Novartis New Organizational Model
Powering our next phase of innovation, growth, and productivity

Investor presentation
April 04, 2022
Disclaimer

This presentation contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, that can generally be identified by words such as “potential,” “expected,” “will,” “planned,” “pipeline,” “outlook,” or similar expressions, or by express or implied discussions regarding our new organizational structure; potential new products, potential new indications for existing products, potential product launches, or regarding potential future revenues from any such products; or regarding potential future, pending or announced transactions and/or reorganizations; regarding potential future sales or earnings of the Group or any of its divisions or products; or by discussions of strategy, plans, expectations or intentions; or regarding the strategic review of Sandoz. Such forward-looking statements are based on the current beliefs and expectations of management regarding future events, and are subject to significant known and unknown risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those set forth in the forward-looking statements. You should not place undue reliance on these statements. In particular, our expectations could be affected by, among other things: the potential that the strategic benefits, synergies or opportunities expected from our new organizational structure may not be realized or may be more difficult or take longer to realize than expected; global trends toward healthcare cost containment, including ongoing government, payer and general public pricing and reimbursement pressures and requirements for increased pricing transparency; liquidity or cash flow disruptions affecting our ability to meet our ongoing financial obligations and to support our ongoing business activities; the impact of the COVID-19 pandemic on enrollment in, initiation and completion of our clinical trials in the future, and research and development timelines; the impact of a partial or complete failure of the return to normal global healthcare systems including prescription dynamics; uncertainties regarding potential significant breaches of data security or data privacy, or disruptions of our information technology systems; regulatory actions or delays or government regulation generally, including potential regulatory actions or delays with respect to the development of the products described in this presentation; the uncertainties in the research and development of new products, including clinical trial results and additional analysis of existing clinical data; our ability to obtain or maintain proprietary intellectual property protection, including the ultimate extent of the impact on Novartis of the loss of patent protection and exclusivity on key products; safety, quality, data integrity, or manufacturing issues; uncertainties involved in the development or adoption of potentially transformational technologies and business models; uncertainties regarding actual or potential legal proceedings, investigations or disputes; our performance on environmental, social and governance measures; general political, economic and business conditions; uncertainties regarding future global exchange rates; uncertainties regarding future demand for our products; and other risks and factors referred to in Novartis AG’s current Form 20-F on file with the US Securities and Exchange Commission. 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.
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

Portfolio simplification

- Exit of Animal Health, Vaccines, Consumer Health
- Alcon spin-off
- Sale of Roche stake, returning majority of proceeds to shareholders through a buyback
- Sandoz strategic review
- USD ~31bn in M&A / BD&L since 2018 strengthening Innovative Medicines (IM) portfolio

Delivered strong performance & returned capital to shareholders

- Consistent IM top-line growth: 7% sales CAGR from 2018-2021
- Consistent IM bottom-line delivery: 13% Core OpInc CAGR and 4ppts margin improvement since 2018
- Innovation capability expansion; built strengths in cell & gene, RNAi, radioligand therapy
- USD ~36bn in share buybacks and dividends from 2018-2021

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

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, Semblix®

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 IM\(^1\) business, with US and International at ECN\(^2\)
   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
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
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
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
Novartis executive team focused on high performance

3 changes

1. Integrated IM business, with US and International at ECN
2. Integrated Strategy, Growth & Portfolio
3. Single Operations unit and integrated global G&A functions

Executive Committee of Novartis

Vasant Narasimhan
Chief Executive Officer

Jay Bradner
President, NIBR

Shreeram Aradhye
President, Global Drug Development & Chief Medical Officer

External
Chief Strategy & Growth Officer

Marie-France Tschudin
President, IM International & CCO

Victor Bulto
President, IM US

Richard Saynor
Chief Executive Officer Sandoz

Steffen Lang
President, Operations

Harry Kirsch
Chief Financial Officer

Karen Hale
Chief Legal Officer

Rob Kowalski
Chief People & Organiz. Officer

Kees Roks
Chief Audit Officer

Lutz Hegemann
President, Global Health

Michael Willi
Chief Communications Officer

Klaus Moosmayer
Chief Ethics, Risk and Compliance Officer

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 ≥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

<table>
<thead>
<tr>
<th>Company</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Novartis</td>
<td>29%</td>
<td>31%</td>
<td>30%</td>
<td>29%</td>
<td>29%</td>
</tr>
</tbody>
</table>

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

Novartis above peer median SG&A spend
Core SG&A 2021 as % of sales

Illustrative

<table>
<thead>
<tr>
<th>Company</th>
<th>2021 Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>29%</td>
</tr>
<tr>
<td>Company 2</td>
<td>29%</td>
</tr>
<tr>
<td>Company 3</td>
<td>29%</td>
</tr>
<tr>
<td>Company 4</td>
<td>30%</td>
</tr>
<tr>
<td>Company 5</td>
<td>30%</td>
</tr>
<tr>
<td>Company 6</td>
<td>29%</td>
</tr>
<tr>
<td>Company 7</td>
<td>31%</td>
</tr>
<tr>
<td>Company 8</td>
<td>31%</td>
</tr>
<tr>
<td>Company 9</td>
<td>31%</td>
</tr>
<tr>
<td>Company 10</td>
<td>31%</td>
</tr>
<tr>
<td>Company 11</td>
<td>31%</td>
</tr>
<tr>
<td>Company 12</td>
<td>31%</td>
</tr>
<tr>
<td>Company 13</td>
<td>31%</td>
</tr>
<tr>
<td>Company 14</td>
<td>31%</td>
</tr>
<tr>
<td>Novartis</td>
<td>29%</td>
</tr>
</tbody>
</table>

Median 25%
Revising upwards our expectations for IM core margin to low 40s mid- to long-term

Innovative Medicines
% Core margin

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core margin</td>
<td>31</td>
<td>32</td>
<td>34</td>
<td>35</td>
<td>36</td>
</tr>
</tbody>
</table>

- Mid-term: High end of high 30s
- Mid- to long-term: Low 40s
SG&A savings fully embedded by 2024, mainly from efficiencies in operations, M&S duplication and G&A streamlining

Estimated annual savings
Illustrative

- Integrated Operations unit synergies
- Simplification of M&S structure (non-customer-facing)
- Streamlining G&A functions

One-time restructuring cost estimated at 1 to 1.5x annual structural savings
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