

Novartis: transforming our company for the future market

Joe Jimenez | CEO Novartis

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Agenda

- How we see our industry evolving
- 2014: delivering results and transforming our company
- Priorities for 2015
- Q&A

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Powerful trends are changing the healthcare landscape



Population will increase by

1

billion



Additional 50+ year olds

>500

million



Chronic diseases

70%

of all illnesses

2015-2025

Source: Projections from UN; WHO

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Healthcare spending will double as a result



Healthcare spending to double[1]

2x

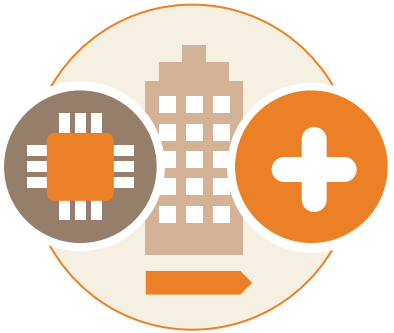
2015-2025

[1]*Projected Global Healthcare Spend, expressed in nominal terms | Source: Economist intelligence Unit, World Bank, Global Insights, BMI, OECD, McKinsey Strategy & Trend Analytic Center*

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We expect competition to intensify





More breakthrough drugs and devices

Tech companies entering healthcare

2015-2025

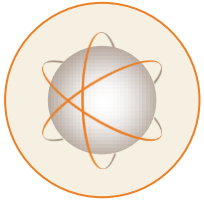
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The implications for Novartis

To succeed, industry leaders will need:



Science-based R&D and innovation power



Global scale



Broad partnerships to deliver outcomes

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Our strategy to lead in this environment

PATIENTS



Science-based innovation

To deliver **better patient outcomes**

In **growing areas of healthcare**

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2014 focus

To set us up for future success, we focused in 2014 on operational excellence and transforming Novartis

Operational excellence

- Strengthened innovation
- Delivered strong financial results

Transforming the company

- Transformed the portfolio[1]
- Captured cross-divisional synergies
- Reshaping the culture of the company

[1] *All uncompleted transactions are subject to closing conditions*

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Our pipeline produced several exciting innovative products

Select 2014 milestones

ZYKADIA™ ceritinib 150 mg capsules

US FDA approval

LCZ696



Chronic heart failure

- FDA Fast Track designation
- 20% reduction in cardiovascular deaths
- 21% reduction in hospitalization

AIN457



Psoriasis

Superior efficacy to Enbrel®

- Positive CHMP opinion
- Positive FDA Advisory Committee

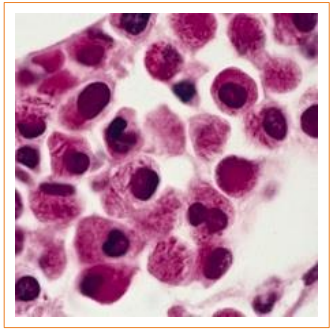
Psoriatic arthritis, Ankylosing spondylitis

Superior efficacy versus placebo

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We continued to invest in breakthrough therapies

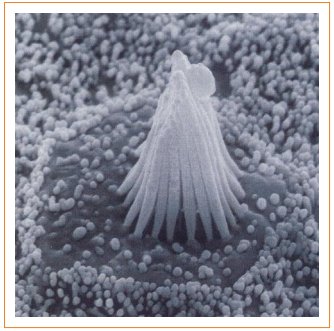
Immuno-oncology



Cellular immunotherapy, with **CTL019**

Building competitive targeted immunotherapy position with PD-1 / LAG-3

Regenerative medicine



Examples

BYM338 for muscle weakness

CGF166 for hearing loss

Accommodating lenses



Partnering with **Google** to develop accommodating lenses in presbyopia and myopia

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...While delivering strong financial results

Our key financial accomplishments

In CC, vs PY

Sales growth[1] 9M 2014	Core operating margin improvement[1] 9M 2014	Total Shareholder Return growth (CHF) FY 2014
+3%	+1.2 ppts	+34.0%
Emerging Growth Markets +10%	Productivity initiatives	Share buy-back initiated
Growth Products[2] 32% of sales		Increased dividend in 2014

1 *Group growth rates are based on 2013 data excluding the divested blood transfusion diagnostics unit. See page 81 of the Condensed Interim Financial Report. This measure, as well as constant currencies (cc), core results, and free cash flow are non-IFRS measures. An explanation of these non-IFRS measures and reconciliation tables can be found beginning on page 52 of the Condensed Interim Financial Report*

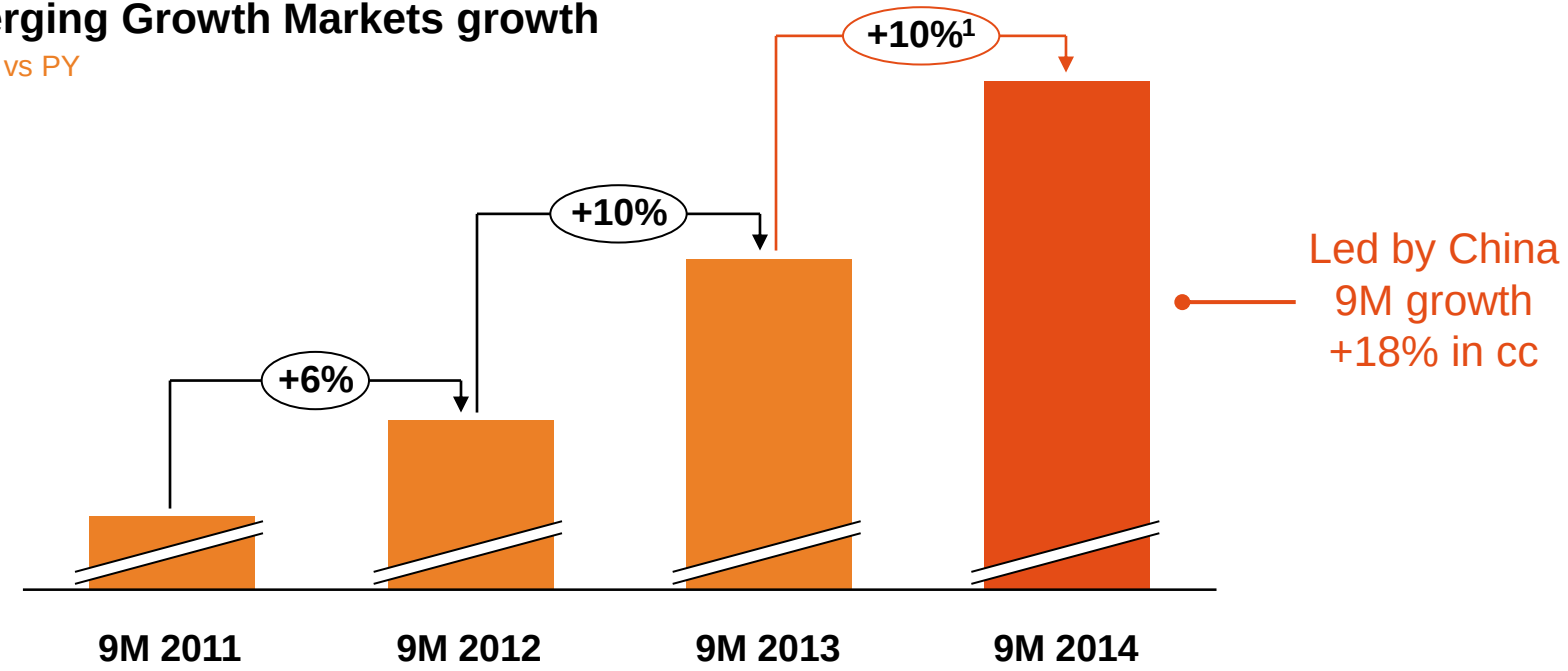
2 *Growth products comprise products launched in 2009 or later, or products with exclusivity until at least 2018 in key markets (EU, US, Japan) (except Sandoz, which includes only products launched in the last 24 months)*

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We continued our strong track record in Emerging Growth Markets

Emerging Growth Markets growth

In CC, vs PY



[1] *2014 group growth rates are based on 2013 data excluding the divested blood transfusion diagnostics unit. See page 81 of the Condensed Interim Financial Report. This measure, as well as constant currencies (cc), core results, and free cash flow are non-IFRS measures. An explanation of these non-IFRS measures and reconciliation tables can be found beginning on page 52 of the Condensed Interim Financial Report*

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[1] *All uncompleted transactions are subject to closing conditions*

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Novartis portfolio transformation is progressing on track

2014 milestones [1]



8 Jan

Closed divestiture of blood transfusions diagnostics business

22 Apr

Announced agreement to:

- Acquire **GSK oncology products**
- Create **Consumer Health JV** with GSK
- Divest **Novartis Vaccines** (excl. flu)
- Divest **Novartis Animal Health**

1 Jul

Established **Novartis Business Services**

26 Oct

Announced agreement to divest flu business

1 Jan

Closed divestiture of animal health business

[1] *All uncompleted transactions are subject to closing conditions*

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This transformation positions Novartis for success[1]

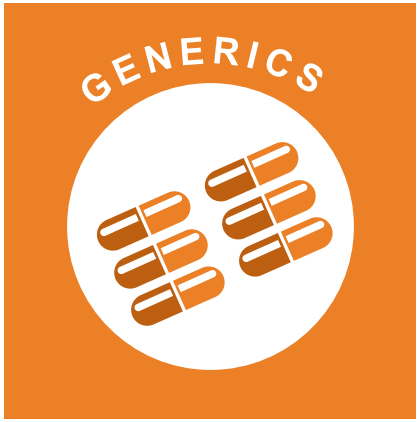
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Deliver right medicine, to right patient, at right time



Improve the world's vision



Increase affordability of medicines and access

[1] *All uncompleted transactions are subject to closing conditions*

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We created Novartis Business Services

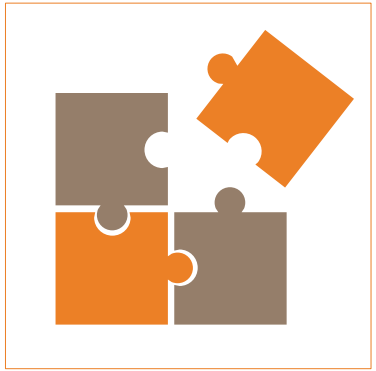
To deliver standardized services at lower cost to the divisions



[1] *Includes Commercial and Medical Affairs Services*

We are reshaping the company culture

Key 2014 activities



Focused our values and behaviors



Appointed Chief Ethics, Compliance and Policy Officer



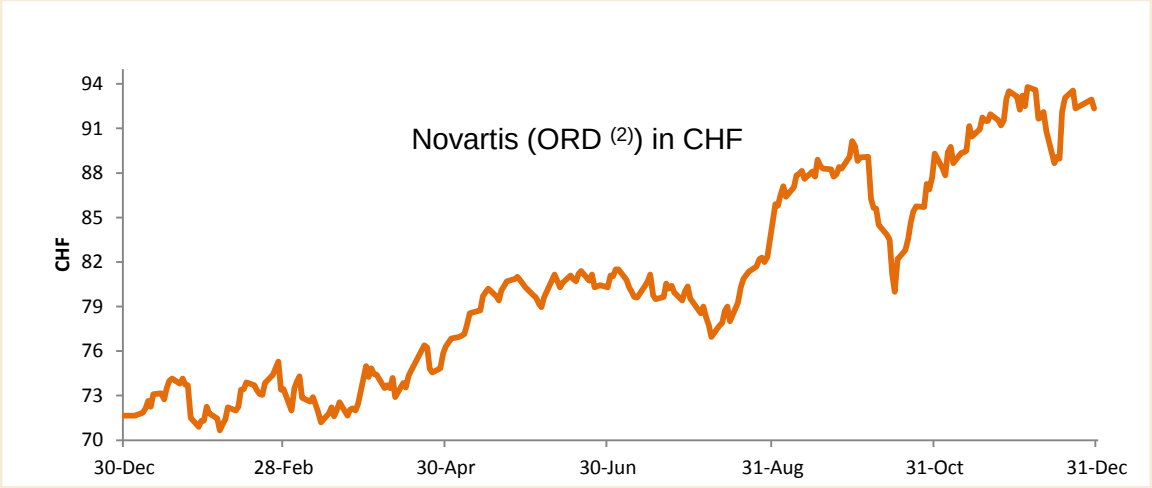
Accelerated our corporate responsibility activities, appointed new head of CR

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The market is recognizing our future growth potential

YTD Share Price Performance
30-Dec-2013 to 30-Dec-2014

	Share Price CHF %	TSR[1] CHF %
Novartis	**29.7%**	**34.0%**



Source: Bloomberg, retrieved 5-Jan-2015;
(1) TSR = Total Shareholder Return;
(2) ORD = Ordinary share

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Our priorities in 2015 are expected to continue to position us for future success

2015 priorities

1. **Strong financial results and discipline**



2. **Strengthen innovation**



3. **Complete the portfolio transformation**



4. **Capture cross-divisional synergies**



5. **Build a high-performing organization**



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In innovation, we will invest in our breakthrough therapies

LCZ696



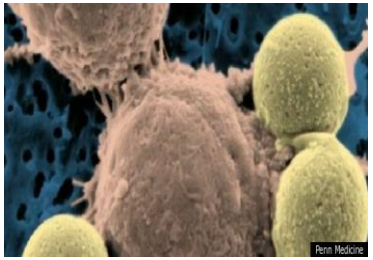
Heart failure

AIN457



Psoriasis

CTL019



Oncology

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We expect to complete the closing of the portfolio transformation

3

Complete the portfolio transformation



Close	Integrate	Separate	Start-up
Close GSK transactions in first half 2015	Execute integration of GSK oncology business	Execute separation of Vaccines	Ensure successful start-up of Consumer Health JV with GSK

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We expect NBS to continue to deliver synergies

4

Capture cross-divisional opportunities



NOVARTIS BUSINESS SERVICES

Execute NBS plans

- Deliver cost targets
- Execute transformation and change management plans
- Delivery high-quality services

Capture additional cross-divisional synergies

e.g. TechOps

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We will continue our efforts to build a high-performing organization

5
Build a high-performing organization



Compliance & Reputation

Strengthen compliance culture and company reputation



Talent & Values

Improve talent retention and development, embedding values and behaviors



Quality

Embed quality across divisions

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Why should you own Novartis?



- Strong and growing pipeline
- Further margin expansion opportunities
- Portfolio of leading businesses with innovation power and global scale

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Q&A

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