Novartis: Reimagining Medicine

January 9, 2017
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Agenda

1. Industry environment
2. 2016 in review
3. Priorities for 2017
The Novartis mission

To discover new ways...

...to improve and extend people’s lives
Demand for healthcare is increasing

1 billion by 2030

1 in 3 over 50 years old

Chronic disease cause of more than 70% of deaths

And new technologies are allowing us to target disease like never before

CRISPR

Immuno-Oncology

Targeted Protein Degradation

Cellular Therapies
However, these same forces are putting pressure on the industry

If unchecked, healthcare spending is forecast to double by 2030

Increased pressure on pricing + access

At Novartis, we are taking action to succeed in this environment

1. Build innovation power
to address unmet medical needs

2. Achieve global scale
to compete profitably across geographies

3. Become more focused & lean
with great control for faster decision making
1. Build innovation power

Integrated global drug development to stay at the cutting edge of innovation

- Established a Global Head of Drug Development to improve resource allocation, technology and standards
- Integrated clinical enabling functions (such as safety, pharmaco-vigilance and regulatory)
- New generation of research leadership
2. Achieve global scale

- Centralize manufacturing to:
  - Improve capacity planning
  - Lower costs and enhance quality
  - Develop next-generation technologies

- Expand Novartis Business Services to:
  - Create an in-country service platform for sales and marketing services across units

Created integrated manufacturing operations and more shared services
3. Become focused & lean

- **Elevated Oncology** to be a separate Business Unit within Innovative Medicines
- **Transferred Alcon’s Ophtha Pharma business** to Innovative Medicines Division
- **Moved ~USD 0.9bn of mature pharmaceutical products** to our Sandoz generics division

Integrated businesses that share therapeutic and commercial focus
A fundamental transformation: giving stronger control and greater transparency

Creating a new operating model:

- Innovation at our core
- Customer focused
- More efficient

Expect USD 1bn savings annually by 2020
Agenda

1. Industry trends
2. 2016 in review
3. Priorities for 2017
In January last year, we established 5 priorities for Novartis

1. Deliver strong financial results
2. Strengthen innovation
3. Improve Alcon performance
4. Capture cross-divisional synergies
5. Build a high-performing organization
We broadly delivered against these priorities, with some challenges

1. Deliver Strong financial results
   - Sales broadly in line despite US Gleevec® LoE

2. Strengthen innovation
   - Cosentyx®, Biosimilars, LEE011, BAF312, AMG 334
   - Vision Care progress, Surgical taking longer

3. Improve Alcon performance
   - Entresto®

4. Capture cross-divisional synergies
   - NBS costs flat

5. Build a high-performing organization
   - Transformed company, without disruption

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1 Sales as of Q3 2016

Novartis
Underlying performance solid, absorbing Gleevec impact while investing in launches

<table>
<thead>
<tr>
<th>9M 2016¹</th>
<th>vs. PY % cc</th>
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</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>0%</td>
</tr>
<tr>
<td>Core Operating Income</td>
<td>-4%</td>
</tr>
<tr>
<td>Net Income</td>
<td>+1%</td>
</tr>
<tr>
<td>Core EPS (USD)</td>
<td>-3%</td>
</tr>
<tr>
<td>EPS (USD)</td>
<td>+2%</td>
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</table>

(±2% excluding Gleevec®)
(±4% excluding Gleevec®)

At Q3 results, we reiterated our full year guidance, barring unforeseen events

¹. Continuing operations (see page 18 of the Q3 2016 Condensed Interim Financial Report); all growth shown vs. PY in constant currencies (cc)
Cosentyx®: On track for blockbuster status

- Q3 sales USD 301m
- Sustained efficacy:
  - PsO (4 years)
  - PsA (3 years)
  - AS (2 years)
- Launched in major markets, incl. US and Top-5 EU

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1. Based on Q3 sales
2. Weekly TRx across specialties, incl. Dermatology, Rheumatology and Other; 20 Feb ’15 – 23 Dec ’16. (Source: IMS)
3. Stelara® is a registered trademark of Johnson & Johnson; Taltz® is a registered trademark of Eli Lilly and Company
4. PsO – Psoriasis; PsA - Psoriatic Arthritis ; AS - Ankylosing Spondylitis
Entresto®: Slower uptake than expected, but access issues overcome and investment in place

- USD 102m (9M 2016)
- Access improved substantially
- Steady growth in prescribers and patients on treatment
- Data analysis and FortiHFy continue

Weekly US NBRx

1. Weekly NBRx 10 July ’15 – 23 Dec ’16 (Source: IMS)
2. Improvements in access across the world, incl. US (majority of patients with formulary access; negative impact of prior authorizations diminishing) and ex-US (launches continue into 1H ’17, recent launches incl. Spain in Oct ’16)
3. Recent analyses incl. Lewis EF et al. J Card Fail (2016) (QoL analysis) and McMurray et al AHA Scientific Sessions 2016 (risk reduction of all events, incl. first and repeat hospitalizations and CV death following hospitalization)
Biopharmaceuticals¹: leading the industry with key regulatory and data milestones in 2016...

**Etanercept**  
- Erelzi® obtained US approval; unanimous vote by FDA’s Arthritis Advisory Committee

**Rituximab**  
- Submission accepted by EMA and new data demonstrates bioequivalence to originator

**Infliximab³**  
- Ph III trial demonstrated equivalent efficacy and safety of infliximab to Remicade®

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1. Biopharmaceuticals includes biosimilars, biopharmaceutical contract manufacturing and Glatopa®
2. Enbrel®, Rituxan® and Remicade® are the property of the respective originator companies
3. Rights to biosimilar infliximab (PF-06438179) in the European Economic Area were acquired from Pfizer
4. As measured by ACR20 (American College of Rheumatology)
...and already on track for USD 1bn sales in 2016¹

- ~50% of sales from US
- Zarxio® US exceeded USD 100m since launch¹
- Glatopa® ~40% market share²

1. Based on Q3 results and 9M 2016
2. Share of 20mg glatiramer acetate market, based on volume and including customers not reported by IMS
2016 was a strong year for breakthrough treatments

<table>
<thead>
<tr>
<th>Oncology</th>
<th>Pharmaceuticals</th>
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</thead>
<tbody>
<tr>
<td>✔ LEE011 Positive Ph III data &amp; submission</td>
<td>✔ Ultibro® FLAME data demonstrates superiority over Seretide®³</td>
</tr>
<tr>
<td>✔ Tafinlar® + Mekinist® 63% ORR in BRAF V600E-mutant NSCLC¹</td>
<td>✔ AMG 334 Positive Ph III &amp; Ph II: In episodic and chronic migraine⁴</td>
</tr>
<tr>
<td>✔ Afinitor® FDA and EU approval in GI/lung NET²</td>
<td>✔ CNP520 FDA Fast Track Designation for Alzheimer’s disease⁴</td>
</tr>
<tr>
<td></td>
<td>✔ BAF312 Positive Ph III in SPMS⁵</td>
</tr>
</tbody>
</table>

1. Overall Response Rate in BRAF V600E-mutation positive non-small cell lung cancer
2. Treatment of unresectable or metastatic, well-differentiated (Grade 1 or Grade 2) nonfunctional neuroendocrine tumors (NET) of gastrointestinal (GI) or lung origin in adults with progressive disease
3. Seretide® is a registered trademark of GlaxoSmithKline
4. In collaboration with Amgen; Novartis has AMG 334 rights outside of US, Canada and Japan
5. SPMS - Secondary Progressive Multiple Sclerosis
Pursuing our “bolt-on” strategy to strengthen our pipeline

- **Dermatology**
- **Cardiovascular**
- **Hepatology**
- **Hematology**
- **Ophthalmology**

1. Announced an agreement to acquire, subject to closing conditions
2. Announced an agreement to license products, subject to closing conditions
Alcon®: Progress in Vision Care, but surgical taking longer to turn

**Vision Care**

- Contact lenses return to growth over last two quarters (Q2, Q3)

**Surgical**

- Weaker IOLs and equipment, though solid consumables growth
Alcon: Taking the right actions for long-term sustainable growth

Accelerating innovation and sales
- UltraSert® and PanOptix® accelerating momentum
- CyPass® device and NGENUITY® 3D visualization system launched
- Dailies Total1® Multifocal launched

Reinforcing strong customer relationships
- New customer experience system in place
- Hiring of field service engineers and clinical application specialists on track

Improving basic operations
- Strong supply and customer service levels exiting Q3
- New SAP system being rolled out globally; successfully launched in US, Canada, Switzerland and UK
Novartis Business Services: unlocking synergies while improving quality of services

**Streamlining & consolidation**

- **Consolidation of suppliers**, e.g., in facilities services (from 100+ to 3)
- **Standardization of services**, e.g., infrastructure services at manufacturing sites
- **Reduction of IT applications**

**Optimization of geographical footprint**

Selective offshoring to 5 global service centers continues:

- Hyderabad
- Kuala Lumpur
- Mexico City
- Prague
- Dublin
In 2016, we took bold steps in our ongoing strategy to transform our company

- **Built innovation power**
  to address unmet medical needs

- **Achieved global scale**
  to compete profitably across geographies

- **Became more focused and lean**
  with great control for faster decision making
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2017: Final year of Gleevec® LoE, with significant opportunities for future growth

Growth opportunities

✅ Cosentyx® & Entresto® uptake

✅ Planned major approvals: LEE011, Tafinlar® + Mekinist®, Rituximab, Erelzi®

✅ Planned major submissions: ACZ885, AMG 334, RLX030, CTL019, Infliximab

✅ Execution of Alcon growth plan
2017 Priorities

1. Deliver **Financial targets**

2. Strengthen **Research & Development**

3. Ensure **world-class launch and commercial execution**

4. Transform **Alcon into an agile medical device company**

5. Create **A stronger company for the future**
In summary: Why invest in Novartis?

- Company positioned for next phase of growth
- Pipeline under-appreciated
- Key challenges are under our control (Alcon, Entresto®)
- Lower risk profile (exposure to US pricing, Biosimilars, binary events)