

**An exciting combination in a high growth,
high margin Nutrition category**



This presentation contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.

"We want to grow from the respected and trustworthy food company that we are known as now, into a respected and trustworthy food, nutrition and wellness company"

*Peter Brabeck-Letmathe
October 2001*

Drive the Nutrition, Health & Wellness orientation across the Company

Corporate Wellness Unit



Strengthen our leadership position in the core nutrition business

Nestlé Nutrition Company





Infant Nutrition



HealthCare Nutrition



Performance Nutrition

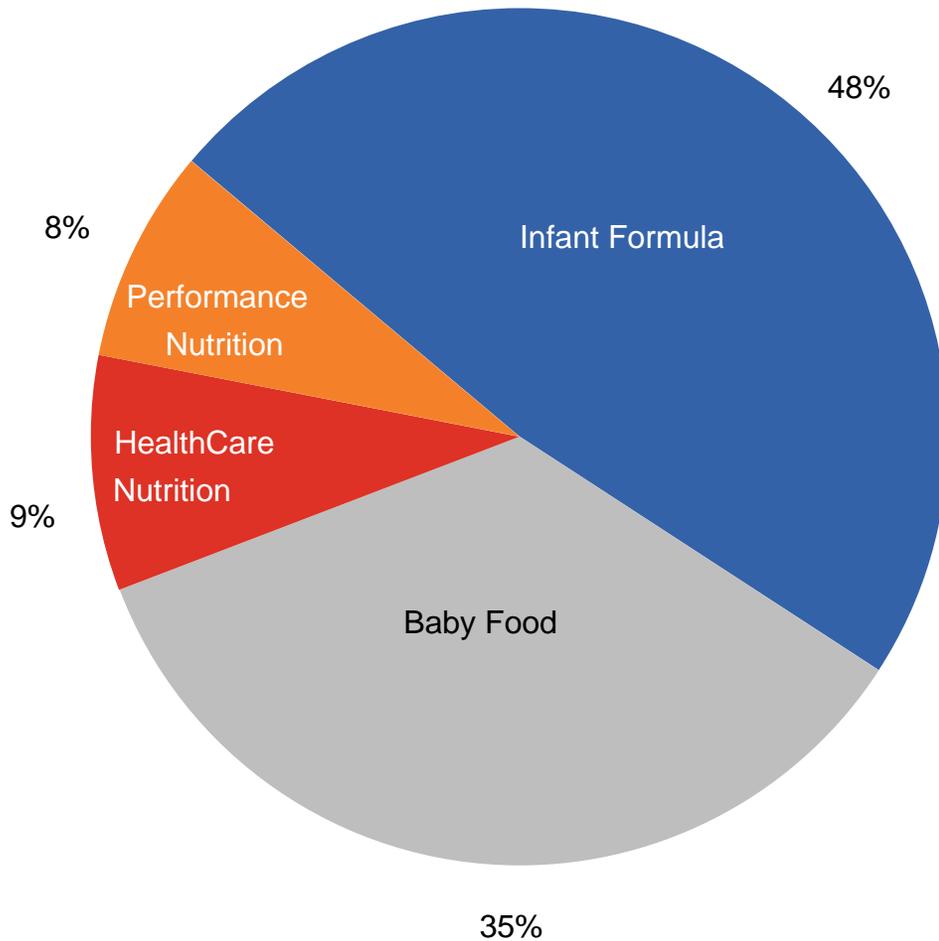


Weight Management



	<u>2005</u>	<u>Objectives</u>
Sales	CHF 5.2 Bio (\$4.2 Bio)	
Organic Growth	5.5% CAGR 2000 to 2005	10%
EBIT margin	17.6%	20%

Sales by categories



Acquired 2006



MAKE 2006 YOUR YEAR WITH JENNY CRAIG!

Kirstie's lost over 50 lbs.*
What are you waiting for?

Have you called
Jenny yet?

1.800.Jenny20
jennycraig.com

Jenny Craig

*Results not typical

- In developing our specialized Healthcare Nutrition portfolio, our aim is to help people with nutritional deficiencies or disease states to improve their overall health and well-being
- Offering medically recognised solutions
 - to consumers, caregivers and healthcare professionals
 - for specific health-related nutritional needs
 - elderly people who experience a loss of appetite,
 - patients under acute care or afflicted with a chronic disease, or
 - people suffering from diabetes or other metabolic disorders
- Supported by clinical studies



WHAT

- Complete nutritional solutions for people with specific illnesses, disease states, or the special challenges of different life phases
- \$10 bio total category size

HOW

- Enteral (ECN) – Medical nutrition delivered orally or by tube feeding for digestion and absorption via intestinal tract
- Parenteral (TPN) – Medical nutrition delivered intravenously

WHERE

- Healthcare institutions - Hospitals, Nursing Homes and Homecare Providers
- Retail – Pharmacies and Groceries

SIZE

- Approximately \$10 Bio global category, including ECN and TPN

GROWTH

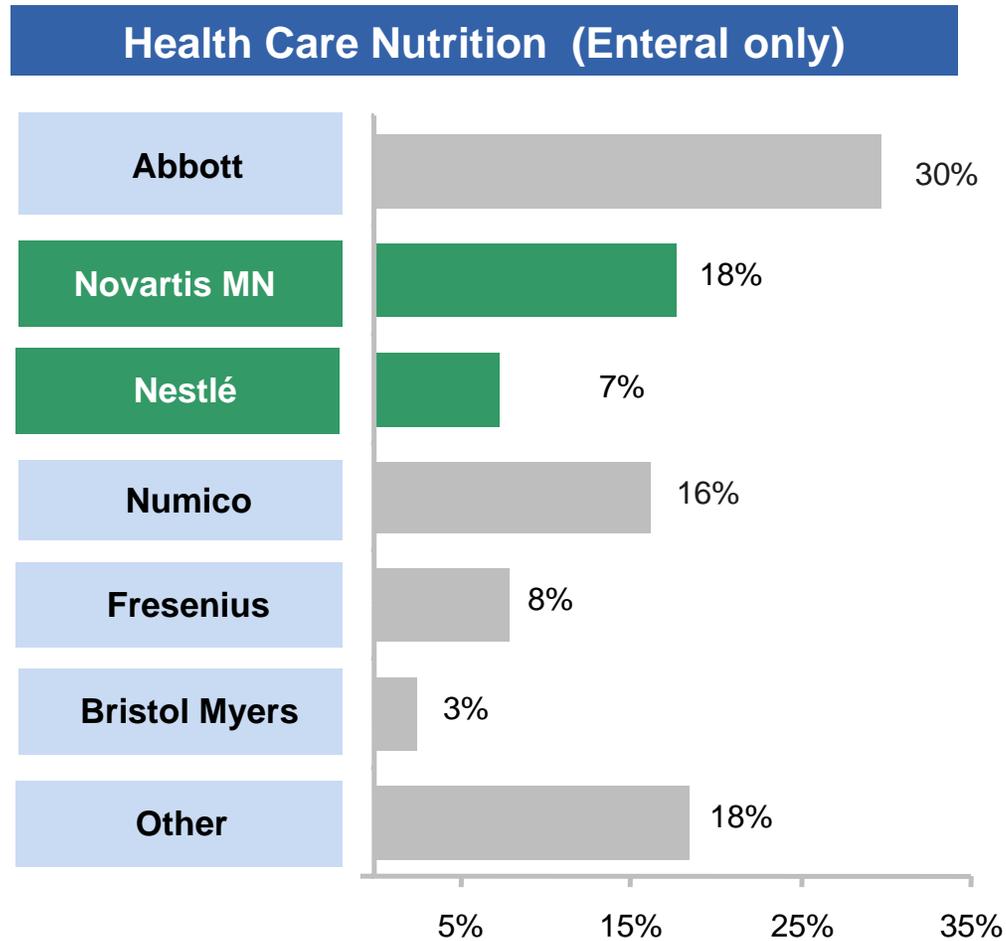
- Global ECN growth projected at 7%, driven by:
 - Aging populations and longer life spans
 - Recognition of the positive and cost effective role of nutrition in patient's care in an environment of escalating healthcare costs
 - Wider screening and diagnosis of illnesses
 - Lifestyle changes increasing risk of disease (obesity, diabetes, etc.)
 - Growth of oral nutrition for outpatients (home care or retail)
 - Growing use in Emerging Markets
 - Shift towards ECN on grounds of cost, safety and effectiveness

MARGIN POTENTIAL

- Category margins in line with Nestlé Nutrition's objective of 20%

- **Strong R&D**
 - Continuous pipeline of scientifically developed products that target specific conditions
 - Clinical trial management
 - Regulatory capabilities
- **Specialised HealthCare Marketing Capabilities**
 - Healthcare economic data
 - Superior consumer / patient understanding; customer intimacy
 - Branded differentiated benefits
 - Medical detailing teams to reach key decision makers
- **Multi-Channel Distribution Competency**
 - Retail – Traditional category management targeting Pharmacies and Groceries
 - Institutions – Access to decision makers in Hospitals, Nursing Homes and Homecare organizations

Scale is the key driver of these success factors



Source: Nestlé

Overview

- Nestlé HCN launched in 1998
- Still in investment phase
- Margins below Nutrition Division average
- To benefit from stand alone management within global Nestlé Nutrition structure

Strengths

- Highly differentiated products especially in critical care and gastrointestinal disorders
- Strong R&D capabilities combining nutrition science and food competencies
- Deep consumer understanding
- Successful homecare channel business (US, France)
- Nestlé's Nutrition heritage

Financial Performance

	<u>2005</u>
Sales	\$415 Mio
Organic 3 yr CAGR	8%

Weaknesses

- Lack of scale / presence in key regions (US retail, Germany, UK)
- Recent entrant in many markets (Spain, Brazil, Asia)
- No presence in Japan (2nd largest market in the world)
- Relative lack of Healthcare economic data

Overview

- Part of Novartis' Consumer Health Division with sales of USD 951 million
- Longstanding player, since 1972, built organically and through acquisitions
- Broad portfolio of recognized brands
 - Complete range of nutritional products (general to disease specific)
- Strong R&D capabilities
 - Pharma heritage and know how
 - Research, pipeline and health economics
- Global footprint
 - Presence in over 40 countries
 - Balanced exposure to U.S. and Europe
 - Presence in Japan
 - Developing markets footprint

Key Brands



Boost



ReSource



Optifast



NovaSource



IsoSource



Vivonex



Peptinex



Impact



Compleat

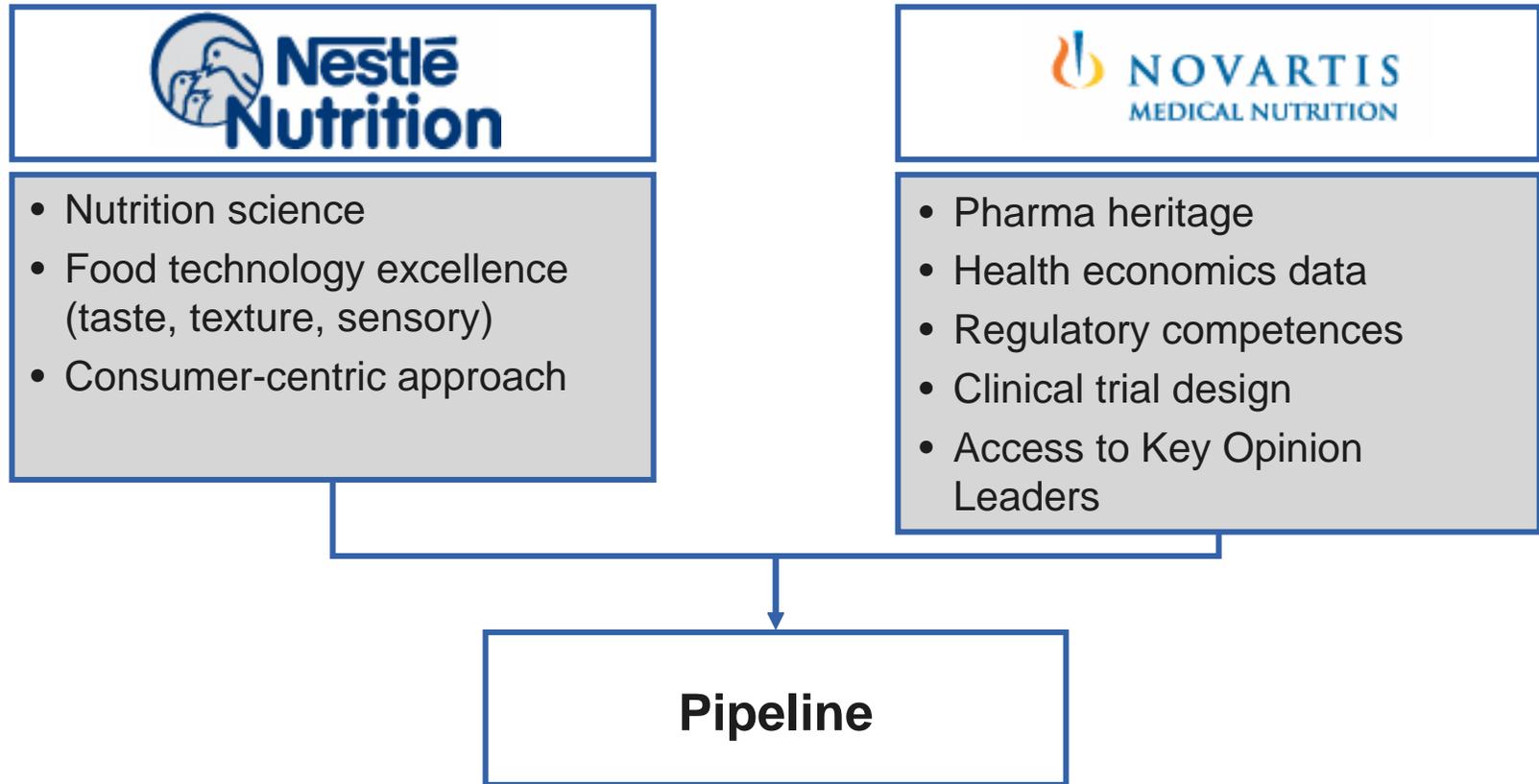
1. Creates #2 global player in Healthcare Nutrition
 - Strengthens our position in the U.S. and Europe
 - Creates a stronger foothold in Rest of World
 - Larger organization, broader product range, faster speed to market
 - Strong and experienced management team

2. Increased R&D capability
 - Complementary core competencies
 - Nestlé nutrition science and food technology
 - Novartis Pharma heritage
 - Increased access to Key Opinion Leaders (KOLs) and medical organisations

3. Broader product portfolio of strong brands supported by clinical data
 - Full range of general and disease-specific products
 - Diabetes
 - Oncology
 - Critical care / Gastro-intestinal
 - Geriatric care

4. Increased presence in attractive retail channels
 - U.S. retail with Boost brand
 - Europe and Rest of World – Retail pharmacies

Significant step up in scale delivering benefits across R&D, product portfolio, commercial organization and access to distribution channels



Complementary competencies will result in better innovations, brought to market faster, globally

Profitability Opportunities

- Manufacturing and Supply Chain
- Marketing and Sales
- General and Administrative
- Leverage Nestlé-in-the-market core capabilities / shared services

Impact

Year three cost savings are likely to be 5% of MN sales

Growth Opportunities

- Implement Disease-Specific approach in all markets
- Retail opportunity with Nestlé consumer approach
- Expand and deepen geographic presence
- Strengthened R&D pipeline with broader geographic reach
- Homecare – expand homecare model to new geographies

Impact

Acceleration over next 3 - 5 years

▶ Purchase Price \$2.5 bn

▶ Key Valuation Metrics

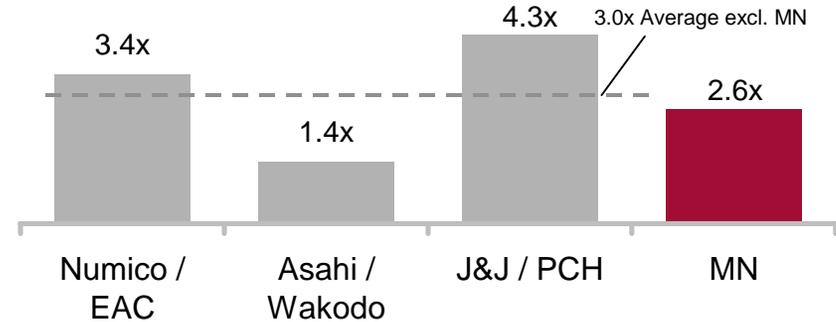
2006E

Sales Multiple 2.6x

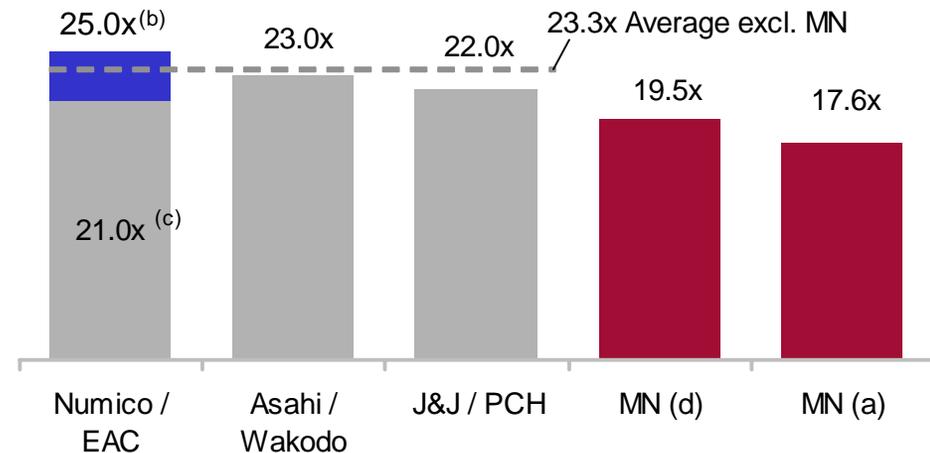
EBITDA Multiple 17.6x^(a)

RECENT NUTRITION & CONSUMER TRANSACTIONS

REVENUE MULTIPLES



EBITDA MULTIPLES



Sources: company information (for Numico / EAC sales multiple, and Asahi / Wakodo sales multiple - LTM basis), broker notes (Carnegie and company information for Numico / EAC EBITDA multiples, Morgan Stanley for Asahi / Wakodo EBITDA multiple, Prudential for J&J / PCH sales and EBITDA multiples)

- (a) Run-rate based on full realization of restructuring / cost savings initiatives undertaken and achieved by Novartis during the course of 2006
- (b) Based on an estimated non adjusted basis
- (c) Based on an adjusted basis (disposals of loss making businesses in Asia)
- (d) Actual, based on December estimates.

- To be category No.1 or strong No.2
- Generate value for shareholders
- Focused approach on value-added growth categories
- Strong brands in leadership positions
- RIG, cash flow and earnings enhancing
- High degree of certainty of successful integration
- Maintain strong credit ratings and financial flexibility



Novartis MN acquisition meets these criteria

A winning combination – Number 2 globally in an attractive category

Good strategic fit and complementarity of businesses

Well positioned to deliver a performance in line with category characteristics and contribute significantly to Nestlé Nutrition targets

A compelling strategic and financial rationale for a major addition to the Group's Nutrition, Health and Wellness strategy

An exciting combination in a high growth, high margin Nutrition category

