				
Total	0.39	0.70	-0.31	-44
Continuing operations	0.40	0.67	-0.27	-40
Discontinued operations	-0.01	0.03	-0.04	-133

(1) Includes a restructuring charge of USD 444 million taken in the fourth quarter of 2007 for the Forward initiative

(2) Earnings per share (EPS) is calculated on the amount of net income attributable to the equity holders of Novartis AG

Consolidated statement of recognized income and expense (audited)

Full year

	2007 USD m	2006 USD m	Change USD m
Net income from continuing operations	6 540	6 825	-285
Fair value adjustments on financial instruments	1	108	-107
Actuarial gains from defined benefit plans, net	450	116	334
Novartis share of equity recognized by associated companies	150	-76	226
Revaluation of initial minority interests in Chiron	55	592	-537
Translation effects	2 188	1 495	693
Amounts related to discontinued operations	5 446	384	5 062
Recognized income and expense	**14 830**	**9 444**	**5 386**

Consolidated statement of recognized income and expense (unaudited)

Fourth quarter

	Q4 2007 USD m	Q4 2006 USD m	Change USD m
Net income from continuing operations	931	1 596	-665
Fair value adjustments on financial instruments	-10	104	-114
Actuarial gains from defined benefit plans, net	-591	266	-857
Novartis share of equity recognized by associated companies	37	-9	46
Revaluation of initial minority interests in Chiron		-17	17
Translation effects	776	625	151
Amounts related to discontinued operations	-18	55	-73
Recognized income and expense	**1 125**	**2 620**	**-1 495**

Condensed consolidated balance sheets (audited)

	Dec 31, 2007 USD m	Dec 31, 2006 USD m	Change USD m
Assets			
Non-current assets			
Property, plant & equipment	12 633	10 945	1 688
Intangible assets	21 249	21 230	19
Financial and other non-current assets	14 140	14 429	-289
Total non-current assets	**48 022**	**46 604**	**1 418**
Current assets			
Inventories	5 455	4 498	