



Novartis Investor Relations

Novartis New Organizational Model

Powering our next phase of innovation, growth, and productivity

Investor presentation

April 04, 2022

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Vas Narasimhan

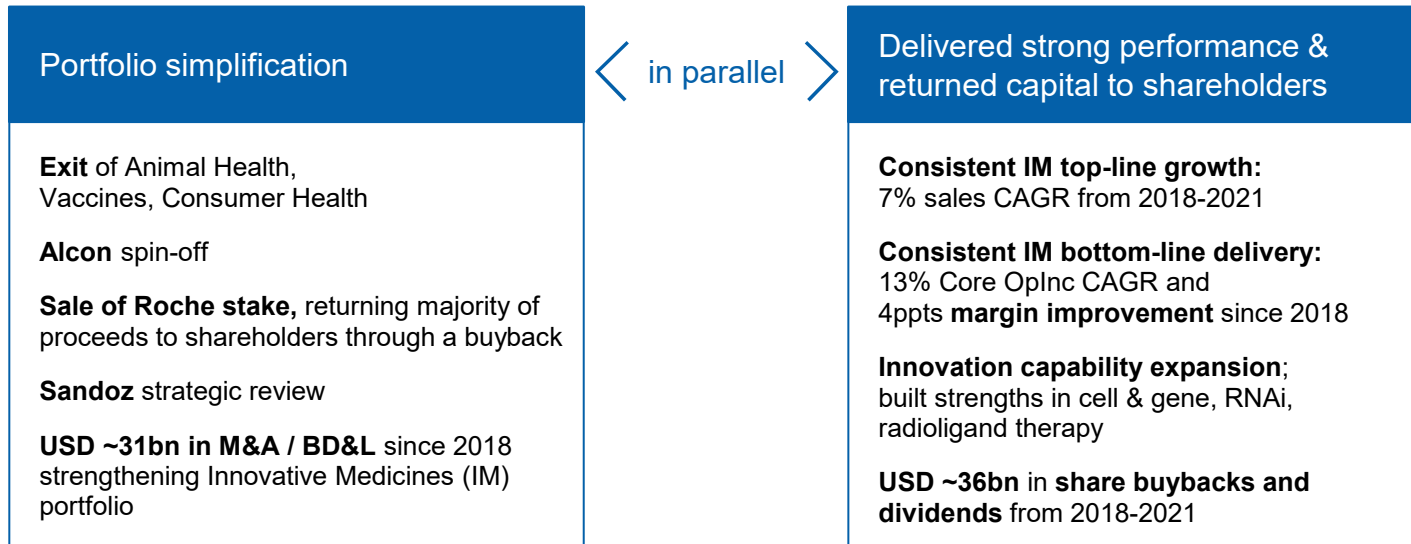
Chief Executive Officer



Novartis has transformed into a focused medicines company, and delivered consistent performance

Our strategy

Focused medicines company powered by technology leadership in R&D, world-class commercialization, global access and data science



Source: Novartis Annual Report. Constant currencies (cc) and core results are non-IFRS measures. An explanation of our non-IFRS measures can be found in our Condensed Financial Report for Q4 and FY 2021, published February 2, 2022.

We continue to be confident in our outlook

Medium-term growth driven by 6 key brands with multi-billion dollar outlook

Cosentyx[®], Entresto[®], Kesimpta[®], Kisqali[®], Zolgensma[®], Leqvio[®]

Recently launched Scemblix[®] and Pluvicto[™]

Breadth of pipeline

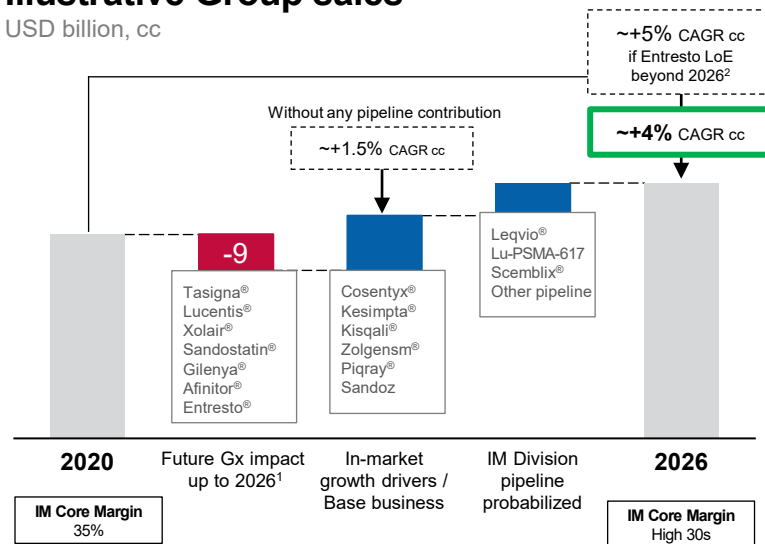
20+ assets with USD ≥1bn potential, which could be approved by 2026

Pipeline quality

85% of pipeline first-in-class/first-in-indication


Illustrative Group sales

USD billion, cc



Excludes potential impact from US healthcare reform. Compared to R&D Day 2021, removed Ligelizumab in CSU 1. Estimated based on relevant patents; further extensions possible. Additional products include Promacta, Q-Family and Votrient 2. For internal forecasting purposes we do not expect Gx in US at least until 2025. Constant currencies (cc) and core results are non-IFRS measures. An explanation of our non-IFRS measures can be found in our Condensed Financial Report for Q4 and FY 2021, published February 2, 2022. We have not provided a reconciliation for CAGR cc IM core margin in future periods because we cannot, without unreasonable effort, predict the amounts and timing of events affecting the items we exclude from such measures.

Top 2022 priorities for Novartis

- 1 Successful launches:** Leqvio[®], Kesimpta[®], ¹⁷⁷Lu-PSMA-617, Scemblix[®]
- 2 Maintain growth momentum:** 
- 3 Progress pipeline:** 20+ assets with significant sales potential, approval by 2026, on track
- 4 Optimize portfolio:** Sandoz review, update end 2022; disciplined BD
- 5 Deliver returns:** Continue productivity initiatives, especially manufacturing, business services
- 6 Reinforce foundations:** Culture to drive performance, data science to drive value, ESG leadership

Now creating a simplified organizational model designed to support our innovation, growth and productivity ambitions

1

Integrated IM¹ business, with US and International at ECN²

Increase **focus and agility**, drive synergies, leverage **scale for growth drivers**, rapidly deploy technology across IM, and achieve a **top 5 position in the US**

2

New Strategy & Growth function

That aligns and drives **end-to-end enterprise portfolio needs** for growth across internal and external pipeline opportunities

3

Single Operations unit and integrated global G&A functions

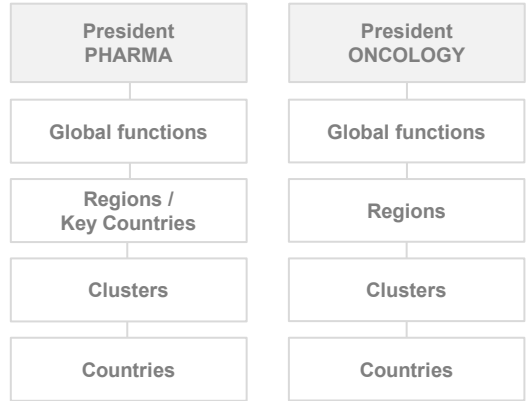
To realize **economies of scale/drive productivity**, ensure success of enterprise technology projects and **optimize G&A functions**

1. IM = Innovative Medicines 2. ECN = Executive Committee of Novartis

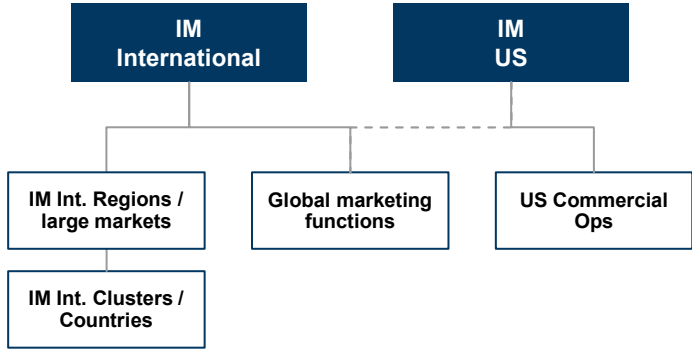
1

Integrating Pharma and Oncology with separate US and International units to increase focus, competitiveness and synergies

FROM: Separate Pharma and Oncology organizations adding complexity



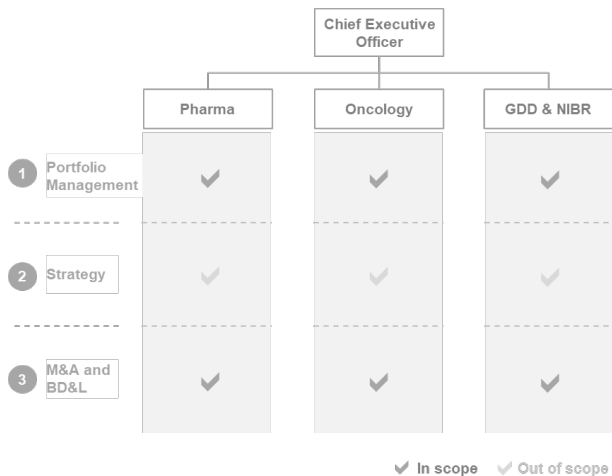
TO: Reduced complexity and redundancies, while elevating US business



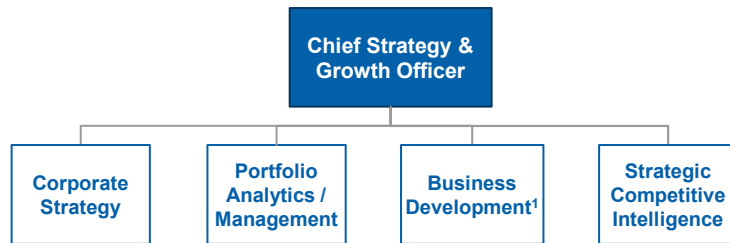
Goal to be top 5 in the US + maintain leadership Internationally

2 Combining R&D portfolio management, strategy and business development to strengthen pipeline with high value medicines

FROM: Strategy and portfolio functions across organization



TO: Single unit driving growth + enterprise-wide prioritization of internal and external innovation



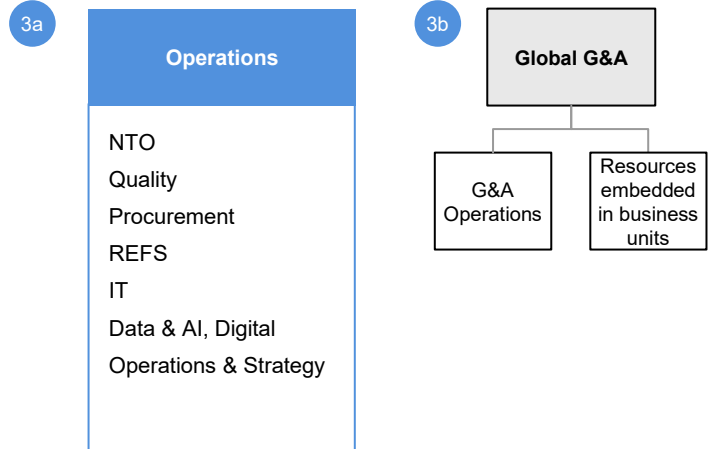
Deliver high value assets (internal and external) to drive consistent above peer median growth

1. Incl. small scale M&As; large scale M&A remaining with Finance

3 Stronger Operations unit with integrated G&A support functions to enhance operational efficiencies, scale and synergies

FROM: CTS / G&A structure no longer fit for purpose for a Focused Medicines Company

TO: Simplified functional accountabilities and E2E Operations unit as backbone for Novartis growth



Accelerate technology transformation and increase productivity, while maintaining excellent quality and service levels

NTO = Novartis Technical Operations CTS = Customer & Technology Solutions REFS = Real Estate & Facility Services FRA = Financial Reporting & Accounting P&O = People & Organization ERC = Ethics, Risk & Compliance

Novartis executive team focused on high performance

3 changes

1

Integrated IM business, with US and International at ECN

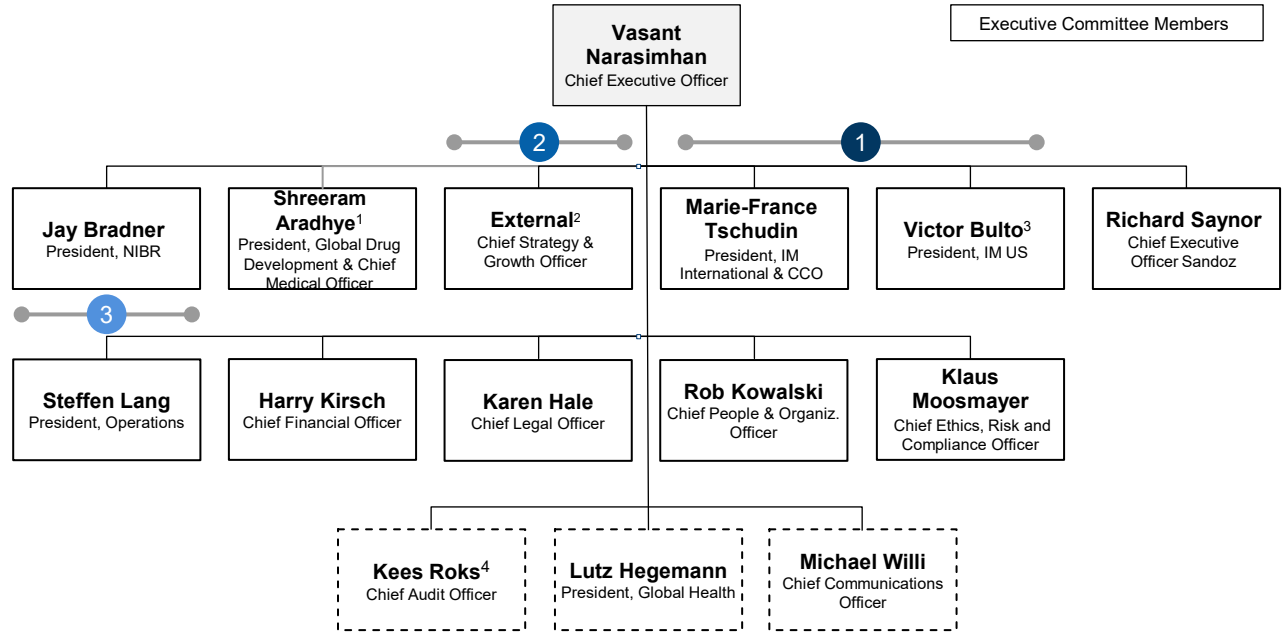
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Integrated Strategy, Growth & Portfolio

3

Single Operations unit and integrated global G&A functions

Executive Committee of Novartis



1. Effective May 16 2. L. Hegemann to act as ad-interim for Chief Strategy & Growth Officer 3. ECN member effective May 1, 2022 4. Effective May 1, 2022

Simplified structure will help to drive value creation

Short-term

Accelerate growth

- Strong pipeline management, business development
- Accelerate technology transformation, create novel digital solutions, increase productivity
- More agile M&S resource allocation to top brands

Mid- to long-term

Innovation and sales growth

- Above peer median sales growth
- Bringing Novartis into top 5 in the US
- Productivity and focus for R&D and business development
- Simpler, faster, more flexible decision making



Harry Kirsch

Chief Financial Officer



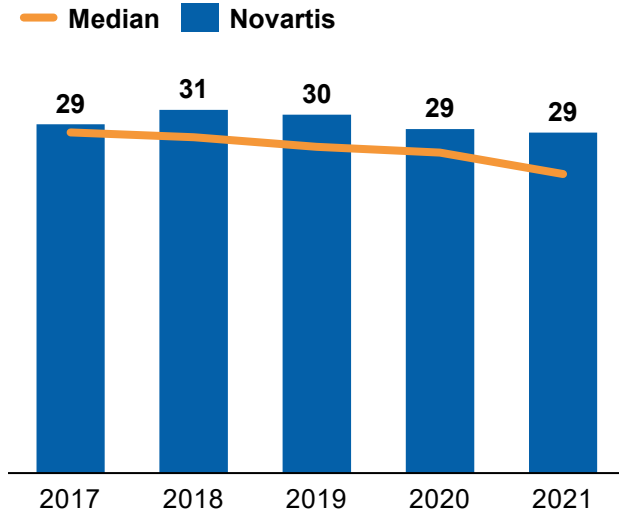
Value creation through growth and operational efficiencies

- Fully focused on topline growth (R&D, NTO not impacted; minimize disruption to frontline)
- Reducing complexity in organization above field force, reduce SG&A as % of sales to benchmarks
- USD \geq 1bn SG&A annual savings by 2024
- IM core margin mid-term high end of high 30s
- IM core margin mid- to long-term to reach low 40s

SG&A is the key focus for improving margins

Novartis SG&A stable at ~29% of sales

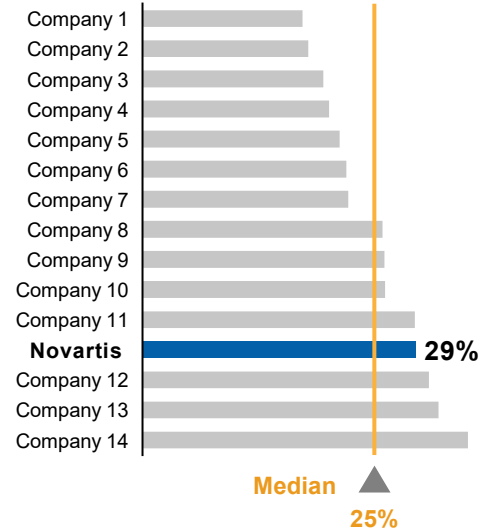
Core SG&A as % of sales



Novartis above peer median SG&A spend

Core SG&A 2021 as % of sales

Illustrative

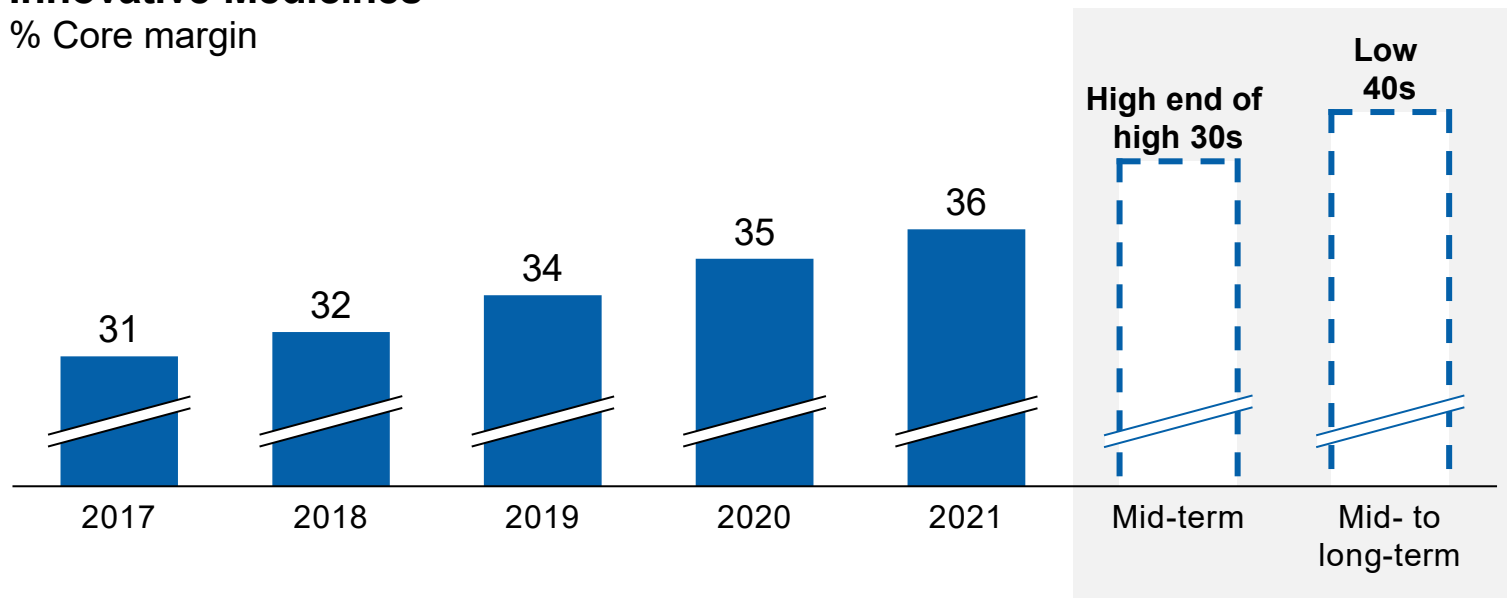


Note: Peer group includes 14 pharma companies: Bristol Meyers Squibb, Johnson & Johnson, Pfizer, Eli Lilly, AstraZeneca, GSK, Roche, AbbVie, Merck, Sanofi, Takeda, Gilead, Amgen and Novo Nordisk
Source: S&P Capital IQ, Evaluate Pharma (Oct 2021); Novartis

Revising upwards our expectations for IM core margin to low 40s mid- to long-term

Innovative Medicines

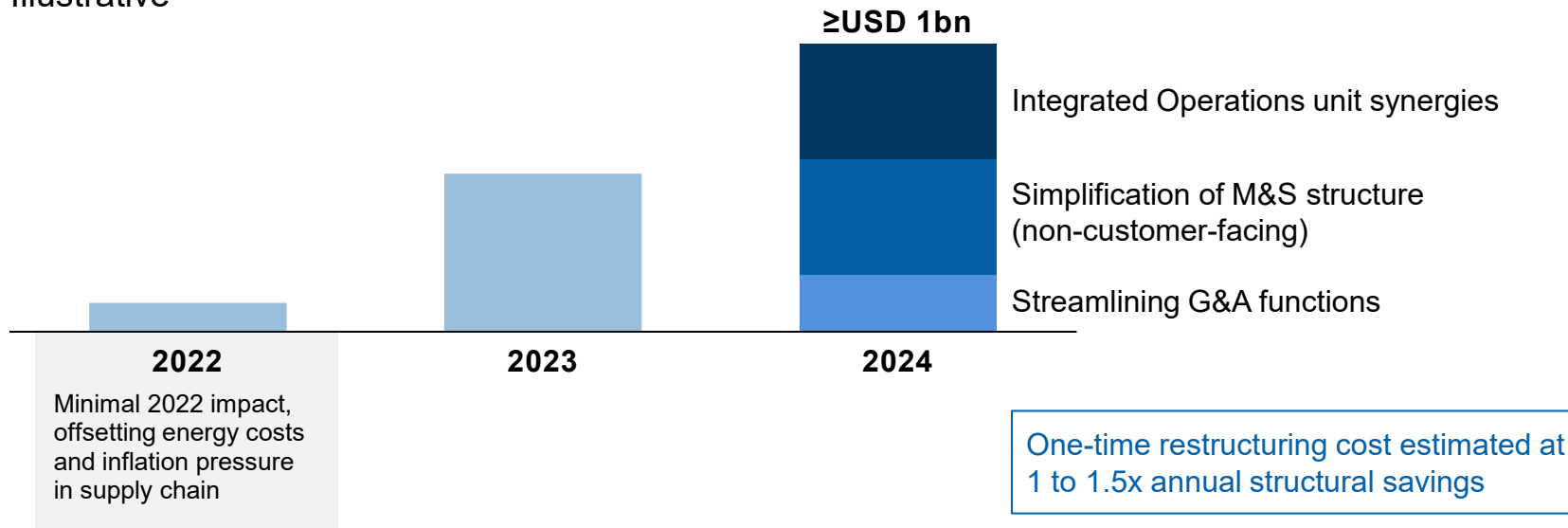
% Core margin



SG&A savings fully embedded by 2024, mainly from efficiencies in operations, M&S duplication and G&A streamlining

Estimated annual savings

Illustrative



Welcoming our colleagues to their new roles



Victor Bulto
President, IM US



Marie-France Tschudin
President, IM International & CCO



Steffen Lang
President, Operations



Shreeram Aradhye
President, Global Drug Development
& Chief Medical Officer

Conclusions

- Novartis transformed into a focused medicines company, and delivered consistent performance
 - New organizational model to support our innovation, growth and productivity ambitions
 - Creating value through growth and operational efficiencies
-

Upcoming events

First quarter 2022 results

April 26, 2022

Focus on:

Q1 financial results

Meet Novartis Management

September 2022

Focus on:

Meet the team, strategy,
and update on actions