

# Second Quarter 2011 Results

Investor presentation

July 19, 2011



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This presentation contains forward-looking statements that can be identified by terminology such as “planned,” “expected,” “will,” “potential,” “pipeline,” or similar expressions, or by express or implied discussions regarding potential new products, potential new indications for existing products, or regarding potential future revenues from any such products; or regarding potential growth opportunities from the merger of Alcon and Novartis, or the potential impact on Alcon or Novartis of the merger; or any potential synergies, strategic benefits or opportunities as a result of the merger; or regarding potential future sales or earnings of the Novartis Group or any of its divisions as a result of the merger or otherwise; or by discussions of strategy, plans, expectations or intentions. You should not place undue reliance on these statements. 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 Novartis will be able to realize any of the potential synergies, strategic benefits or opportunities as a result of the merger with Alcon. Nor can there be any guarantee that the Novartis Group, or any of its divisions, will achieve any particular financial results, whether as a result of the merger or otherwise. In particular, management's expectations could be affected by, among other things, unexpected regulatory actions or delays or government regulation generally; unexpected clinical trial results, including additional analyses of existing clinical data or unexpected new clinical data; the Group's ability to obtain or maintain patent or other proprietary intellectual property protection; disruptions from the merger and integration with Alcon making it more difficult to maintain business and operational relationships, and relationships with key employees; unexpected product manufacturing issues; uncertainties regarding actual or potential legal proceedings, including, among others, product liability litigation, litigation regarding sales and marketing practices, government investigations and intellectual property disputes; competition in general; government, industry, and general public pricing and other political pressures; uncertainties regarding the after-effects of the recent global financial and economic crisis; uncertainties regarding future global exchange rates and uncertainties regarding future demand for our products; uncertainties involved in the development of new healthcare products; the impact that the foregoing factors could have on the values attributed to the Group's assets and liabilities as recorded in the Group's consolidated balance sheet; 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 this presentation 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.

# Agenda

**Q2 2011 Group results**

Joseph Jimenez  
*Chief Executive Officer*

**Q2 2011 Financials**

Jon Symonds  
*Chief Financial Officer*

**Pharmaceuticals – update on key products**

David Epstein  
*Division Head Pharmaceuticals*

**Closing**

Joseph Jimenez  
*Chief Executive Officer*

**Q&A session**

# Strong sales and operating income growth in Q2

- **Strong double digit sales growth: +19% CC<sup>1</sup>**
- **Operating leverage excellent with Core operating income +29% USD<sup>2</sup> and Core EPS up +23% USD**
- **Free Cash Flow of USD 3.3 billion**
- **Continued leadership in product innovation with 4 major approvals in Q2**
  - Afinitor<sup>®</sup> (US, pNET<sup>3</sup>)
  - Arcapta<sup>®</sup> (US, COPD<sup>4</sup>)
  - Lucentis<sup>®</sup> (EU, RVO<sup>5</sup>)
  - Rasilamlo<sup>®</sup> (EU, hypertension)

<sup>1</sup> Constant currencies

<sup>2</sup> Core results for operating income, net income and EPS exclude amortization of intangible assets, impairment charges, expenses relating to the integration of acquisitions as well as other significant items. Please see our current Form 20-F on file with US SEC for further information

<sup>3</sup> Pancreatic neuroendocrine tumors

<sup>4</sup> Chronic Obstructive Pulmonary Disease

<sup>5</sup> Retinal Vein Occlusion

# Summary of Q2 2011 financial results

(in USD m)	Q2 2011	% USD	% CC
Net sales	14 915	+27	+19
Operating income			
Core	4 235	+29	+30
Reported	3 322	+12	+15
Net income	2 726	+12	+17
Free cash flow	3 297	+39	
EPS (USD)			
Core	1.48	+23	
Reported	1.13	+7	

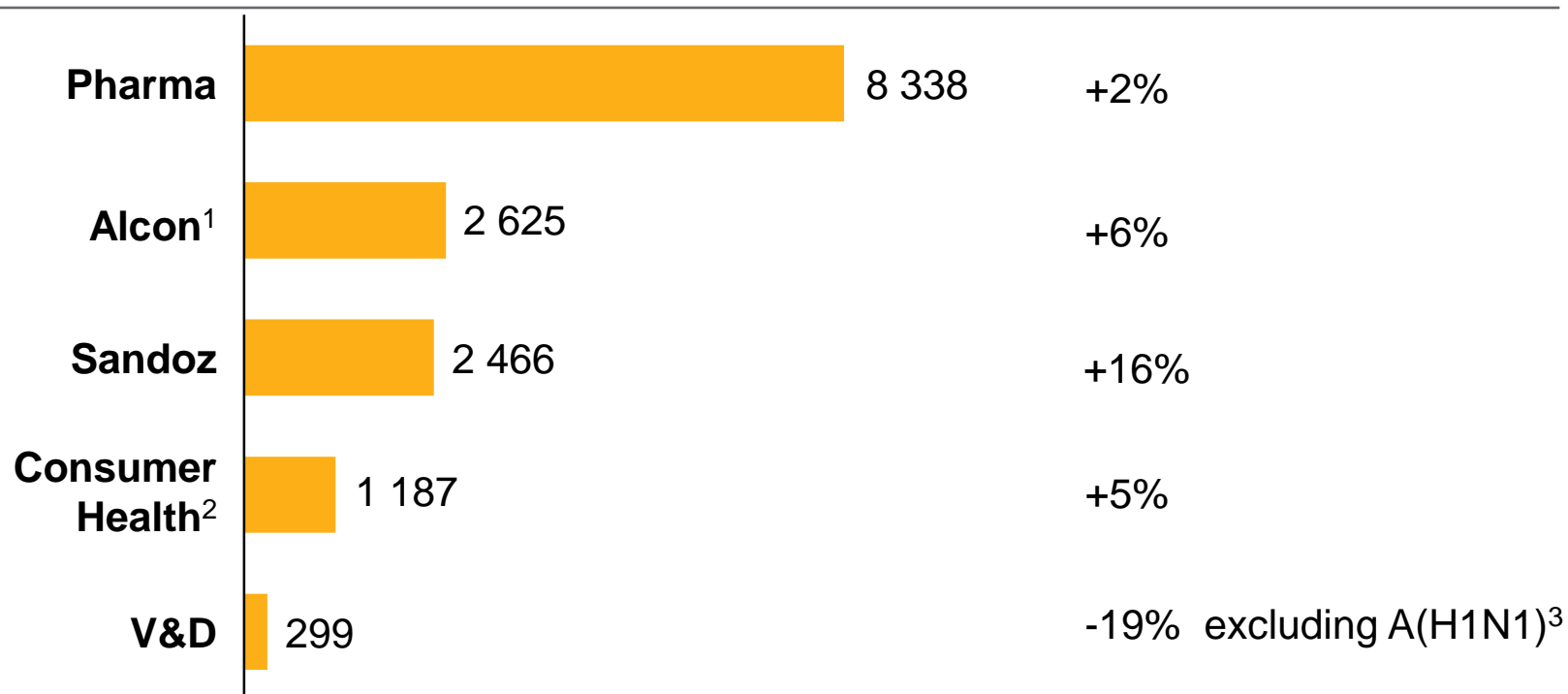
# Diversified portfolio paying off, with sales growth driven by Alcon, Sandoz and Consumer Health

## Q2 2011 Sales by division

(in USD m)

## Growth vs. PY

(in % CC)



<sup>1</sup> Alcon on a pro forma basis

<sup>2</sup> Consumer Health includes OTC and Animal Health

<sup>3</sup> Novartis V&D -50% CC, including USD 219 million A(H1N1) pandemic flu vaccines sales in Q2 2010 base

# Focusing on our strategic priorities drives growth

**Strategic Priorities:**  
Delivering innovation, growth and productivity

1

## Extend lead in innovation

- Strengthen industry-leading pipeline
- Focus on high unmet need and differentiation

2

## Accelerate growth












- Drive recently launched products
- Expand aggressively in emerging markets
- Integrate Alcon

3

## Drive productivity to improve margins

- Improve profitability

# Four major approvals in Q2 2011

	Selected program	Indication	Q2 2011 achievement
Pharmaceuticals	 	Advanced pNET <sup>1</sup>	FDA approval
	 	COPD <sup>2</sup>	FDA approval
	 	Retinal Vein Occlusion	EU approval
	 	High blood pressure	EU approval
	 	TSC-SEGA <sup>3</sup>	CHMP recommendation <sup>4</sup>
	INC424	Myelofibrosis	Filed in EU
V&D		Meningococcal disease (2-12 months)	Filed in US

<sup>1</sup> Pancreatic neuroendocrine tumors

<sup>2</sup> Chronic Obstructive Pulmonary Disease

<sup>3</sup> Sependymal giant cell astrocytoma associated with tuberous sclerosis

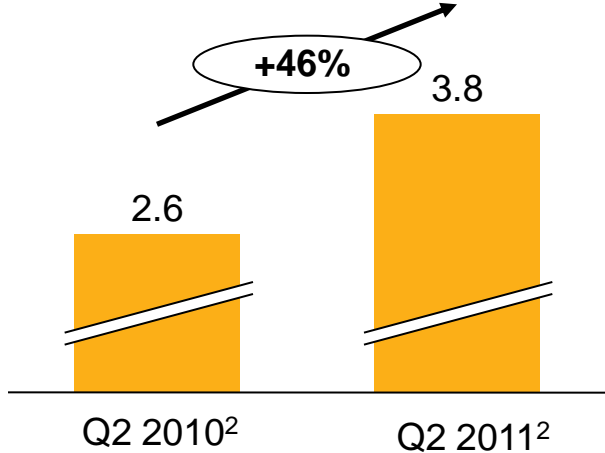
<sup>4</sup> CHMP (Committee for Medicinal Products for Human Use) recommendation for approval in EU

# Recently launched products driving growth ahead of Diovan® patent expiry



## Recently launched product sales<sup>1</sup> (USD bn)

<b>% of Group net sales<sup>2</sup></b>	
<b>19%</b>	<b>25%</b>




<sup>1</sup> Major products launched since 2007 including Alcon, except Sandoz (all launches in the last 24 months for 2010 and 2011); Sandoz YTD includes Q1 Falcon (USD 18 m in CY and USD 20 m in PY); excluding A(H1N1)

<sup>2</sup> On pro forma base

## Highlights on emerging markets in Q2 2011

### Q2 2011 sales growth (in % CC)

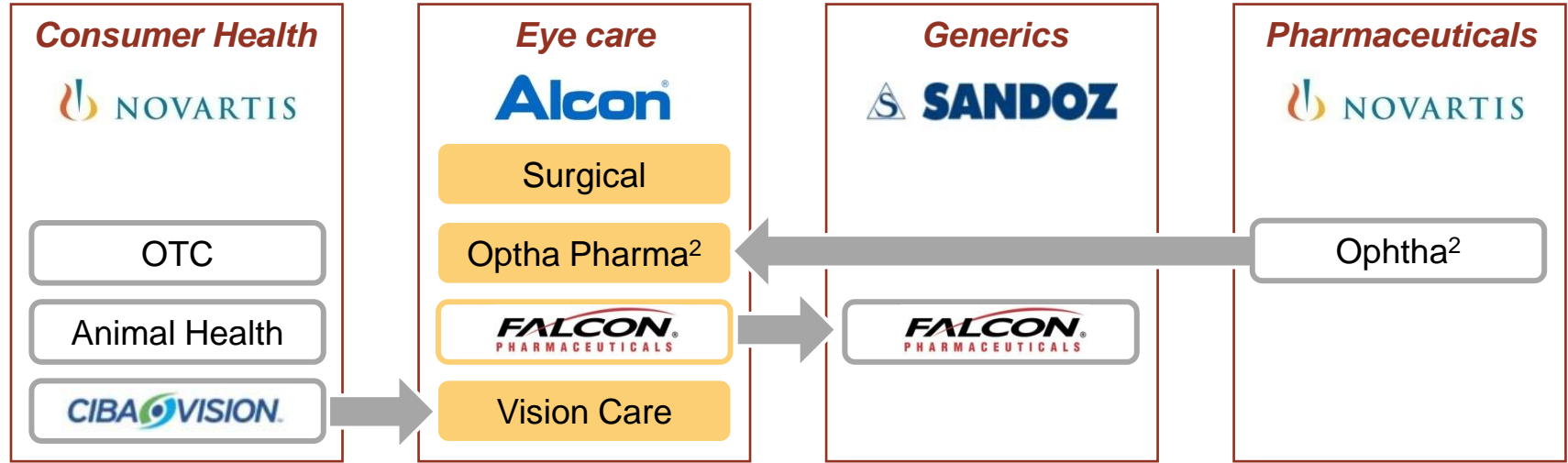
	China	Performance recovering with +36% growth
	India	Strong growth of +20%
	Russia	Ground breaking of new pharmaceutical manufacturing site in St. Petersburg. Performance impacted by timing of tenders
 <i>Consumer Health</i>	Divisions	Strong performance by Alcon (+21% <sup>1</sup> ) and Consumer Health (+22% <sup>1</sup> )
	Group	Overall growth <sup>1</sup> for Group impacted by 2010 A(H1N1) and tender phasing

<sup>1</sup> Top 6 emerging markets: Brazil, Russia, India, China, Turkey, South Korea

# New Alcon Division is operational



- ✓ New Operating model established
- ✓ Country management selected<sup>1</sup>
- ✓ Functional integration completed
- ✓ Alcon Division operational since July 1
- ✓ Pharmaceuticals Ophthalmology <sup>2</sup> and Falcon products being transferred
- ✓ Sales growth synergy plans developed



<sup>1</sup> Excluding countries requiring works council consultation  
<sup>2</sup> Excluding Lucentis®

# Alcon with overall sales growth +6% CC driven by Pharmaceuticals

## Structured in 3 franchises

Q2 sales growth<sup>1</sup>  
(in CC)



**Surgical**

+6%



**Pharma**

+8%

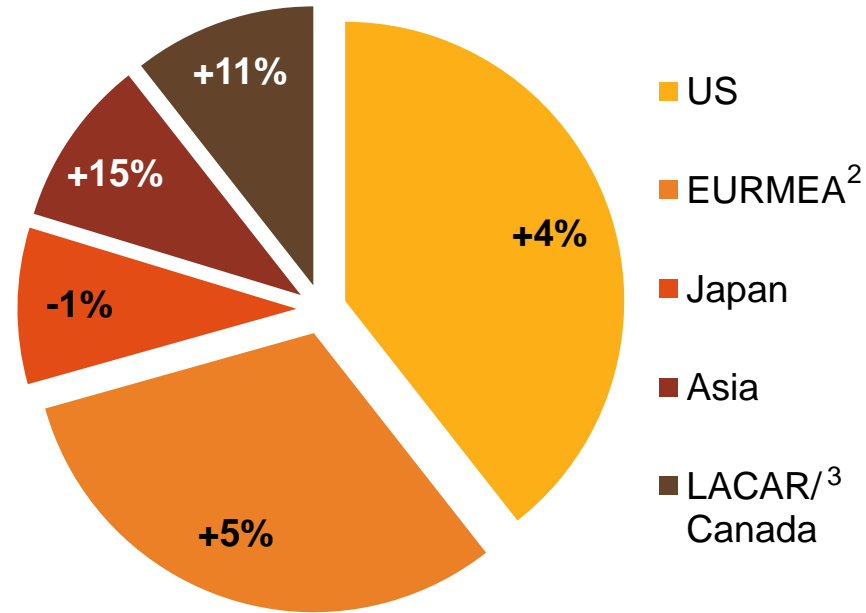


**Vision Care**

+2%

## Operated in 5 regions

Q2 sales growth  
(in CC)



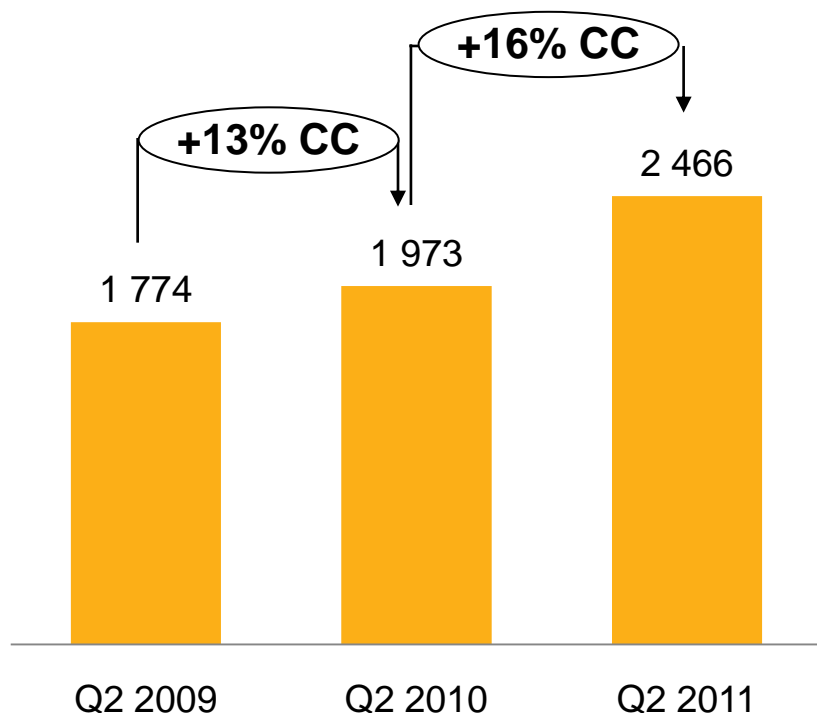
<sup>1</sup> On pro forma base

<sup>2</sup> Europe/Middle East/Africa

<sup>3</sup> Latin America/Caribbean

## Sandoz continues outperformance in key categories and markets

### Sandoz Q2 sales by year (in USD m)



#### Key drivers in Q2 2011:

- US +48% CC driven by enoxaparin (Q2 sales of USD 284 m)
- Western Europe +19% CC
- Emerging markets with Latin America +18% CC and Asia<sup>1</sup> +13% CC
- Biosimilars +31% CC and oncology injectables +48% CC

<sup>1</sup> Excludes developed markets of Australia and New Zealand

## Consumer Health up +5% CC with continued focus on key brands in major markets

OTC



**Solid sales growth on key brands due to share gains and strong cough/cold season**

- Theraflu<sup>®</sup> +25% CC
- Otrivin<sup>®</sup> +18% CC
- Voltaren<sup>®</sup> +9% CC

**+20% CC growth in key emerging markets<sup>1</sup>**

Animal Health



*Bringing pets and people closer*



**Strong global growth of key brands**

- Milbemax<sup>®</sup> +10% CC
- Denagard<sup>®</sup> +33% CC

**+27% CC growth in key emerging markets<sup>1</sup>**

<sup>1</sup> Top 6 emerging markets: Brazil, Russia, India, China, Turkey, South Korea

# Vaccines & Diagnostics filing strategy for Bexsero<sup>®</sup> aligned with unmet medical need

## Filing milestones for Bexsero<sup>®</sup>

## Incidence distribution

Incidence of Meningococcal Disease Serogroup B in infants <1 yr of age - Cases per 100,000 <sup>1-4</sup>



■ Filed Q4 2010

Range: 13.4 to 39.3<sup>5</sup>



■ Filing planned for H2 2011

8.4



■ File submitted Q2 2011

5.7



■ Phase III start possible in late 2011 or early 2012

2.7

<sup>1</sup> EU-IBIS Network. Serogroup analysis: 2006. [www.euibis.org](http://www.euibis.org)

<sup>2</sup> Australian Meningococcal Surveillance Programme. *CDI*. 2007;31:185-193.

<sup>3</sup> Public Health Agency of Canada. *Canada Communicable Disease Report (CCDR)*. June 2007;33:1-15;

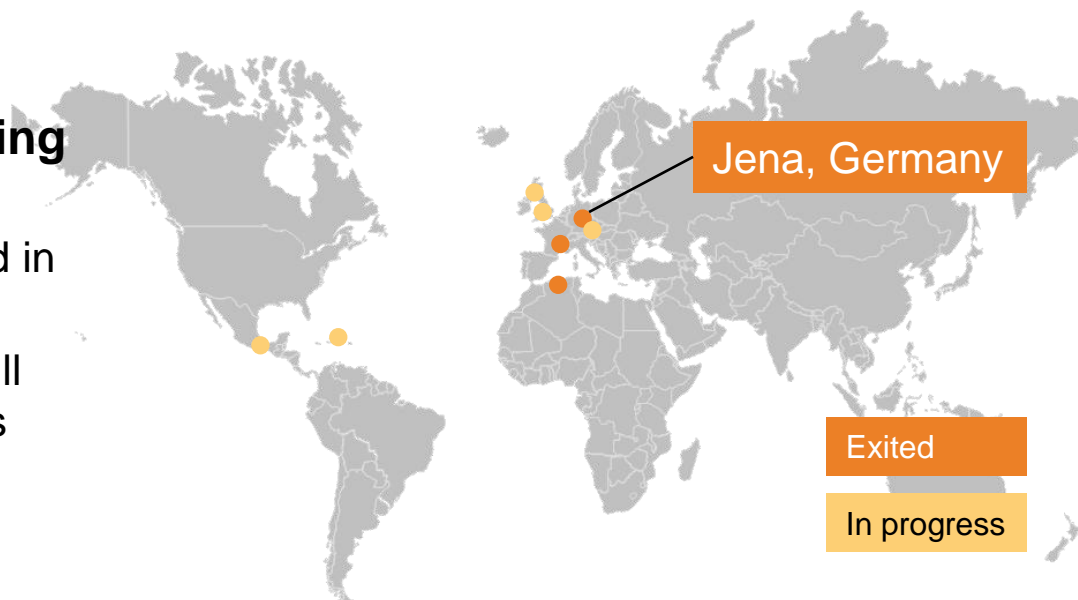
<sup>4</sup> CDC. *Active Bacterial Core Surveillance Report, Emerging Infections Program Network, Neisseria meningitidis, 2007*

<sup>5</sup> Range: UK (39.3), Spain (16.0), Germany (15.3), France (13.4)

## Productivity initiatives improve leverage

- **Progress on manufacturing footprint optimization**

- In Q2 full site exit completed in Jena (Germany)
- Five additional sites, both full and partial exits, in progress



- **Procurement initiatives focus on leveraging scale**

- In Q2 55% of addressable operating expense via e-sourcing
- Cross-divisional category management and vendor consolidation

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**Closing**

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**Q&A session**

# Group financial summary – Q2 2011

(in USD m)	Q2	Group Growth	
		Reported CC	Core CC
<b>Net sales 3<sup>rd</sup> party</b>	<b>14 915</b>	19%	
<b>Core operating income</b>	<b>4 235</b>		30%
<b>Operating income</b>	<b>3 322</b>	15%	
<b>Core net income</b>	<b>3 564</b>		31%
<b>Net income</b>	<b>2 726</b>	17%	
<b>Core EPS (USD)</b>	<b>1.48</b>		25%
<b>EPS (USD)</b>	<b>1.13</b>	12%	
<b>Free Cash Flow</b>	<b>3 297</b>	39% <sup>1</sup>	

<sup>1</sup> Growth in USD

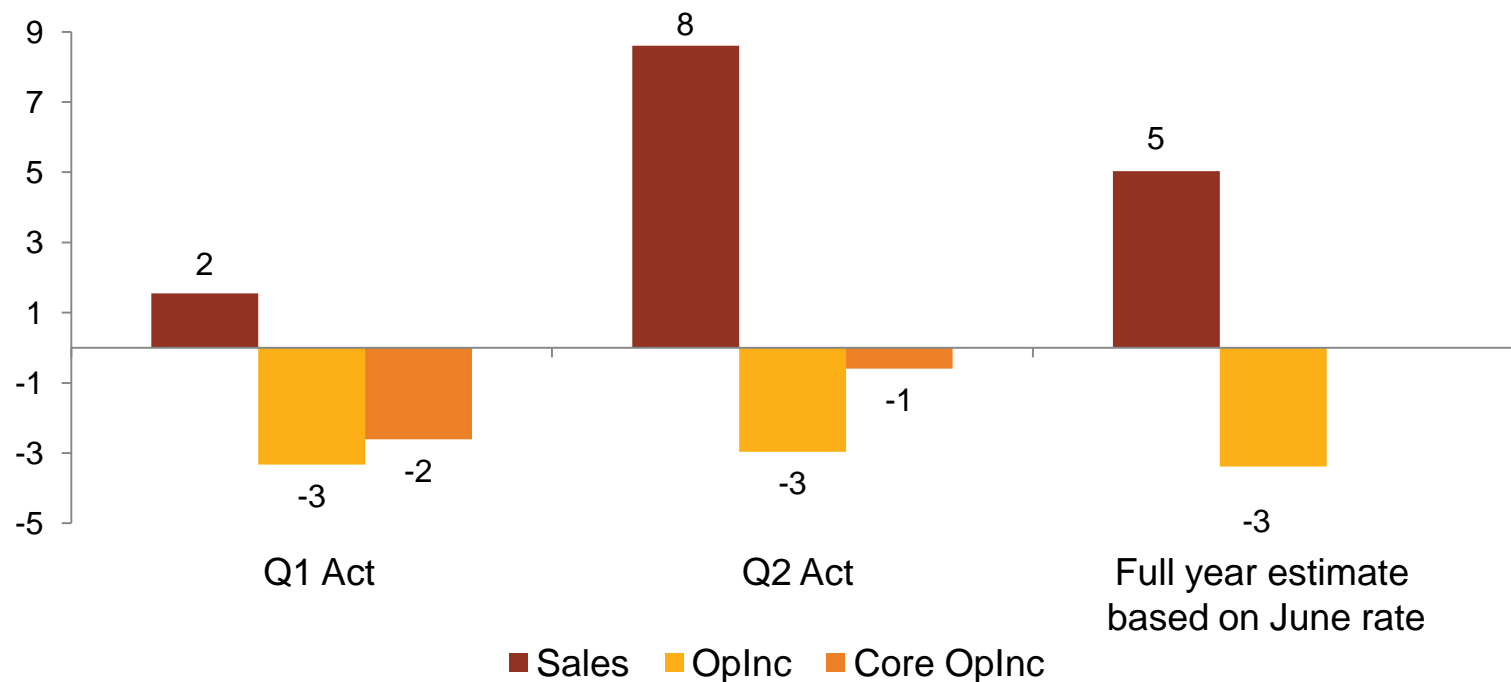
# Group financial summary – H1 2011

	H1	Group Growth	
(in USD m)		Reported CC	Core CC
<b>Net sales 3<sup>rd</sup> party</b>	<b>28 942</b>	16%	
<b>Core operating income</b>	<b>8 247</b>		17%
<b>Operating income</b>	<b>6 730</b>	7%	
<b>Core net income</b>	<b>6 940</b>		16%
<b>Net income</b>	<b>5 547</b>	7%	
<b>Core EPS (USD)</b>	<b>2.88</b>		11%
<b>EPS (USD)</b>	<b>2.33</b>	3%	
<b>Free Cash Flow</b>	<b>4 919</b>	-7% <sup>1</sup>	

<sup>1</sup> Growth in USD

# Weakness of USD benefits sales, but extreme strength of CHF dampens profit impact and dilutes ROS

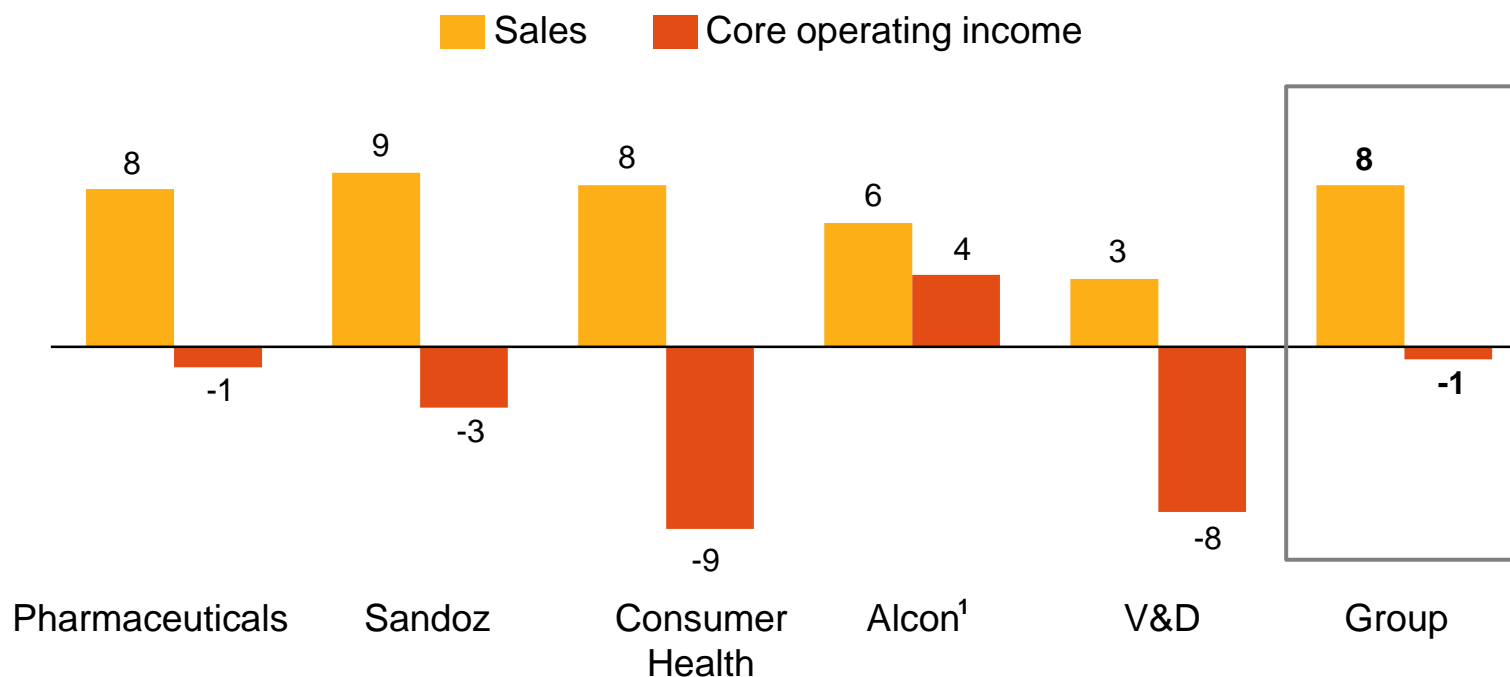
## Currency impact (in ppts vs. PYR)



- If June 2011 rate persists for FY 2011
  - impact on sales is positive (+5%)
  - impact on operating income is negative (-3%)

# Diversified portfolio mitigates impact of currency on Group

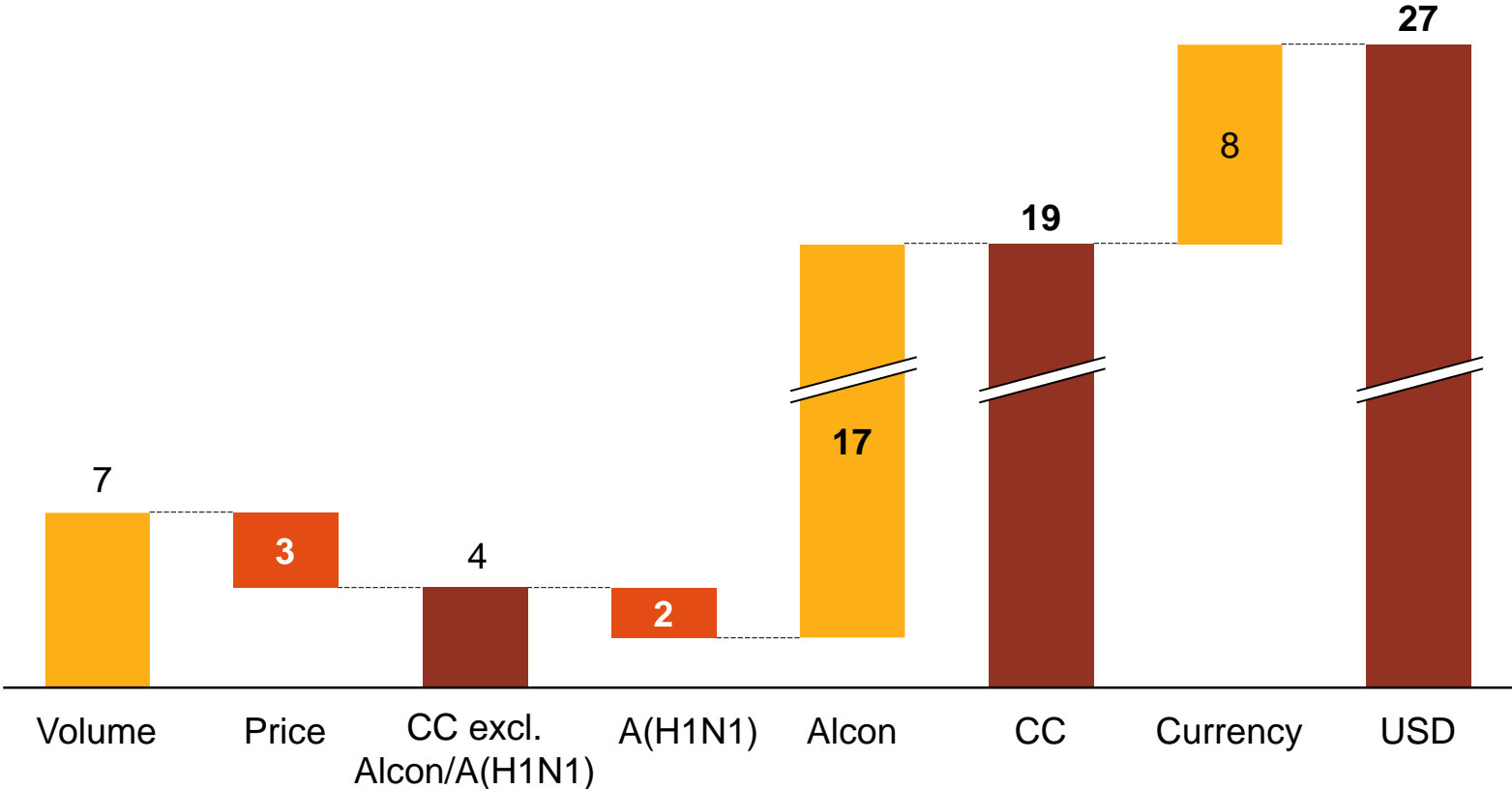
## Currency impact on Q2 2011 (in %)



<sup>1</sup> Alcon based on pro forma

# Many moving parts, but performance underpinned by strong growth in volumes

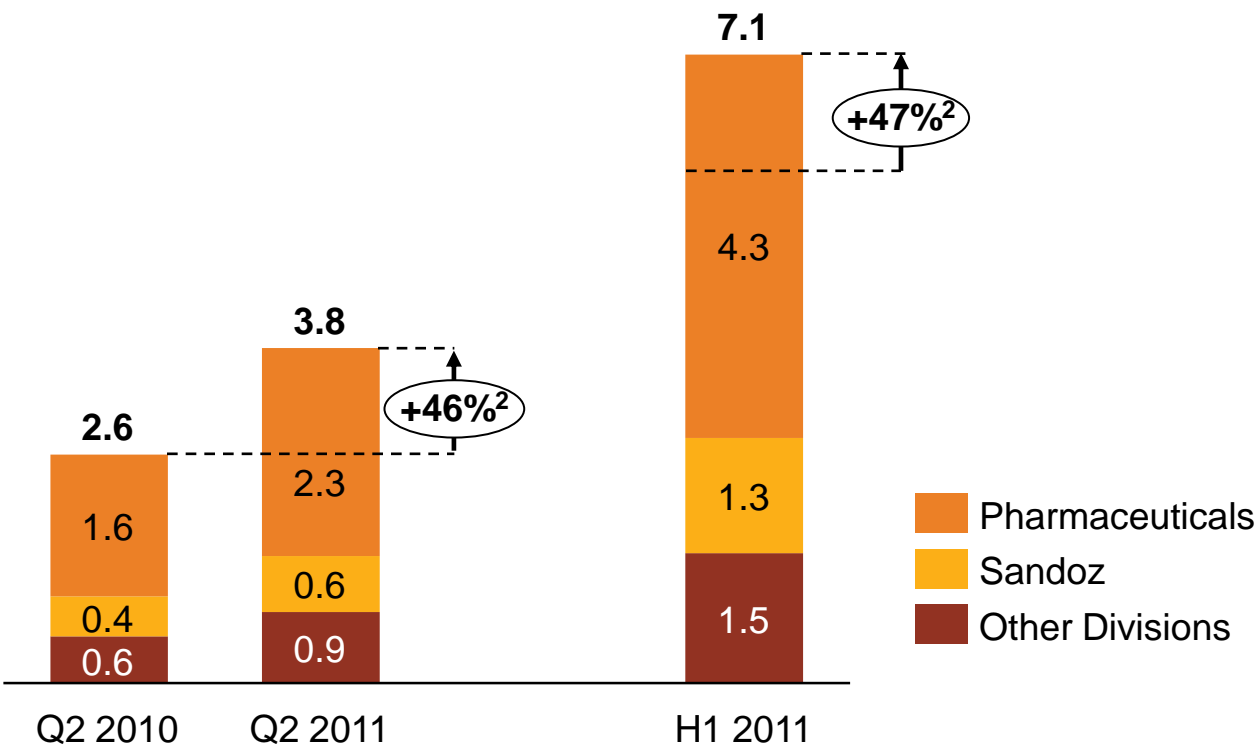
**Q2 2011 Components of Group sales growth**  
(in % growth)



# Recently launched products reach 25% of sales growing 46% in Q2 2011 versus previous year

(in USD bn)

% of Group net sales 3<sup>rd</sup> party  
 (excluding A(H1N1))  
**25%**                      **24%**



<sup>1</sup> Major products launched since 2007 including Alcon, except Sandoz (all launches in the last 24 months for 2010 and 2011); Sandoz YTD includes Q1 Falcon (USD 18 m in CY and USD 20 m in PY); excluding A(H1N1)

<sup>2</sup> On a pro forma base



## Exceptional items in Q2 2011 and acquisition accounting decrease growth in operating income

(in % growth)	Q2	H1	Key exceptionals (in USD m)	Q2	H1
<b>Core operating income CC</b>	<b>30%</b>	<b>17%</b>	Pharma		
Core adjustments	-15%	-10%	<i>Divestment</i>	324	324
<b>Operating income CC</b>	<b>15%</b>	<b>7%</b>	<i>Impairments</i>	-107	-107
			<i>Alcon related divestments</i>	-	81
			Alcon		
			<i>Divestment</i>	-	21
			<i>CIBA Vision Patent settlement</i>	-	183
			<i>Amortization of intangible assets</i>	-474	-967
			<i>Integration</i>	-80	-92
			OTC divestment	-	43
			Sandoz legal provisions	-150	-178
			V&D impairment	-62	-81
			Manufacturing restructuring	-44	-99
			Amortization of intangible assets	-270	-558
			Others	-50	-87
			<b>Total</b>	<b>-913</b>	<b>-1517</b>

## Group delivers strong operating leverage

Q2 2011	Sales growth (in % CC)	Core operating income growth (in % CC)	Operating leverage	Change in CC Core margin <sup>1</sup> (bps)
Pharmaceuticals	2%	6%	↑	130
Alcon <sup>2</sup>	6%	8%	↑	60
Sandoz	16%	49%	↑	510
Consumer Health	5%	9%	↑	90
V&D	-50%	nm	nm	nm
<b>Group</b>	19%	30%	↑	260

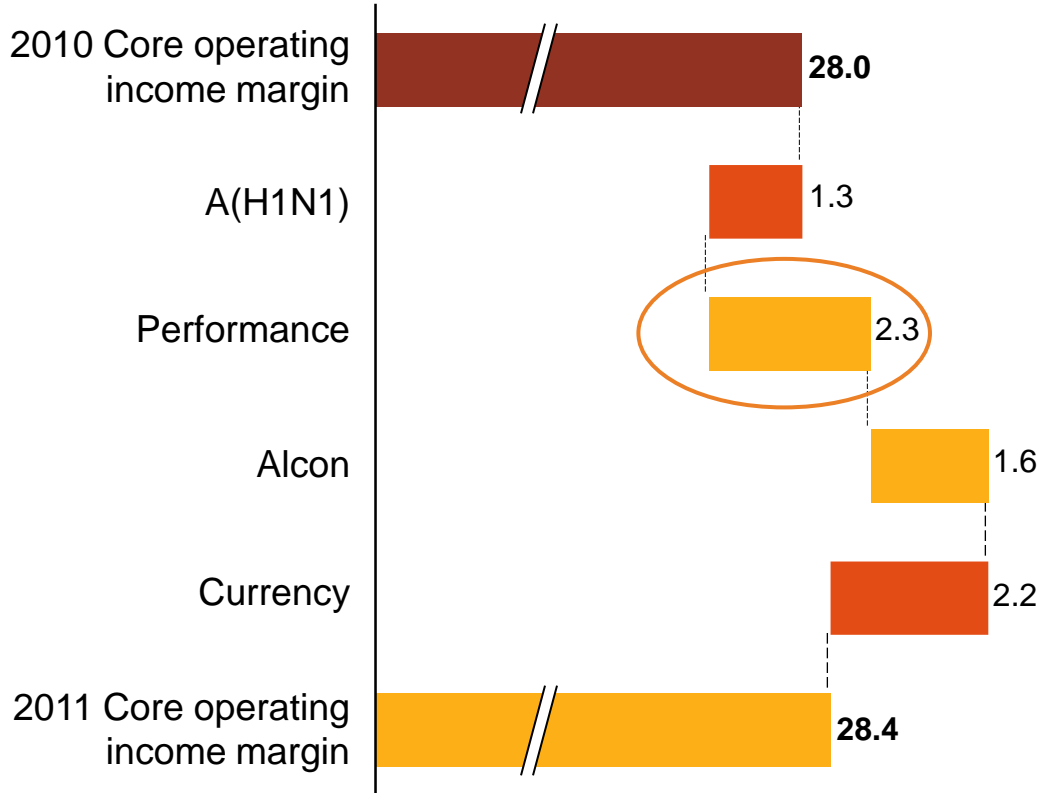
<sup>1</sup> bps based on margin rounded to one decimal

<sup>2</sup> Alcon based on pro forma

# Operating leverage

## Strong gains in productivity improve underlying profitability in second quarter

(in ppt)



- **Productivity measures delivering core operating margin improvements:**

- **Pharmaceuticals:**

- SG&A +0.9 ppt
- R&D +1.0 ppt

- **Sandoz**

- M&S +1.1 ppt
- R&D +0.7 ppt
- G&A +0.6 ppt



# Second half performance trends<sup>1</sup>

## Pharmaceuticals

- Continuing portfolio rejuvenation and volume growth
- Femara<sup>®</sup> and Diovan<sup>®</sup> generics
- Second half cost phasing (R&D, M&S)

## Alcon

- Emerging market performance
- US surgical procedure growth recovery

## Sandoz

- Continued geographic expansion
- Enoxaparin sole generic status
- Investment in respiratory and biosimilars

## Consumer Health

- Continued focus on priority markets and key brands
- Phasing of cough and cold investments to second half

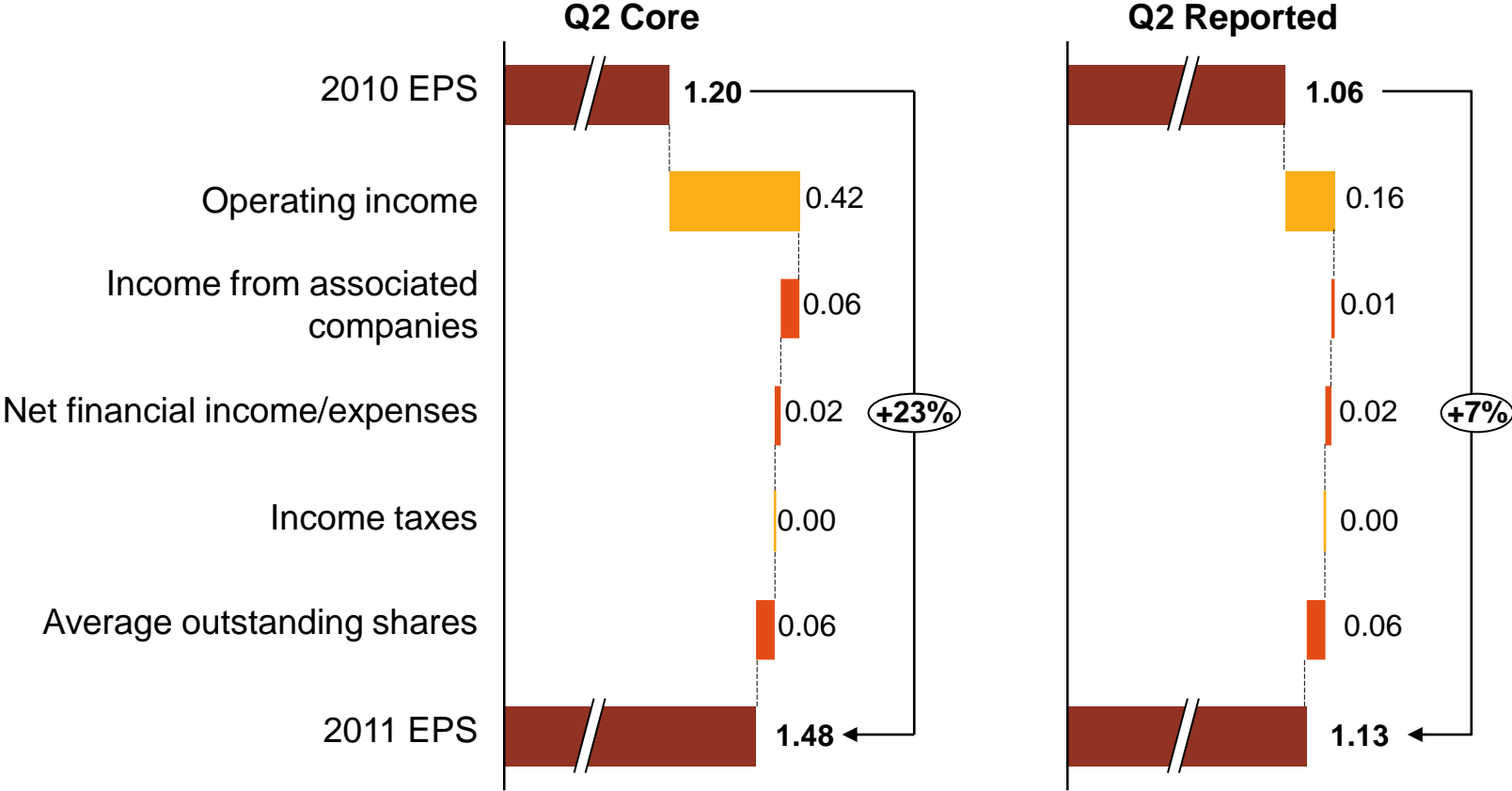
## V&D

- Flu and meningitis sales phased to second half
- Investment in meningitis pipeline

<sup>1</sup> As currently anticipated

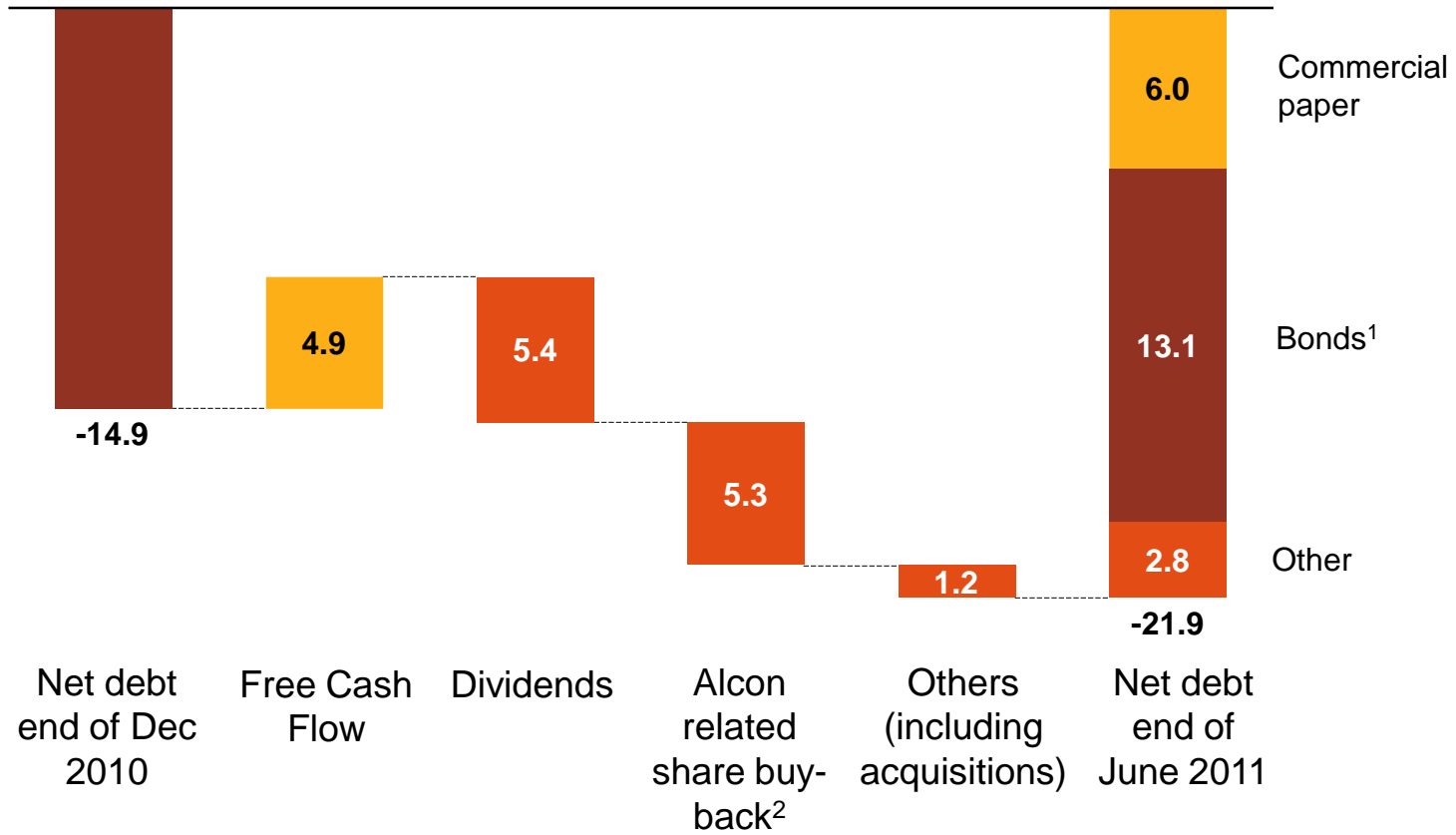
# Strong performance visible in EPS

## Variance vs. PY (in USD)



# Dividends and share buy-back increases net debt to USD 22 billion

**Net debt**  
(in USD bn)



<sup>1</sup> Bonds and Euro medium term notes  
<sup>2</sup> Includes USD 0.5 billion payments for CVA



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# Modest growth in Q2 with good leverage on core operating income and free cash flow

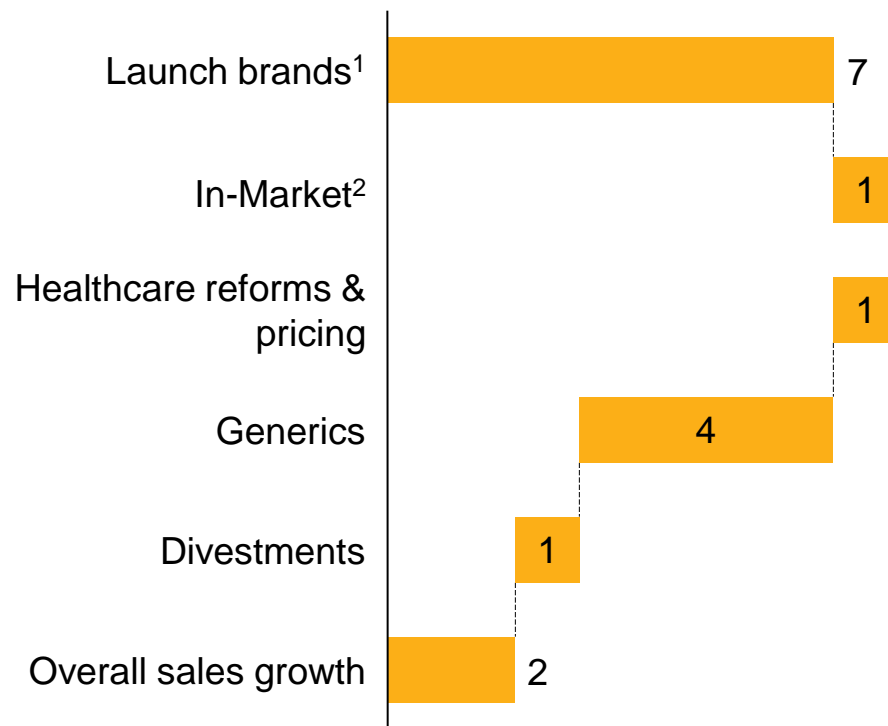
(in USD m)	Q2 2011	Q2 2010	Growth	
			(% USD)	(% CC)
<b>Net sales</b>	<b>8 338</b>	7 609	<b>10</b>	<b>2</b>
<b>Core operating income</b>	<b>2 699</b>	2 560	<b>5</b>	<b>6</b>
Operating income	2 791	2 260	23	25
<b>Core operating income margin<sup>1</sup></b>	<b>32.4</b>	33.6		
Operating income margin	33.5	29.7		
<b>Free cash flow<sup>2</sup></b>	<b>3 213</b>	2 212	<b>+45%</b>	

<sup>1</sup> Excluding negative FX impact of -2.5% Core Operating Margin is 34.9%, a 1.3 % improvement over prior year

<sup>2</sup> Including intercompany transactions. Excluding one-time cash events (e.g. Elidel®), FCF growth in USD was +25% (in USD) or +28% (CC)

## New launches driving overall sales growth despite loss of exclusivity of Femara<sup>®</sup> in US

### Q2 2011 contribution of sales growth (growth in % CC)











- Overall sales grew 2% CC growth, despite Femara<sup>®</sup> generic competition in US in April
- Recently launched brands grew 34% v. PY (CC) and now account for 28% of sales
- Despite launches, margin growth continues

<sup>1</sup> Major products launched since 2007

<sup>2</sup> Includes Genoptix acquisition

## Launch brands grew 34% CC and are now 28% of sales, driven by 8 key products

	Indication	Q2 Sales (USD m)	Growth vs PY (% CC)
	<ul style="list-style-type: none"> <li>Wet Age-related macular degeneration, DME<sup>1</sup>, RVO<sup>2</sup></li> </ul>	541	+27%
	<ul style="list-style-type: none"> <li>Chronic myeloid leukemia</li> </ul>	170	+79%
	<ul style="list-style-type: none"> <li>Diabetes mellitus, Type 2</li> </ul>	165	+65%
	<ul style="list-style-type: none"> <li>Hypertension</li> </ul>	159	+45%
	<ul style="list-style-type: none"> <li>Renal cell carcinoma, TSC SEGA<sup>3</sup>, pNET<sup>4,5</sup></li> </ul>	102	+72%
	<ul style="list-style-type: none"> <li>Multiple sclerosis</li> </ul>	79	Na
	<ul style="list-style-type: none"> <li>Chronic obstructive pulmonary disease</li> </ul>	26	Na
	<ul style="list-style-type: none"> <li>CAPS<sup>6</sup></li> </ul>	12	95%

<sup>1</sup> Diabetic macular edema

<sup>3</sup> Tuberous sclerosis subependymal giant cell astrocytoma

<sup>5</sup> Pancreatic Neuroendocrine Tumors

<sup>2</sup> Retinal vein occlusion

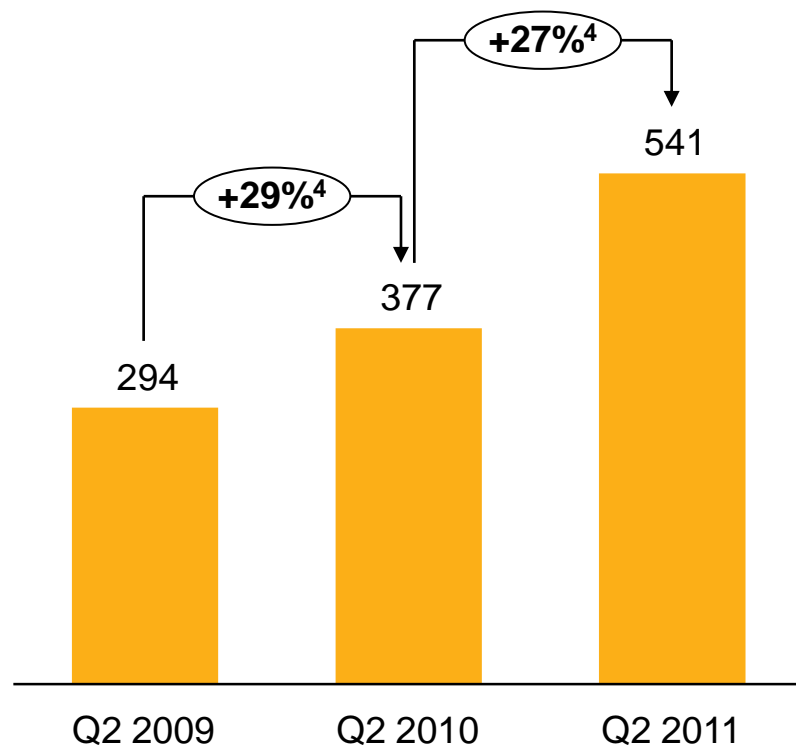
<sup>4</sup> Indication not yet approved in all major markets

<sup>6</sup> Cryopyrin-associated periodic syndrome

# Blockbuster Lucentis® - continued growth expected with new indications

## Lucentis® sales

(in USD m, growth in CC)



- Current growth driven by increased penetration in wAMD<sup>1</sup>
  - AMD: 575,000 potential patients<sup>2</sup>
  
- Future growth expected from launch of new indications in DME<sup>3</sup> and RVO<sup>4</sup>
  - DME: 620,000 potential patients<sup>2</sup>
  - RVO: 210,000 potential patients<sup>2</sup>

NOTE: Genentech has rights to Lucentis® in the US

<sup>1</sup> Wet Age-related Macular Degeneration

<sup>2</sup> Source: Global Patient Forecast, 2011, (EU5, CAN, AUS, JPN); DME prevalence in 2011; 2 year incident Central RVO and 1 year incident Branch RVO

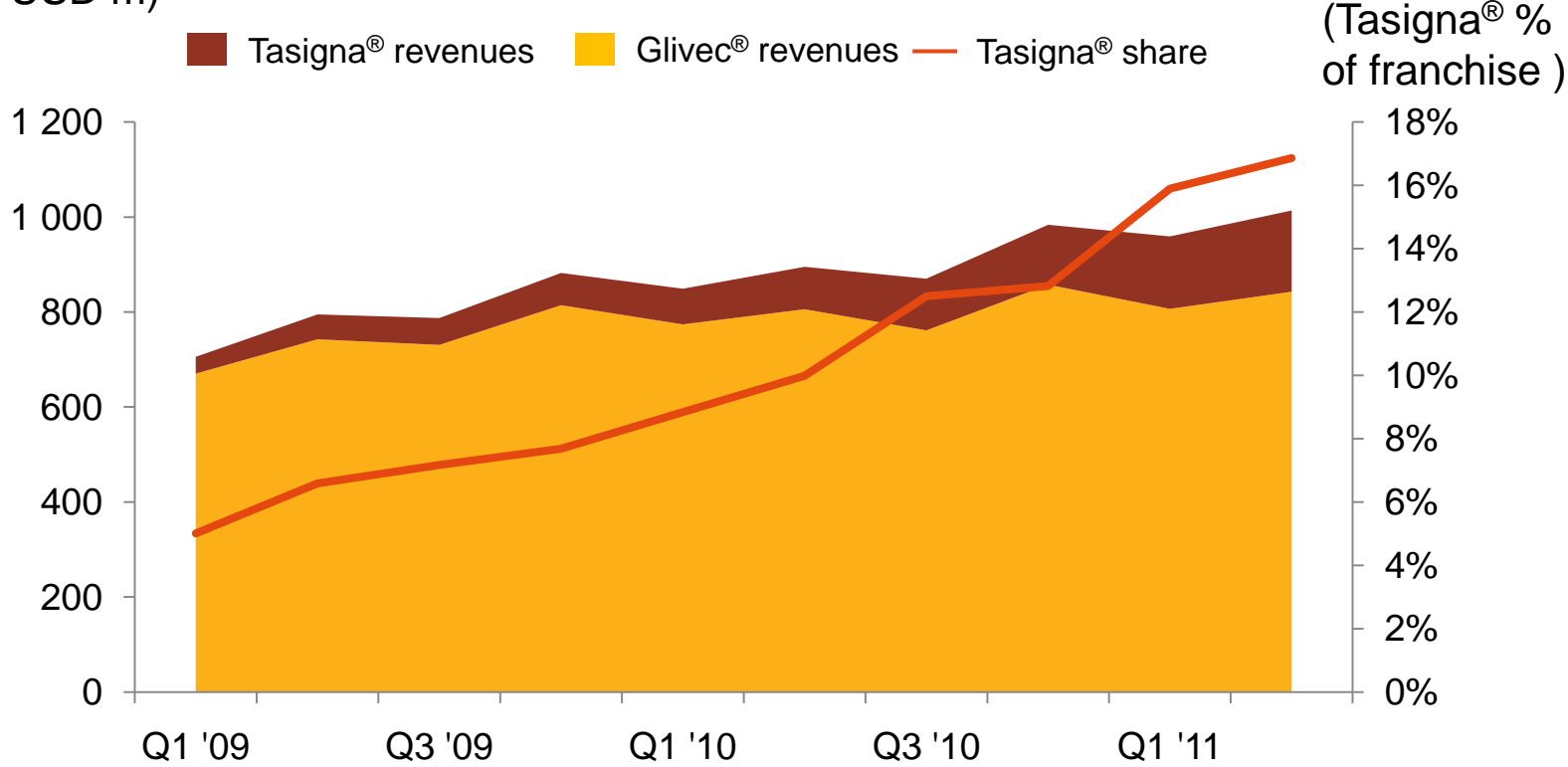
<sup>3</sup> Diabetic Macular Edema; launched in Germany, Greece, Denmark, Sweden & Netherlands

<sup>4</sup> Macular edema secondary to Retinal Vein Occlusion; launched in Germany

<sup>4</sup> Growth in USD are 28% and 44% respectively

# Tasigna® share of CML franchise grew to ~17% in Q2 2011

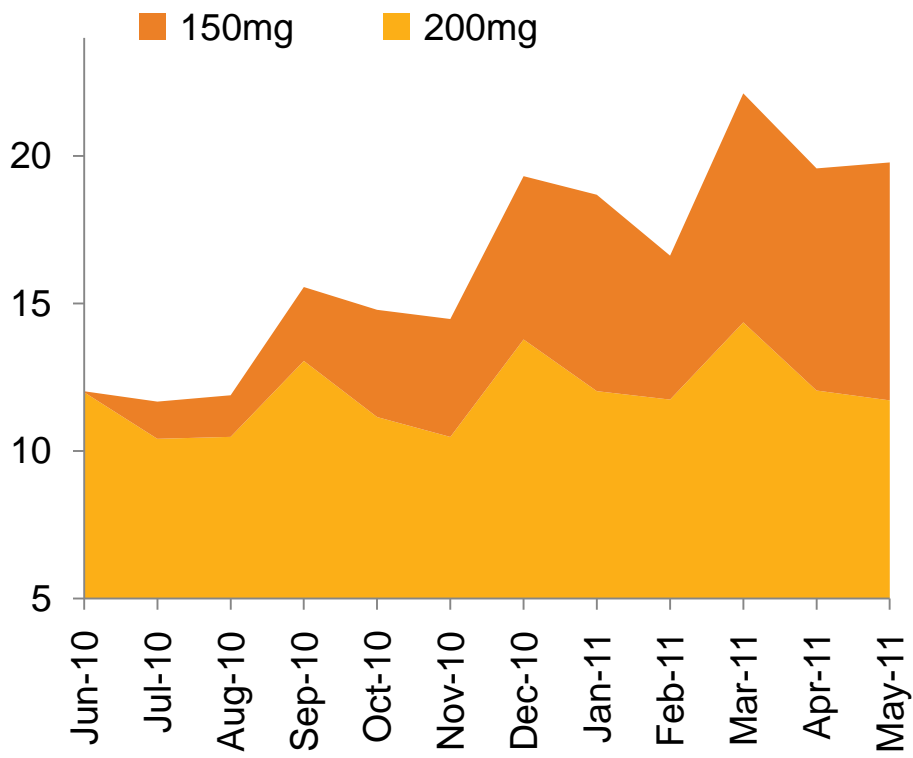
## WW Tasigna®/Glivec® CML<sup>1</sup> sales (in USD m)



Source: CML sales based on Novartis reported earnings, 2007-2011; Tasigna® demand based on IMS  
<sup>1</sup> Assumes 70% of current Glivec® revenues and 100% of Tasigna® revenues from CML, updated this quarter from previous assumption (75%) following new market research

# Tasigna<sup>®</sup> growth driven by newly diagnosed patients

## Tasigna<sup>®</sup> demand in US (in USD m)

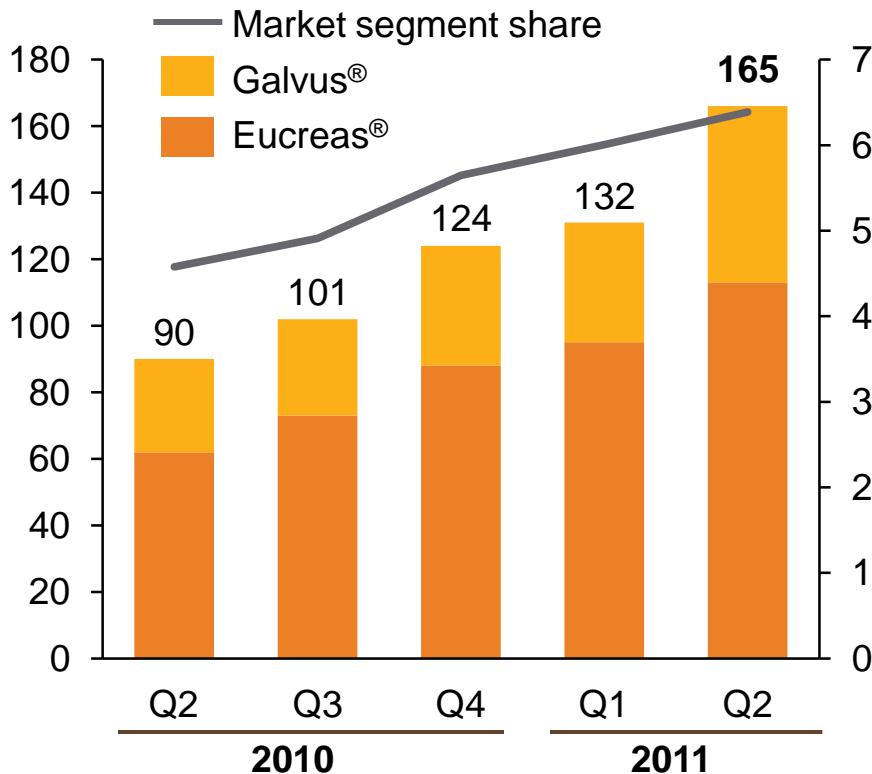


- Strong uptake of 150 mg tablets since launch of first line indication
- 150 mg mostly used in newly diagnosed patients

Source: IMS May YTD

# Galvus<sup>®</sup> group on track for a potential blockbuster

## Sales & market segment share<sup>1</sup> (in USD m, % market segment share)



- Sales growth +65% in CC to USD 165 million
- Label enhanced in EU by lifting restriction in very elderly
- Partnership with Sanofi initiated in Japan
- Only DPP-4 with clinical data showing similar efficacy to Actos<sup>®</sup> (pioglitazone)

Source : IMS PADDS Monthly Database (May 2011)

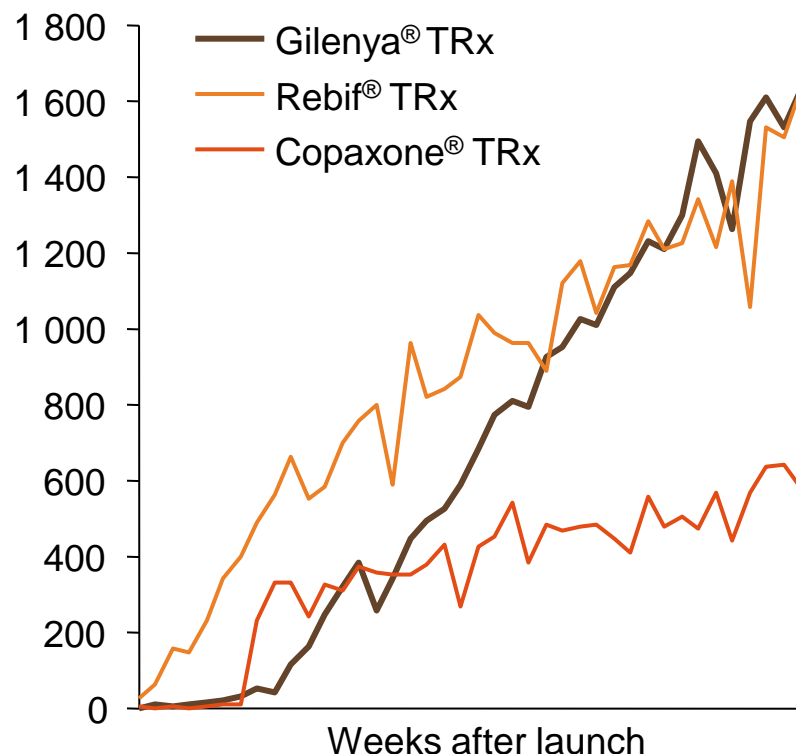
Note : Q2 Market Share is based on Rolling 3 Months May 2011 data as Q2 data is yet not available in IMS Database

Actos<sup>®</sup> is a trademark registered by Takeda Pharmaceuticals

<sup>1</sup> Market share based on ex-US oral anti-diabetic market eg DPP4s, GLP-1s, sulphonylureas, etc.

# Gilenya<sup>®</sup> launch is best in class in US, now with over 13,000 patients in US & EU on drug

## US Weekly launch trends (TRx)



- More than 20,000 patients now exposed to Gilenya<sup>®</sup>
- Over 13,000 patients<sup>1</sup> on commercial drug, 11,000 in the US and over 2,000 in Europe
- Approximately 7,000 patients in clinical trials
  - 2,000 on treatment for over 2 years
  - Some patients on drug as long as 7 years

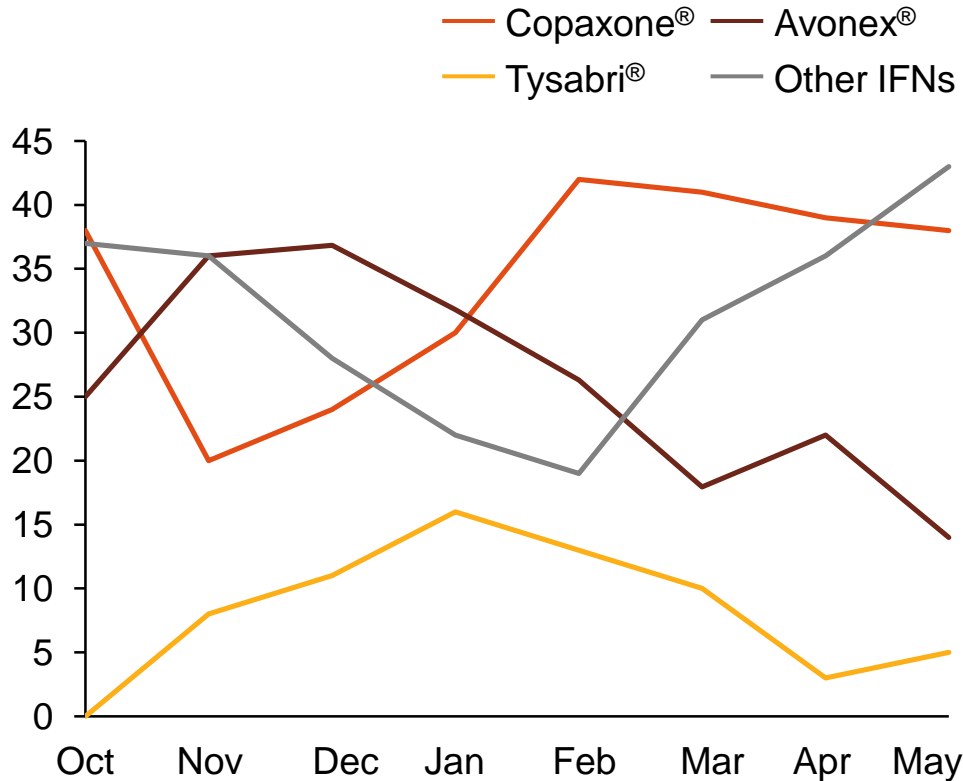
Source: IMS NPA weekly through June 24, 2011

All trademarks are owned by their respective owners

<sup>1</sup> Includes patients on starter packs; launched with reimbursement in US, Germany & Denmark, available for private pay in Switzerland, UK, Norway, Sweden, Portugal, Austria, and Poland

# Gilenya<sup>®</sup> increasingly capturing share from others, efficacy cited as primary reason

## Source of switches to Gilenya<sup>®</sup> (in % of total)<sup>1</sup>



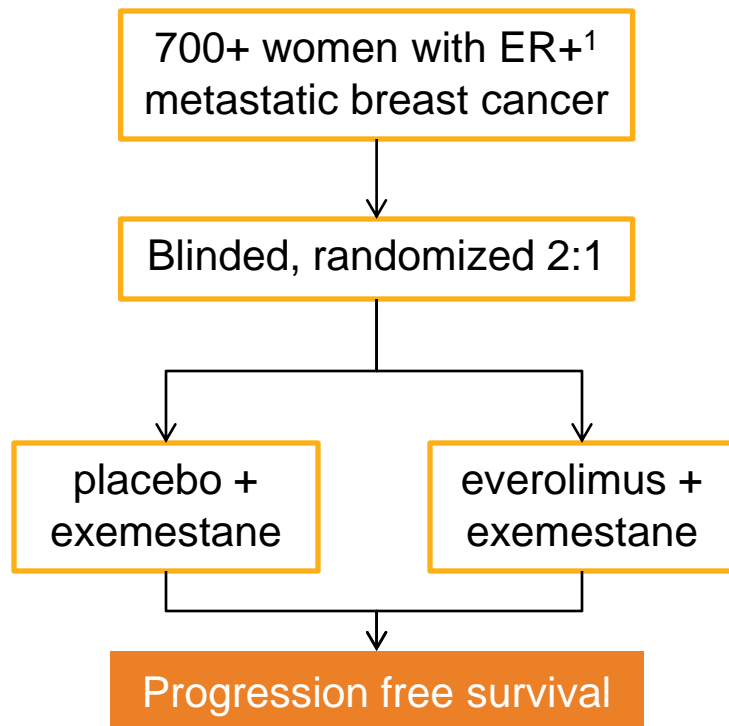
- Almost two-thirds of physicians cited efficacy as reason for switch to Gilenya<sup>®</sup>
- Safety and administration were next important reasons

Source: Impact Rx; March Gilenya<sup>®</sup> BrandImpact Report; MS Market Promotion & Treatment Analysis. Key Metrics  
All trademarks are owned by their respective owners

<sup>1</sup> Approximately 45% of all patients treated previously

# Afinitor<sup>®</sup> met primary endpoint in Phase III study of women with advanced breast cancer

## Study design








- Patients followed to evaluate secondary endpoints including overall survival
- Regulatory submissions planned for H2 2011
- Approximately 85,000<sup>2</sup> women eligible for treatment
- Potential for significant incremental sales in this indication

<sup>1</sup> Estrogen receptor positive; patients whose disease has progressed despite treatment with aromatase inhibitors

<sup>2</sup> In Europe, Japan, US; Source: Globocan

# 5 Approvals and 1 CHMP recommendation in Pharmaceuticals in Q2 2011

## Approvals and recommendations in Q2 2011

 <b>Rasiamlo</b> aliskiren / amlodipine	EU	High blood pressure
 arcapta neohaler <small>(indacaterol inhalation powder)</small> Once Daily onbrez breezhaler <small>indacaterol inhalation powder</small>	US, Japan	COPD <sup>1</sup>
 <b>LUCENTIS</b> RANIBIZUMAB	EU	RVO <sup>2</sup>
 <b>AFINITOR</b> (everolimus) Tablets	US	pNET <sup>3</sup>
 <b>VOTUBIA</b> (everolimus) tablets	EU (positive CHMP opinion)	SEGA <sup>4</sup>

<sup>1</sup> Chronic Obstructive Pulmonary Disease

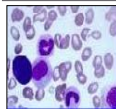


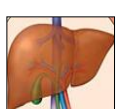
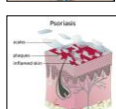
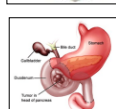
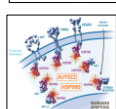
<sup>2</sup> Visual impairment due to macular edema secondary to Retinal Vein Occlusion

<sup>3</sup> Pancreatic Neuroendocrine Tumors

<sup>4</sup> Positive CHMP recommendation; Subependymal Giant Cell Astrocytomas associated with tuberous sclerosis

# At least 7 more potential blockbusters in the pipeline

## Sample pipeline projects of 140+ projects in development

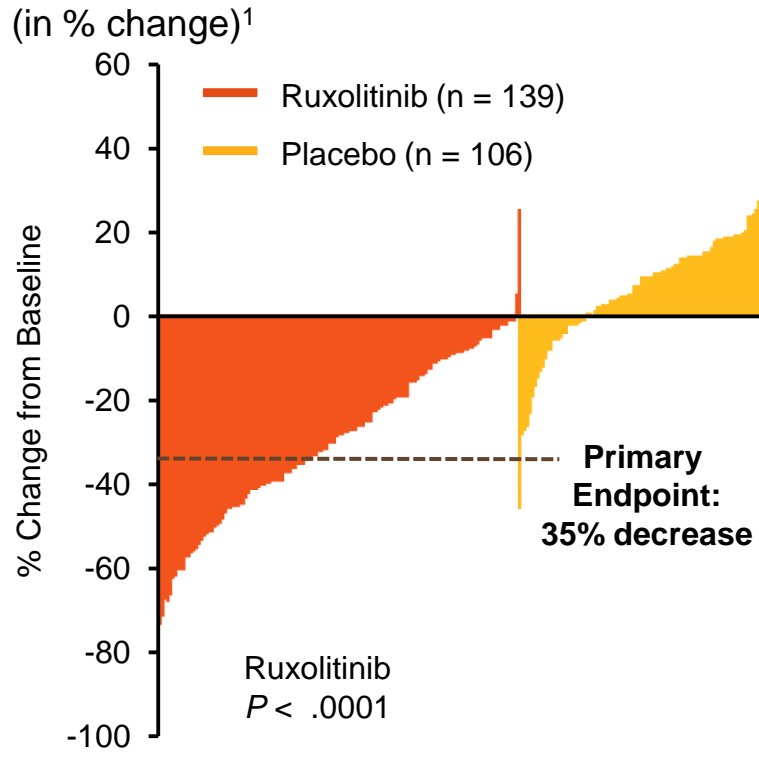
	Project	Program	Differentiation	First planned submission
	INC424 <sup>1</sup>	Myelofibrosis, Polycyemia Vera	Novel inhibition of JAK Pathway for MPNs <sup>2</sup>	2011 <sup>3</sup>
	QVA149	Chronic obstructive pulmonary disease	Potential first LABA <sup>4</sup> / LAMA <sup>5</sup> combo to market	2012
	Relaxin	Acute heart failure	Novel treatment for Acute heart failure	2013
	DEB025	Hepatitis C	Potential first- and best-in-class Cyclophilin inhibitor	2013
	AIN457	Rheumatoid arthritis, Psoriasis	Potential first IL-17A treatment	2013
	BEZ235/ BKM210	Solid tumors	Novel PI3-kinase inhibitors	2014
	AUY922 <sup>6</sup>	Solid tumors	Novel HSP90 <sup>7</sup> inhibitor	2015+

<sup>1</sup> In collaboration with Incyte Corp.; <sup>2</sup> Myeloproliferative Neoplasms; <sup>3</sup> Myelofibrosis filing in 2011; Polycythemia Vera filing in 2014; <sup>4</sup> Long Acting Beta Agonist; <sup>5</sup> Long Acting Muscarinic Agonist; <sup>6</sup> Discovered under collaboration with Vernalis plc; <sup>7</sup> Heat Shock Protein 90

# Two Phase III studies support filing of INC424 in Myelofibrosis in June

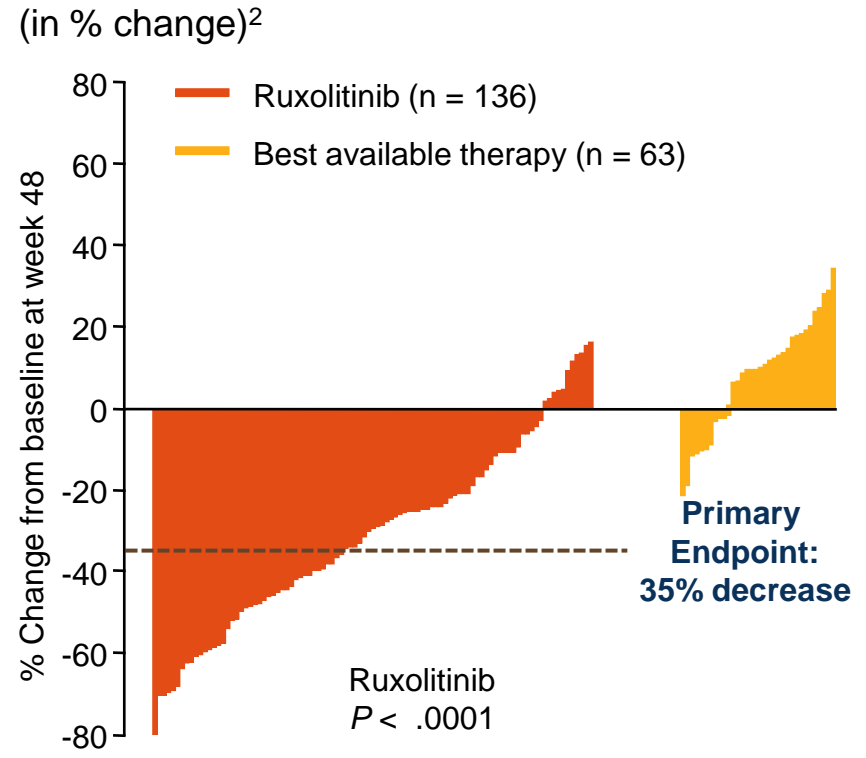
## COMFORT-I

Reduction in spleen volume  
24-week, vs. placebo



## COMFORT-II

Reduction in spleen volume  
48-week, vs. best available therapy



Source: Verstovsek et al, ASCO 2011 Abstract #6500; Harrison et al, ASCO 2011 Abstract # LBA6501  
<sup>1</sup> Percent change from Baseline in spleen volume; at week 24  
<sup>2</sup> Percent change from baseline in spleen volume; Best response at any time on study by week 48

# Pharma newsflow – H2 2011

H2 2011

## Respiratory

- TOBI® Podhaler® : EU regulatory decision for cystic fibrosis
- NVA237: GLOW 1 Phase III data and first filing for COPD<sup>1</sup>
- QTI517: Phase III data and first filing in pulmonary arterial hypertension

## Immunology

- ACZ885<sup>2</sup>: US regulatory decision for gouty arthritis
- ACZ885<sup>2</sup>: Phase III data in SJIA<sup>3</sup>
- AIN457: Phase II data in psoriasis
- AIN457: Phase II 52-week data in rheumatoid arthritis

## Cardiovascular

- Rasitrio<sup>4</sup> HCT: EU CHMP regulatory opinion

## Oncology

- Afinitor® : EU regulatory decision for advanced pancreatic neuroendocrine tumors
- SOM230: EU regulatory decision for Cushing's Disease
- Tasigna® : ENESTnd 36-month update in 1<sup>st</sup> line CML<sup>5</sup>
- Afinitor® : EU/US regulatory filings for ER+HER2- metastatic breast cancer

<sup>1</sup> Chronic obstructive pulmonary disease

<sup>2</sup> Marketed as Ilaris ® in CAPS (Cryopyrin-associated periodic syndrome )

<sup>3</sup> Systemic juvenile idiopathic arthritis

<sup>4</sup> Known as Amturnide® in the US

<sup>5</sup> Chronic myeloid leukemia

# Agenda

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**Q2 2011 Group results**

Joseph Jimenez  
*Chief Executive Officer*

**Q2 2011 Financials**

Jon Symonds  
*Chief Financial Officer*

**Pharmaceuticals – update on key products**

David Epstein  
*Division Head Pharmaceuticals*

**Closing**

Joseph Jimenez  
*Chief Executive Officer*

**Q&A session**

# Solid progress on 2011 strategic priorities

## Progress First Half 2011

1

Extend lead  
in innovation

- 7 major approvals in Pharmaceuticals and Vaccines



2

Accelerate  
growth

- Recently launched products contributed 24% of Group sales
- Emerging markets<sup>1</sup> with strong growth
- Alcon now operational Division of Novartis



3

Drive  
productivity

- Continued progress in manufacturing optimization:  
3 full site exits completed with 5 sites in process



<sup>1</sup> Top 6 emerging markets: Brazil, Russia, India, China, Turkey, South Korea

# Reaffirm outlook for 2011

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## ***Barring unforeseen events***

- Group sales growth (CC): around double-digit mark
  - Pharmaceuticals: low- to mid-single digit
  - Sandoz: mid- to high-single digit
  - Alcon<sup>1</sup>: mid- to high-single digit
  
- Group Core operating income margin (CC): expect to improve

<sup>1</sup> On a pro forma basis

# Appendix

# Planned filings 2011 to ≥ 2015

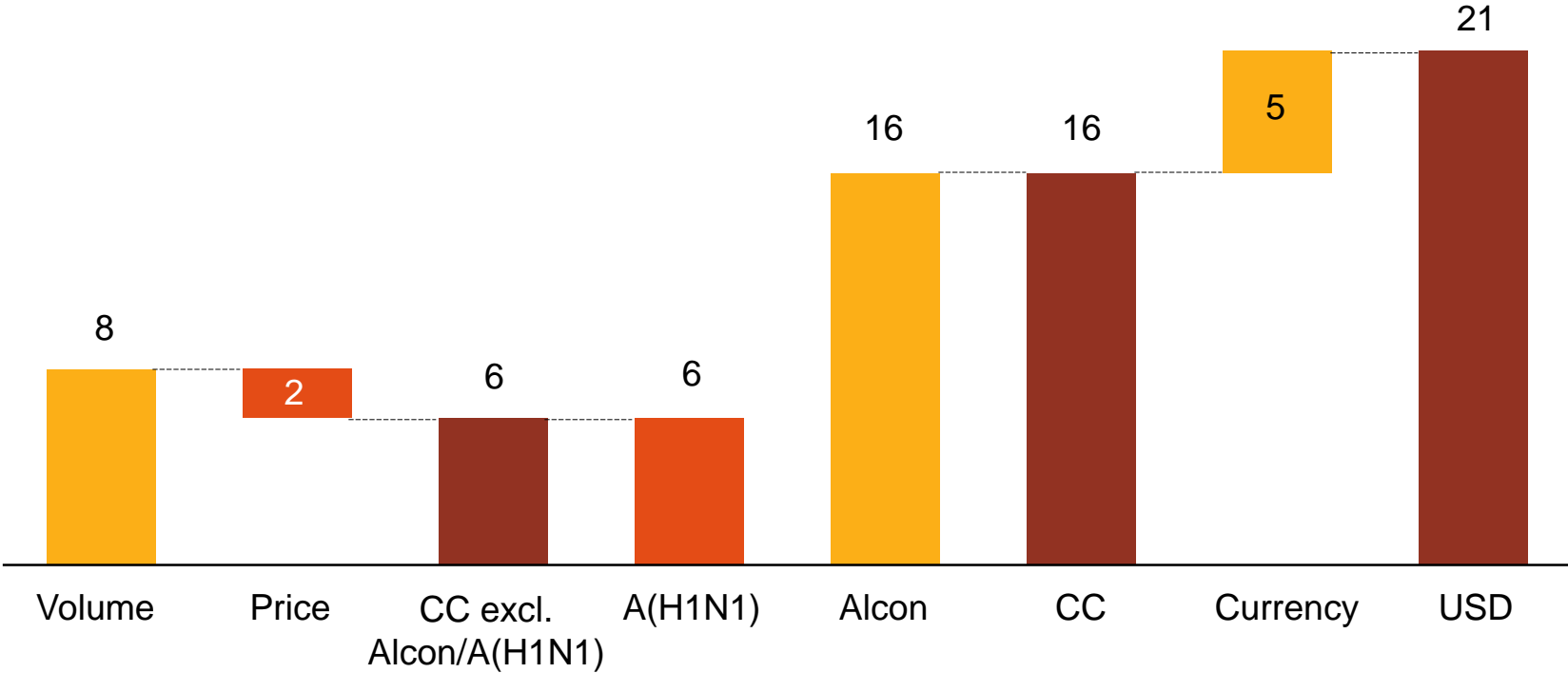
2011	2012	2013	2014	≥ 2015
<b>INC424</b> Myelofibrosis	<b>AFQ056</b> Fragile X syndrome	<b>AIN457</b> Psoriasis	<b>AEB071</b> Kidney & heart transpl.	<b>ATI355</b> Spinal cord injury
<b>Afinitor®</b> TSC AML <sup>1</sup>	<b>AGO178</b> Depression	<b>DEB025</b> HCV infection	<b>BEZ235</b> Solid tumors	<b>ACZ885</b> Diabetes
<b>Afinitor®</b> ER+ Breast cancer	<b>LDE225</b> Gorlin's syndrome	<b>LBH589</b> Multiple Myeloma	<b>BKM120</b> Solid tumors	<b>ACZ885</b> Secondary prevention of cardiovascular events
<b>Certican®</b> Liver transplantation	<b>ACZ885</b> SJIA <sup>4</sup>	<b>PKC412</b> ASM <sup>5</sup>	<b>LCQ908</b> Metabolic diseases	<b>Afinitor®</b> Lymphoma
<b>Exjade®</b> NTDT <sup>2</sup>	<b>Afinitor®</b> Gastric cancer	<b>RLX030</b> Acute heart failure	<b>LCZ696</b> Heart failure	<b>AEB071</b> Liver transplantation
<b>NVA237</b> COPD <sup>3</sup>	<b>Lucentis</b> Pathological myopia	<b>TKI258</b> Renal cell carcinoma	<b>AFQ056</b> PD-LID <sup>9</sup>	<b>AEB071</b> Psoriasis
<b>QTI571</b> Pulm. arterial hyperten.	<b>SOM230</b> Acromegaly	<b>Afinitor®</b> HER2+ Breast cancer	<b>Gilenya®</b> CIDP <sup>10</sup>	<b>Tekturna®</b> CV events in elderly
	<b>Tekturna®</b> Diabetic nephropathy	<b>Afinitor®</b> HCC <sup>6</sup>	<b>INC424</b> Polycythemia vera	
	<b>QVA149</b> COPD <sup>3</sup>	<b>AIN457</b> Arthritides (RA,AS,PsA) <sup>7</sup>	<b>LCZ696</b> Hypertension	
	<b>SMC021</b> Osteoporosis	<b>SOM230</b> Carcinoid	<b>LDE225</b> Solid tumors	
		<b>Tekturna®</b> Heart failure	<b>PKC412</b> AML <sup>11</sup>	
		<b>Xolair</b> CIU <sup>8</sup>	<b>Tasigna®</b> cKIT Melanoma	
			<b>QMF149</b> COPD <sup>3</sup>	
			<b>QMF149</b> Asthma	
				<b>QAW039</b> Asthma
				<b>QGE031</b> Allergic diseases

New molecule
New Indication
New formulation

- <sup>1</sup> *Tuberous sclerosis complex / angiomyolipomas*
  - <sup>2</sup> *Non-Transfusion-Dependent Thalassemia*
  - <sup>3</sup> *Chronic obstructive pulmonary disease*
  - <sup>4</sup> *Systemic onset juvenile idiopathic arthritis*
  - <sup>5</sup> *Aggressive systemic mastocytosis*
  - <sup>6</sup> *Hepatocellular carcinoma*
  - <sup>7</sup> *Rheumatoid arthritis, Ankylosing spondylitis and psoriatic arthritis*
  - <sup>8</sup> *Chronic idiopathic urticaria*
  - <sup>9</sup> *Parkinson's disease L-dopa induced dyskinesia*
  - <sup>10</sup> *Chronic inflammatory demyelinating polyneuropathy*
  - <sup>11</sup> *Acute myeloid leukemia*
- \* *Filing date under review*

# Strong volume growth and Alcon drive sales growth in H1 2011

## Components of Group sales growth (in % growth)



## Group delivers strong operating leverage in H1 2011

H1 2011	Sales growth (in % CC)	Core operating income growth (in % CC)	Operating leverage	Change in CC margin <sup>1</sup> (bps)
Pharmaceuticals	3%	8%	↑	160
Alcon <sup>2</sup>	7%	8%	↑	20
Sandoz	17%	33%	↑	280
Consumer Health	8%	26%	↑	340
V&D	-66%	nm	nm	nm
<b>Group</b>	16%	17%	↑	30

<sup>1</sup> bps based on margin rounded to one decimal

<sup>2</sup> Alcon based on pro forma