

KEY PERFORMANCE INDICATORS CONSOLIDATED HIGHLIGHTS

Financial

KEY FIGURES ¹ (in USD millions, unless indicated otherwise)	2015	2014	% Change	
			USD	Constant currencies
Net sales to third parties from continuing operations	49 414	52 180	- 5	5
Operating income from continuing operations	8 977	11 089	- 19	- 2
Return on net sales (%)	18.2	21.3		
Net income from continuing operations	7 028	10 727	- 34	- 18
Net income/loss from discontinued operations ²	10 766	- 447		
Net income ²	17 794	10 280	73	91
Basic earnings per share ³ (USD) from continuing operations	2.92	4.39	- 33	- 17
Basic earnings per share ^{2,3} (USD) from discontinued operations	4.48	- 0.18		
Total basic earnings per share ^{2,3} (USD)	7.40	4.21	76	94
Core operating income from continuing operations	13 790	14 473	- 5	10
Core return on net sales (%)	27.9	27.7		
Core net income from continuing operations	12 041	12 653	- 5	9
Core earnings per share ³ (USD) from continuing operations	5.01	5.19	- 3	10
Free cash flow from continuing operations	9 259	10 934	- 15	
Free cash flow	9 029	10 762	- 16	

SHARE INFORMATION	2015	2014	% Change
Share price at year-end (CHF)	86.80	92.35	- 6
ADR price at year-end (USD)	86.04	92.66	- 7
Dividend ⁴ (CHF)	2.70	2.60	4
Payout ratio ⁵ based on continuing operations (%)	93	62	
Payout ratio ⁵ (%)	37	65	

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¹ This Annual Report includes non-IFRS financial measures such as core results, constant currencies and free cash flow. Novartis believes that investor understanding of the Group's performance is enhanced by disclosing these non-IFRS measures. Core measures exclude items that can vary significantly from year to year, such as the impact of certain significant exceptional and other items related to disposals and acquisitions, as well as other exceptional items over a USD 25 million threshold. Constant currency calculations have the goal of eliminating exchange rate effects so that an estimate can be made of underlying changes in the consolidated income statement excluding the impact of fluctuations in exchange rates. Free cash flow is an indicator of the Group's ability to operate without additional borrowing or the use of existing cash. Further details of non-IFRS measures, including reconciliation tables, can be found starting on page 165.

² Net income from discontinued operations and net income of the Group include exceptional divestment gains. Continuing and discontinued operations are defined on page 147.

³ 2015 weighted average number of shares outstanding: 2 403 million (2014: 2 426 million)

⁴ Dividend 2015: proposal to shareholders for approval at the Annual General Meeting on February 23, 2016

⁵ Payout ratio 2015 is calculated by converting into USD the proposed total gross dividend amount in CHF at the CHF-USD exchange rate of December 31, 2015 based on an estimated number of shares outstanding on dividend payment date and dividing it by the USD consolidated net income from continuing operations and net income attributable to shareholders of Novartis AG in the Group's 2015 consolidated financial statements.

Innovation

KEY FIGURES ¹	2015	2014
Projects entering portfolio ^{2,3}	25	13
Ongoing Phase III programs ⁴	37	37
US FDA breakthrough therapy designations ⁵	0	2
Major submissions (US, EU, JP) ⁶	14	15
Major approvals (US, EU, JP) ^{6,7}	20	14
New molecular entity (NME) approvals ⁸	6	4

Social⁸

ACCESS	2015	2014
Total patients reached (millions)	972	939
Patients reached through access programs (millions)	66	72
People reached through training, health education and service delivery (millions)	12	10
Top 20 global burden of disease conditions addressed by products and pipeline ⁹	100%	100%
PEOPLE		
Full-time equivalent positions / headcount ¹⁰	118 700 / 122 966	117 809 / 122 113
Turnover: % voluntary / % overall	7.3 / 13.5	7.0 / 13.0
Women in management: % of management ¹¹ / % of Board of Directors	41 / 27	40 / 18
Associate nationalities / associate nationalities in management ¹¹	144 / 109	147 / 109
Lost-time injury and illness rate (per 200 000 hours worked) ¹²	0.11	0.12
ETHICS		
Misconduct cases reported / allegations substantiated ¹³	1 299 / 755	1 547 / 1 131
Regulatory inspections without major findings (%)	98.4	97.9
ENVIRONMENTAL SUSTAINABILITY		
Greenhouse gas emissions, total Scope 1 and Scope 2 (1 000 t) ¹⁴	1 350.7	1 361.9
Water discharge (million m ³)	16.6	17.0

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FURTHER DETAIL

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¹ Includes Pharmaceuticals, Sandoz biosimilars and Alcon ophthalmic pharmaceuticals only

² Includes clinical Phase II programs only, post proof of concept. First patient, first visit (FPFV) has occurred. Also include small molecules, biologics; new fixed-dose combinations of existing active pharmaceutical ingredients (APIs); and new target indications, defined as new disease or new line of treatment (e.g., first- vs. second-line). Counted by indication and not compound

³ This number has been adjusted due to an internal reporting error. In 2014, we reported it as 30.

⁴ Includes projects with FPFV in a Phase III study but not yet filed in US, EU or Japan

⁵ Therapies under development by Novartis designated as breakthrough therapies by the US Food and Drug Administration

⁶ Includes small molecules, biologics; new fixed-dose combinations of existing APIs; and new target indications, defined as new disease or new line of treatment (e.g., first- vs. second-line)

⁷ This number has been adjusted due to an internal reporting error. In 2014, we reported it as 13.

⁸ Continuing operations

⁹ As defined by the US-based Institute for Health Metrics and Evaluation, excluding injuries

¹⁰ Headcount reflects the total number of associates in our payroll systems. Full-time equivalent adjusts headcount for associates working less than 100%. All data as of December 31

¹¹ Management defined locally

¹² Data include Novartis associates and third-party personnel managed by Novartis associates

¹³ Reporting has changed from assessing cases to assessing allegations. Because one case can have more than one allegation, the assessment per allegation is higher than the previously reported assessment per case. Furthermore, numbers are based on the date a misconduct case is reported, whereas previously they were based on the date a misconduct case was assigned for investigation. 2014 data have been restated following the new methodology.

¹⁴ Scope 1: combustion and process, and vehicles; Scope 2: purchased energy