

## **Novartis publishes updated 2015 segment financials reflecting new division structure**

- *Updated segment financials reflect transfer of Ophthalmic Pharmaceuticals franchise from Alcon to Pharmaceuticals, and 19 mature products from Pharmaceuticals to Sandoz, as outlined in Q4 and FY 2015 earnings release*
- *No change in audited 2015 Consolidated Financial Statements for the total Group*

**Basel, March 31, 2016** – Novartis announced today that it has published updated 2015 quarterly and full year segment financials reflecting the new division structure, as announced in the January 27, 2016 earnings release, as if the transfers had taken place from January 1, 2015. The updated segment financials are provided in accordance with the requirements of IFRS, and to aid comparability of 2016 quarterly and full year results, which will be reported on the new division structure.

The updated segment financials reflect the transfer of the Ophthalmic Pharmaceuticals franchise from the Alcon Division to the Pharmaceuticals Division (USD 3.8 billion of net sales in 2015), and the transfer of a portfolio of 19 mature products from the Pharmaceuticals Division to the Sandoz Division (USD 0.9 billion of net sales in 2015).

The updated operating income for each segment reflects all costs attributable to operation of the transferred businesses. The updated segment financials do not include any cost synergies. Future operating costs are expected to be optimized over time as the transferred businesses are fully integrated.

These changes will be reflected from Q1 2016 for financial reporting purposes, with transfer of operational control from April 1, 2016.

A presentation of the updated segment financials is available on the Novartis website at <https://www.novartis.com/investors/event-calendar>.

### **2016 Group outlook reiterated Barring unforeseen events**

The presentation also reiterates the guidance given in the January 27, 2016 earnings release. Based on the new division structure, we expect divisional net sales performance in constant currencies (cc) in 2016 to be as follows:

- Pharmaceuticals: broadly in line with 2015 to a slight decline (mid-single digit growth excluding Gleevec<sup>®</sup>/Glivec<sup>®</sup> generic impact)
- Alcon: low single digit growth
- Sandoz: low to mid-single digit growth

Group net sales and core operating income in 2016 are expected to be broadly in line with the prior year (cc), after absorbing the impact of generic competition. Generic competition impact on sales is expected to be as much as USD 3.2 billion compared to USD 2.2 billion in 2015.

Excluding Gleevec®/Glivec® generic impact, we would expect Group net sales to grow mid-single digit (cc) and Group core operating income to grow in the mid-teens (cc).

These comparisons are versus 2015 continuing operations.

### **Investor conference call**

We will hold an investor and analyst call today at 14:00 CEST (13:00 BST, 08:00 EDT). Samir Shah, Global Head of Investor Relations, will lead the call and walk through the presentation of the updated segment financials. There will be an opportunity for questions at the end. Dial in 5-10 minutes prior to the start time using the confirmation code and numbers below.

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### **Disclaimer**

This press release contains forward-looking statements that can be identified by words such as “plans,” “innovation,” “momentum,” “turnaround plan,” “underway,” “expected,” “outlook,” “intend,” “plan,” “will,” “strategy,” “committed,” “expect,” “priorities,” “progress,” “growth drivers,” “growth products,” “pipeline,” “priority review,” “seeking,” “projections,” “launched,” “would,” “proposal,” “proposes,” “submitted,” “planned,” “Breakthrough Therapy,” “positive CHMP opinion,” “potential,” “continue,” “priority review,” or similar terms, 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; potential shareholder returns or credit ratings; or regarding any potential financial or other impact on Novartis or any of our divisions of the strategic actions announced in January 2016 to focus our divisions, integrate certain functions and leverage our scale; or regarding any potential financial or other impact on Novartis as a result of the creation and operation of NBS; or regarding the potential financial or other impact on Novartis of the transactions with GSK, Lilly or CSL; or regarding potential future sales or earnings of the Novartis Group or any of its divisions; or by discussions of strategy, plans, expectations or intentions. You should not place undue reliance on these statements. 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. 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 any existing products in any market, or that any approvals which are obtained will be obtained at any particular time, or that any 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 strategic benefits, synergies or opportunities as a result of the strategic actions announced in January 2016, the creation and operation of NBS, or the transactions with GSK, Lilly and CSL. Neither can there be any guarantee that Novartis or any of the businesses involved in the transactions will achieve any particular financial results in the future. Neither can there be any guarantee that shareholders will achieve any particular level of shareholder returns. Nor can there be any guarantee that the Group, or any of its divisions, will be commercially successful in the future, or achieve any particular credit rating. In particular, management’s expectations could be affected by, among other things: unexpected regulatory actions or delays or government regulation generally; the potential that the strategic benefits, synergies or opportunities expected from the strategic actions announced in January 2016, the creation and operation of NBS, or the transactions with GSK, Lilly and CSL may not be realized or may take longer to realize than expected; the inherent uncertainties involved in predicting shareholder returns or credit ratings; the uncertainties inherent in research and development, including unexpected 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 which commenced in prior years and will continue this year; unexpected safety, quality or manufacturing issues; global

trends toward health care cost containment, including ongoing pricing pressures, in particular from increased publicity on pharmaceuticals pricing; uncertainties regarding actual or potential legal proceedings, including, among others, actual or potential product liability litigation, litigation and investigations regarding sales and marketing practices, government investigations and intellectual property disputes; general economic and industry conditions, including uncertainties regarding the effects of the persistently weak economic and financial environment in many countries; uncertainties regarding future global exchange rates, including the continued significant increase in value of the US dollar, our reporting currency, against a number of currencies; uncertainties regarding future demand for our products; uncertainties involved in the development of new healthcare products; uncertainties regarding potential significant breaches of data security or disruptions of our information technology systems; 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 press release 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.

## **About Novartis**

Novartis provides innovative healthcare solutions that address the evolving needs of patients and societies. Headquartered in Basel, Switzerland, Novartis offers a diversified portfolio to best meet these needs: innovative medicines, eye care and cost-saving generic pharmaceuticals. Novartis is the only global company with leading positions in these areas. In 2015, the Group achieved net sales of USD 49.4 billion, while R&D throughout the Group amounted to approximately USD 8.9 billion (USD 8.7 billion excluding impairment and amortization charges). Novartis Group companies employ approximately 119,000 full-time-equivalent associates. Novartis products are available in more than 180 countries around the world. For more information, please visit <http://www.novartis.com>.

Novartis is on Twitter. Sign up to follow @Novartis at <http://twitter.com/novartis>.

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