NOVARTIS AG
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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 27, 2011

(Commission File No. 1-15024)

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:

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Yes: o **No**: **x**

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FINANCIAL REPORT • RAPPORT FINANCIER • FINANZBERICHT

Innovation drives Novartis to double-digit growth for 2010

- Novartis achieved strong financial results in 2010

  - Net sales up 14% (+14% in constant currencies, or cc) to USD 50.6 billion

  - Operating income up 15% (+17% cc); core operating income up 22% (+24% cc); core operating income margin up by 1.9 percentage points to 27.7% of net sales

  - EPS up 16% to USD 4.28; core EPS up 14% to USD 5.15

  - Free cash flow before dividends up 31% to USD 12.3 billion

  - 14th consecutive dividend increase; CHF 2.20 per share proposed for 2010

- Solid sales growth in fourth quarter, operating income impacted by one-offs and A(H1N1) pandemic flu vaccine sales in the prior year

  - Net sales up 10% (+11% cc) to USD 14.2 billion

  - Operating income declined 6% (-3% cc) to USD 2.5 billion; core operating income decreased 1% (+2% cc) to USD 3.2 billion

  - EPS down 6% (-2% cc) to USD 0.95

- Pipeline and recently launched products deliver sustained growth momentum

  - Continued rejuvenation of Group's portfolio with recently launched products contributing 21% of net sales (USD 10.4 billion) in 2010

  - Industry leading pharmaceutical pipeline with 16 major submissions in 2010 in the US, EU and Japan, including, in the fourth quarter, ACZ885 in gouty arthritis (EU), Lucentis in retinal vein occlusion (EU), SOM230 in Cushing’s disease (EU), and Afinitor in advanced neuroendocrine tumors (EU, US); in addition, we filed our meningococcal B vaccine Bexsero (EU)

  - 13 major approvals gained in Pharmaceuticals in 2010 in the US, EU and Japan, including fourth quarter approvals for Tasigna in first-line chronic myeloid leukemia (EU, Switzerland, Japan), for Lucentis in diabetic macular edema

(EU), and for Afinitor in subependymal giant cell astrocytomas associated with tuberous sclerosis (US)

Key figures

	FY 2010 USD m	FY 2009 USD m	% change USD	% change cc	Q4 2010 USD m	Q4 2009 USD m	% change USD	% change cc
Net sales	50 624	44 267	14	14	14 199	12 926	10	11
Operating income	11 526	9 982	15	17	2 467	2 637	-6	-3
Net income	9 969	8 454	18	20	2 265	2 323	-2	2
EPS (USD)	4.28	3.70	16	17	0.95	1.01	-6	-2
Free cash flow (before dividends)	12 346	9 446	31		4 180	3 349	25	
Core1								
Operating income	14 006	11 437	22	24	3 166	3 204	-1	2
Net income	12 029	10 267	17	18	2 803	2 892	-3	0
EPS (USD)	5.15	4.50	14	15	1.14	1.26	-10	-6

1 See page 52 for further information and definition of core results

Basel, January 27, 2011 — Commenting on the results, Joseph Jimenez, CEO of Novartis, said:
“Novartis achieved excellent results in 2010 as all divisions contributed to above-market growth. I am proud that Novartis continues to lead the industry in innovation, with 13 key product approvals and 16 major filings in Pharmaceuticals in 2010, including our breakthrough multiple sclerosis therapy, Gilenya, which has been launched in the US. We also filed Bexsero, our meningococcal B vaccine, in the EU. In addition, our agreed 100% merger with Alcon, which should complete in the first half of 2011 following shareholder approval, will give us an important new growth pillar and the opportunity to meet some of the most urgent eye care needs of the global aging population."

GROUP REVIEW

Full year
Net sales rose 14% (+14% cc) to USD 50.6 billion driven by strong growth in all businesses, including USD 2.4 billion from the consolidation of Alcon, Inc. (Alcon). Recently launched products provided USD 10.4 billion of net sales in the 2010 period, representing 21% of net sales compared to 16% in the 2009 period (excluding Alcon). Pharmaceuticals sales expanded 7% (+6% cc) to USD 30.6 billion driven by 8 percentage points of volume expansion. Recently launched products contributed 21% of Pharmaceuticals sales, up from 16% in 2009. Sandoz achieved double-digit sales growth in 2010 (USD 8.5 billion, +14%, +15% cc) supported by strong growth in US retail generics, biosimilars (+46% cc) and emerging markets such as Middle East, Turkey and Africa (+22% cc). Vaccines and Diagnostics grew to USD 2.9 billion (+25% cc), including USD 1.3 billion of A(H1N1) pandemic flu vaccines. Excluding A(H1N1) pandemic flu vaccines, the business grew 16%. Consumer Health grew 7% (+6% cc) to USD 6.2 billion, with all three business units delivering solid growth in their respective markets.

Operating income rose 15% (+17% cc) to USD 11.5 billion on the volume-driven sales expansion. Unfavorable currency movements negatively impacted operating income by two percentage points. Operating income margin improved 0.3 percentage points to 22.8% of net sales. One-off items arising in the year totaled a net USD 1.3 billion, comprising: impairments (USD 1.0 billion), legal settlements (USD 240 million), restructuring costs (USD 198 million), and Alcon-related costs (USD 596 million), partially offset by divestment and pension curtailment gains (USD 690 million).

Core operating income rose 22% (+24% cc) to USD 14 billion; the core operating income margin rose 1.9 percentage points to 27.7% of net sales. Included in the core operating margin improvement of 1.9 percentage points were a benefit from Alcon of 0.4 percentage points and higher A(H1N1) pandemic flu vaccine sales of 0.5 percentage points, resulting in the increase in the underlying margin of 1.0 percentage points.

Net income advanced 18% (+20% cc) to USD 10.0 billion ahead of operating income growth due to higher income from associated companies (+173% cc), offset by higher financial expenses from the Alcon financing. Earnings per share (EPS) rose 16% (+17% cc) to USD 4.28 from USD 3.70 in the 2009 period. Core net income grew 17% (+18% cc) to USD 12.0 billion, while core EPS was up 14% (+15% cc) to USD 5.15 from USD 4.50 in the year-ago period.

The Board proposes a dividend payment of CHF 2.20 per share for 2010, up 5% from CHF 2.10 per share in 2009, representing the 14th consecutive dividend increase since the creation of Novartis in December 1996. Shareholders will vote on this and other proposals at the 2010 Annual General Meeting scheduled for February 22, 2011.

Fourth quarter
Net sales rose 10% (+11% cc) to USD 14.2 billion. Alcon sales were USD 1.8 billion for the quarter. Unfavorable currency movements depressed the result by 1 percentage point (excluding Alcon). Recently launched products provided USD 2.5 billion of net sales in the 2010 period, which represent 20% of total sales (excluding Alcon).

Pharmaceuticals sales grew 3% (+4% cc) to USD 8.0 billion driven by 7 percentage points of volume expansion, offset by 3 percentage points of price erosion. Recently launched products contributed 23% of Pharmaceuticals sales, up from 18% in 2009. Sandoz maintained its strong growth (USD 2.4 billion, +10%, +14% cc) versus prior year, with 21 percentage points of volume expansion from new product launches, including gemcitabine (generic Gemzar®) and enoxaparin (generic Lovenox®). Vaccines and Diagnostics declined 74% (-73% cc) versus previous year to

USD 361 million as a result of USD 1.0 billion of A(H1N1) pandemic flu vaccine sales in the fourth quarter of 2009 that were not repeated in the 2010 quarter and shipment delays resulting from production issues at one of our vaccines plants. Consumer Health growth (USD 1.6 billion, 0%, +1% cc) was suppressed by a high year-ago base due to the Prevacid24HR launch and initial stocking in the OTC business unit. Excluding the launch impact of Prevacid24HR in 2009, Consumer Health growth in the fourth quarter of 2010 was 5% (+6% cc).

Operating income decreased 6% (-3% cc). Currency had a negative impact of 3 percentage points. Alcon contributed operating income of USD 222 million. One-off items in the quarter included charges totaling USD 789 million, partially offset by a gain of USD 392 million from the divestment of Enablex. These charges include Pharmaceuticals USD 253 million (mainly ASA404 impairment USD 120 million and US restructuring costs USD 85 million), Sandoz USD 49 million (German restructuring), Vaccines and Diagnostics USD 75 million (manufacturing restructuring USD 52 million and financial asset impairment USD 23 million), Alcon USD 383 million (fair value revaluation of inventory USD 372 million, costs resulting from the change in majority ownership USD 11 million) and Corporate charges of USD 24 million.

Excluding these one-time items and acquisition-related items, core operating income increased 2% in constant currencies to USD 3.2 billion. Core operating income margin decreased 2.5 percentage points to 22.3% of net sales. Included in the core operating margin decline of 2.5 percentage points was a benefit of 1.8 percentage points from Alcon while the absence of A(H1N1) pandemic flu vaccine sales in 2010 decreased the margin by 4.4 percentage points. Underlying margin excluding these two items was broadly flat.

Net income declined 2% to USD 2.3 billion. The decline was lower than operating income primarily as a result of a low tax charge stemming from the consolidation of Alcon and a true-up of the underlying Novartis tax rate to 16.3%, offset by higher Alcon-related financing costs and a decrease in income from associated companies (no Alcon equity accounting and inclusion of USD 89 million of Roche restructuring costs). Core net income was flat in constant currencies compared to 2009 at USD 2.8 billion.

Earnings per share (EPS) declined 6% (-2% cc) to USD 0.95 from USD 1.01 in the 2009 period, while core EPS was down 10% (-6% cc) in the fourth quarter to USD 1.14 from USD 1.26 in the year-ago period.

Delivering innovation, growth and productivity

The long-term Novartis growth strategy is based on our focused, diversified portfolio. Following the expected completion of the merger with Alcon, the portfolio would be comprised of five divisions: Pharmaceuticals, Sandoz, Vaccines and Diagnostics, Consumer Health, and Alcon (eye care). The breadth of our portfolio focused on healthcare allows us to capture the most promising opportunities of the healthcare marketplace while at the same time mitigating the impact of challenges in particular sectors.

Our ability to execute this strategy – delivering world-class healthcare solutions on a global scale, across all of our divisions – comes from a commitment to three core priorities: (1) extending our lead in innovation through the research and development of new offerings and the expansion of applications for current offerings; (2) accelerating growth across all divisions with new launches and a greater presence in emerging markets; and (3) enhancing productivity through efficiency initiatives that free up resources for our R&D investment. By focusing on these priorities, we are able to sustain above-market growth, deliver value for investors, and improve healthcare outcomes for patients through new innovative solutions.

Extending our lead in innovation resulting in 13 approvals and 16 submissions in Pharmaceuticals

2010 was a landmark year for Novartis innovation, which resulted in 13 major approvals and 16 submissions in our Pharmaceuticals Division in the US, EU and Japan for the year, maintaining our productivity at the top end of the industry. Our pipeline remains strong: we currently have 147 projects in our Pharmaceuticals development pipeline;

our early pipeline in Vaccines is progressing rapidly; and the Sandoz development organization is committed to investing in biosimilars and respiratory opportunities. Our unrivalled record in innovation allows us to maintain a high level of investment in R&D, enabling Novartis to make continuous progress in addressing areas of unmet patient need.

Novartis achieved important breakthroughs in 2010 in our continuing efforts to address unmet patient need. Among the most prominent of these accomplishments was the launch of Gilenya in the US, a first-line oral therapy for relapsing multiple sclerosis that has shown superior efficacy over standard of care, and Menveo, a new vaccine offering protection against four major serogroups of meningococcal disease, which infect more than a half million people each year. Sandoz demonstrated our ability to leverage innovation in order to create complex, cost-effective alternatives to branded drugs with the launch of enoxaparin and the significant progress in our biosimilar and respiratory portfolio.

In the fourth quarter, several of our products were approved for critical new uses: Afinitor was approved in the US for patients with subependymal giant cell astrocytoma, a benign brain tumor associated with tuberous sclerosis; Tasigna gained approval in Europe, Japan and Switzerland as a first-line treatment for patients with newly diagnosed chronic myeloid leukemia (CML); and on January 6, 2011, Lucentis was approved in the EU for treatment of patients with diabetic macular edema, a major cause of blindness in the working-age population in most developed countries.

In the fourth quarter, a number of compounds in our pipeline took another step toward potential launch. Our 4CMenB vaccine candidate Bexsero was submitted for approval in the EU based on Phase III data from more than 7,500 subjects, which support the use of Bexsero in infants two months of age and older, as well as adolescents and adults. In Pharmaceuticals, the human monoclonal antibody ACZ885 was submitted in the EU for the treatment of gouty arthritis; Lucentis was submitted in the EU for the treatment of visual impairment due to retinal vein occlusion, in which the blood flow from the retina is interrupted; SOM230 was submitted in the EU for the treatment of Cushing's disease, a debilitating hormonal disorder for which there are currently no approved medicines; and Afinitor was submitted in the EU and the US for use in advanced neuroendocrine tumors, for which there are also currently no approved treatments.

Many of our medicines showed promise for expanded uses in addressing patient need. During the fourth quarter, a Phase II study of Afinitor suggested its application in the treatment of advanced breast cancer. An update of a longer-term Phase III study of Tasigna continued to show its superiority over Gleevec/Glivec, the long-time standard, in treating patients newly diagnosed with CML.

Phase III data of our oral Janus kinase (JAK) inhibitor INC424 showed significant clinical benefit in patients with myelofibrosis, an uncommon and debilitating blood cancer. Phase II data related to our oral investigational drug LBH589 suggested anticancer activity in some Hodgkin’s lymphoma patients. Interim results of the AZURE trial for use of Zometa in treating women with early breast cancer did not meet its primary endpoint, so we withdrew our applications.

A Phase III study of our influenza vaccine, Fluad, suggests efficacy in preventing influenza in young children. Based on successful clinical trial data supporting the immunogenicity and tolerability profile of Menveo in infants starting at two months of age, a supplemental Biologics License Application was submitted to the FDA for the use of Menveo in this age group.

Accelerating growth with recently launched products as key driver
Our strategy of rejuvenating our portfolio with new medicines continued to progress. Throughout 2010, recently launched products were a key driver of overall growth and an important factor in our ability to offset future patent expiries. In 2010, recently launched products accounted for USD 10.4 billion, or 21% of net sales; in the fourth quarter, they accounted for USD 2.5 billion, or 20% of net sales.

In 2010, Pharmaceuticals grew 7% (+6% cc) to USD 30.6 billion. Our strong momentum in innovation underpinned this growth with recently launched Pharmaceuticals products contributing USD 6.6 billion of net sales for the year, representing 21% of net sales compared to 16% in 2009. Europe, our largest region, had a strong year, growing 7% in

constant currencies in spite of various government price cuts, harnessing recently launched products to drive 28% of net sales.

Sandoz delivered solid growth of 14% (+15% cc) in 2010, underpinned by strong results in US retail generics and biosimilars (+46% cc), which benefitted from the successful execution of first-to-market launches including enoxaparin, tacrolimus and losartan. Sandoz continues to lead in biosimilars with total 2010 sales of USD 185 million (+63% cc), based on key launches in the oncology indications of Binocrit (epoetin alfa) and Zarzio (filgrastim), as well as continued growth in Omnitrope (human growth hormone).

We were also successful in 2010 in the expansion of our presence in emerging markets. In 2010, sales (excluding Alcon) in our top six emerging markets, which include China, Russia, Brazil, India, South Korea and Turkey, were USD 4.6 billion growing 12% over the previous year. In the fourth quarter, sales were USD 1.2 billion, an increase of 1% over the year-ago period with A(H1N1) pandemic flu vaccine sales. We are committed to further expanding in these growing markets in order to meet patient and customer needs specific to these regions. In Russia, we demonstrated our commitment to becoming the government's leading healthcare partner, confirming our intent to build a new full-scale pharmaceutical manufacturing plant in St. Petersburg. This investment is part of an overall USD 500 million commitment in local infrastructure and collaborative healthcare initiatives planned over a five-year period.

Driving productivity with programs across all businesses

Productivity is an essential component of performance and remains a consistent focus. All parts of the business have extensive productivity programs to generate operating leverage. This provides the foundation for improved profitability while enabling investment for the future.

In the fourth quarter, we undertook a number of important measures to improve future productivity, incurring restructuring and impairment charges of USD 388 million. We realigned our US Pharmaceuticals field force, allowing us to become more adaptive to customer needs and focus on promising opportunities for growth in Specialty Care and other areas. We discontinued the ASA404 clinical trial program, allowing us to devote more resources to other cancer compounds in our pipeline, resulting in an impairment charge of USD 120 million. We also announced a restructuring of our Sandoz organization in Germany to adapt to the negative trend in the German generics market. Finally, in Vaccines and Diagnostics, we began an implementation of a rationalization of our manufacturing facilities.

For the year 2010, core operating income margin increased 1.9 percentage points to 27.7%. The increase in sales of A(H1N1) pandemic flu vaccine over 2009 contributed 0.5 percentage points and Alcon 0.4 percentage points since it was consolidated from August 25, 2010. Of the balance of the margin increase of 1.0 percentage points, Marketing & Sales contributed 0.7 percentage points, R&D, General & Administration and Other Income and Expense a total of 0.7 percentage points, offset by a reduction in the gross margin of 0.4 percentage points. The underlying margin improvement was generated through continuing productivity initiatives that affect all four of the divisions – in aggregate, productivity initiatives generated the equivalent of approximately 4 percentage points of margin improvement, enabling us to absorb most of the impact of price reductions on gross margin and to make investments to support recently launched products and future growth opportunities.

For the fourth quarter, core operating income margin decreased by 2.5 percentage points to 22.3%. Excluding the impact of Alcon (+1.8 percentage points) and sales of A(H1N1) pandemic flu vaccines in 2009 (-4.4 percentage points), core margin for the quarter increased by 0.1 percentage points. Gross productivity improvements in the quarter generated benefits equivalent to 4.4 percentage points of margin improvement. This benefit was absorbed by gross margin, mainly COGS (1.6 percentage points), with the balance reinvested in research and development and in support of the growth products.

Alcon

In the fourth quarter, the Novartis and Alcon Boards of Directors agreed on a merger, which we expect to be completed in the first half of 2011, which would raise our stake from 77% to 100%. Following the completion of the merger, Novartis will become the global leader in eye care, and add a fifth, high-growth division to its focused, diversified portfolio. The 100% ownership of Alcon would create new opportunities for immediate synergies between the two organizations, as Alcon would be able to benefit from the Novartis global scale while adding their eye care development and commercial expertise to the Group's capabilities.

Integration planning has started and the implementation steps necessary to create the new Alcon Division (which will include CIBA Vision and certain ophthalmic pharmaceutical products) and to realize the expected synergy benefits will commence after clearance of a registration statement by the US Securities and Exchange Commission, two-thirds approval by the shareholders of each of Novartis and Alcon voting at their respective meetings and other customary closing conditions.